

# COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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(Business Address: No. Street Company / Town / Province)

MR. MARK ANTHONY M. RAMOS

### Contact Person

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Month

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Day

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FORM TYPE

DEFINITIVE

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Month

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Day

Annual Meeting

8631-3179

8631-3179

Company Telephone Number

N/A
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N/A

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

### Total Amount of Borrowings

\_\_\_\_\_

Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned



## Philippine Realty & Holdings Corporation

### **NOTICE AND AGENDA OF ANNUAL STOCKHOLDERS MEETING**

Notice is hereby given that the Annual Stockholders Meeting (“ASM” or “Meeting”) of **PHILIPPINE REALTY AND HOLDINGS CORPORATION** (the “Company”) will be held on **Friday, June 30, 2023, at 3:00 p.m.** The Meeting will be conducted virtually and there will no longer be a physical venue for the ASM.

The Agenda of the Meeting is as follows:

1. Call to Order;
2. Certification of Notice of Meeting and Determination of Quorum;
3. Approval of the Minutes of the Previous ASM held on June 30, 2022;
4. Report of the President and approval of the 2022 Annual Report and the 2022 Audited Financial Statements;
5. Election of the Members of the Board of Directors for the ensuing year;
6. Approval and Ratification of all Acts, Contracts, and Deeds of the Board of Directors, Board Committees, Management and Officers during their terms of office;
7. Amendments to the By-Laws

7.1 Article Three Section three will be amended to read as follows:

“The President, who shall be a director, shall exercise general supervision of the business, affairs, and properties of the Corporation. In addition to such duties as may be delegated to him by the Board of Directors, he shall preside at all meetings of the directors and the stockholders of the corporation in case of the absence of the Chairman and the Vice-Chairman. He shall have general supervision over its several officers and employees. He shall initiate and develop corporate objectives and policies and formulate long-range projects, plans, and programs for the approval of the Board of Directors. He shall ensure that the administrative and operational policies of the corporation are carried out under his supervision and control. He shall execute all resolutions of the Board. The President shall submit to the Board as soon as possible after the close of its fiscal year, and to the stockholders at each annual meeting, a complete report of operations of the corporation for the preceding year, and the state of its affairs, and he shall, from time to time, report to the Board, all matters within his knowledge which the interests of the corporation may require to be brought to its notice. He shall do and perform such other duties as from time to time may be assigned to him by the Board of Directors.

8. Appointment of External Auditor.

9. Other business that may properly be brought before the Meeting; and

10. Adjournment

Only stockholders of record as of March 31, 2023 are entitled to notice of, and to vote at, the said Meeting.

Considering the COVID-19 global pandemic, stockholders may only attend the Meeting by remote communication, by voting *in absentia*, or through proxy. The conduct of the annual stockholders meeting will be streamed live, and stockholders may attend the Meeting by registering on or before 5:00 PM on June 16, 2023.

Stockholders who intend to participate in the virtual ASM may register by sending an email to [asmregistration@philrealty.com.ph](mailto:asmregistration@philrealty.com.ph) of their intention to participate on or before 5:00 PM of June 16, 2023, together with the requirements set forth in the Information Statement and published at the Company's website at <http://www.philrealty.com.ph>.

Upon successful registration and validation of the documents submitted through email above, the stockholder will receive an email confirmation containing the Zoom link and a code to log in and view the 2023 ASM.

Electronic copy of the Information Statement and the Management Report, and SEC Form 17-A and other relevant documents in relation to the annual stockholders meeting may also be accessed through the aforementioned website [www.philrealty.com.ph/investor-relations/](http://www.philrealty.com.ph/investor-relations/) and through the PSE EDGE portal.

Pasig, Metro Manila, June 02, 2023.



ATTY. REX P. BONIFACIO  
Corporate Secretary

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

**Information Statement Pursuant to Rule 20  
of the Securities Regulation Code**

1. Check the appropriate box  
\_\_\_\_ Preliminary Information Statement  
 X  Definitive Information Statement
2. Name of registrant as specified in its charter  
  
PHILIPPINE REALTY AND HOLDINGS CORPORATION
3. Country of Incorporation: Philippines
4. SEC Identification: 99905
5. Tax Identification No.: 000-188-233-000
6. Address of Principal Office: One Balete, 1 Balete Drive Corner N. Domingo St.  
Brgy. Kaunlaran District 4, Quezon City
- Address of Satellite Office: 1609 16<sup>th</sup> Floor, East Tower, Philippine Stock Exchange  
Centre, Exchange Road, Ortigas Center, Pasig City, 1605
7. Registrant's telephone number, including area code:  
  
(02) 8631-3179
8. Date, time and place of the Meeting of the security holders  
  
Date: June 30, 2023  
Time: 3 p.m.  
Place: Livestream by accessing online Zoom link (for participation by  
remote communication)
9. Approximate date on which the Information Statement is first to be sent or given to security  
holders  
  
June 8, 2023
10. Securities registered pursuant to Sections 4 and 8 of the RSA:
- a. Shares of stock outstanding as of April 30, 2023
- | Title of each Class | Number of Shares of Common Stock<br>Outstanding or amount of Debt Outstanding |
|---------------------|-------------------------------------------------------------------------------|
| Common              | 9,100,102,685 shares                                                          |
11. Are any or all of registrant's securities listed on the Philippine Stock Exchange?  
Yes  X  No \_\_\_\_
- If yes, disclose the name of such Stock Exchange and the class of securities listed therein:  
**The common stock of the Company is listed at the Philippine Stock Exchange, Inc. (PSE)**  
PLEASE NOTE THAT THE CORPORATION IS NOT SOLICITING PROXIES
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## **A. GENERAL INFORMATION**

### **Item 1. Date, Time and Place of Annual Stockholders' Meeting**

The 2023 Annual Stockholders' Meeting ("**ASM**" or "**Meeting**" for brevity) of Philippine Realty and Holdings Corporation ("**Company**" for brevity) will be held on June 30, 2023 at 3 p.m. The Meeting will be conducted virtually and there will no longer be a physical venue for the ASM.

The complete mailing address of the principal office of the Company is One Balete, 1 Balete Drive Corner N. Domingo Street, Barangay Kaunlaran, District 4, Quezon City and the address of the satellite office of the Company is 1609 16th Floor, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

The approximate date on which the Information Statement is first to be sent and given to the security holders shall be June 8, 2023.

### **Item 2. Dissenter's Right of Appraisal**

No corporate matters or action will be submitted in the Meeting that may call for the exercise of the Right of Appraisal under Title X of Republic Act No. 11232 or the "Revised Corporation Code of the Philippines" ("**Revised Corporation Code**").

Any shareholder of the Company shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided for in Section 80 of the Revised Corporation Code.

- (a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;
- (c) In case of merger or consolidation; and
- (d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The appraisal right, when available, may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: *Provided*, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall

be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: *Provided*, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: *Provided, further*, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation.

**Item 3. Interest of Certain Person in or Opposition to Matters to be Acted Upon**

- (a) No current director or officer of the Company, or nominee for election as director of the Company or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.
- (b) No director has informed the Company that he intends to oppose any action to be taken by the registrant at the Meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

**a. Number of shares outstanding as of March 31, 2023**

Common Shares: 9,100,102,685

Number of Votes Entitled: one (1) vote per share

- b.** All stockholders of record as of March 31, 2023 are entitled to receive notice of, and to vote at, the annual stockholders' meeting.

**c. Manner of Voting**

A stockholder entitled to vote at the Meeting shall have the right to vote in person, by proxy, through remote communication or *in absentia* the number of shares registered in his name in the stock and transfer book of the Company as of the record date, for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; provided, that the whole number of votes cast by him shall not exceed the number of said shares multiplied by the whole number of directors to be elected.

Pursuant to Section 23 and 57 of the Revised Corporation Code which allow voting through remote communication or *in absentia*, stockholders intending to participate by remote communication should notify the Company by email to [asmregistration@philrealty.com.ph](mailto:asmregistration@philrealty.com.ph) on or before 5:00 PM of June 16, 2023. A stockholder voting remotely or *in absentia* shall be deemed present for purposes of quorum.

Please refer to Annex F on the Requirements and Procedures for the Voting and Participation in 2023 ASM for complete information on voting via remote communication or voting *in absentia*, as well as on how to join the livestream for the 2023 ASM.

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

- i. The following persons are known to the Company to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting security as of May 31, 2023.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Owned	% Owned
Common	Greenhills Properties, Inc. E-2002A East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City / Stockholder	Greenhills Properties, Inc. E-2002A East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City / Stockholder	Filipino	5,933,556,884 shares	65.20%
Common	Phil. Depository & Trust Corp. 37/F Tower I, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati / PCD Nominee		Filipino/ Non-Filipino	2,250,723,773 shares	24.73%
Common	Campos, Lanuza & Co., Inc. E-2003B, PSE Centre, Exchange Road, Pasig City / Stockholder	Campos, Lanuza & Co., Inc. E-2003B, PSE Centre, Exchange Rd., Pasig City / Stockholder	Filipino/ American/ Spanish/ Other Alien	275,196,201 shares (net of shares under PCD)	3.02%

Note: Greenhills Properties, Inc. is represented by its President, Gerardo O. Lanuza Jr. and Treasurer, Antonio O. Olbes.

Campos, Lanuza & Co., Inc. is represented by its President, Antonio U. Reyes-Cuerva.

PCD Nominee holds 24.73% interest. PCD Nominee is the registered owner of shares beneficially owned by participants in the PCD. Campos, Lanuza & Co., a participant of PCD has a total of 1,389,528,671 shares under PCD equivalent to 15.26% of the Company's voting securities.

**Shares held by Directors and Executive Officers as of May 31, 2023:**

- ii. Security Ownership of Certain Record and Beneficial Owners and Management

Title of Class	Name of Beneficial Owner	Amount and Nature of Class		Citizenship	%age Owned
		Direct	Indirect		
Common	Gerardo Domenico Antonio V. Lanuza	226,786,043	65,083,203	Filipino	3.20
Common	Gerardo O. Lanuza, Jr.	2,174,024	204,911,203	Spanish/Filipino	2.27
Common	Edmundo C. Medrano	6,000,000	-	Filipino	0.06
Common	Gregory G. Yang	1,831,000	-	Filipino	0.02
Common	Antonio O. Olbes	506,388	-	Filipino	0.00
Common	Amador C. Bacani	229,980	-	Filipino	0.00
Common	Andrew C. Ng	84,000	-	Filipino	0.00
Common	Renato G. Nuñez	10,000	-	Filipino	0.00
Common	Jomark O. Arollado	10,000	-	Filipino	0.00
Common	Alfonso Martin E. Eizmendi	10,000	-	Filipino	0.00
	<b>Total</b>	<b>226,786,043</b>	<b>269,994,406</b>		<b>5.55</b>

iii. Voting Trust Holders of 5% or more

The Company is not aware of any person holding more than 5% of common shares under a voting trust or similar agreement.

iv. Change in Control

At present, there is no change in control nor is the Company aware of any arrangement that may result in a change in control of the Company since the beginning of the last fiscal year.

**e. Foreign ownership level as of May 31, 2023**

Security	Total outstanding shares	Shares owned by Foreigners	Percent of Ownership
Common Shares	9,100,102,685	72,502,605	0.80%

**Item 5. Directors and Executive Officers**

The By-Laws provide in part:

Each director is chosen by the stockholders at the annual meeting, or at such subsequent Meeting as may then be determined and shall hold office for one year until his successor is duly elected and qualified. (Section 1, Article II, By-Laws).

The Management Committee members and other officers, unless removed by the Board, shall serve as such until their successors are elected or appointed.

**(a) Information required of Directors and Executive Officers**

**i. Directors and Executive Officers**

Pursuant to Section 38 of the new Securities Regulation Code (“SRC”) and SEC Memorandum Circular No. 16-02 (Guidelines on the Nomination and Election of Independent Directors), the By-Laws has been amended on October 30, 2003 to provide for the Nomination Committee and Election of Independent Directors under Article II, Sections 5 and 6, which reads:

**“Section 5. Nomination Committee** - There shall be a Nomination Committee which shall be independent and shall have at least three (3) voting members, one of whom is an independent director. It shall promulgate guidelines or criteria to govern the conduct of the nomination. It shall pre-screen the qualifications and prepare a final list of candidates which shall contain all the information about all the nominees for Independent Directors.

The Committee shall be constituted at least one month before the date set for the annual stockholders’ meeting. The nomination of Independent Director/s shall be conducted by the Committee prior to a stockholders’ meeting.



Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nomination 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 annual stockholders' meeting."

In 2019, the Company amended the Corporate Governance Manual and subsumed the function of the Nominations Committee to the Corporate Governance Committee to create a Corporate Governance and Nominations Committee.

**"Section 6. Election of Independent Directors** - The election of Independent Directors shall be made in accordance with the by-laws of the Corporation, except as otherwise provided in other parts of these by-laws and subject to pertinent existing laws, rules and regulations of the Commission.

Cumulative voting shall not apply to the election of an independent director. Single balloting for the regular and independent director/s shall be made. In case however of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same Meeting to fill up the vacancy.

In case of resignation, disqualification or cessation of independent directorship, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Corporate Governance and Nomination Committee; otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office."

Following the recommendations of SEC Memorandum Circular 19, Series of 2016, issued on 22 November 2016 that approved the Code of Corporate Governance for Publicly-Listed Companies, the Corporate Governance and Nomination Committee was constituted by the Board of Directors on 20 November 2018 to assist the Board in the performance of its corporate governance responsibilities, granting the said Committee the functions that were formerly assigned to the Nomination Committee. The charter of the Corporate Governance and Nomination Committee was approved by the Board of Directors also on 20 November 2018.

At the June 30, 2022 organizational meeting of the Board of Directors, the following directors were elected as members of the Corporate Governance and Nomination Committee: Mr. Alfonso Martin E. Eizmendi, Independent Director (as Chairman), Mr. Renato G. Nuñez, Independent Director (Member) and Mr. Jomark O. Arollado, Independent Director (Member).

The following persons, who constitute the final list of candidates presented and approved by the Corporate Governance and Nomination Committee have been nominated to the Board for the ensuing year and have accepted their nominations:

Gerardo Domenico Antonio V. Lanuza  
Renato G. Nuñez  
Gerardo O. Lanuza, Jr.  
Antonio O. Olbes  
Edmundo C. Medrano  
Gregory G. Yang  
Andrew C. Ng  
Amador C. Bacani  
Jomark O. Arollado  
Alfonso Martin E. Eizmendi  
Chiara Rosario Julia L. Paredes

Mr. Alfonso Martin E. Eizmendi, Mr. Renato G. Nuñez, and Mr. Jomark O. Arollado were nominated as the three (3) Independent Directors to be elected at the Meeting. They were nominated by minority stockholders, Eduardo Lucero, Alfredo Alfonso and Patricia Sandejas, respectively.

Further, all the nominees possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations.

No one from the directors/executive officers for election at the Meeting has been involved in any legal or administrative proceedings in his/her personal capacity during the past five (5) years up to the present date that would materially affect his/her ability and integrity to serve as a director or executive officer.

A summary of the qualifications of the incumbent directors, nominees for directors for election at the annual stockholders meeting and incumbent officers is set forth in Annex "A"

**ii. Significant Employees**

Any director or officer who may be elected at the Meeting is expected to make significant contributions to the operations and business of the Company. Likewise, each employee is expected to do his share in achieving the Company's set goals.

**iii. Family Relationships**

Mr. Gerardo O. Lanuza, Jr., Chairman Emeritus of the Board, is the father of Mr. Gerardo Domenico Antonio V. Lanuza and first cousin of Mr. Antonio O. Olbes. Mr. Gregory Yang is the father-in-law of Mr. Gerardo Domenico Antonio V. Lanuza.

Ms. Chiara Rosario Julia L. Paredes, a nominee for director, is the sister of Mr. Gerardo Domenico Antonio V. Lanuza, and the daughter of Mr. Gerardo O. Lanuza, Jr.

**iv. Involvement in Certain Legal Proceedings**

None of the Directors or Executive Officers is or has been involved in any criminal or bankruptcy proceeding, or is or has been subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

In addition, RLT, its subsidiaries, and its affiliates, are not involved in any litigation

regarding an event that occurred during the past five (5) years that they consider material.

**(b) Certain Relationships and Related Party Transactions**

The Parent Company and its subsidiaries, in their ordinary conduct of business, have engaged in transactions with associates and other related parties principally consisting of advances and reimbursement of expenses. Purchase of services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions. Material related party transactions are reviewed and approved by the Related Party Transactions Review Committee and approved by the Board of Directors in accordance with the Company's Related Party Transactions Policy.

However, no other transaction, without proper disclosure, was undertaken by the Group in which any director or executive officer, any nominee for election as director, any beneficial owner of more than 5% of the Company's outstanding shares (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

The Company's Directors and employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interests are surfaced and brought to the attention of management. None of the Company's directors have entered into self-dealing and related party transactions with or involving the Company in 2022

The table below sets out principal ongoing transactions of the Company with related parties as of December 31, 2022. Additional information on RLT Related Party Transactions can be found on Note 15 of the RLT Consolidated and Note 16 of the RLT Separate Audited Financial Statements

RELATED PARTY RECEIVABLES	NATURE OF TRANSACTION	AMOUNT (In ₱ Millions)	RELATIONSHIP
Greenhills Properties, Inc.	Sales of condominium units to related parties are based on the effective price list and terms that would be available to third parties. Titles to the units remain with the Company and are not transferred until they are fully paid.	₱51.9	Principal Shareholder
Alexandra (USA), Inc.	Advances to subsidiaries and associates are unsecured, non-interest-bearing and to be settled in cash.	Cost - ₱ 132 Allowance for Impairment loss <u>(132)</u> Total ₱ -	Associate

Sultan's Power, Inc	Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash	Cost - Allowance for Impairment loss Total	₱ 76.3 <u>(66.8)</u> ₱ 9.5	Subsidiary
PRHC Property Managers, Inc.	Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash	Cost - Allowance for Impairment loss Total	₱ 14.3 <u>(0.0)</u> ₱ 14.3	Subsidiary
Universal Travel Corporation	Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash	Cost - Allowance for Impairment loss Total	₱ 30.1 <u>(30.1)</u> ₱ -	Subsidiary

**Property-for-share swap by and between Philippine Realty and Holdings Corporation and Greenhills Properties, Inc.**

The Board of Directors approved on April 18, 2018 the amendment of the Parent Company's Articles of Incorporation (**AOI**) for the purpose of increasing RLT's Authorized Capital Stock (**ACS**) that was necessary to accommodate the issuance of new, primary shares from the increased capital stock in favor of Greenhills Properties, Inc. (**GPI**), a corporation incorporated under the laws of the Philippines, in exchange for prime real properties that GPI will contribute into RLT as capital.

The property-for-share swap transaction involves GPI contributing into RLT two (2) vacant lots located in the BGC more particularly described as follows: 1) Lot 1 Block 8 containing 1,600 sq.m., located at the corner of 6th Avenue and 24th Street; and 2) Lot 4 Block 8 also containing 1,600 sq.m., located at 6th Avenue corner 25th Street. Lot 1 Block 8 is registered under the name of GPI. GPI also acquired Lot 4 Block 8 from its wholly owned subsidiary, Lochinver Assets Inc. (**LAI**), by way of merger approved by the SEC on 28 November 2012, with GPI as the Surviving Corporation and LAI as the Absorbed Corporation.

The said transaction also involves RLT issuing 4,177,777,778 new common shares from the increase in its ACS, in favor of GPI in exchange for the two (2) vacant lots in BGC that GPI will contribute into RLT as capital.

In the above-described transaction, RLT engaged the services of a PSE-accredited firm to come up with a Valuation and Fairness Opinion Report. The said PSE-accredited firm expressed the opinion that the method employed by RLT is a fair basis in determining the transaction price (and the transaction value) for the issuance of new shares from an increase in the ACS.

On May 14, 2019, the SEC approved the increase in the Parent Company's ACS from

₱4,000,000,000.00 divided into 8,000,000,000 shares with par value of ₱0.50 per share to ₱8,000,000,000.00 divided into 16,000,000,000 shares with par value of ₱0.50 per share. This was after the approval by a majority of the Board of Directors on April 18, 2018 and by the vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock on July 23, 2018.

On 22 June 22, 2021, the tax-free exchange of properties for shares transaction by and between RLT and GPI was completed.

On 22 June 22, 2021, RLT, through its external legal counsels, received from the Registry of Deeds for Taguig City, the land titles covering the two (2) vacant lots located in the BGC as described above, contributed by GPI as equity into RLT, already registered under the name of RLT.

Also on 22 June 22, 2021, in exchange for the two (2) BGC vacant lots, RLT issued 4,177,777,778 new common shares from its increased capital stock, in favor of GPI.

With the issuance of new shares in its favor, GPI now owns 5,933,556,844 shares in RLT, bringing its percentage ownership to 65.20% from 35.67%. The remaining shares of RLT are owned by various individuals and institutional stockholders.

As of March 31, 2023, 9,100,102,685 shares are subscribed and outstanding.

**(c) Ownership Structure and Parent Company**

As of May 31, 2023, Greenhills Properties Inc. (**GPI**) owns 65.20% of the total outstanding voting shares of the Company.

**(d) Resignation of Directors**

None of the directors have resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of security holders due to disagreement with the Company on any matter relating to the Company's operations, policies, or practices.

Mr. Alfredo S. Del Rosario resigned as a member of the Board of Directors and as President and Chief Executive Officer effective on February 28, 2023, due to health reasons.

## Item 6. Compensation of Directors and Executive Officers

### (a) Executive Compensation

	Year	Salary	Bonus	Per Diem	Other Annual Compensation	Total
(i). CEO and all individuals serving as the registrant's CEO or acting in a similar capacity during the last completed fiscal year.						
*Alfredo S. Del Rosario Jr.	2021- Actual	₱8.76M	None	₱0.07M	None	₱ 8.83M
**Gerardo Domenico Antonio V. Lanuza	2022- Actual	8.85M	None	0.07M	None	8.92M
	2023- Projected	8.85M	None	0.07M	None	8.92M
(ii) the registrant's four most highly compensated executive officers other than the CEO who were serving as executive officers at the end of the last completed fiscal year						
Edmundo C. Medrano (EVP, COO, Treasurer), Carlos T. Paca (VP Business Development); Erwin V. Ciar (VP Project and Construction Mgt); Marissa S. Bontogon (VP Controller)	2021- Actual	₱17.10M	None	₱0.07M	None	₱17.17M
	2022- Actual	17.40M	None	0.07M	None	₱17.47M
	2023- Projected	17.40M	None	0.07M	None	17.47M
(iii) All other officers and directors as a group unnamed						
	2021-Actual	₱6.69M	None	None	None	₱6.69M
	2022- Actual	6.80M	None	None	None	6.80M
	2023- Projected	6.80M	None	None	None	6.80M

*\*On February 21, 2023, the Board of Directors approved the resignation of Mr. Alfredo S.*

*Del Rosario, Jr. as Director, President and Chief Executive Officer for health reasons effective February 28, 2023;*

*\*\*Election of Mr. Gerardo Domenico Antonio V. Lanuza as President to serve the unexpired term of Mr. Del Rosario Jr.*

The Executive Officers are elected annually by the Board of Directors at its first meeting following the annual stockholders' meeting. Every officer, including the President, is subject to removal at any time by the Board of Directors. All officers hold office for one year and until their successors are duly elected and qualified; provided that any officer elected to fill any vacancy shall hold office only for the unexpired term of the office filled.

The compensation of the Company's executive officers is fixed by the Board of Directors. They are covered by contracts of employment and as such they are entitled to all the benefits accruing to salaried employees of the Company. The executive officers are

receiving Salaries and allowances monthly and 13<sup>th</sup> month benefits annually. The Salary column on the table above consists already of Salaries, allowances, and annual 13<sup>th</sup> month benefits.

**(b) Compensation of Directors**

Directors are entitled to a per diem of ₱6,000 and ₱4,000 allowance for meals and transportation for board meetings attended except for Independent Directors who receive per diem of ₱20,000.00. In addition, the members of the Board of Directors are entitled to a portion of the 5% of Net Income before Tax as profit-sharing incentive for directors, officers and staff.

The directors of the Registrant received per diem in the amount of ₱1,414,000, ₱1,252,000, ₱1,344,000 for 2022, 2021, and 2020, respectively.

**Item 7. Independent Public Accountants**

(a) The principal accountant and external auditor of the Company is Maceda Valencia & Co. The same accounting firm is being recommended for re-appointment at the annual stockholders meeting.

(b) Representatives of Maceda Valencia & Co. for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**(c) Changes in, and Disagreements with, Accountants on Accounting and Financial Disclosures**

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged Maceda Valencia & Co. as external auditor, and Mr. Antonio O. Makeda is the Partner-in-charge for the audit year 2022. There were no disagreements with the Maceda Valencia & Co. on any matter of accounting and financial disclosure.

**(d) Audit and Audit-Related Fees**

The professional fees of independent auditors Maceda Valencia & Co. for 2022 and 2021 amount to ₱1,050,000, exclusive of VAT, respectively. Out-of-pocket expenses are pegged at 15% of professional fees for 2022 and for 2021.

In addition to Tax consultation services, Maceda Valencia & Co. was also engaged to provide Transfer Pricing Study.

**(e) Tax fees**

In 2022, the Parent Company engaged the services of Maceda Valencia & Co. (₱250,000 exclusive of VAT) for tax consulting services.

Somera Javeloza & Associates was also hired by the Parent Company for tax consulting services in early 2022. Tax fees for Somera Javeloza & Associates were ₱205,000 for Tax Audit Assistance and ₱250,000 exclusive of VAT for Creditable Withholding Tax Refund for the year 2021.

**(f) The Audit Committee's approval of policies and procedures for the above services**

The Audit Committee approves the terms of engagement and scope of services of the independent auditors as endorsed by Management. For non-audit services, Management is required to disclose to the Audit Committee any non-audit engagement for the appointed independent auditors to ensure that their independence will not be compromised.

The Chairman of the Audit Committee is Renato G. Nuñez (Vice Chairman of the Board and Lead Independent Director). The members are Alfonso Martin E. Eizmendi (Independent Director), Jomark O. Arollado (Independent Director), and Amador C. Bacani (Director).

**Item 8. Compensation Plans**

No matters or actions with respect to any compensation plan pursuant to which cash or noncash compensation may be paid or distributed will be taken up during the Meeting.

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

**Item 9. Authorization or Issuance of Securities Other than for Exchange**

No matters or actions concerning authorization or issuance of securities will be taken up during the Meeting.

**Item 10. Modification or Exchange of Securities**

The Company will not be presenting any matter or act involving the modification of any class of the Company's securities or the issuance or authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class during the Meeting.

**Item 11. Financial and Other Information**

The audited financial statements as of December 31, 2022, Management's Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto as Annex "B". The Schedules required under Part II(7)(D)(Annex 68 J) of Revised SRC Rule 68 will be included in the Annual Report (SEC Form 17-A).

**Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

There is no proposed merger, consolidation, acquisition by sale, or liquidation of the Company that will be presented during the Meeting.



**Item 13. Acquisition or Disposition of Property**

There are no matters or actions to be taken up in the annual stockholders' meeting with respect to acquisition or disposition of any property by the Company requiring stockholders' approval under the Revised Corporation Code.

**Item 14. Restatement of Accounts**

As used herein and in other sections of this Information Statement, unless the context otherwise requires, the Group refers to the Company and its subsidiaries where the Company has control pursuant to Part II Item 10 of the Revised SRC Rule 68 (Consolidated Financial Statements).

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) and the Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) which became effective beginning January 1, 2018.

Please refer to Note 31 of the attached Company's audited financial statements on the Summary of Significant Accounting Policies for the accounting of the new PFRS and IFRIC which became effective in 2022.

**D. OTHER MATTERS****Item 15. Action with respect to Reports**

The following matters shall be submitted to the stockholders for approval/ratification:

- (a) Approval of the Minutes of the Stockholders Meeting held on June 30, 2022
- (b) Approval of the Annual Report of the Board of Directors and Audited Financial Statements as of December 31, 2022
- (c) Ratification of acts and proceedings of the Board of Directors, Board committees and officers since the last Annual Stockholders' Meeting held on June 30, 2022
- (d) Amendments to the By-Laws
- (e) Appointment of External Auditor for 2023; and
- (f) Other matters that may require consideration by the stockholders.

The Minutes of the 2022 Stockholders' Meetings are uploaded on the Company's website and may be viewed through the following link: [https://www.philrealty.com.ph/investor-relations/#investor-relations\\_](https://www.philrealty.com.ph/investor-relations/#investor-relations_) It is also attached in this report the Minutes of the 2022 Stockholders' Meetings as Annex K

The Minutes contain the following information:

- (a) A description of the voting and vote tabulation procedures used in the previous meeting
- (b) A description of the opportunity given to the stockholders to ask questions and a record of the questions asked and answers given;
- (c) The matters discussed and resolutions reached;
- (d) A record of the voting results for each agenda item; and
- (e) A list of the directors, officers, and stockholders who attended the meeting.

### **Dividend Policy**

Dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, in property, or in stocks based on outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than 2/3 of the outstanding capital stock at a regular or special meeting duly called for the purpose.

Subject to the preferential dividend right of the Preferred Shares, each holder of a Common Share is entitled to such dividends. Aside from what is stated in the Company's amended by-laws and as provided in existing laws, the Company does not have a specific dividend policy. The Company's amended by-laws provide that the Board of Directors shall have the power and authority to fix and determine and from time to time vary, the amount to be reserved as working capital, to meet contingencies, to provide for the utilization of dividends and/or for other purposes, to such extent, in such manner and upon such terms as the Board of Directors shall deem expedient in order to determine the part of net profits or surplus which shall be declared and paid as dividends; and generally to fix and determine the use and disposition of any net profits or surplus.

The Company has not declared dividends since its last declaration on October 24, 1995.

### **A director or trustee attendance report**

The record of attendance of the directors at the meetings of the Board of Directors (the "Board") held from June 2022 to May 2023 is as follows:

<b>Directors</b>	<b>No. of Meetings Attended/Held</b>	<b>Percent Present</b>
Gerardo Domenico Antonio V. Lanuza	9/12	75%
Renato G. Nuñez	11/12	92%
Gerardo O. Lanuza Jr.	9/12	75%
Antonio O. Olbes	9/12	75%
Alfredo S. Del Rosario Jr.	9/9	100%
Gregory G. Yang	7/12	58%
Andrew C. Ng	10/12	83%
Amador C. Bacani	12/12	100%
Edmundo C. Medrano	12/12	100%
Jomark O. Arollado	12/12	100%
Alfonso Martin E. Eizmendi	11/12	92%

### **Director disclosures on self-dealings and related party transaction**

To the best of the Company's knowledge, there is no undisclosed transaction that was undertaken by the Company involving any director, executive officer, or any nominee for

election as director with which such director, executive officer, or nominee for director was involved or had material interest.

Directors and members of the Management are required to disclose any business or family-related transactions with the Company to ensure that the Board of Directors and Management are apprised of any possible conflict of interest.

For further information on the Group's related party transactions, please refer to Note 15 of the RLT Consolidated Audited Financial Statements and Note 16 of the RLT Separate Audited Financial Statements.

**Appraisals and performance reports for the board and the criteria and procedure for assessment.**

The Company did not conduct in 2022, formal self-assessment for the whole board, individual members, the Chairman, and the Committees. However, the Company remains committed to conduct self-assessment for the whole board, individual members, the Chairman, and the Committees as mentioned in Sec. 6.6 of the Company's Corporate Governance Manual that "The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment shall be supported by an external facilitator. The external facilitator can be any independent third party such as, but not limited to, a consulting firm, academic institution or professional organization."

The Company discussed and explored possible assistance from the Nasdaq Governance Solutions for Board self-assessment and peer assessment modules but the price quoted by the said organization was prohibitive.

With this, the Company undertakes to develop a formal self-assessment that can be used in the years to come.

**Item 16. Matters Not Required to be Submitted**

There are no matters or actions to be taken up in the Meeting that will not require the vote of the stockholders as of the record date.

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

**7.1 Article Three Section three will be amended to read as follows:**

"The President, who shall be a director, shall exercise general supervision of the business, affairs, and properties of the Corporation. In addition to such duties as may be delegated to him by the Board of Directors, he shall preside at all meetings of the directors and the stockholders of the corporation in case of the absence of the Chairman and the Vice-Chairman. He shall have general supervision over its several officers and employees. He shall initiate and develop corporate objectives and policies and formulate long-range projects, plans, and programs for the approval of the Board of Directors. He shall ensure that the administrative and operational policies of the corporation are carried out under his supervision and control. He shall execute all resolutions of the Board. The President shall submit to the Board as soon as possible after the close of its fiscal year, and to the stockholders at each annual meeting, a complete report of operations of the corporation for the preceding year, and the state of its affairs, and he shall, from time to time, report to the

Board, all matters within his knowledge which the interests of the corporation may require to be brought to its notice. He shall do and perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 3, Article 3 (Executive Officers) of the current By-Laws of RLT states that the President shall be the Chief Executive Officer (**CEO**) of the Corporation.

Conceptually, the CEO should be the top decision-maker in an organization and very often, in other jurisdictions, the CEO also serves as the Chairman of the Board. However, in the Philippines, the Securities and Exchange Commission (**SEC**) requires that the positions of Chairperson of the Board and Chief Executive Officer should be held by separate individuals.

In RLT, the Chairman of the Board has traditionally been a significant stockholder and is understandably very active in the decision-making process. The Chairman of the Board in RLT is the person who sets the vision and the direction for the Corporation, as well as the values and the culture of the organization.

In RLT, the “President and CEO” reports to, and is a subordinate of, the Chairman of the Board. The “President and CEO” is the person in charge of implementing all administrative and operational policies of the Corporation.

The effect of the amendment of the By-Laws is to remove the functional title of Chief Executive Officer or CEO and for the said title to no longer be attached to the President. This is in order to clearly define reporting lines.

#### **Item 18. Other Proposed Action**

(a) Ratification of the acts of the Board of Directors and Officers

Major acts of the board of directors, board committees and officers to be ratified in the forthcoming Meeting of the stockholders.

- i. Election of Chairman and Members of Board of Committees and Management Committees;
- ii. Availment of loan/credit Facilities with Philippine Bank of Communications with Authority to sell and assign receivables, enter into any contract or agreement for the purchase or sale of any currency, deal in financial transactions including but not limited to forward contracts, swaps, options and the like, both in local and foreign currency, covering currency, interest rate and credit risks, and deliver and execute any security or collateral for the foregoing transactions or any other obligations of the Company to Philippine Bank of Communications, over any property belonging to the Company;
- iii. Approval of the Audit Fees of Maceda Valencia & Co. as Independent Auditors of the Company for the Year 2022;
- iv. Registration of the altered condominium plans and Amended Master Deed with Declaration of Restrictions of One Belete Condominium with the Register of Deeds;
- v. Purchase by the Company of a condominium unit and a parking slot from Lucky Securities, Inc;
- vi. Institution of legal proceedings for the cancellation of Sec. 7 R.A. 26 annotation on the four (4) lots of the Company in La Union;
- vii. Ratification by the Board of Directors of the Agreement, Acknowledgement and

- Release Waiver and Quitclaim signed by Engr. Erwin V. Ciar in relation to the full and complete satisfaction by the Company of the Final Award rendered by the Construction Industry Arbitration Commission in favor of Cardian Builders Corporation;
- viii. Application for additional listing of shares and designation of authorized signatories for all documents and agreements, including Listing Agreement, with the Philippine Stock Exchange (**PSE**) , to implement the February 15, 2022 approval of the Board of Directors to apply for additional listing of 4,177,777,778 common shares with the PSE;
  - ix. Approval of the holding of the Annual Stockholders Meeting for 2023;
  - x. Appointment of the Chairman of the Board, Gerardo Domenico Antonio Lanuza, as the next President of the Company to serve the unexpired term of Alfredo S. Del Rosario Jr. who resigned as Director and President and Chief Executive Officer of the Company effective the close of business on February 28, 2023;
  - xi. Approval of the amendments to Section 3, Article III of the By Laws of the Company to remove the position of Chief Executive Officer and to define the role of the President;
  - xii. Approval and issuance of the 2022 Audited Financial Statements of the Company, and the appointment of signatories to the Statement Management's Responsibility for the Financial Statements, Statement Management's Responsibility for the Annual Income Tax Return, and Management Presentation Letter;
  - xiii. Approval of the Management's proposal to:
    - b. open and maintain deposit account with Philippine Bank of Communications (**PBCOM**);
    - c. to constitute mortgage, pledge, hold-out, assignment or other security interest over real properties, chattels, shares of stocks, deposits, receivables, rights and interests and other tangible and intangible properties of the Corporation as security for the payment of the Corporation's obligations to PBCOM under the loans/credit accommodations;
    - d. to enter into any contract for the renewal, substitution, extension, increase, amendment, conversion or revival of the foregoing transactions, including whenever necessary, the restructuring of any loan obligation contracted;
    - e. to sell and assign its receivables to PBCOM pursuant to its various contracts such as, but not limited to, Trade Financing Receivables, Check Discounting Line, Contract-to-Sell Facility, etc.;
    - f. to enter into any contract or agreement for the purchase and sale of currency;
    - g. to deal in financial derivatives transactions including, but not limited to, forward contracts, swaps, options, and the like, both in local and foreign currency, covering currency, interest rates and credit risks with PBCOM; and
    - h. appointment of corporate officers to sign various documents to implement the aforementioned transactions;
  - xiv. Appointment of PBCOM-Trust and Wealth Management Group as Trustee to administer and manage the Philrealty Retirement Trust Fund ("Fund") which was established by the Philrealty Retirement Plan ("Plan") , and appointment of any two (2) directors, constituting the Retirement Committee, to implement and carry out the provision of the Plan, and to sign, execute, and/or deliver any and all documents in the name of the Corporation in connection with the Plan and the Fund;
  - xv. Promotion of Mr. Mark Anthony M. Ramos from Assistant Vice President for Accounting and Compliance Officer and Data Protection Officer to Vice President for Accounting and Compliance Officer and Data Protection Officer;
  - xvi. Appointment of the members of the Board of Directors of the Andrea North Condominium Corporation;

- xvii. Confirmation of the Board's approval of the reclassification of additional condominium units and parking slots at The Icon Plaza from Investment Properties to Real Estate Inventories;
- xviii. Appointment of Authorized Representatives for the sale of the Corporation's condominium units and parking spaces at One Balete Condominium Project (formerly Andrea North Condominium Project) and Tektite Towers;
- xix. Authorizing the Corporation:
  - a. to open and maintain deposit and investment accounts with the main office and/or any of the branches and/or the trust department of any of the following banks, to wit:
    - 1. Bank of the Philippine Islands;
    - 2. BDO Unibank, Inc.;
    - 3. Maybank Philippines, Inc.;
    - 4. Metropolitan Bank and Trust Company;
    - 5. Philippine Bank of Communications;
    - 6. Philippine National Bank;
    - 7. Rizal Commercial Banking Corporation;
    - 8. Security Bank Corporation;
    - 9. UnionBank of the Philippines, hereinafter collectively referred to as "Banks/Financial Institutions",
  - b. to obtain new/additional loans/credit facilities or other credit accommodations from the above-mentioned Banks/Financial Institutions;
  - c. to obtain renewal, conversion, extension of payment or restructuring of the loan/credit accommodation or agree to a novation of its terms and conditions;
  - d. to constitute a mortgage (registered or unregistered), pledge, negative pledge, hold-out, assignment, or other security arrangements over real properties, chattels, shares of stocks, deposits, receivables, rights, and interests, and other tangible or intangible properties of the Corporation as security for the payment of the Corporation's obligations to the Banks/Financial Institutions under the Loan/Credit Accommodation; and
  - e. to appoint authorized representatives to represent the Corporation in the abovementioned transactions and transactions and to sign, execute and deliver the loan/credit documents, security documents, promissory notes, trust receipts, disclosure statements, affidavits, certifications, checks, withdrawal slips, drafts, bills of exchange, instructions for fund transfers, orders of payments, orders of withdrawal and all other papers and documents that may be required by the Banks/Financial Institutions to give effect to the transactions contemplated above

## Item 19. Voting Procedures

Voting in the 2023 ASM will be conducted virtually. The procedures for registration, participation and voting in the 2023 Annual Stockholders Meeting of the Company are detailed in “**ANNEX F**” of the Information Statement.

In the election of directors, the (11) nominees with the greatest number of votes will be elected directors. If the number of nominees for election as directors does not exceed the number of directors to be elected, the Secretary of the Meeting shall be instructed to cast all votes represented at the Meeting equally in favor of all such nominees.

For corporate matters that will be submitted for approval and for such other matters as may properly come before the Meeting, a vote of the majority of the shares present at the Meeting is necessary for their approval.

All agenda items indicated in the Notice of Meeting will be included in the Online Stockholder Voting System and the registered stockholder may vote as follows:

- ii. For items other than election of the Directors, the stockholder may vote: “For”, “Against”, or “Abstain”. The vote shall be considered as cast for all the stockholder’s shares.
- iii. For the election of Directors, the stockholder may vote for all the nominees, not vote for any of the nominees, or vote for some of the nominees only, in such number of shares as the stockholder may see fit, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of Directors to be elected.

The Company undertakes to provide, free of charge, the Annual Report on SEC Form 17-A and SEC Form 17-Q ending March 31, 2023, should the stockholder request for one. The written request should be forwarded by mail to Atty. Rex P. Bonifacio, Corporate Secretary, Philippine Realty and Holdings Corporation at Pastelero Law Office, Unit E-1503, 15<sup>th</sup> Floor, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, or via email at [corporatesecretary@philrealty.com.ph](mailto:corporatesecretary@philrealty.com.ph). At the discretion of management, a charge may be made for exhibits, provided such charge is limited to reasonable expenses incurred by the registrant in furnishing such exhibits.

**This information statement and the Annual Report in SEC Form 17-A will also be posted at the Company’s website at <http://www.philrealty.com.ph/>**

## **SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, and based on available records, I certify that the information set forth in this report is true, complete, and correct. This report is signed in the City of Pasig on June 07, 2023

## **PHILIPPINE REALTY AND HOLDINGS CORPORATION**

Issuer



**ATTY. REX P. BONIFACIO**  
Corporate Secretary



## ANNEX “A”

### DIRECTORS AND KEY OFFICERS (as of December 31, 2022)

The write-ups below include positions held as of December 31, 2022 and in the past five years, and personal data as of December 31, 2022 of directors and executive officers.

#### Board of Directors

Gerardo Domenico Antonio V. Lanuza*	Chairman
Renato G. Nuñez	Vice-Chairman / Independent Director
Gerardo O. Lanuza, Jr.	Chairman Emeritus
Antonio O. Olbes	Vice-Chairman Emeritus
Alfredo S. Del Rosario, Jr.*	Member
Edmundo C. Medrano	Member
Gregory G. Yang	Member
Andrew C. Ng	Member
Amador C. Bacani	Member
Jomark O. Arollado	Independent Director
Alfonso Martin E. Eizmendi	Independent Director

\* *On February 21, 2023, the Board of Directors approved the resignation of Mr. Alfredo S. Del Rosario, Jr. as Director, President and Chief Executive Officer for health reasons effective February 28, 2023; and election of Mr. Gerardo Domenico Antonio V. Lanuza as President to serve the unexpired term of Mr. Del Rosario Jr.*

#### **Gerardo Domenico Antonio V. Lanuza / 39 – Filipino**

Chairman of the Board of Philippine Realty and Holdings Corporation since June 2019 and a member of the Board of Directors since January 2009. He was Executive Vice President and Chief Operating Officer of Philippine Realty and Holdings Corporation from 2014 to 2019 and was Vice President for Special Projects in 2010. He is a director at various companies such as Greenhills Properties Inc., British United Automotive Corp., A Brown Co. Inc., Klassik Motors Corp., and Campos, Lanuza & Co. Inc., where he also serves as the Vice President for Sales. He earned his Bachelor of Science degree in Legal Management at the De La Salle University, Manila in 2006.

Mr. Lanuza was elected by the Board of Directors of Philippine Realty and Holdings Corporation as President effective March 1, 2023.

#### **Renato G. Nuñez / 53 (Independent Director) - Filipino**

Vice-Chairman and Independent Director of Philippine Realty and Holdings Corporation since 2015. Mr. Nuñez is also the current Chairman and Independent Director of PRHC Property Managers Inc. He is currently the President of CATS Motors, Inc., Techglobal Data Center, Inc., Techzone Philippines, Inc., LIA Philfoods, Inc., and Everland Estate Development Corp. Moreover, he is also a current Director of All British Cars, Inc., Cambie Property, Inc. Coventry Motors Corp., and Total Consolidated Asset Management, Inc. Previously, he served as Vice President of Leisure & Resorts World Corp., as well as Midas Hotel & Casino. He was once the

Managing Director of Blue Chip Gaming & Leisure Corp., Vice President and Director of AB Leisure Global, Inc., President of Arwen Gaming & Leisure Specialist, Inc., Vice President for Finance of Binondo Leisure and Resort Corp., and Vice President of AB Leisure Exponent., Inc. He completed his BS Industrial Management Engineering Degree Minor in Mechanical Engineering at De La Salle University in 1991.

**Gerardo Lanuza, Jr. / 76 – Spanish / Filipino**

Chairman Emeritus of the Board of Philippine Realty and Holdings Corporation. Mr. Lanuza has been a Director of Philippine Realty and Holdings Corporation since 1981. He is the Chairman of the Board of Universal Travel Corporation and Chairman and President of Greenhills Properties Inc. He sits as a Director in the following corporations: Gerzon Management Corporation, Broadford Property Holdings Inc., Merdom Corporation, Al Husn Manila, Inc., Domera Trading Corporation, Chiamil Trading Corporation, Nicora Trading Corporation, Xcell Property Ventures Inc., Julnad Assets Holdings Inc., Mernic Assets Holdings Inc., La Bodequita del Medio Inc., Merlan Holdings Inc., Peridot Asset Holdings Inc., Penzance Properties Holdings Corporation, Ju-Lan Assets Holdings Co. Inc., and Stonehaven Realty Services Inc. He is the nominee of Campos Lanuza & Co. Inc. to the Philippine Stock Exchange. He also serves as Treasurer of Lanuza Asset Holding Co. He was formerly Chairman of International Exchange Bank (IBank), Vice Chairman of Philippine Racing Club Inc., Vice President and Director of Makati Stock Exchange, Inc. and Director of Vulcan Industrial & Mining Corporation, Golden Arrow Mining Co., Inc., Apex Mining Co. Inc., Concrete Aggregates Corp., Philippine Overseas Drilling and Oil Development Corp., Surigao Consolidated Mining Co., Inc. and A Brown Company, Inc. He is a member of the Pasay-Makati Realtors Board, Inc. and Chamber of Real Estate and Builders Association, Inc. He graduated from De La Salle College with a degree in Bachelor of Science in Mechanical Engineering in 1969.

**Antonio O. Olbes / 76 - Filipino**

Vice-Chairman Emeritus of the Philippine Realty and Holdings Corporation. Mr. Olbes has been a Director of RLT since 1986. He had previously served as Chairman and President of Meridian Assurance Corp. from 1994-2008, and President of Raco Trading Phils., Inc. He was formerly a manager at Sycip, Gorres, Velayo & Co., and was Executive Vice President, in charge of trading, at Francisco de Asia and Co. He held a number of directorships, which includes seats in the following groups: PRHC Property Managers, Inc., Greenhills Properties Inc. (Treasurer), Universal Travel Corporation (Vice-Chairman), ICON Tower Residences, Green Vista Development Corporation, SEBLO Business Holdings Corporation, and Xcell Properties. He has also been named Honorary Consul General (in the Philippines) for the Republic of Nicaragua. He earned his Bachelor of Arts degree in Economics at Holy Cross College, Massachusetts, USA, and his master's degree in business administration from Bobson College, Massachusetts, USA. He completed his Advanced Management Program at Oxford University, United Kingdom, in July 1995.

**Alfredo S. Del Rosario / 67 – Filipino**

President and Chief Executive Officer of Philippine Realty and Holdings Corporation from August 1, 2016 to February 28, 2023. Mr. Del Rosario was Chairman of Recon-X Energy Corporation and a member of Board of Directors of PRHC Property Management, Inc., Universal Travel, Inc., Sultan Power, Inc. He is a Director at Rizal MicroBank, and Camera Club

of the Philippines Center, Inc. Prior to joining RLT, he worked for Rizal Commercial Banking Corporation (**RCBC**) as Executive Vice President, heading several groups of the bank, including Commercial Banking, Overseas Filipino Banking, and Asset Management and Remedial. Before joining RCBC, he also headed the Trust and Investment Division and Information Technology Division of AB Capital and Investment Corporation as a Senior Vice President. He also held various positions in AsianBank, Bank of America NT & SA Manila, Philippine Airlines, and Ayala Investments & Development Corporation. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Management in 1976. He has taken up units towards an MBA degree at the Ateneo Graduate School and subjects leading to a Juris Doctor degree at the Ateneo Law School.

Mr. Del Rosario resigned as Director, President and Chief Executive Officer of Philippine Realty and Holdings Corporation for health reasons effective February 28, 2023.

**Edmundo C. Medrano / 69 – Filipino**

Mr. Medrano, a Director of Philippine Realty and Holdings Corporation since June 2019, is the Executive Vice President and Chief Operating Officer, Chief Financial Officer and Treasurer of the Company. He was elected in 2018 as an Independent Director at Credit Information Corporation representing the private sector and Chairman of its Audit Committee. He is currently a member of the Board of Directors of Casa Miguel Condominium Corporation, Universal Travel Corporation, Sultan's Power Inc. and Recon-X Energy Corporation. He previously held the positions of Executive Vice President at Philtrust Bank; Vice Chairman, President and Chief Operating Officer at Producers Savings Bank Corporation; Senior Vice President at Asiatruster Development Bank; Senior Vice President at AB Capital and Investment Corporation and Head of Investment Banking and concurrently General Manager of AB Leasing and Finance Corporation; and First Vice President at AsianBank Corporation. He took his Masters of Business Management at the Asian Institute of Management from 1974 to 1976. He graduated from De La Salle College with a Degree of Bachelor of Science in Commerce major in Accounting in 1974, ***Cum Laude***, and Bachelor of Arts major in Economics in 1974, ***Cum Laude***.

**Gregory G. Yang / 66 – Filipino**

Mr. Yang has been a member of Board of Directors of RLT since August 2009. Formerly Senior Vice President and General Manager of the operating company, McGeorge Food Industries (local licensee of McDonald's). He opened the first McDonald's in 1981, having trained in Hong Kong and USA for one year and earning a degree in hamburgerology from McDonald's Hamburger University. His previous work experience includes serving as Assistant Manager of the International Corporate Bank, from 1978 to 1980, and Account Officer at the Makati Leasing and Financing Corporation from 1976 to 1978. He graduated from University of the Philippines in 1976 with a BS Business Administration degree.

**Andrew C. Ng / 39 – Filipino**

Mr. Ng was first elected as Director of RLT on August 2009. He is Vice President of Alpha Alleanza Manufacturing, Inc. Philippines since 2009. He was formerly the Assistant Operations Manager Trainee of Pinncale Foods, Inc., Philippines, serving from 2005 to 2009, and was a Management Trainee at Procter & Gamble Philippines in 2004. He earned his Bachelor of Science degree in Industrial Engineering at De La Salle University, Manila in 2005.

**Amador C. Bacani / 74 – Filipino**

Mr. Bacani, has served as a Director of RLT since 1998. He was formerly the President of Philippine Realty and Holdings Corporation from 2002 to 2014. He also worked in the same Company as Executive Vice President from 1995 to 2002. He is currently the President of Xcell Property Ventures, Inc. (a joint venture partner of the Company). Previously, he was First Vice President and Head of Consumer Banking Group of Rizal Commercial Banking Corporation and served as First Vice President & Head of Branches Operations Support Division as well. He held several other high-level positions in Campos, Lanuza & Co. Inc., Decision Systems Corporation, Security Bank and Trust Company, Allied Banking Corporation, Asian Merchant Finance Inc., Bank of the Philippine Islands, Citibank, N.A. (Manila), and Procter & Gamble Phils., Inc. He graduated with a Bachelor of Science degree in Mechanical Engineering, ***Summa Cum Laude***, from De La Salle College in 1969, and earned his Master of Science in Industrial Administration degree at the Carnegie-Mellon, USA, in 1972.

**Jomark O. Arollado / 39 (Independent Director) – Filipino**

Mr. Arollado has been an Independent Director of RLT since June 2017. Served as Plant Manager and Strategic Business Unit (“SBU”) Head of Rapid Forming Corporation since 2013. Previously, he was also a Plant Manager of Silangan Philtrade Corporation, serving from 2011 to 2012. His first professional stint at Rapid Forming Corporation was in 2006 as the SBU head. Prior, he worked as the ISO Document Controller at SGV & Co. in 2004. He graduated with a Bachelor of Science degree in Industrial Engineering at Dela Salle University Manila in 2005.

**Alfonso Martin E. Eizmendi / 58 (Independent Director) - Filipino**

Mr. Eizmendi has been an Independent Director of RLT since June 2017. President and CEO of Royal Link Industries Inc., Yields Financial Corporation, Park Cent Tower Realty Corp., and WGP Villa Realty Corp. Aside from Philippine Realty and Holdings Corp., he is also a Director of Meridian Assurance Corp. Secret 6 Inc., CleanPro, Director and President of The Icon Plaza Condominium Corp., Frimar Realty and Frimar USA. He was formerly the Vice-Chairman of Vi@je Corp. from 2000 to 2001, and Chairman of Blue Star Insurance Brokerage from 1998 to 2001. He graduated from De La Salle University in 1986 with a bachelor’s degree in Political Science.

**Chiara Rosario Julia L. Paredes /32 (Nominee for Director) - Filipino**

Ms. Paredes is currently a member of the Board of Director of Recon–X Energy Corporation and Vice President of Sultan’s Power Inc. She is currently a Research Assistant at De La Salle University and she was an Assistant Instructor in the same university. She graduated with a Bachelor of Science in Physics with Specialization in Materials Science, ***Summa Cum Laude***, from De La Salle University in 2013, and earned her Master of Science in Physics at De La Salle University in 2016. She finished her Doctoral degree (Doctor of Philosophy in Physics) from De La Salle University in 2022.

Gerardo Domenico Antonio V. Lanuza	Chairman and President <sup>1</sup>
Alfredo S. Del Rosario Jr.	Director, President and Chief Executive Officer <sup>2</sup>
Edmundo C. Medrano	Director, Executive Vice President and Chief Operating Officer and Treasurer
Erwin V. Ciar	Vice President and Head, Project Construction and Management
Adeline Susan C. Carag	Vice President and Head, Property Management Services
Carlos Miguel T. Paca	Vice President and Head, Business Development and Investment Relations Officer
Richard Nicolas K. Go	Vice President and Head, Sales
Marissa S. Bontogon	Vice President and Controller and Risk Officer
Rex P. Bonifacio	Corporate Secretary
Mark Anthony M. Ramos	Assistant Vice President for Accounting, Compliance Officer and Data Protection Officer

<sup>1</sup> Elected as President effective March 1, 2023, to serve concurrently as Chairman of the Board

<sup>2</sup> Resigned as Director, President, and Chief Executive Officer on February 28, 2023

#### **Erwin V. Ciar / 48 – Filipino**

Vice President and Head, Project Construction and Management of Philippine Realty and Holdings Corporation since September 2014. He is a Director, and the President, of Charcoal Food Services Inc. He is also Member of Board of Directors and Treasurer of PRHC Property Managers Inc. He is a Director at Andrea North Condominium Corporation, and Recon-X Energy Corporation. Mr. Ciar has extensive work experience for twenty-three years in the fields of project and construction management, construction supervision and contract management. He was the Vice Director for PCMD at Bitexco Group of Companies from 2008 to 2014. He graduated from the Pamantasan ng Lungsod ng Maynila in 1996 with a Bachelor of Science Degree in Civil Engineering.

#### **Adeline Susan C. Carag / 65 – Filipino**

Ms. Carag is currently Vice President and Head, Property Management Services of Philippine Realty and Holdings Corporation. She held this position since November 2016. She was formerly the President of PRHC Property Managers Inc. She graduated from Eulogio “Amang” Rodriguez Institute of Science and Technology (**EARIST**) in 1978 with a degree of Bachelor of Science in Chemical Engineering and Bachelor of Science in Industrial Education.

#### **Carlos Miguel T. Paca / 48 – Filipino**

Mr. Paca concurrently holds the positions of Vice President Head, Business Development, and Investor Relations Officer of Philippine Realty and Holdings Corporation. He held this position since March 2017. He is also the General Manager of PRHC Property Managers Inc. He also holds the position as Member of the Board of Directors of Philippine Stock Exchange Centre Condominium Corporation, Hola Comerciantes, Inc., and Meridian Assurance Corp. He graduated from De La Salle University with a degree of Bachelor of Science in Industrial Engineering with Minor in Mechanical Engineering in 1995.

**Richard Nicolas K. Go / 40 – Filipino**

Mr. Go is currently the Vice President and Head of Sales of Philippine Realty and Holdings Corporation. He held this position since June 2017. He previously worked as Sales Manager at Arthaland Corporation. He graduated from De La Salle University College of Saint Benilde in 2004 with a degree in Hotel, Restaurant and Institution Management.

**Marissa S. Bontogon / 50 – Filipino**

Vice President and Controller and Risk Officer of Philippine Realty and Holdings Corporation. She held her position as Vice President and Controller since September 2018 and as Risk Officer since August 2020. She is a Certified Public Accountant and Certified Financial Consultant. She received her Bachelor of Science in Accountancy Degree from De La Salle University in 1992.

**Atty. Rex P. Bonifacio / 51 – Filipino**

Atty. Bonifacio is the current Corporate Secretary of Philippine Realty and Holdings Corporation. Concurrently, he is also the Corporate Secretary of the Philippine Stock Exchange Centre Condominium Corporation and a Partner at Pastelero Law Office. He finished his Pre law at San Sebastian College Recoletos Manila in 1992 with a degree in AB Political Science, **Cum Laude**. In 1996, he completed his Bachelor of Laws degree at the San Sebastian College of Law.

**Mark Anthony M. Ramos / 40 – Filipino**

Mr. Ramos concurrently holds the positions of Vice President for Accounting, Compliance Officer and Data Protection Officer. He is a Certified Public Accountant and Certified Internal Auditor. He earned his Masters in Business Administration from the Ateneo Graduate School of Business in 2013. He graduated from the Philippine School of Business Administration with a Degree in Bachelor of Science in Accountancy in 2003, **Cum Laude**.

The Board of Directors of Philippine Realty and Holdings Corporation approved on March 21, 2023, the promotion of Mr. Ramos as Vice President for Accounting and Compliance Officer and Data Protection Officer from Assistant Vice President for Accounting and Compliance Officer and Data Protection Officer.

## ANNEX “B”

### MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Philippine Realty and Holdings Corporation (interchangeably referred to as the “**Company**” or the “**Parent Company**”) exhibited continuing profitability as seen in the Consolidated Statement of Income from years 2019 to 2022. This is despite the 2023 1<sup>st</sup> Quarter results where the Company reflected a Consolidated net loss after tax of **₱31 Million**. The Company is expected to recover in the next three quarters by launching active sales campaign for the remaining unsold units and assets of the Parent Company.

#### A. REVIEW OF 1<sup>st</sup> QUARTER 2023 OPERATIONS VS. 2022

##### I. REVIEW OF CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDING MARCH 31, 2023 VS. MARCH 31, 2022

For the period ended March 31 (In millions)				
	2023 (Unaudited)	2022 (Unaudited)	Change in Peso	Change in Percentage
<b>REVENUES</b>				
Sales of real estate	₱54	₱54	₱-	0%
Rent	16	14	2	14%
Management fees	10	9	1	11%
Interest income	7	2	5	250%
Commission	1	3	(1)	(33%)
<b>TOTAL</b>	<b>88</b>	<b>82</b>	<b>6</b>	<b>7%</b>
<b>COSTS AND EXPENSES</b>				
Cost of real estate sold	22	23	(1)	(4%)
Cost of services	17	16	1	6%
General and administrative	33	60	(26)	(43%)
Other expenses	32	-	32	100%
Finance cost	13	4	9	225%
Equity in net loss of associates	1	-	1	100%
<b>TOTAL</b>	<b>118</b>	<b>103</b>	<b>15</b>	<b>15%</b>
LOSS BEFORE INCOME TAX	(30)	(21)	(9)	43%
INCOME TAX EXPENSE	1	1	-	-
<b>NET LOSS</b>	<b>(₱31)</b>	<b>(₱22)</b>	<b>(₱9)</b>	<b>41%</b>
OTHER COMPREHENSIVE INCOME (LOSS)	2	5	(3)	(60%)
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(₱29)</b>	<b>(₱17)</b>	<b>(₱12)</b>	<b>71%</b>

1. **Consolidated net loss after tax.** The RLT Group posted a net loss after tax of **₱31 Million** for the three (3) months ended 31 March 2023.

The increase in the RLT Group’s net loss is largely attributable to the increase in finance costs and tax expense payments in the first three months of 2023 compared to the same period last year.

##### a. **Income**

- 1) **Sales of real estate.** Sales of Real Estate at ₱54 Million decreased by ₱1 Million or by 2% for the three (3) months of 2023 compared to the sales of real estate for the same period last year.

Sales of real estate pertains to units sold by the Parent Company at Skyline and SkyVillas Towers located in Quezon City, and at the Icon Plaza located in Bonifacio Global City (BGC).

- 2) **Rent.** Rental income increased by ₱2 Million or by 14% due to the origination of new lease contracts.
- 3) **Management fee.** This account increased by ₱1 Million due to the generation of an additional client.
- 4) **Interest income.** Interest income increased by 250% due to higher interest income collected from buyers arising from late payments.
- 5) **Commission income.** This account decreased by 33% due to decrease in clients by the Company's insurance brokerage firm.

**b. Costs and Expenses**

- 1) **Cost of real estate sold.** Cost of Real Estate Sold for the three months ended 31 March 2023 was at ₱22 Million.

However, the percentage of Cost of Real Estate Sold to Sales of Real Estate in 2023 at 25% is lower than the percentage of Cost of Real Estate Sold to Sales of Real Estate in 2022 which was at 29%. The reduction is explained by the fact that more Skyline units vis-à-vis SkyVillas units were sold in 2023 relative to 2022. Skyline units have lower standard costs compared to SkyVillas units.

- 2) **Cost of service.** The Cost of service slightly increased by ₱1 Million or by 6% due to higher expenses incurred by the Parent Company and its property management subsidiary for the three months ended March 31, 2023 compared to the same period last year.
- 3) **General and administrative expenses.** General and administrative expenses decreased by ₱26.0 Million or by 43% due to the reversal in the first quarter of 2023, of excess Provision for Impairment of Receivables booked in 2022.
- 4) **Other expense.** Other expenses increase by 32 million due to reversal of fair value gain booked in year 2022.
- 5) **Finance cost.** The increase in Interest expenses to ₱13 Million from ₱4 Million last year, or an increase of 225%, was due to the full charging in 2023 of Interest expenses to operations, compared to the previous year where portions of Interest expenses were capitalized into real estate projects considered as qualifying assets.



6) **Equity in net loss of associates.** The increase of ₱1 Million is due to increase in net loss of the Parent Company's associates.

7) **Other Comprehensive income.** This account decreased to ₱2 Million from ₱5 Million or a 60% decrease because of mark-to-market unrealized losses attributable to the Parent Company's stock investments.

c. **Subsidiaries.**

The contributions of the Company's subsidiaries to revenues and net income are shown below.

1) **PRHC Property Managers, Inc. (PPMI).** The RLT Group's property management company, PPMI, registered a Net income of ₱0.4 Million for the three months ended 31 March 2023.

It is lower compared to the Net income that the company registered for the same period last year.

2) **Tektite Insurance Brokers, Inc. (TIBI).** The RLT Group's insurance brokerage firm posted a net income of ₱0.4 Million for the three months ended 31 March 2023 which is lower by ₱1 Million compared to the ₱1.4 Million net income that TIBI registered for the same period last year.

II. **Review of Consolidated Statement of Financial Position for the Period Ending 31 March 2023 vs. 31 December 2022**

As of 31 March 2023 vs. 31 December 2022				
	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	Change in Peso	Change in Percentage
<b>Assets</b>				
Cash and cash equivalents	₱57	₱164	(₱107)	(65%)
Financial assets	44	43	1	2%
Trade and other receivables – net	521	543	(22)	(4%)
Real estate inventories	2,103	2,086	17	1%
Prepayments and other assets – net	440	413	27	6%
Investments in and advances to associates - net	56	58	(2)	(3%)
Property and equipment – net	58	60	(2)	(3%)
Investment properties – net	4,868	4,927	(59)	(1%)
Other Assets	294	299	(5)	(2%)
<b>TOTAL</b>	<b>₱8,441</b>	<b>₱8,593</b>	<b>(₱152)</b>	<b>(2%)</b>
<b>Liabilities</b>				
Trade and other payables	₱155	₱195	(₱40)	(21%)
Loans and Notes Payable	816	894	(78)	(9%)
Retirement benefit obligation	65	67	(2)	(3%)
Other liabilities	910	911	(1)	(0%)
<b>Total Liabilities</b>	<b>1,946</b>	<b>2,067</b>	<b>(121)</b>	<b>(6%)</b>

<b>Equity</b>				
Capital stock	5,056	5,056	-	-
Reserves	67	66	1	2%
Retained earnings	1,505	1,537	(32)	(2%)
Treasury stock	(110)	(110)	-	-
Equity attributable to non-controlling interest	(23)	(23)	-	-
<b>Total Equity</b>	<b>₱6,495</b>	<b>₱6,526</b>	<b>(₱31)</b>	<b>(1%)</b>
<b>TOTAL</b>	<b>₱8,441</b>	<b>₱8,593</b>	<b>(₱152)</b>	<b>(2%)</b>

1. **Total assets.** The RLT Group's Total assets stood at ₱8.44 Billion as of 31 March 2023, lower by ₱152 Million compared to the ₱8.59 Billion Total Assets reported by the Group as of 31 December 2022. The RLT Group's Real Estate Assets accounted for 83% of the Total Assets of the Group as of 31 March 2023.

**Cash and cash equivalents** decreased by 65% due to the settlement of Loans and Notes payable and Trade payables.

**Prepayments and other assets – net** increased by ₱27 Million due to capitalization of tax payment for the first quarter of year 2023.

2. **Total liabilities.** Total liabilities as of 31 March 2023 decreased by ₱121 Million compared to 31 December 2022. The decrease came largely from the repayment of Bank loans/Notes payable, and Trade payables by the Parent Company.

**Trade and other payables** decreased in the first quarter of 2023 to ₱155 Million from ₱195 Million due to the payments of suppliers and contractors.

**Loans and notes payable** decreased by ₱78 Million or by 9% due to net payments by the Parent Company of Bank loans/Notes payable in the first quarter of 2023.

3. **Total Equity.** Total Equity as of 31 March 2023 decreased by ₱31 Million compared to 31 December 2022 due to the Net loss recorded by the Group in the first quarter of 2023 amounting to ₱31 Million.

### III. **Performance Indicators**

The table below presents the comparative performance indicators of the RLT Group as of 31 March 2023 compared to 31 December 2022.

<b>Performance Indicators</b>	<b>31 March 2023 Unaudited</b>	<b>31 December 2022 Audited</b>
Current ratio <sup>1</sup>	3.48:1	3.61:1
Debt-to-equity ratio <sup>2</sup>	0.30:1	0.32:1
Asset-to-equity ratio <sup>3</sup>	1.30:1	1.32:1
Book value per share <sup>4</sup>	₱0.73	₱0.73
Earnings per share <sup>5</sup>	(₱0.01)	₱0.02

<sup>1</sup> Current assets / current liabilities

<sup>2</sup> Total debt / consolidated stockholders' equity

<sup>3</sup> Total assets / Total stockholders' equity

<sup>4</sup> Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding

<sup>5</sup> *Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding*

The table above reflects the conservative stance of the RLT Group in terms of the Group's liquidity and solvency positions.

1. **Current ratio.** The Group's Current ratio remained at a very conservative level at 3.48:1 despite a slight decrease from 3.61:1 as of 31 December 2022.
2. **Debt-to-equity ratio.** Similarly, the RLT Group's Debt-to-Equity Ratio remained very conservative at 0.30:1 for the periods under review.
3. **Asset-to-equity ratio.** The Asset-to-Equity Ratio reflected a very slight decrease at 1.30:1 compared to 1.32:1 recorded by the Group as of December 31, 2022.

The steady performance of the Debt-to-Equity and Asset-to-Equity Ratios of the Group for the periods under review clearly demonstrate that the Group's real estate business is being financed substantially by funds provided by its shareholders and by internally-generated funds with a small amount of debt.

4. **Book value per share.** The performance of the Company's Book Value per share has also been very encouraging. It has been steady at ₱0.73 per share.

There was no issuance, repurchase or payment of equity securities or dividends during the first three months of 2023.

There are no known events, trends or uncertainties that have material impact on liquidity and will trigger direct or contingent financial obligations including any default or acceleration of an obligation for the three months ended March 31, 2023. Moreover, for this period there is also no known material:

- i. Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons;
- ii. Commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures;
- iii. Events, trends or uncertainties that have material impact on Sales;
- iv. Any significant elements of income or loss that did not arise from the registrant's continuing operations;
- v. Seasonal Aspects that have material effect on the financial statements

## B. REVIEW OF 2022 OPERATIONS VS. 2021

### I. REVIEW OF CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDING DECEMBER 31, 2022 VS. DECEMBER 31, 2021

For the years ended December 31 (In millions)				
	2022 (Audited)	2021 (Audited)	Change in Peso	Change in Percentage
<b>Revenue</b>				
Sales of real estate	₱225	₱154	₱71	46%
Rent	56	55	1	2%
Management fees	35	37	(2)	(5%)
Interest income	16	17	(1)	(6%)
Commission	6	5	1	20%
Other income	541	637	(96)	(15%)
<b>TOTAL</b>	<b>879</b>	<b>905</b>	<b>(26)</b>	<b>(3%)</b>
<b>Costs and Expenses</b>				
Cost of real estate sold	106	113	(7)	(6%)
Cost of services	63	69	(6)	(9%)
General and administrative	336	304	32	10%
Finance cost	64	71	(7)	(11%)
Equity in net loss of associates	1	4	(3)	(75%)
Other expenses	3	91	(88)	(97%)
<b>TOTAL</b>	<b>573</b>	<b>652</b>	<b>(79)</b>	<b>(12%)</b>
INCOME BEFORE INCOME TAX	306	253	53	21%
INCOME TAX EXPENSE	125	60	65	108%
<b>NET INCOME</b>	<b>₱181</b>	<b>₱193</b>	<b>(₱12)</b>	<b>(6%)</b>
OTHER COMPREHENSIVE INCOME	13	11	2	18%
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱194</b>	<b>₱204</b>	<b>(₱10)</b>	<b>(5%)</b>

- 1. Consolidated net income after tax.** Philippine Realty and Holdings Corporation posted net income after tax of **₱181 Million** for the 12 months ended December 31, 2022 compared to **₱193 Million** net income after tax for the same period last year. The decrease in the Company's profitability is explained below.

#### a. Income

- 1. Sales of real estate.** The sales of real estate increased by **₱71 Million** or by **46%** for the 12 months ended December 31, 2022 compared to the sales of real estate for the same period in 2021. Sales of real estate pertains to units sold at the Skyline and SkyVillas Towers located in Quezon City, and at The Icon Plaza located in Bonifacio Global City.
- 2. Management fees.** Property management fees decreased by **₱2 million** or by **5%** due to the decrease in the number of clients of PRHC Property Managers, Inc. (PPMI).

3. **Interest income.** Interest income decreased by 6% due to lower interest income and penalties collected in 2022 from buyers due to late payments compared to last year.
4. **Commission income.** Commission income increased by ₱1 Million or 20% due to an increase in clients by the Company's insurance brokerage firm.
5. **Other income.** Other income for the twelve months ended December 31, 2022 decreased by ₱96 Million or by 15% compared to the twelve months ended December 31, 2021. Other income consists largely of Gain on fair value changes in Investment Properties that decreased by ₱92 Million in 2022 or by 15% compared to 2021. Investment Properties consist largely of land, commercial, office, storage condominium units as well as office and residential parking spaces held to earn rentals or for capital appreciation, or both. The Group's properties located in the Tektite Towers (formerly Philippine Stock Exchange Centre), a vacant lot in the Bonifacio Global City (BGC), residential and office/commercial units in The Icon Plaza located in the BGC, The El Retiro Mansion in Baguio City, and commercial lots in San Fernando City, La Union, are classified as Investment Properties.

**b. Costs and Expenses**

1. **Cost of real estate sold.** In terms of percentage to Sales of real estate, Cost of real estate sold decreased to 47% in 2022, whereas it was at 73% of Sales of real estate for the same period in 2021. The 6% decrease was attributed to lower standard cost applied to the units sold in year 2022.
2. **Cost of services.** The cost of service decreased to ₱63 Million from ₱69 Million from the same period last year due to lower expenses such as Condominium dues, Real property taxes, and Other costs in the year 2022.
3. **General and administrative expenses.** General and administrative expenses increased by ₱32 Million or by 10%, mainly due to the ₱19 Million increase in Taxes and licenses.
4. **Finance cost.** The ₱7 million decrease in Finance Cost was due to lower finance cost charged to operations in 2022.
5. **Equity in net loss of associates.** The 75% decrease was due to the decrease in the Net Loss from operations by one of the Parent Company's Associate companies.
6. **Other expenses.** The ₱88 million decrease in Other Expenses is explained by the reversal of the ₱89 million Gain on Sale of an Investment Property booked in 2014 due to the cancellation of the said installment sale transaction.
7. **Income Tax expense.** The increase in Income Tax Expense by ₱65 Million was due to the reduction in the income tax rate under the CREATE Act from 30% to 25% the full adjustments on which, affecting prior years, were made in 2021. The Group also reflected the impact of the changes in tax rates on its Deferred tax assets and Deferred tax liabilities in 2021.

- c. **Other Comprehensive income.** The increase was due to remeasurement gain on retirement benefit obligation on the Group's Retirement Fund.

d. **Subsidiaries.**

The contributions of the Parent Company's subsidiaries to revenues and net income are shown below.

1. **PRHC Property Managers, Inc. (PPMI).** The Parent Company's property management subsidiary registered a Total Comprehensive income of ₱8.8 Million for the twelve months ended December 31, 2022. It is higher by ₱11.7 Million compared to the Total Comprehensive loss of ₱2.1 Million registered by PPMI for the same period last year.
2. **Tektite Insurance Brokers, Inc. (TIBI).** The Group's insurance brokerage firm posted a Total Comprehensive Income of ₱0.999 Million for the twelve months ended December 31, 2022 which is higher by ₱0.484 Million compared to the ₱0.337 Million Total Comprehensive income registered by TIBI for the same period last year.

**II. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDING DECEMBER 31, 2022 VS. DECEMBER 31, 2021**

As of December 31 (In millions)				
	2022 (Audited)	2021 (Audited)	Change in Peso	Change in Percentage
<b>Assets</b>				
Cash and cash equivalents	₱164	₱203	(₱39)	(19%)
Financial assets	43	44	(1)	(2%)
Trade and other receivables – net	543	594	(51)	(9%)
Real estate inventories	2,086	2,136	(50)	(2%)
Prepayments and other assets – net	413	411	2	1%
Investments in and advances to associates - net	58	60	(2)	(3%)
Property and equipment – net	60	73	(13)	(18%)
Investment properties – net	4,927	4,406	521	12%
Other Assets	299	304	(5)	(2%)
<b>TOTAL</b>	<b>₱8,593</b>	<b>₱8,231</b>	<b>₱362</b>	<b>4%</b>
<b>Liabilities</b>				
Trade and other payables	₱195	₱222	(₱27)	(12%)
Loans and notes payable	894	813	81	10%
Retirement benefit obligation	67	71	(4)	(6%)
Other liabilities	911	797	114	14%
	<b>2,067</b>	<b>1,903</b>	<b>164</b>	<b>9%</b>
<b>Equity</b>				
Capital stock	5,056	5,056	-	-
Reserves	66	52	14	27%
Retained Earnings	1,537	1,350	187	14%
Treasury Stock	(110)	(110)	-	-

As of December 31 (In millions)				
	2022 (Audited)	2021 (Audited)	Change in Peso	Change in Percentage
Equity attributable to non-controlling interests	(23)	(20)	3	15%
	<b>₱6,526</b>	<b>₱6,328</b>	<b>₱198</b>	<b>3%</b>
<b>TOTAL</b>	<b>₱8,593</b>	<b>₱8,231</b>	<b>₱362</b>	<b>4%</b>

1. **Total assets.** The Group's Total assets stood at ₱8.6 Billion as of December 31, 2022, higher by ₱362 Million compared to the ₱8.2 Billion level of Total assets as of December 31, 2021.

**Cash and cash equivalents** decreased by ₱39 Million due to payments by the Company to their suppliers.

**Trade and Other receivables** decreased by ₱51 Million or by 9% due to the collection of receivables in 2022 and were also reduced by the additional Allowance for impairment loss booked in 2022.

The Company's Real estate assets accounted for 82% of the Total assets of the Company as of December 31, 2022, compared to 79% for the same period last year.

**Property and equipment** decreased by ₱13 Million mainly due to depreciation expenses booked during the year.

**Investment properties** increased by ₱521 Million or from ₱4.4 Billion in 2021 to ₱4.9 Billion in 2022 largely due to the recognition of gain on fair value on the Parent Company's existing Investment Properties.

2. **Total liabilities.** Total liabilities increased by ₱164 Million largely due to additional loans acquired by the Parent Company and an increase in Deferred tax liabilities on the fair value gain on Investment properties.

**Trade and other payables** decreased by ₱27 Million due to payments made to several suppliers and contractors.

**Loans and notes payable** increase by 10% because of additional Loans acquired by the parent Company in the year 2022.

**Retirement benefit obligation** was reduced to ₱67 Million from ₱71 Million due to the decrease in the present value of the defined benefit obligations.

**Other Liabilities** are comprised of Lease liability and Deferred tax liability. Other liabilities increased due to the booking of higher Deferred tax liabilities because of the recognition of Gain on change of market value of the Group's Investment properties.

3. **Total Equity.** Total equity was recorded at ₱6.5 Billion as of December 31, 2022, higher by ₱198 Million compared to the ₱6.3 Billion reported as of December 31, 2021.

**Reserves** increased by 27% due to the higher market value in 2022 compared to 2021, of the Parent Company's investments classified as Financial assets through other comprehensive income.

**Retained Earnings** increased by ₱187 million due largely to the Net Income reported by the Parent Company.

**Equity attributable to non-controlling interests** increased by 3 Million due to an increase in Net Loss of the Parent Company's subsidiaries in waste management.

### III. Performance Indicators

The table below presents the comparative performance indicators of the Company and its subsidiaries.

Performance Indicators	31 December 2022 Audited	31 December 2021 Audited
Current ratio <sup>1</sup>	3.61:1	5.31:1
Debt-to-equity ratio <sup>2</sup>	0.32:1	0.30:1
Asset-to-equity ratio <sup>3</sup>	1.32:1	1.30:1
Book value per share <sup>4</sup>	₱0.73	₱0.70
Earnings per share <sup>5</sup>	₱0.02	₱0.02

<sup>1</sup> *Current assets / current liabilities*

<sup>2</sup> *Total debt / consolidated stockholders' equity*

<sup>3</sup> *Total assets / Total stockholders' equity*

<sup>4</sup> *Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding*

<sup>5</sup> *Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding*

The table above reflects the continuing conservative posture of the RLT Group in terms of solvency, liquidity, and profitability.

- 1. Current ratio.** The Group's current ratio remains healthy despite showing a decrease from 5.31:1 in December 2021 to 3.61:1 in December 2022.
- 2. Debt-to-equity ratio.** The RLT Group's debt-to-equity ratio remained very conservative and almost unchanged at 0.32:1 as of end-2022 and 0.30: 1 in 2021.
- 3. Asset-to-equity ratio.** Similarly, the asset-to-equity ratio of the Company also remained very conservative at 1.32:1 in December 2022 from 1.30:1 as of December 2021.

The steady performance of debt-to-equity ratios and asset-to-equity ratios of the RLT Group for the periods under review clearly demonstrate that the Parent Company's real estate business is currently being financed primarily by funds provided by its shareholders and a small amount of debt.

- 4. Book value per share.** The performance of the RLT Group's Book value per share has also been a very encouraging as it showed an increase from ₱0.70 per share as of end-December 2021 to ₱0.73 per share as of 31 December 2022.

There was no issuance, repurchase or payment/repayment of either debt and equity securities nor dividends during the year 2022.

As of this report, there is no other known event that will trigger direct or contingent



financial obligation that is material to the Company. Moreover, there is no material off-balance sheet transaction, arrangement, obligation, and other relationship of the Company with unconsolidated entities or other persons created during this period.

5. **Earnings per share.** The RLT Group's Earnings per share remained unchanged at ₱0.02 in 2022.

There are no known events, trends, or uncertainties that have material impact on liquidity and will trigger direct or contingent financial obligations including any default or acceleration of an obligation for the twelve months ended period December 31, 2022. Moreover, for this period there is also no known material:

- i. Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons;
- ii. Commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures;
- iii. Events, trends or uncertainties that have material impact on sales;
- iv. Any significant elements of income or loss that did not arise from the registrant's continuing operations;
- v. Seasonal aspects that have material effect on the financial statements.

## C. REVIEW OF 2021 OPERATIONS VS. 2020

### I. REVIEW OF CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDING DECEMBER 31, 2021 VS. DECEMBER 31, 2020

For the years ended December 31 (In millions)				
	2021 (Audited)	2020 (Audited)	Change in Peso	Change in Percentage
<b>Revenue</b>				
Sales of real estate	₱154	₱265	(₱111)	(42%)
Rent	55	69	(14)	(20%)
Management fees	37	43	(6)	(14%)
Interest income	17	14	3	21%
Commission	5	4	1	25%
Other income	637	310	327	105%
<b>TOTAL</b>	<b>905</b>	<b>705</b>	<b>200</b>	<b>28%</b>
<b>Costs and Expenses</b>				
Cost of real estate sold	113	162	(49)	(30%)
Cost of services	69	83	(14)	(17%)
General and administrative	304	296	8	(3%)
Finance cost	71	37	34	(92%)
Equity in net loss of associates	5	3	2	67%
Other expenses	91	2	89	4,450%
<b>TOTAL</b>	<b>653</b>	<b>583</b>	<b>70</b>	<b>12%</b>
INCOME BEFORE INCOME TAX	252	122	130	106%
INCOME TAX EXPENSE	60	83	(23)	(28%)
<b>NET INCOME</b>	<b>₱192</b>	<b>₱39</b>	<b>₱153</b>	<b>392%</b>
OTHER COMPREHENSIVE INCOME	11	(2)	13	650%

<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱203</b>	<b>₱37</b>	<b>₱166</b>	<b>449%</b>
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1. **Consolidated net income after tax.** Philippine Realty and Holdings Corporation posted net income after tax of **₱192 Million** for the 12 months ended December 31, 2021 compared to **₱39 Million** net income after tax for the same period last year. The increase in the Company's profitability is explained below.

**a. Income**

1. **Sales of real estate.** While sales of real estate decreased by **₱111 Million** or by 42% for the 12 months ended December 31, 2021 compared to the sales of real estate for the same period in 2020, the reduction was more than adequately compensated for by other income. Sales of real estate pertains to units sold at the Skyline and SkyVillas Towers located in Quezon City, and at The Icon Plaza located in Bonifacio Global City.
2. **Rent.** Rental income decreased by **₱14 Million**. Rentals, particularly in the office spaces of the Parent Company was adversely affected by the pandemic.
3. **Management fees.** Property management fees decreased by **₱6 million** or by 14% due to the decrease in the number of clients of PRHC Property Managers, Inc. (**PPMI**).
4. **Interest income.** Interest income increased by 21% due to higher interest income and penalties collected from buyers due to late payments.
5. **Commission.** Commission income increased by 25% due to additional clients of the Company's insurance brokerage firm
6. **Other income.** Other income for the twelve months ended December 31, 2021 increased by **₱327 Million** or by 105% compared to the twelve months ended December 31, 2020. Other income consists largely of Gain on fair value changes in Investment Properties that increased by **₱324 Million** in 2021 or by 113% compared to 2020. Investment Properties consist largely of land, commercial, office, storage condominium units as well as office and residential parking spaces held to earn rentals or for capital appreciation (or both). The Group's properties that are located in the Philippine Stock Exchange Centre (**PSEC** which is also known as Tektite Towers), a vacant lot in the Bonifacio Global City (**BGC**), residential and office/commercial units in The Icon Plaza located in the BGC, The El Retiro Mansion in Baguio City, and commercial lots in San Fernando City, La Union, are classified as Investment Properties.

**b. Costs and Expenses**

8. **Cost of real estate sold.** In terms of percentage to Sales of real estate, Cost of real estate sold increased to 73% in 2021, whereas it was at 61% of Sales of real estate for the same period in 2020.

In late 2020 and in 2021, the Company experienced a number of sales cancellations, all due to the difficulty encountered by the Company's buyers in obtaining long-term bank financing to finance the 70% balance of the purchase price. This phenomenon resulted in an unusual cost of sales percentage. The decrease of 30% is related to Sales decreased from year 2020 to year 2021.

9. **Cost of Service.** This account decreased to 69 Million or by 17% due to lower expenses related to cost of rentals.
  10. **General and administrative expenses.** General and administrative expenses increased by ₱9 Million or by 3%, mainly due to the ₱18 Million increase in Impairment Losses on Trade Receivables.
  11. **Finance cost.** The ₱34 million increase in Finance Cost was due to the decision of the Parent Company to charge Finance Cost to current operations for conservatism since the Parent Company had to push back the commencement of new projects as a result of the pandemic.
  12. **Equity in net loss of associates.** The 67% increase was due to the increase in the Net Loss from operations of one of the Parent Company's Associate companies.
  13. **Other expenses.** The ₱89 million increase in Other Expenses is explained by the reversal of the ₱89 million Gain on Sale of an Investment Property booked in 2014 due to the cancellation of the said installment sale transaction in 2021.
  14. **Income Tax expense.** The decrease in Income Tax Expense was due to the reduction in the income tax rate under the CREATE Act from 30% to 25%. The Group also reflected the impact of the changes in tax rates on its Deferred Tax Assets and Deferred Tax Liabilities.
- c. **Other Comprehensive income.** The increase was due to remeasurement gain on retirement benefit obligation on the Group's Retirement Fund.
- d. **Subsidiaries.**

The contributions of the Parent Company's subsidiaries to revenues and net income are shown below.

1. **PRHC Property Managers, Inc. (PPMI).** The Parent Company's property management subsidiary registered a Total Comprehensive Loss of ₱2.1 Million for the twelve months ended December 31, 2021. It is lower by ₱12.28 Million compared to the Total Comprehensive Income of ₱10.18 Million registered by PPMI for the same period last year.
2. **Tektite Insurance Brokers, Inc. (TIBI).** The Group's insurance brokerage firm posted a Total Comprehensive Income of ₱0.34 Million for the twelve months ended December 31, 2021 which is higher by ₱3.79 Million compared to the ₱3.45 Million Total Comprehensive Loss registered by TIBI for the same period last year.

**II. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDING DECEMBER 31, 2021 VS. DECEMBER 31, 2020**

As of December 31 (In millions)				
	2021 (Audited)	2020 (Audited)	Change in Peso	Change in Percentage
<b>Assets</b>				
Cash and cash equivalents	₱203	₱207	₱ (4)	(2%)
Financial assets	44	48	(4)	(8%)
Trade and other receivables – net	560	1,253	(693)	(55%)
Real estate inventories	2,136	801	1,335	167%
Prepayments and other assets – net	411	409	2	1%
Investments in and advances to associates - net	60	64	(4)	(6%)
Property and equipment – net	103	81	22	27%
Investment properties – net	4,406	2,912	1,494	51%
Other Assets	308	328	(20)	(6%)
<b>TOTAL</b>	<b>₱8,231</b>	<b>₱6,103</b>	<b>₱2,128</b>	<b>35%</b>
<b>Liabilities</b>				
Trade and other payables	₱222	₱277	(₱55)	(20%)
Loans and Notes Payable	812	1,032	(220)	(21%)
Retirement benefit obligation	71	73	(2)	(3%)
Other liabilities	798	749	49	7%
<b>TOTAL</b>	<b>1,903</b>	<b>2,131</b>	<b>(228)</b>	<b>(11%)</b>
<b>Equity</b>				
Capital stock	5,056	2,901	2,155	74%
Reserves	52	44	8	18%
Retained Earnings	1,350	1,155	195	17%
Treasury Stock	(110)	(110)	-	
Equity attributable to non-controlling interests	(20)	(18)	2	11%
	<b>6,328</b>	<b>3,972</b>	<b>2,356</b>	<b>59%</b>
<b>TOTAL</b>	<b>₱8,231</b>	<b>₱6,103</b>	<b>₱2,128</b>	<b>35%</b>

1. **Total assets.** The Group's Total assets stood at ₱8.2 Billion as of December 31, 2021, higher by ₱2.1 Billion compared to the ₱6.1 Billion level of Total assets as of December 31, 2020.

**Financial assets** decreased by 8% due to reduction in the market value of the Parent Company's investments.

**Trade and Other receivables** decreased by ₱693 million due to collections of receivables in 2021 and were also reduced by the additional Allowance for Impairment Loss booked in 2021.

The Company's Real estate assets accounted for 79.49% of the Total assets of the Company as of December 31, 2021.

**Real estate inventories** increased by ₱1.3 Billion from December 31, 2020 to

December 31, 2021, or by 167%, due to the addition of a BGC Lot (Lot 1, Block 8) containing 1,600 sq.m., located at the corner of 6th Avenue and 24th Street, BGC, Taguig City.

**Investments in and Advances to Associates** decreased by 6% due to the Parent Company's Share in Equity in Net loss for the year of Meridian Assurance Corporation.

**Property and Equipment** increased by 27% due to additional acquisition of Office Furniture, Fixtures and Equipment and Transportation, Machinery and Other Equipment; and recording of Land and Building Improvements.

**Investment properties** increased by ₱1.5 Billion or from ₱2.9 Billion in 2020 to ₱4.4 Billion in 2021 largely due to: i) addition of another BGC Lot (Lot 4, Block 8) containing 1,600 sq.m., located at the corner of 6th Avenue and 25th Street, BGC, Taguig City; ii) addition of the San Fernando City, La Union lots; iii) Reclassification from real estate inventory of an Icon Residences Tower 1 Condominium unit to Investment property; and iv) recognition of gain on fair value adjustments on the Parent Company's existing Investment Properties.

**Other Assets** are comprised principally of Investment in Finance Lease and Right of Use Asset. The 6% decrease is due to the required periodic adjustments on these accounts in compliance with the accounting standards.

2. **Total liabilities.** Total liabilities decreased by ₱228 Million largely due to: i) loan repayments by the Parent Company; and ii) payment by the Parent Company of its trade payables to different suppliers and contractors.

**Trade and other payables** decrease by 55 Million due to payment by the Parent Company of its trade payables to different suppliers and contractors.

**Loans and Notes Payable** decreased to 812 Million from 1.03 Billion due to repayments by the Parent Company.

**Other Liabilities** are comprised of Lease Liability and Deferred Tax Liability. The increase is due to higher deferred tax liabilities as a result of the recognition of Gain in Change of Market Value of the Group's Investment Properties.

3. **Total Equity.** Total equity was recorded at ₱6.32 Billion as of December 31, 2021, higher by ₱2.36 Billion compared to ₱3.97 Billion as of December 31, 2020.

The increase in equity was due to: i) new common shares issued from the increase in the Parent Company's Authorized Capital Stock (**ACS**) in favor of Greenhills Properties Inc. (**GPI**) in exchange for GPI's infusion in favor of the Parent Company of two (2) very prime vacant lots located in the BGC, namely, 1) Lot 1 Block 8 containing an area of 1,600 sq.m. located at the corner of 6th Avenue and 24th Street; and 2) Lot 4 Block 8 also containing an area of 1,600 sq.m. located at 6th Avenue corner 25th Street; and ii) the Parent Company's Total Comprehensive Income for the year 2021.

**Capital stock** increased by 74% due to new common shares issued from the increase in the Parent Company's Authorized Capital Stock (**ACS**) in favor of Greenhills Properties Inc. (**GPI**) in exchange for GPI's infusion in favor of the Parent Company of

two (2) very prime vacant lots located in the BGC,

**Reserves** increased by 18% due to higher market value in 2021 compared to 2020 of the Parent Company's investments classified as Financial Asset Through Other Comprehensive Income.

**Retained Earnings** increased by ₱195 million due largely to the Net Income reported by the Parent Company.

**Equity attributable to non-controlling interests** increased by 2 Million due to an increase in Net Loss of the Parent Company's subsidiaries in waste management

### III. Performance Indicators

The table below presents the comparative performance indicators of the Company and its subsidiaries.

Performance Indicators	31 December 2021 Audited	31 December 2020 Audited
Current ratio <sup>1</sup>	5.31:1	3.84:1
Debt-to-equity ratio <sup>2</sup>	0.30:1	0.54:1
Asset-to-equity ratio <sup>3</sup>	1.30:1	1.54:1
Book value per share <sup>4</sup>	₱0.71	₱0.84
Earnings per share <sup>5</sup>	₱0.02	₱0.01

<sup>1</sup> *Current assets / current liabilities*

<sup>2</sup> *Total debt / consolidated stockholders' equity*

<sup>3</sup> *Total assets / Total stockholders' equity*

<sup>4</sup> *Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding*

<sup>5</sup> *Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding*

The table above reflects the continuing improvement of the RLT Group in terms of solvency, liquidity and profitability.

1. **Current ratio.** The Group's current ratio is extremely healthy showing still a significant improvement from 3.84:1 in December 2020 to 5.31:1 in December 2021.
2. **Debt-to-equity ratio.** Similarly, the RLT Group's debt-to-equity ratio remained very conservative for the periods under review as the Company's financial leverage improved further to 0.30:1 in 2021 from an already very conservative 0.54:1 in 2020.
3. **Asset-to-equity ratio.** The asset-to-equity ratio of the Company also showed improvement at 1.30:1 in December 2021 from 1.54:1 as of December 2020.

The steady performance of debt-to-equity ratios and asset-to-equity ratios of the RLT Group for the periods under review clearly demonstrate that the Parent Company's real estate business is currently being financed primarily by funds provided by its shareholders and a small amount of debt.

4. **Book value per share.** The performance of the RLT Group's Book value per share has also been a very encouraging in spite of the decrease from ₱0.84 per share as of end-December 2020 to ₱0.71 per share as of 31 December 2021.

While the Group's Total Comprehensive Income increased from ₱37.8 Million in 2020 to ₱203.3 Million in 2021 or an increase of ₱165.5 Million (a 438% increase), the total no. of common shares outstanding likewise increased from 4,922,324,907 shares as of December 2020 to 9,100,102,685 common shares as of December 2021 or an increase of 4,177,777,778 shares (or an 85% increase). This explains the reduction in the Group's Book value per share.

There was no issuance, repurchase or payment/repayment of neither debt and equity securities nor dividends during the year 2021.

As of this report, there is no other known event that will trigger direct or contingent financial obligation that is material to the Company. Moreover, there is no material off-balance sheet transaction, arrangement, obligation and other relationship of the Company with unconsolidated entities or other persons created during this period.

5. **Earnings per share.** The RLT Group's Earnings per share doubled at ₱0.02 in 2021 compared to ₱0.01 in 2020 in spite of the 46% increase in the Parent Company's issued and outstanding shares from 4,922,324,907 shares as of December 2020 to 9,100,102,685 common shares as of December 2021.

There are no known events, trends or uncertainties that have material impact on liquidity and will trigger direct or contingent financial obligations including any default or acceleration of an obligation for the twelve months ended period December 31, 2021. Moreover, for this period there is also no known material:

- i. Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons;
- ii. Commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures;
- iii. Events, trends or uncertainties that have material impact on Sales;
- iv. Any significant elements of income or loss that did not arise from the registrant's continuing operations;
- v. Seasonal Aspects that have material effect on the financial statements.

#### D. REVIEW OF 2020 OPERATIONS VS 2019

##### I. REVIEW OF CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDING DECEMBER 31, 2020 VS. DECEMBER 31, 2019

For the years ended December 31 (In millions)				
	2020 (Audited)	2019 (Audited)	Change in Peso	Change in Percentage
<b>Revenue</b>				
Sales of real estate	₱265	₱1,075	(₱810)	(75%)
Rent	69	51	18	35%
Management fees	43	43	0	0%
Interest income	14	14	0	0%
Commission	4	6	(2)	(33%)
Other income	310	696	(386)	(55%)

<b>TOTAL</b>	<b>705</b>	<b>1,885</b>	<b>(1,180)</b>	<b>(63%)</b>
<b>Costs and Expenses</b>				
Cost of real estate sold	162	584	(422)	(72%)
Cost of services	83	72	11	15%
General and administrative	296	512	(216)	(42%)
Finance cost	37	17	20	118%
Equity in net loss of associates	3	2	1	50%
Other expenses	2	1	1	100%
<b>TOTAL</b>	<b>583</b>	<b>1,188</b>	<b>(605)</b>	<b>(51%)</b>
INCOME BEFORE INCOME TAX	122	697	(575)	(82%)
INCOME TAX EXPENSE	83	212	(129)	(61%)
<b>NET INCOME</b>	<b>₱39</b>	<b>₱485</b>	<b>(₱446)</b>	<b>(92%)</b>
OTHER COMPREHENSIVE INCOME	(2)	(20)	18	90%
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱37</b>	<b>₱465</b>	<b>(₱428)</b>	<b>(92%)</b>

1. **Consolidated net income after tax.** Philippine Realty and Holdings Corporation posted net income after tax of **₱39 Million** for the 12 months ended December 31, 2020 compared to **₱485 Million** net income after tax for the same period last year. The decrease in the Company's profitability is explained below.

**a. Income**

1. **Sales of real estate.** Sales of real estate decreased by **₱810 Million** or by 75% for the 12 months ended December 31, 2020 compared to the sales of real estate for the same period in 2019. Sales of real estate pertains to units sold at Skyline and SkyVillas Towers located in Quezon City, and at Icon Plaza located in Bonifacio Global City.
2. **Rent.** Rental income was steady in spite of COVID 19 pandemic, reflecting an increase of **₱18 Million** or an increase of 35% compared to last year.
3. **Commission Income.** This item was lower by 33% compared to 2019 due lower clients from the Insurance brokerage because of the pandemic.
4. **Other income.** Other income for the twelve months ended December 31, 2020 decreased by **₱386 Million** or by 55% compared to the twelve months ended December 31, 2019. Other income consists largely of Gain on fair value changes on investment properties. Gain on fair value decreased by **₱260 Million** or by 48% as the increase in the fair value of Investment properties, consisting of commercial, office and storage condominium units for lease as well as parking units for lease located in the PSEC (Tektite Towers) and at the Icon Plaza located in BGC, was not as large as the Gain on fair value recorded in 2019.

**b. Costs and Expenses**

- 1) **Cost of real estate sold.** In terms of percentage to Sales of real estate, Cost of real estate sold decreased to 61% in 2020, whereas it was at 54% of Sales of real estate for the same period in 2019. The decrease in Cost of real estate sold is related to the decrease in Sales of real estate from 2020 to 2019.



- 2) **Cost of service.** The increase of 15% was due to the recognition of Depreciation Expense in compliance with the new accounting standards on leases.
  - 3) **General and administrative expenses.** General and administrative expenses decreased by ₱216 Million or by 42%, accounted for by the ₱114 Million decrease in Commissions and Selling expenses; and a decrease by ₱140 Million in impairment losses.
  - 4) **Finance cost.** The ₱20 Million increase in Finance Cost was due to the decision of the Parent Company to charge finance costs to current operations for projects that have been deferred as a result of the pandemic, for conservatism.
  - 5) **Equity in net loss of associates.** The 50% increase was due to the increase in Net loss from operations of an associate company of the Parent Company.
  - 6) **Other expenses.** The increase of 100% was due to higher foreign exchange loss in 2020 compared to 2019.
  - 7) **Income tax expense.** The decrease was due to lower taxable income in 2020 relative to 2019.
- c. **Other Comprehensive income.** The decrease was due to Remeasurement Loss on retirement benefit obligation on the Group's Retirement Fund.
- d. **Subsidiaries.**

The contributions of the Parent Company's subsidiaries to revenues and net income are shown below.

- 1) **PRHC Property Managers, Inc. (PPMI).** The Parent Company's property management subsidiary registered a Net income of ₱9.2 Million for the twelve months ended December 31, 2020. It is higher by ₱2.5 Million compared to the Net income registered by PPMI for the same period last year.
- 2) **Tektite Insurance Brokers, Inc. (TIBI).** The Group's insurance brokerage firm posted a net loss of ₱0.8 Million for the for twelve months ended December 31, 2020 compared to the ₱0.7 Million net loss registered by TIBI for the same period last year.

**II. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD  
ENDING DECEMBER 31, 2020 VS. DECEMBER 31, 2019**

As of December 31 (In millions)				
	2020 (Audited)	2019 (Audited)	Change in Peso	Change in Percentage
<b>Assets</b>				
Cash and cash equivalents	₱207	₱218	(₱11)	(5%)
Financial assets	48	42	6	14%
Trade and other receivables – net	1,253	1,625	(372)	(23%)
Real estate inventories	801	1,159	(358)	(31%)
Prepayments and other assets – net	409	406	3	1%
Investments in and advances to associates - net	64	75	(11)	(15%)
Property and equipment – net	81	94	(13)	(14%)
Investment properties – net	2,912	2,223	689	31%
Other Assets	328	351	(23)	(7%)
<b>TOTAL</b>	<b>₱6,103</b>	<b>₱6,193</b>	<b>(₱89)</b>	<b>(1%)</b>
<b>Liabilities</b>				
Trade and other payables	₱277	₱359	(₱82)	(23%)
Loans and Notes Payable	1,032	1,155	(123)	(11%)
Retirement benefit obligation	73	55	18	33%
Other liabilities	749	689	60	9%
<b>TOTAL</b>	<b>2,131</b>	<b>2,258</b>	<b>(127)</b>	<b>(6%)</b>
<b>Equity</b>				
Capital stock	2,901	2,901	0	0%
Reserves	44	46	(2)	(4%)
Retained Earnings	1,155	1,113	42	4%
Treasury Stock	(110)	(110)	0	0%
Equity attributable to non-controlling interests	(18)	(15)	(3)	(20%)
	<b>3,972</b>	<b>3,935</b>	<b>37</b>	<b>1%</b>
<b>TOTAL</b>	<b>₱6,103</b>	<b>₱6,193</b>	<b>(₱90)</b>	<b>(1%)</b>

1. **Total assets.** The Company's Total assets stood at ₱6.10 Billion as of December 31, 2020, lower by ₱89 Million compared to the ₱6.19 Billion level of Total assets as of December 31, 2019.

**Cash and cash equivalents** decreased by 5% due to the settlement of Trade and Loans payable.

**Trade and Other receivables** decreased by ₱372 million due to collections from Unit sales.

The Company's Real estate assets accounted for 61% of the Total assets of the Company as of December 31, 2020.

**Real estate inventories** decreased by ₱358 Million from December 31, 2019 to December 31, 2020, or by 31%, due to the reclassification of the Parent Company's Baguio property to Investment property from Real estate inventories.

**Investments in and Advances to Associates** decreased by 15% due to the equity share of the Parent Company in the Net loss of Meridian Assurance Corporation (**MAC**) for the year and the release of the contingency surplus of MAC to its stockholders (that included the Parent Company), as approved by the Insurance Commission.

**Property and Equipment** decreased by 14% due to depreciation expenses recorded in 2020.

**Investment properties** increased by ₱689 Million or from ₱2.223 Billion in 2019 to ₱2.912 Billion in 2020 largely due to: i) Reclassification from Real estate Inventory of Baguio property to Investment property; and ii) recognition of gain on fair value adjustments on the Parent Company's Investment properties.

**Other Assets** are comprised of Investment in Finance Lease and Right of Use Asset. The decrease of 7% is due to the required adjustments on these accounts in compliance with the accounting standards on Leases.

2. **Total liabilities.** Total liabilities decreased by ₱127 Million on account of: i) **loan payments** by the Parent Company; and ii) **payments of trade payables** to different suppliers and contractors by the Parent Company.

**Trade and other payables** decreased by 23% due to payments to different suppliers and contractors by the Parent Company

**Loans and Notes Payable** decreased by ₱123 Million due to loan payment made by the Parent Company.

**Retirement Benefit Obligations.** The ₱18 million increase was due to the increase in Current Service Cost and Remeasurement Losses due in large part to changes in the financial assumptions.

**Other Liabilities.** These are comprised of Lease liability and Deferred tax liability. The increase of 9% was due to higher Deferred Tax Liabilities as a result of the recognition of Gain in Change of Market Value of the Group's Investment Properties.

3. **Total Equity.** Total equity was recorded at ₱3.972 Billion as of December 31, 2020, higher by ₱40.0 Million compared to ₱3.935 Billion as of December 31, 2019.

Total equity increased by ₱40 Million from December 31, 2019 to December 31, 2020, which increase corresponds to the RLT Group's Total comprehensive income of ₱42 Million for the year 2020 less ₱2 Million reduction in Reserves.

**Reserves** decreased by 4% due to lower market valuation in 2020 compared to 2019 of the Parent Company's investments classified as Financial Asset through Other Comprehensive Income.

**Retained Earnings** increased by ₱42 Million due to the Net Income generated by the Parent Company.

**Equity attributable to non-controlling interests** increased by 3 Million due to an increase in Net Loss of the Parent Company's subsidiaries in waste management

### III. Performance Indicators

The table below presents the comparative performance indicators of the Company and its subsidiaries.

Performance Indicators	31 December 2020 Audited	31 December 2019 Audited
Current ratio <sup>1</sup>	5.15:1	2.91:1
Debt-to-equity ratio <sup>2</sup>	0.54:1	0.57:1
Asset-to-equity ratio <sup>3</sup>	1.54:1	1.57:1
Book value per share <sup>4</sup>	₱0.85	₱0.84
Earnings per share <sup>5</sup>	₱0.01	₱0.10

<sup>1</sup> *Current assets / current liabilities*

<sup>2</sup> *Total debt / consolidated stockholders' equity*

<sup>3</sup> *Total assets / Total stockholders' equity*

<sup>4</sup> *Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding*

<sup>5</sup> *Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding*

The table above reflects the continuing improvement of the RLT Group in terms of liquidity, solvency and profitability.

- 1. Current ratio.** The Group's current ratio, already very healthy in 2019, reflected substantial improvement still in 2020. Current ratio improved from 2.91:1 as of 31 December 2019 to 5.15:1 as of 31 December 2020.
- 2. Debt-to-equity ratio.** Similarly, the RLT Group's Debt-to-equity ratio remained very conservative for the periods under review as the Company's financial leverage improved further to 0.54:1 in 2020 from 0.57:1 in 2019. This is due to the combined favorable effects of reduction in Loans payable and Accounts payable and increase in Equity.
- 3. Asset-to-equity ratio.** The Asset-to-equity ratio of the Company also showed improvement at 1.57:1 in December 2020 from 1.54:1 as of December 2019.

The steady performance of Debt-to-equity ratios and Asset-to-equity ratios of the RLT Group for the periods under review clearly demonstrate that the Parent Company's real estate business is currently being financed primarily by funds provided by its shareholders and a small amount of debt.

- 4. Book value per share.** The performance of the RLT Group's Book value per share has also been a very encouraging. It has been consistently improving from ₱0.84 per share as of end-December 2019 and to ₱0.85 per share as of 31 December 2020.

There was no issuance, repurchase or payment/repayment of neither debt and equity securities nor dividends during the year 2020.

As of this report, there is no other known event that will trigger direct or contingent financial obligation that is material to the Company. Moreover, there is no material off-balance sheet transaction, arrangement, obligation and other relationship of the Company with unconsolidated entities or other persons created during this period.

5. **Earnings per share.** Due largely to the unfavorable effect of the COVID-19 pandemic to its operations, the RLT Group's Earnings per share decreased from ₱0.10 per share to ₱0.01 per share.

There are no known events, trends or uncertainties that have material impact on liquidity and will trigger direct or contingent financial obligations including any default or acceleration of an obligation for the twelve months ended period December 31, 2020. Moreover, for this period there is also no known material:

- i. Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created.
- ii. Commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures;
- iii. Events, trends or uncertainties that have material impact on Sales;
- iv. Any significant elements of income or loss that did not arise from the registrant's continuing operations;
- v. Seasonal Aspects that have material effect on the financial statements

#### TOP CONTRIBUTORS TO REVENUE

The table below presents the top contributors to revenue (before elimination of intercompany transactions) for the 1<sup>st</sup> quarter ended March 31, 2023, and for the years ended December 31, 2022, December 31, 2021, and December 31, 2020.

(In millions)

SUBSIDIARIES	March 2023 Unaudited	Dec 2022 Audited	Dec 2021 Audited	Dec 2020 Audited
PRHC Property Managers, Inc. (PPMI)	₱10	₱35	₱37	₱44
Tektite Insurance Brokers, Inc. (TIBI)	₱2	₱6	₱5	₱5

## Key Financial Ratios of the Top Majority-Owned Subsidiaries

### PRHC Property Managers, Inc. (PPMI)

Performance Indicators	31 March 2023 Unaudited	31 December 2022 Audited	31 December 2021 Audited	31 December 2020 Audited
Current ratio <sup>1</sup>	2.75:1	2.82:1	2.94:1	4.09:1
Debt-to-equity ratio <sup>2</sup>	0.49:1	0.46:1	0.58:1	0.57:1
Asset-to-equity ratio <sup>3</sup>	1.49:1	1.46:1	1.58:1	1.57:1
Book value per share <sup>4</sup>	₱12.64	₱12.58	₱10.69	₱11.01
Earnings per share <sup>5</sup>	₱0.06	₱0.04	(₱1.32)	₱1.77

<sup>1</sup> Current assets / current liabilities

<sup>2</sup> Total debt / consolidated stockholders' equity

<sup>3</sup> Total assets / Total stockholders' equity

<sup>4</sup> Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding

<sup>5</sup> Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding

### Tektite Insurance Brokers, Inc. (TIBI)

Performance Indicators	31 March 2023 Unaudited	31 December 2022 Audited	31 December 2021 Audited	31 December 2020 Audited
Current ratio <sup>1</sup>	25.93:1	35.90:1	2.74:1	32.46:1
Debt-to-equity ratio <sup>2</sup>	0.76:1	0.88:1	2.71:1	0.72:1
Asset-to-equity ratio <sup>3</sup>	1.76:1	1.88:1	3.71:1	1.72:1
Book value per share <sup>4</sup>	₱0.40	₱0.36	₱0.20	₱0.55
Earnings per share <sup>5</sup>	₱0.03	₱0.05	(₱0.60)	(₱0.05)

<sup>1</sup> Current assets / current liabilities

<sup>2</sup> Total debt / consolidated stockholders' equity

<sup>3</sup> Total assets / Total stockholders' equity

<sup>4</sup> Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding

<sup>5</sup> Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding

## D. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below:

1. **Foreign currency risk.** The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US Dollars. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

Foreign exchange risk exposure of the Group is limited to its cash and cash equivalents. Currently, the Group has a policy not to incur liabilities in foreign currency. Construction and supply contracts, which may have import components, are normally denominated in Philippine peso.

2. **Credit risk.** Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted stringent procedures in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Group has policies in place to ensure that sales are made to customers with an appropriate and acceptable credit history.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Company also undertakes supplemental credit review procedures for certain installment payment structures. The Company's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which help reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, financial assets at Fair Value through Profit and Loss (**FVPL**), financial assets at Fair Value through Other Comprehensive Income (**FVOCI**) and advances to subsidiaries and associates. The Company adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank investment limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Company closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

3. **Interest rate risk.** Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to its cash and cash equivalents and loans payable.

Cash and cash equivalents are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit or loss of the Group.

Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

4. **Price risk.** Price risk is the risk that the fair value of the financial investments particularly debt and equity instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Group's Board of Directors reviews and approves all equity investment decisions.

5. **Liquidity Risk.** The Group maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity. Free cash flows have been restricted primarily for the settlement of the Parent's Company's debt obligations.

The Company manages liquidity risk by maintaining adequate reserves, establishing banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

6. **Risks Related to COVID-19 or Similar Types of Risks.** While many countries, including the Philippines, have significantly recovered from the COVID-19 global pandemic, we consider this particular episode to be a sample situation of a key risk element that could severely and adversely affect our Company's business moving forward. The RLT Group has keenly monitored the COVID-19 situation which has been identified as a genuine risk and game changer. COVID-19 tested to the limit our business continuity plan (**BCP**) and how to properly implement it to mitigate the impact of the risk event to our operations and to our personnel. The Group subscribed to, adhered to and followed national and local government directives, prescriptions and guidelines as well as best practices in the management of the risk event.

Experience gained from the pandemic will be called upon to improve the Group's handling of risk events and emergencies moving forward.



## ANNEX “C”

### MARKET PRICE AND DIVIDENDS ON THE REGISTRANT’S COMMON EQUITY

#### A. Principal Market where the Registrant’s common equity is traded

##### Market Information

Principal market for the Registrant's Common shares: Philippine Stock Exchange

High and Low Sales Prices for each quarter for years 2021, 2022, and 2023 based on Philippine Stock Exchange’s Daily Quotation Report:

	2021		2022		2023	
	High	High	High	Low	High	Low
1 <sup>st</sup> Quarter	0.27	0.27	0.24	0.21	0.21	0.19
2 <sup>nd</sup> Quarter	0.45	0.45	0.24	0.23		
3 <sup>rd</sup> Quarter	0.25	0.25	0.21	0.20		
4 <sup>th</sup> Quarter	0.21	0.21	0.20	0.18		

The market capitalization of the Company as of December 31, 2022 based on the closing price of ₱0.20 per share was ₱1,820,020,537.

The price information as of the close of the latest practicable trading date May 31, 2023 is ₱0.16 per share.

#### B. Holders

As of May 31, 2023, the Company has 2,308 stockholders. The list of the top twenty (20) stockholders of the Company as of May 31, 2023 is as follows:

Name of Stockholder	Citizenship	No. of Shares	Percentage (%)
Greenhills Properties, Inc.	Filipino	5,933,556,844	65.20%
PCD Nominee Corporation	Filipino	2,250,723,773	24.73%
Campos, Lanuza & Co., Inc.	Filipino	275,196,201	3.75%
Gerardo Domenico Antonio Lanuza	Filipino	219,843,366	2.42%
Belson Securities, Inc.	Filipino	30,580,956	0.34%
Socorro C. Ramos	Filipino	21,291,750	0.23%
Brisot Economic Dev. Corp	Filipino	15,280,621	0.17%
Vulcan Industrial & Mining Corp.	Filipino	15,159,434	0.17%
Ramon de Leon	Filipino	11,810,854	0.13%
Ricardo Leong	Filipino	11,810,854	0.13%
Calixto Laureano	Filipino	11,810,854	0.13%
Oscar S. Cu ITF Anthony Cu	Filipino	7,390,000	0.08%
Meridian Securities	Filipino	6,269,888	0.07%
Guoco Sec (Phils) Inc.	Filipino	5,961,532	0.07%
Guild Securities	Filipino	5,598,162	0.06%
E. Chua Chiaco Securities, Inc.	Filipino	5,538,016	0.06%
Citisecurities, Inc.	Filipino	5,408,078	0.06%
National Bookstore, Inc.	Filipino	5,393,450	0.06%
Wellington Chan	Filipino	5,185,801	0.06%
Madrigal Maria Susana Abad-Santos	Filipino	4,600,000	0.05%
Gustav P. Warns Vicente	Filipino	4,600,000	0.05%

Name of Stockholder	Citizenship	No. of Shares	Percentage (%)
Oscar Cu	Filipino	4,550,750	0.05%
Cualoping Securities	Filipino	4,335,974	0.05%
<b>Total</b>		<b>8,861,897,158</b>	<b>98.12%</b>

#### **C. Dividends**

No dividend was declared by the Company since its last declaration on October 24, 1995. In 1996, the Board of Directors approved the appropriation of ₱250 Million of the Company's Retained earnings for the purchase of its own capital stock. In 2018, the Board approved the reclassification of ₱140 Million Appropriated retained earnings to Unappropriated retained earnings.

#### **D. Recent sales of unregistered securities**

For the year 2022, the Company had no sales of unregistered securities.

#### **E. Corporate Governance**

The Company, its directors, officers and employees complied with the leading practices and principles on good corporate governance as embodied in the Company's Manual on Corporate Governance ("Manual"). The Company accomplished the PSE Corporate Governance Guidelines for Listed Companies: Disclosure Survey for 2016. On August 28, 2012, the Company's Board of Directors approved the Audit Committee Charter in compliance with SEC Memorandum Circular No. 4, Series of 2012. Pursuant thereto, the Company created an Internal Audit Unit and has engaged the services of an Accountant for the Internal Auditor post.

The Company has complied with all leading practices of good governance. An evaluation system has been established to measure the level of compliance with the Manual by Directors and top-level management. The Company has undertaken minor revisions in its internal control system and adopted a strict implementation of the provisions of its Manual including the adoption of appropriate penalties for non-compliance. Since the last Annual Meeting, there has been no deviation from the Company's Manual that would require a report or disclosure.

Last May 2017, the Company revised the Corporate Governance Manual in accordance with the SEC Memorandum Circular No. 19 which contained the Code of Corporate Governance for Publicly Listed Companies.

On June 13, 2019, the Company amended its Manual on Corporate Governance.

## ANNEX “D”

### NATURE AND SCOPE OF BUSINESS

Philippine Realty and Holdings Corporation was incorporated on July 13, 1981 with an initial capitalization of ₱2 Million. In 1986, the Company's capitalization was increased to ₱100 Million to accommodate the entry of new stockholders. In September 1987, the Company became a public corporation. Its present authorized capital stock is ₱8 Billion, divided into 8 billion shares, of which 4.92 billion shares are outstanding and subscribed.

The Company's main real estate activity since it started operations has been the development and sale of residential/office condominium projects and to a limited extent, the lease of commercial and office spaces.

It has developed unique and trend setting projects: *The Alexandra*, the first to offer consumers the combination of high-rise condominium and subdivision living; *Philippine Stock Exchange Centre*, the official headquarters of the Philippine Stock Exchange, Inc. and home of the country's corporate and financial stalwarts; *The Alexis*, a low-rise condominium within an upscale subdivision; the exclusive *La Isla*; and *Casa Miguel*, a 4-storey walk-up residential condominium in San Juan, Metro Manila.

After the completion of the Philippine Stock Exchange Centre in January 1996, the Company launched its Andrea North project in the 2.8-hectare former Pepsi Cola property in New Manila, Quezon City. This project is an Alexandra-type upscale and high-rise condominium complex, which consists of five residential towers.

On November 16, 2012 the Company held the Ceremonial Concrete Pouring for its second tower in the Andrea North Complex named the SkyVillas Tower. The Company also completed the construction of its Showroom which showcases the model units of The SkyVillas Tower and an area dedicated for retail shops. Construction of the joint venture project, Icon Plaza at the Bonifacio Global City with Xcell Property Ventures, Inc. commenced in mid-2010 and is 74.28% completed as of year-end.

In 2002, the Company filed with the court a petition for corporate rehabilitation with prayer for suspension of payments. The Company settled its loan obligations with all the five creditor banks through *dacion-en-pago*, cash payments from the sale of assets and loan restructuring. The Company has completed another major component of the rehabilitation plan which is the completion of construction of the Andrea North Skyline Tower. In February 2011, the Company filed a Motion to terminate rehabilitation proceedings on account of successful implementation of the Rehabilitation Plan. However, in November 2012 the court denied the Company's motion on the basis that it has still substantial obligations to pay in accordance with the court-approved rehabilitation plan.

As of December 2013, the Company's liabilities to its contractors, Andrea North Skyline buyers, and unsecured creditors were already paid, such that, the Company filed a motion to terminate the rehabilitation proceedings on account of the successful implementation of the rehabilitation plan, which was granted by the Court in March 2014.

On February 9, 2016, the SEC approved the Company's application for quasi-reorganization reducing the par value of its shares from P1.00 to P0.50 and the additional paid-in capital arising from the reduction of the par value was subsequently applied to the Company's accumulated

deficit.

On January 4, 2017, the Regional Trial Court Branch 93 of Quezon City issued a Certificate of Finality to certify that the order issued dated March 18, 2014 has become final and executory.

The Company plans to leverage its key understanding of the property market through its Medium-Term Business and Financial plan. The objective of the plan is to serve as a roadmap which will drive the Company's profitability primarily by operating income from recurring revenue sources and the proposed projects to be undertaken. First, major properties owned by the Company and GPI, who has undertaken to provide operational and financial support to the Company, will be developed for sale and lease. The Company plans to also maximize the utilization of all its existing developments and Investment Properties. The Company is likewise looking to grow its business through acquisition of revenue generating assets or developments in key cities within and outside Metro Manila. Lastly, aside from internally-generated funds, the Company will continue to consider securing necessary and sufficient funding from various financial sources.

The Board of Directors approved on April 18, 2018 the amendment of the Parent Company's Articles of Incorporation (**AOI**) for the purpose of increasing RLT's Authorized Capital Stock (**ACS**) that was necessary to accommodate the issuance of new, primary shares from the increased capital stock in favor of Greenhills Properties, Inc. (**GPI**), a corporation incorporated under the laws of the Philippines, in exchange for prime real properties that GPI will contribute into the Parent Company as capital.

The property-for-share swap transaction involves GPI contributing into the Parent Company two (2) vacant lots located in the BGC more particularly described as follows: 1) Lot 1 Block 8 containing 1,600 sq.m., located at the corner of 6th Avenue and 24th Street; and 2) Lot 4 Block 8 also containing 1,600 sq.m., located at 6th Avenue corner 25th Street. Lot 1 Block 8 is registered under the name of GPI. GPI also acquired Lot 4 Block 8 from its wholly owned subsidiary, Lochinver Assets Inc. (**LAI**), by way of merger approved by the SEC on 28 November 2012, with GPI as the Surviving Corporation and LAI as the Absorbed Corporation.

The said transaction also involves the Parent Company issuing 4,177,777,778 new common shares from the increase in its ACS, in favor of GPI in exchange for the two (2) vacant lots in BGC that GPI will contribute into the Parent Company as capital.

In the above-described transaction, the Parent Company engaged the services of a PSE-accredited firm, R. G. Manabat & Co., the Philippine member firm of KPMG International, to come up with a Valuation and Fairness Opinion Report. The said PSE-accredited firm expressed the opinion that the method employed by the Parent Company is a fair basis in determining the transaction price (and the transaction value) for the issuance of new shares in favor of GPI from the increase in the ACS.

On May 14, 2019, the SEC approved the increase in the Parent Company's ACS from ₱4,000,000,000.00 divided into 8,000,000,000 shares with par value of ₱0.50 per share to ₱8,000,000,000.00 divided into 16,000,000,000 shares with par value of ₱0.50 per share. This was after the approval by a majority of the Board of Directors on April 18, 2018 and by the vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock on July 23, 2018.

On June 22, 2021, the tax-free exchange of properties for shares transaction by and between the Parent Company and GPI was completed.

On 22 June 22, 2021, the Parent Company, through its external legal counsels, received from the Registry of Deeds for Taguig City, the land titles covering the two (2) vacant lots located in the BGC as described above, contributed by GPI as equity into the Parent Company, already registered under the name of the Parent Company.

Also on 22 June 22, 2021, in exchange for the two (2) BGC vacant lots, the Parent Company issued 4,177,777,778 new common shares from its increased capital stock, in favor of GPI.

With the issuance of new shares in its favor, GPI now owns 5,933,556,844 shares in the Parent Company, bringing its percentage ownership to 65.20% from 35.67%. The remaining shares of the Parent Company are owned by various individuals and institutional stockholders.

As of March 31, 2023, 9,100,102,685 shares are subscribed and outstanding.

### **Significant Subsidiaries**

The Parent Company has organized/invested in the following subsidiaries and affiliates (the Parent Company together with its subsidiaries and affiliates are referred herein as “**RLT Group of Companies**” or simply “**RLT Group**”).

#### ***PRHC Property Managers, Inc. (100% owned)***

PRHC Property Managers, Inc. (**PPMI**) was incorporated in May 1991 to oversee the administration, operation and monitoring of RLT’s growing number of real estate properties. Its clients include: Philippine Stock Exchange Centre Condominium Corporation, Casa Miguel Condominium Corporation, Andrea North Condominium Corporation, Nobel Plaza Condominium, LTA Condominium, The Pinnacle Condominium and Greenrich Mansion Condominium, Tycoon Centre Condominium Unitowners Association Inc., and Seibu Tower Condominium Corporation.

PPMI ensures that the properties are managed according to the established requirements and standards in the industry.

PPMI also leases the recently renovated, heritage El Retiro Mansion property from the Parent Company and operates the same as a vacation home or as a venue for various exclusive events. El Retiro sits on a 1.6 ha. property along Outlook Drive.

#### ***Tektite Insurance Brokers, Inc. (100% owned)***

Tektite Insurance Brokers, Inc. (**TIBI**) was incorporated in January 1989 as Philrealty Insurance Agency. Due to increasing demand, it was reorganized to become an insurance brokerage firm in 1994. Major clients include: RLT Group of Companies, RG Meditron, Philippine Stock Exchange Centre Condominium Corporation, Icon Plaza Condominium Corporation and Develop Dimension Inc.

#### ***Universal Travel Corporation (81.53% owned)***

Universal Travel Corporation (**UTC**) was incorporated in October 1993 and was engaged in the business of travel services by providing, arranging, marketing, engaging or rendering advisory and consultancy services relating to tours and tour packages. UTC catered principally to the offices at the Philippine Stock Exchange Centre (**PSEC**). In August 2018, the Company announced that it

ceased its travel agency business operations on a voluntary basis due to continuing losses and increasing capital deficiency. The terminated employees of UTC were all paid their separation benefits and all creditors were also paid prior to the temporary cessation of its business operations. This move is part of the business rationalization process presently being undertaken by the Parent Company where it seeks to explore new investment/business opportunities while at the same time lightening up on existing unrelated or unprofitable investments.

***Sultan Power Inc. (100% owned)***

Sultan Power, Inc. (**SPI**) was incorporated under Philippine laws and registered with the SEC on March 19, 2015 as a holding company. SPI achieved majority ownership in Recon-X Energy Corporation (**Recon-X**) by acquiring 51% of the total issued and outstanding shares of the latter company.

RECON-X was incorporated under Philippine laws and registered with the SEC on June 27, 2014 to engage in the business of recycling and converting plastics into fuel (gasoline, diesel and kerosene) using patented technology. The process was duly certified on November 2, 2015, by the Intellectual Property Office of the Philippines (**IPOPHL**) for “Improved Method of Converting Land-Filled Plastic Wastes into Hydrocarbon Fuel”, certified by the Department of Science and Technology (**DOST**) and by the Department of Energy (**DOE**). As of December 31, 2021, RECON-X was able to procure the additional catalysts and materials needed for the plastic diesel conversion plant to be used to process wastes into fuel. In 2022, RECON-X has undergone physical plant improvements and debottlenecking to enhance the yield of converted fuels. Given the ongoing streamlining of operations and training of employees for production, RECON-X commenced its commercial operations in May 2023 as it has already officially produced its first batch of fuel.

**Product/Services**

**A. Sale of Condominium units**

RLT develops and sells high-end condominium units located at One Balete Drive corner N. Domingo Street, Quezon City, and is now planning on developing a new luxury residential towers in the BGC, in addition to the completed Skyline Tower and the SkyVillas Tower in One Balete.

In addition, the Parent Company entered into two (2) joint venture arrangements with Xcell Property Ventures Inc. (**Xcell**) for the development of the Icon Residences (a 2-tower residential condominium building) and Icon Plaza (residential/commercial condominium building). RLT contributed the parcels of land located at the Bonifacio Global City (**BGC**) where the Icon Residences Towers and the Icon Plaza Tower were constructed thereon. Xcell provided the funds for the construction of the condominium towers. The Parent Company has several units for lease at Icon Residences and at Icon Plaza.

**B. Leasing**

RLT has investment properties, such as residential and commercial office and storage units and parking slots, for lease at the following locations: 1) Philippine Stock Exchange Centre located at Exchange Road, Ortigas Center Pasig City; 2) Icon Plaza located at 5<sup>th</sup> Avenue, BGC, Taguig City; 3) Icon Residences Tower 1; 4) Skyline Tower; and 5) SkyVillas Tower. The latter two (2) towers are located at the One Balete Compound, One Balete Drive corner N. Domingo Street, Quezon City. The contracts of lease are renewable for periods ranging from six months

to five years.

The Company is also sub-leasing two parcels of land with total area of 3,200 square meters located along 5<sup>th</sup> Avenue BGC, Taguig City where one parcel of land houses commercial units for lease.

RLT is also leasing to tenants approximately 500 sq.m. of the Ground Floor space of the One Balete Building located at One Balete Drive corner N. Domingo Street, Quezon City.

#### **C. Property Management**

The property management subsidiary, PRHC Property Managers, Inc. (**PPMI**) oversees the administration, operation and monitoring of real estate assets of the Parent Company and other Companies.

On December 16, 2020, the Parent Company and PPMI entered into a Lease and Hotel Management Services Agreement, wherein PPMI proposed to lease, operate and manage the Parent Company's "El Retiro Mansion" property located in Baguio City.

#### **D. Insurance Brokerage**

Tektite Insurance Brokers, Inc. (**TIBI**) operates as the insurance brokerage arm of the Parent Company and for the benefit of other Companies.

#### **Legal Proceedings**

Philippine Realty and Holdings Corporation filed two (2) petitions in RTC Branch 28 in San Fernando City, La Union for the cancellation of an encumbrance appearing on Transfer Certificate of Titles (**TCTs**) RT-5736 (40701) and RT-5737 (40702), both located in San Fernando City, La Union, and registered under the name of the Company, which encumbrance was annotated on the above-mentioned TCTs in accordance with Section 7 Republic Act No. 26 (**Section 7 R.A. 26**). The encumbrance was annotated on August 9, 2004.

Certificates of title reconstituted extrajudicially are made to carry an encumbrance to allow parties who may have caused entries or annotation at the original title before it was lost or destroyed at the office of the register of deeds, to have the said entries be annotated again. That is the essence of Section 7 R.A. 26.

## **ANNEX “E”**

### **CONSOLIDATED FINANCIAL STATEMENTS**



# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

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

Principal Office ( No./Street/Barangay/City/Town)Province)

O	N	E		B	A	L	E	T	E	,		1		B	A	L	E	T	E		D	R	I	V	E				
C	O	R	N	E	R		N	.		D	O	M	I	N	G	O		S	T	R	E	E	T						
B	R	G	Y	.		K	A	U	N	L	A	R	A	N		D	I	S	T	R	I	C	T		4	,			
Q	U	E	Z	O	N		C	I	T	Y																			

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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## COMPANY INFORMATION

Company's Email Address

[mark.amos@philrealty.com.ph](mailto:mark.amos@philrealty.com.ph)

Company's Telephone Number/s

8631-3179

Mobile Number

No. of Stockholders

2,257

Annual Meeting  
Month/Day

June

Fiscal Year  
Month/Day

December 31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Mark Ramos

Email Address

[mark.amos@philrealty.com.ph](mailto:mark.amos@philrealty.com.ph)

Telephone  
Number/s

Mobile Number

Contact Person's Address

One Balete, 1 Balete Drive corner N. Domingo Street, Brgy. Kaunlaran District 4, Quezon City

**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Shareholders and Board of Directors  
Philippine Realty and Holdings Corporation  
One Balete, 1 Balete Drive corner N. Domingo Street  
Brgy. Kaunlaran District 4  
Quezon City

We have audited the consolidated financial statements of Philippine Realty and Holdings Corporation and Subsidiaries as at and for the year ended December 31, 2022, on which we have rendered our report dated March 21, 2023.

In compliance with Revised Securities Regulation Code Rule 68 and based on the certification received from the Parent Company's corporate secretary and the results of our work done, as at December 31, 2022, we are stating that the said Parent Company has two thousand two hundred fifty-seven (2,257) shareholders owning one hundred (100) or more common shares.

**MACEDA VALENCIA & CO.**



**ANTONIO O. MACEDA, JR.**  
Partner  
CPA License No. 20014  
Tax Identification No. 102-090-963-000  
PTR No. 9592715

Issued on January 18, 2023 at Makati City  
BOA/PRC Reg. No. 4748 valid until August 7, 2024  
BIR Accreditation No. 08-001987-004-2021 (firm)  
Issued on April 7, 2021; valid until April 6, 2024  
BIR Accreditation No. 08-001987-004-2021 (individual)  
Issued on April 12, 2021; valid until April 11, 2024  
SEC Accreditation No. 4748-SEC, Group A (firm)  
Effective for audits of 2019 to 2023 financial statements  
SEC Accreditation No. 20014-SEC, Group A (individual)  
Effective for audits of 2022 to 2026 financial statements

March 21, 2023  
Makati City

## REPORT OF INDEPENDENT AUDITORS

The Shareholders and Board of Directors  
Philippine Realty and Holdings Corporation  
One Balete, 1 Balete Drive corner N. Domingo Street  
Brgy. Kaunlaran District 4  
Quezon City

### *Opinion*

We have audited the consolidated financial statements of Philippine Realty and Holdings 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 total comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

### *Basis for Opinion*

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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.

### *The Risk*

#### Real Estate Revenue Recognition and Determination of Related Cost

The Group's revenue recognition process, policies and procedures on real estate sales are significant to our audit because these involve the application of significant judgment and estimation. In addition, real estate sales and costs of real estate sales amounted to P225.00 million or 26% of Revenues and Income and P106.30 million or 19% of Cost and Expenses, respectively, for the year ended December 31, 2022. The areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the financial statements.

The Group's policy for revenue recognition on real estate sales are more fully described in Note 30 to the consolidated financial statements. The significant judgments applied, and estimates used by management related to revenue recognition are more fully described in Note 31 to the consolidated financial statements.

### *Our Response*

We obtained an understanding of the revenue and cost recognition policy on real estate sales transactions. We performed risk assessment procedures to obtain audit evidence about the design and implementation of relevant controls. We performed a walkthrough as part of obtaining an understanding of the revenue and cost recognition process to identify and further understand what could go wrong in the process and to identify relevant controls that management has implemented to address what could go wrong. In performing walkthroughs, we obtained sufficient information to be able to evaluate the design and implementation of relevant controls and tested for operating effectiveness over revenue and cost recognition process and financial reporting close process.

On the revenue recognition process, the following controls, among others, were identified and tested for operating effectiveness.

- Control over initiation – sales reservation and payment scheme are based on valid transaction and sales cancellation are issued based on cancellation policy;
- Control over authorization – (a) Reservation and payment scheme, Contract to Sell, and Deed of Absolute Sale and (b) Notice of Cancellation for cancellation are approved by authorized officer;
- Control over recording and processing - Sales are systems generated at point of recognition and are counterchecked by responsible finance officer and cancellations are manually recognized based on approved Notice of Cancellation.

On the cost recognition process, the following key controls, among others, were tested for operating effectiveness.

- Control over initiation - Project costs are initiated based on budget.
- Control over authorization - (a) Budgets are approved by management and the Board; (b) Project spendings are made based on approved letters of award; (c) Recommendation for payment are compared with approved letter of award and approved by authorized officer; and (d) Changes in contract are approved by authorized officer;
- Control over recording and processing - (a) Payments are recorded based on approved recommendation of payment; (b) Sales are systems generated on point of recognition based on approved standard cost; and (c) Other capitalized cost such as interest cost are manually recorded based on policy.

On financial reporting close process, control over preparation of relevant disclosure were tested for operating effectiveness. Financial statements and relevant disclosures are prepared and reviewed by authorized finance officer.

We also performed substantive test procedure on selected sales and cancellations transactions during the year by examining the approved payment scheme, Contract to Sell or Deed of Absolute Sale and Notice of Cancellation and reperformed calculation of sales or cancellations recognized.

#### Valuation of Real Estate Inventories

##### *The Risk*

Real estate inventories constitute a material component in the Group's consolidated statements of financial position. Real estate inventories amounted to P2.09 billion representing 24% of the total assets as at December 31, 2022. Real estate inventories include properties under construction, acquired properties that are held for sale in the ordinary course of business and land held for development. Real estate inventories are valued at the lower of cost or market and net realizable value.

The valuation of real estate inventories is influenced by assumptions and estimates regarding construction costs to be incurred, and future selling prices. Weak demand and the consequential over supply of residential units might exert downward pressure on transaction volumes and selling prices of residential properties.

##### *Our Response*

Based on the controls over cost recognition process, we examined supporting documents of selected transactions of sampled projects to ensure that cost spending are complete and accurate and relates to the project and any spending noted outside the budgeted costs including capitalized interest are explained.

We reperformed standard cost calculation for selected projects and compared it with the standard cost used to cost inventories. We compared standard cost against net realizable values of selected projects through inspection of most recent sales contracts and expected sales proceeds from the remaining properties.

#### Allowance for Impairment Losses on Trade and Other Receivables

##### *The Risk*

The allowance for impairment losses on trade and other receivables is considered to be a matter of significance as it requires the application of judgment and use of subjective assumptions by management. As of December 31, 2022, trade and other receivables has a total carrying amount of P542.46 million contributing 6% of the Group's total assets.

##### *Our Response*

We tested the calculation methodology which is based on cash flows of future payments considering historical data of collections and defaults including the value of repossessed inventories and possible refunds. We also tested the assumptions including interest rates used in computing for the expected credit loss.

## Valuation of Investment Properties

### *The Risk*

Investment properties is considered to be a matter of significance as it requires the application of valuation judgment and use of assumptions by management. As of December 31, 2022, investment property has a total carrying amount of P4.93 billion contributing 57% of the Group's total assets.

### *Our Response*

To validate additions to investment properties, we examined supporting documents such as contracts, Deeds of Absolute Sale, supplier invoices and/or official receipts.

To determine fair value adjustments, we obtained the latest appraisal report and evaluated appropriateness of assumptions and valuation method and completeness of the information used.

We also evaluated the competence and objectivity of the external expert engaged by the management to value the investment properties by ensuring the expert is an accredited appraiser by the SEC and had discussions with the expert on the methodology used including any adjustments made.

### *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 auditor's 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 auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it become 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, otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

### *Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 auditor's 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 auditor's report is Antonio O. Maceda, Jr.

**MACEDA VALENCIA & CO.**



**ANTONIO O. MACEDA, JR.**

Partner

CPA License No. 20014

Tax Identification No. 102-090-963-000

PTR No. 9592715

Issued on January 18, 2023 at Makati City

BOA/PRC Reg. No. 4748 valid until August 7, 2024

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Issued on April 7, 2021; valid until April 6, 2024

BIR Accreditation No. 08-001987-004-2021 (individual)

Issued on April 12, 2021; valid until April 11, 2024

SEC Accreditation No. 4748-SEC, Group A (firm)

Effective for audits of 2019 to 2023 financial statements

SEC Accreditation No. 20014-SEC, Group A (individual)

Effective for audits of 2022 to 2026 financial statements

March 21, 2023

Makati City



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2022, 2021 and 2020

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	<i>Note</i>	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	<b>P163,886,734</b>	P202,643,198
Financial assets at fair value through profit or loss (FVPL)	4	<b>6,750,000</b>	6,750,000
Trade and other receivables - current portion	6	<b>177,461,738</b>	132,440,960
Real estate inventories	7	<b>2,086,122,188</b>	2,136,292,560
Prepayments and other assets - net	8	<b>413,430,156</b>	410,821,019
Investment in finance lease – current portion	12	<b>14,099,824</b>	13,055,174
<b>Total Current Assets</b>		<b>2,861,750,640</b>	2,902,002,911
<b>Non-current Assets</b>			
Financial assets at fair value through other comprehensive income (FVOCI)	5	<b>36,076,106</b>	37,644,536
Trade and other receivables – net of current portion	6	<b>365,017,469</b>	461,101,590
Investments in and advances to associates - net	9	<b>58,236,132</b>	59,667,432
Investment properties	10	<b>4,926,465,273</b>	4,406,355,439
Property and equipment - net	11	<b>60,321,966</b>	73,043,468
Right-of-use assets - net	12	<b>97,414,601</b>	89,431,827
Investment in finance lease – net of current portion	12	<b>187,577,451</b>	201,677,353
Other non-current assets		<b>53,386</b>	53,386x`
<b>Total Non-current Assets</b>		<b>5,731,162,384</b>	5,328,975,031
		<b>P8,592,913,024</b>	P8,230,977,942
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables - current portion	13	<b>P110,354,183</b>	P150,248,583
Loans and note payable - current portion	14	<b>666,722,994</b>	381,938,245
Lease liability - current portion	12	<b>14,841,458</b>	14,116,765
<b>Total Current Liabilities</b>		<b>791,918,635</b>	546,303,593
<b>Non-current Liabilities</b>			
Trade and other payables - net of current portion	13	<b>84,852,490</b>	71,825,744
Loans and note payable - net of current portion	14	<b>227,700,370</b>	430,522,044
Retirement benefit obligation	16	<b>66,953,485</b>	70,930,176
Deferred tax liabilities - net	24	<b>696,703,231</b>	568,677,622
Lease liability – net of current portion	12	<b>158,661,703</b>	173,503,161
Other non-current liabilities	12	<b>40,425,411</b>	40,970,220
<b>Total Non-current Liabilities</b>		<b>1,275,296,690</b>	1,356,428,967
<b>Total Liabilities</b>		<b>2,067,215,325</b>	1,902,732,560
<b>EQUITY</b>			
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	25	<b>4,433,211,671</b>	4,433,189,171
Additional paid-in capital	25	<b>623,139,806</b>	623,139,806
Reserves	26	<b>65,530,662</b>	52,201,114
Retained earnings		<b>1,536,606,331</b>	1,349,807,235
Treasury stock	25	<b>(110,049,633)</b>	(110,049,633)
		<b>6,548,438,837</b>	6,348,287,693
<b>Equity Attributable to Non-Controlling Interests</b>	27	<b>(22,741,138)</b>	(20,042,311)
		<b>6,525,697,699</b>	6,328,245,382
		<b>P 8,592,913,024</b>	P8,230,977,942

See Notes to the Consolidated Financial Statements.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

	<i>Note</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>INCOME</b>				
Sales of real estate		<b>P224,998,917</b>	P153,819,523	P264,772,984
Rent	<i>12</i>	<b>56,674,800</b>	55,302,865	69,344,550
Management fees	<i>17</i>	<b>34,655,944</b>	36,779,297	42,852,821
Interest	<i>19</i>	<b>15,924,493</b>	17,404,620	13,728,349
Commission	<i>18</i>	<b>5,567,455</b>	4,512,545	4,455,984
Other income	<i>20</i>	<b>540,509,715</b>	637,167,113	310,176,111
		<b>878,331,324</b>	904,985,963	705,330,799
<b>COSTS AND EXPENSES</b>				
Cost of real estate sold	<i>7</i>	<b>106,296,787</b>	113,172,007	161,787,110
Cost of services	<i>21</i>	<b>62,551,098</b>	68,763,460	83,154,975
General and administrative expenses	<i>22</i>	<b>338,465,029</b>	304,443,005	295,932,566
Finance costs	<i>12,14</i>	<b>63,809,071</b>	70,888,773	36,787,064
Equity in net loss of an associate	<i>9</i>	<b>1,431,300</b>	4,488,055	3,409,093
Other expenses	<i>23</i>	<b>230,051</b>	90,852,818	1,660,400
		<b>572,783,336</b>	652,608,118	582,731,208
<b>INCOME BEFORE INCOME TAX</b>		<b>305,547,988</b>	252,377,845	122,599,591
<b>INCOME TAX EXPENSE</b>	<i>24</i>	<b>125,159,497</b>	59,638,324	82,756,238
<b>NET INCOME</b>		<b>P180,388,491</b>	P192,739,521	P39,843,353
<b>Attributable to:</b>				
Equity holders of the parent	<i>28</i>	<b>P183,087,318</b>	P194,733,394	P41,897,319
Non-controlling interest	<i>27</i>	<b>(2,698,827)</b>	(1,993,873)	(2,053,966)
		<b>180,388,491</b>	P192,739,521	P39,843,353
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of defined benefit obligation, net of tax	<i>26</i>	<b>14,897,978</b>	13,899,945	(7,388,546)
Unrealized holding gain (loss) on financial assets at FVOCI	<i>26</i>	<b>(1,568,430)</b>	(3,365,984)	5,316,590
		<b>13,329,548</b>	10,533,961	(2,071,956)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P193,718,039</b>	P203,273,482	P37,771,397
<b>BASIC EARNINGS PER SHARE</b>	<i>28</i>	<b>P0.02</b>	P0.02	P0.01

*See Notes to the Consolidated Financial Statements.*

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

	Equity Attributable to Equity Holders of the Parent Company						Non-controlling Interests (Note 27)	Total Equity
	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Reserves (Note 26)	Retained Earnings (Note 26)	Treasury Stock (Note 25)	Total		
<b>Balance at January 1, 2020</b>	P2,344,266,245	P557,014,317	P46,376,118	P1,113,176,522	(P110,049,633)	P3,950,743,569	(P15,994,472)	P3,934,789,097
<b>Comprehensive income (loss)</b>								
Net income (loss) for the year	-	-	-	41,897,319	-	41,897,319	(2,053,966)	39,843,353
Other comprehensive loss for the year	-	-	(2,071,956)	-	-	(2,071,956)	-	(2,071,956)
Total comprehensive income for the year	-	-	(2,071,956)	41,897,319	-	39,825,363	(2,053,966)	37,771,397
<b>Balance at December 31, 2020</b>	2,344,226,245	557,014,317	44,304,162	1,155,073,841	(110,049,633)	3,990,568,932	(18,048,438)	3,972,560,494
<b>Comprehensive income</b>								
Net income for the year	-	-	-	194,733,394	-	194,733,394	(1,993,873)	192,739,521
Other comprehensive income for the year	-	-	10,533,961	-	-	10,533,961	-	10,533,961
Adjustments	-	-	(2,637,009)	-	-	(2,637,009)	-	(2,637,009)
Total comprehensive income for the year	-	-	7,896,952	194,733,394	-	202,630,346	(1,993,873)	200,636,473
<b>Transaction with owners</b>								
Issuance of shares during the year	2,088,888,889	66,125,489	-	-	-	2,155,014,378	-	2,155,014,378
Collection of subscription receivable	74,037	-	-	-	-	74,037	-	74,037
Total transaction with owners	2,088,962,926	66,125,489	-	-	-	2,155,088,415	-	2,155,088,415
<b>Balance at December 31, 2021</b>	4,433,189,171	623,139,806	52,201,114	1,349,807,235	(110,049,633)	6,348,287,693	(20,042,311)	6,328,245,382
<b>Comprehensive income</b>								
Net income for the year	-	-	-	183,087,319	-	183,087,319	(2,698,827)	180,388,492
Other comprehensive income for the year	-	-	13,329,548	-	-	13,329,548	-	13,329,548
Adjustments	-	-	-	3,711,777	-	3,711,777	-	3,711,777
Total comprehensive income for the year	-	-	13,329,548	186,799,096	-	200,128,644	(2,698,827)	197,429,817
<b>Transaction with owners</b>								
Issuance of shares during the year	-	-	-	-	-	-	-	-
Collection of subscription receivable	22,500	-	-	-	-	22,500	-	22,500
Total transaction with owners	22,500	-	-	-	-	22,500	-	22,500
<b>Balance at December 31, 2022</b>	<b>P4,433,211,671</b>	<b>P623,139,806</b>	<b>P65,530,662</b>	<b>P1,536,606,331</b>	<b>(P110,049,633)</b>	<b>P6,548,438,837</b>	<b>(P22,741,138)</b>	<b>P6,525,697,699</b>

See Notes to the Consolidated Financial Statements.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

	<i>Note</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		<b>P305,547,988</b>	P252,377,845	P122,599,591
Adjustments for:				
Finance costs	<i>12,14</i>	<b>63,809,071</b>	70,888,773	36,787,064
Impairment loss on trade and other receivables	<i>6,22</i>	<b>27,589,342</b>	24,559,812	5,107,257
Depreciation and amortization	<i>21,22</i>	<b>27,990,961</b>	22,603,519	24,452,354
Provision for retirement benefits	<i>16</i>	<b>15,631,169</b>	15,373,885	14,596,841
Equity in net loss of an associate	<i>9</i>	<b>1,431,300</b>	4,488,055	3,409,093
Gain on repossession of real estate inventories	<i>20</i>	<b>(1,498,643)</b>	(14,287,462)	(12,057,967)
Unrealized foreign exchange loss (gain) – net	<i>20,23</i>	<b>(1,952,441)</b>	(1,434,240)	1,183,942
Dividend income	<i>5,20</i>	<b>(1,953,910)</b>	-	-
Interest income	<i>19</i>	<b>(15,924,493)</b>	(17,404,620)	(13,728,349)
Gain on change in fair value of investment properties	<i>10,20</i>	<b>(526,868,292)</b>	(610,925,892)	(286,750,907)
Loss on cancellation of sale of investment property	<i>10,23</i>	-	87,996,422	-
Loss on sublease	<i>23</i>	-	2,769,442	-
Loss on sale of property and equipment	<i>23</i>	-	38,793	-
Operating loss before working capital changes		<b>(106,197,948)</b>	(162,955,668)	(104,401,081)
Decrease (increase) in:				
Trade and other receivables		<b>18,515,029</b>	512,751,925	367,102,002
Prepayments and other assets		<b>2,783,533</b>	(2,413,716)	(6,042,231)
Real estate inventories		<b>69,979,015</b>	78,532,024	29,067,260
Other non-current assets		-	(3,500,000)	-
Increase (decrease) in:				
Trade and other payables		<b>(26,867,654)</b>	(52,203,778)	(84,355,227)
Unearned income		-	(1,361,382)	65,739
Other non-current liabilities		<b>(544,808)</b>	1,502,544	(2,073,117)
Cash generated from (absorbed by) operations		<b>(42,332,834)</b>	370,351,949	199,363,345
Interest received	<i>19</i>	<b>15,924,493</b>	16,427,063	13,728,349
Dividends received	<i>20</i>	<b>1,953,910</b>	-	-
Retirement benefit paid	<i>16</i>	-	(1,424,639)	(5,501,967)
Contributions to retirement fund	<i>16</i>	-	(500,000)	(2,000,000)
Net cash from (used in) operating activities		<b>(24,454,431)</b>	384,854,373	205,589,727
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to property and equipment	<i>11</i>	<b>(4,768,327)</b>	(6,427,388)	(1,995,547)
Additions to investment properties	<i>10</i>	<b>(30,030,586)</b>	(6,571,762)	(61,376,533)
Disposal of investment properties	<i>10</i>	-	14,000,000	-
Proceeds from disposal of property and equipment	<i>11</i>	<b>24,135</b>	1,071,894	171,763
Return of investments	<i>9</i>	-	-	7,045,222
Net cash from (used in) investing activities		<b>(34,774,778)</b>	2,072,744	(56,155,095)

*Forward*

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

	<i>Notes</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from availment of loans and note payable	14	<b>P1,013,706,633</b>	P796,260,165	P831,343,910
Collection of lease receivables	12	<b>23,284,800</b>	13,737,584	11,300,404
Payments of loans and note payable	14	<b>(931,743,558)</b>	(1,017,125,554)	(953,104,533)
Finance cost paid	12, 14	<b>(63,809,071)</b>	(68,942,689)	(34,862,853)
Lease liability payments	12	<b>(22,941,000)</b>	(15,981,379)	(14,112,902)
Proceeds from collection of subscriptions receivable	25	<b>22,500</b>	74,037	-
Costs incurred in issuance of shares	25	<b>-</b>	(100,985,622)	-
Net cash from (used in) financing activities		<b>18,520,304</b>	(392,963,458)	(159,435,974)
<b>EFFECTS OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>				
		<b>1,952,441</b>	1,434,240	(1,183,942)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(38,756,464)</b>	(4,602,101)	(11,185,284)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	3	<b>202,643,198</b>	207,245,299	218,430,583
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	3	<b>P163,886,734</b>	P202,643,198	P207,245,299

*See Notes to the Consolidated Financial Statements.*

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

Philippine Realty and Holdings Corporation (the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 13, 1981 with a corporate life of fifty (50) years. The principal activities of the Parent Company include the acquisition, development, sale and lease of all kinds of real estate and personal properties, and as an investment and holding company.

The Parent Company was listed with the Philippine Stock Exchange (PSE) on September 7, 1987.

On June 22, 2021, the Parent Company issued 4,177,777,778 new common shares at par value of P0.50 per share in exchange for two (2) vacant lots in BGC making the Parent Company a subsidiary of Greenhills Properties, Inc. (GPI) (see Note 25).

The Parent Company is 65.20% owned by GPI as at December 31, 2022 and 2021, respectively. The remaining shares are owned by various individuals and institutional stockholders.

The financial position and results of operations of the Parent Company and its subsidiaries (collectively referred to as the "Group") are consolidated in these financial statements (see Note 35).

The Parent Company's registered office is at One Balete, 1 Balete Drive corner N. Domingo St. Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines.

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**2. Basis of Preparation**

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC), as approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The accompanying consolidated financial statements as at and for the year ended December 31, 2022 were approved and authorized for issuance by the Board of Directors (BOD) on March 21, 2023.

Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the following which are measured using alternative basis at each reporting date:

Financial assets at FVPL	Fair value
Financial assets at FVOCI	Fair value
Investment properties	Fair value
Retirement benefit obligation	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the presentation and functional currency of the Group. All financial information presented have been rounded to the nearest peso, unless otherwise stated.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Use of Estimates and Judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in Note 31.

**3. Cash and Cash Equivalents**

This account consists of:

	2022	2021
Cash on hand	P45,000	P45,000
Cash in banks	135,763,217	118,619,292
Cash equivalents	28,078,517	83,978,906
	<b>P163,886,734</b>	<b>P202,643,198</b>

Cash in banks earned an average annual interest of 0.03% and 0.05% in 2022 and 2021, respectively. Cash equivalents represent money market placements or short-term investments with maturities up to three months and annual interests ranging from 3.00% to 4.40% and 0.10% to 2.75% in 2022 and 2021, respectively.

Interest income recognized amounted to P0.49 million, P0.50 million and P0.84 million in 2022, 2021 and 2020, respectively (see Note 19).

**4. Financial Assets at Fair Value Through Profit or Loss (FVPL)**

This account is composed of listed equity securities that are held for trading amounting to P6,750,000. The fair values of these securities are based on quoted market price.

**5. Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)**

As at December 31, financial assets at FVOCI consist of investments in:

	<i>Note</i>	2022	2021
At cost:			
Listed shares of stock		P58,332,808	P58,332,808
Golf and country club shares		3,350,000	3,350,000
		61,682,808	61,682,808
Accumulated unrealized holding loss	26	(25,606,702)	(24,038,272)
		<b>P36,076,106</b>	<b>P37,644,536</b>



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

The movements in this account are summarized as follows:

	<i>Note</i>	<b>2022</b>	<b>2021</b>
Balance at beginning of year		<b>P37,644,536</b>	P41,010,520
Fair value adjustments	26	<b>(1,568,430)</b>	(3,365,984)
Balance at end of year		<b>P36,076,106</b>	P37,644,536

The investments in shares of stock of various listed equity securities present the Parent Company with opportunity for return through dividend income. The fair values of these investments are based on quoted market prices. Unrealized holding gains or losses from market value fluctuations are recognized as part of the Group's reserves.

The above investments in equity instruments are not held for trading and the Group irrevocably elected to present subsequent changes in fair values in OCI.

Unrealized holding gain (loss) recognized in other comprehensive income from financial assets at FVOCI amounted to (P1.57) million in 2022, (P3.37) million in 2021 and P5.32 million in 2020 (see Note 26).

Dividend income recognized in profit or loss amounted to P1,953,910 in 2022 and nil in 2021 and 2020 (see Note 20).

## **6. Trade and Other Receivables**

This account is composed of:

	<b>2022</b>	<b>2021</b>
Trade:		
Sale of real estate	<b>P533,856,617</b>	P532,504,422
Lease	<b>24,271,329</b>	27,651,679
Management fees	<b>4,970,368</b>	4,826,041
Commission	<b>5,165,878</b>	4,555,206
Premiums receivable	<b>3,957,483</b>	2,128,282
Advances	<b>51,760,569</b>	28,282,470
Other receivables	<b>69,174,370</b>	113,120,069
	<b>693,156,614</b>	713,068,169
Less: allowance for impairment loss	<b>150,677,407</b>	119,525,619
	<b>542,479,207</b>	593,542,550
Less: non-current portion	<b>365,017,469</b>	461,101,590
Trade and other receivables- current portion	<b>P177,461,738</b>	P132,440,960

Trade receivables from sale of real estate include amounts due from buyers of the Parent Company's condominium projects, generally over a period of three (3) to four (4) years. The condominium certificates of title remain in the possession of the Parent Company until full payment has been made by the customers. Trade receivables for restructured accounts carry yield-to-maturity interest rates of 1.5% in 2022 and 2021. Interest income recognized amounted to P0.43 million, P0.62 million and P2.02 million in 2022, 2021 and 2020, respectively (see Note 19).

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Certain trade receivables with total carrying value of P189.97 million and P76.26 million as at December 31, 2022 and 2021, respectively, are assigned to a local bank to secure the Parent Company's loans payable (see Note 14).

Advances consist mainly of non-interest bearing cash advances to officers and employees that are settled either through liquidation or salary deduction.

Other receivables include receivables amounting to P45.35 million and P44.02 million as at December 31, 2022 and 2021, respectively, in relation to the parcels of land sold in 2014. The remaining balances are receivables from concessionaires.

Certain balances in 2021 were adjusted to conform with the 2022 presentation.

Receivables amounting to P150.68 million and P119.53 million as of December 31, 2022 and 2021, respectively, were impaired and fully provided for. The movement in the allowance for ECL on receivables are as follows:

	Sale of real estate	Lease	Management fees	2022 Premiums receivable	Advances	Other receivables	Total
Beginning balance	P88,650,704	P7,507,749	P600,408	P5,082,902	P862,891	P16,820,965	P119,525,619
Provisions (Reversals)	(5,137,804)	(2,028,939)	2,589,342	-	-	35,729,189	31,151,788
	P83,512,900	P5,478,810	P 3,189,750	P5,082,902	P862,891	P52,550,154	P150,677,407

	Sale of real estate	Lease	Management fees	2021 Premiums receivable	Advances	Other receivables	Total
Beginning balance	P79,692,807	P1,038,654	P600,408	P5,115,393	P478,891	P9,852,419	P96,778,572
Provisions (Reversals)	8,957,897	6,469,095	-	(32,491)	384,000	6,968,546	22,747,047
	P88,650,704	P7,507,749	P600,408	P5,082,902	P862,891	P16,820,965	P119,525,619

## 7. Real Estate Inventories

This account consists of:

	2022	2021
In progress:		
BGC Project	<b>P252,154,357</b>	P232,282,519
Andrea North Estate	<b>129,466,042</b>	130,987,227
	<b>381,620,399</b>	363,269,746
Completed units:		
Andrea North SkyVillas Tower	<b>96,696,424</b>	123,980,597
Andrea North Skyline Tower	<b>26,008,598</b>	85,822,208
The Icon Plaza	<b>29,267,782</b>	10,957,782
Casa Miguel	<b>7,192,072</b>	6,895,314
	<b>159,164,876</b>	227,655,901

*forward*

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Land held for development:		
New Manila, Quezon City	<b>135,336,913</b>	135,366,913
BGC	<b>1,410,000,000</b>	1,410,000,000
	<b>1,545,336,913</b>	1,545,366,913
	<b>P2,086,122,188</b>	P2,136,292,560

BGC Project represents the cost of the master plan design, excavation works, survey and permits, and capitalized loan interest related to the construction of the new tower in BGC.

On June 22, 2021, the Parent Company received two BGC lots from GPI in exchange for the Parent Company's shares of stock. One of these lots was recognized as part of real estate inventory – land held for development as the land is being used for the Parent Company's BGC condominium project.

On February 15, 2022, the Parent Company's Board of Directors confirmed its November 16, 2021 approval of the reclassification of the Baguio property previously classified as real estate inventories – land held for development to investment properties with the change in use and the management's view of improving the value of the property over time, as well as the approval of the reclassification of a condominium unit in Icon Residences Tower 1 from real estate inventories to investment property due to change in use and the management's view of improving the value of the property over time.

On March 21, 2023, the Parent Company's Board of Directors confirmed its December 20, 2022 approval of the reclassification of parking units in Icon Plaza from investment properties to real estate inventories as these properties have been sold/committed to be sold to several buyers.

Certain real estate inventories are mortgaged as collaterals to loans (see Note 14).

The cost of real estate inventories sold recognized in the consolidated statements of total comprehensive income amounted to P106,296,787, P113,172,007 and P161,787,110 in 2022, 2021 and 2020, respectively.

## **8. Prepayments and Other Assets**

This account consists of:

	<b>2022</b>	<b>2021</b>
Creditable withholding tax	<b>P308,916,089</b>	P293,055,070
Prepaid taxes	<b>38,632,394</b>	38,632,394
VAT for refund	<b>24,041,403</b>	9,418,683
Prepaid expenses	<b>23,739,449</b>	36,931,507
Deposits	<b>4,984,691</b>	4,624,691
Deferred input VAT	<b>634,304</b>	634,304
Input tax – net	<b>243,368</b>	279,742
Other assets	<b>12,238,458</b>	27,244,628
	<b>P413,430,156</b>	P410,821,019

Creditable withholding tax pertains to taxes withheld by the Group's customers in accordance with tax regulations which remained unutilized as at the end of the reporting period. This can be utilized by the Group as a deduction from future income tax obligations.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Prepaid taxes are unutilized creditable withholding taxes which the Company opted for refund with the Bureau of Internal Revenue.

As at December 31, 2021, PPMI received tax certificates amounting to P3,822,013, transferable and with validity of 5 years.

Prepaid expenses consist of advance payment to contractors, rent, real property tax, insurance premium and membership dues.

Deposits pertain to refundable deposits paid to utility companies. These also include security deposits paid in relation to an office lease agreement.

Certain balances in 2021 were reclassified to conform with the 2022 presentation.

**9. Investments in and Advances to Associates**

Details of the ownership interests in associates as at December 31 are as follows:

	2022	2021
Meridian Assurance Corporation (MAC)	30%	30%
Le Cheval Holdings, Inc. (LCHI)	45%	45%
Alexandra (USA), Inc. (AUI)	45%	45%

Details of investments in and advances to associates are as follows:

	2022	2021
<b>Meridian Assurance Corporation</b>		
Investment - acquisition cost	P88,875,080	P88,875,080
Release of investment	(7,045,222)	(7,045,222)
Investment - acquisition cost	81,829,858	81,829,858
Accumulated equity in net loss:		
Balance at beginning of year	(22,287,576)	(17,799,520)
Equity in net loss for the year	(1,431,300)	(4,488,055)
Balance at end of year	(23,718,876)	(22,287,575)
	P58,110,982	P59,542,283
<b>Le Cheval Holdings, Inc.</b>		
Investment - acquisition cost	P11,250	P11,250
Allowance for impairment loss	(11,250)	(11,250)
	-	-
Accumulated equity in net income:		
Balance at beginning of year	125,149	125,149
Equity in net loss for the year	-	-
Balance at end of year	125,149	125,149
	125,149	125,149

*forward*

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

	2022	2021
<b>Alexandra (USA), Inc.</b>		
Investment - acquisition cost	<b>14,184,150</b>	14,184,150
Allowance for impairment loss	<b>(14,184,150)</b>	(14,184,150)
	-	-
Advances to AUI	<b>132,417,765</b>	132,417,765
Allowance for unrecoverable advances	<b>(132,417,765)</b>	(132,417,765)
	-	-
	<b>P58,236,131</b>	P59,667,432

The imminent liquidation of Alexandra USA, Inc. (AUI) indicates the possible impairment in the value of investment in this entity. In 2011, the Parent Company provided an allowance for impairment loss amounting to P14,184,150 for investments in AUI. The advances were likewise provided with 100% allowance.

The Parent Company also provided an allowance for impairment loss amounting to P11,250 for investments in LCHI.

Aggregated amounts relating to associates are as follows:

	2022	2021
<b>Meridian Assurance Corporation (MAC)</b>		
Total assets	<b>P370,799,653</b>	P222,857,213
Total liabilities	<b>32,697,486</b>	25,988,007
Net assets	<b>338,102,167</b>	196,869,206
Income	<b>9,900,997</b>	244,458
Cost and expenses	<b>(14,577,798)</b>	(15,204,657)
Net loss	<b>(P4,676,801)</b>	(P14,960,199)
<b>Le Cheval Holdings, Inc. (LCHI)</b>		
Total assets	P45,362	P45,362
Total liabilities	142,248	142,248
Net liabilities	(96,886)	(96,886)
Income	-	-
Cost and expenses	-	-
Net loss	P -	P -

The following are the principal activities of the Group's Associates:

**Meridian Assurance Corporation**

MAC was incorporated and registered with the SEC on March 16, 1960, renewed on November 13, 2007, primarily to engage in the business of insurance and guarantee of any kind and in all branches except life insurance, for consideration, to indemnify any person, firm or corporation against loss, damage or liability arising from any unknown or contingent event, and to guarantee liabilities and obligations of any person, firm or corporation and to do all such acts and exercise all such powers as may be reasonably necessary to accomplish the above purposes which may be incidental.

MAC did not comply with the minimum capital requirement set by the Insurance Commission as of December 31, 2016, as it is ceding its insurance business portfolio to another insurance company. MAC, however, will continue servicing the administrative requirements of all outstanding policies issued until their expiry. On March 30, 2017, the Company wrote the Insurance Commission to apply for a license as a servicing company and tendered its Certificate of Authority (CA) as non-life insurance company. Pending issuance of the servicing license, the Company still issued new policies up to April 30, 2017. On May 1, 2017, the Insurance Commission approved the Company's application as a servicing company and issued a servicing license. As a servicing insurance company, the Company's transactions are confined to: (i) accepting periodic premium payments from its policyholders; (ii) granting policy loans and paying cash surrender values of outstanding policies to its policyholders; (iii) reviving lapsed policies of its policyholders, and (iv) such other related services.

In 2020, the Insurance Commission approved the release of the contingency surplus of MAC to its stockholders. The Parent Company received its 30% share amounting to P7,045,222.

On July 7, 2021, MAC received a letter from the insurance commission confirming MAC's withdrawal from the insurance business. It is also stated in the letter that MAC is no longer required to submit annual financial statements and other documentary requirements to the commission starting financial year-end 2021. As at December 31, 2022, MAC is in the process of preparing the necessary documents for the amendment of Articles of Incorporation and By-laws for filing with the SEC and IC, thereafter, the Company plans to engage in the business of asset management.

The registered office of MAC is Unit E-2003B East Tower, Tektite Towers (formerly Philippine Stock Exchange Centre), Exchange Road, Ortigas Center, Pasig City.

Le Cheval Holdings, Inc.

LCHI was incorporated and registered with the SEC on August 30, 1994 as a holding company and commenced operations as such by acquiring the majority outstanding shares of stock of Philippine Racing Club, Inc. (PRCI), a holding company incorporated in the Philippines. In 1996, LCHI sold its shares of stock with PRCI. Thereafter, LCHI became inactive.

Alexandra (USA), Inc.

AUI was incorporated in the United States of America (USA). AUI is involved in property development in Florida, USA. AUI is jointly owned with GPI (45%) and Warrenton Enterprises Corporation (10%) of William Cu-Unjieng. AUI is in the process of liquidation after the completion of the projects in Naples and Orlando. No information was obtained in the financial status and operations of AUI since 2012.

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**10. Investment Properties**

The Group obtained the services of an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The effects are detailed below:

	<i>Note</i>	<b>2022</b>	<b>2021</b>
<b>Cost</b>			
Balance, beginning		<b>P2,096,426,618</b>	P1,213,476,678
Additions		<b>30,030,586</b>	6,571,762
Return due to sales cancellation		-	33,859,578
Land acquired through share swap		-	846,000,000
Disposal		-	(14,000,000)
Reclassification from (to) real estate inventories	7	<b>(18,310,000)</b>	10,518,600
Adjustment due to changes in investment in finance lease		<b>(18,479,044)</b>	-
Balance, ending		<b>2,089,668,160</b>	2,096,426,618
<b>Accumulated unrealized holding gain</b>		<b>2,836,797,113</b>	2,309,928,821
		<b>P4,926,465,273</b>	P4,406,355,439

Details of investment properties are as follows:

	<b>2022</b>	<b>2021</b>
<b>Cost of investment properties</b>		
BGC	<b>P846,000,000</b>	P846,000,000
Tektite East	<b>536,346,957</b>	522,480,432
Baguio	<b>399,436,449</b>	384,400,952
Tektite West	<b>183,603,423</b>	183,603,423
The Icon Plaza	<b>79,903,153</b>	115,563,633
San Fernando City, La Union	<b>33,859,578</b>	33,859,578
Icon Residences Tower 1	<b>10,518,600</b>	10,518,600
	<b>P2,089,668,160</b>	P2,096,426,618

**BGC**

On June 22, 2021, the Parent Company received two BGC lots from GPI in exchange for the Parent Company's shares of stock. One of these lots was recognized as part of investment properties as the land has undetermined use as of the reporting date and will be held for capital appreciation.

**Tektite East and West Towers**

In 2020, the Company acquired condominium units and parking spaces at the East and West Towers of Tektite Towers.

**Baguio**

With the positive outlook of growth in 2018, the Parent Company saw the opportunity to develop Baguio property into a residential development for sale. The property was then classified as part of real estate inventories – land held for development. In 2019, the Parent Company continued with the original plan to develop the property, however, in 2020, due to the effect of COVID-19 pandemic on the overall economic condition, the parent Company reviewed its strategy to assume a more conservative approach by adjusting its development schedules to ensure its stability and managing cash flow. The Parent Company decided to prioritize the development of a residential tower in BGC. Consequently, the development plan for the Baguio

property was shelved with a view of improving the value of the property over time. In the meantime, a lease was entered with PPMI, a subsidiary company, to generate cash flow to cover a portion of the costs of maintaining the property. With the Parent Company' view of improving the value of the property over time, the Parent Company with the approval of its Board of Directors, reclassified this property to Investment Properties.

Icon Residences Tower 1

On November 16, 2021, the Parent Company's Board of Directors approved the reclassification of a condominium unit in Icon Residences Tower 1 from real estate inventories to investment property due to change in use. On November 24, 2021, the Parent Company received a formal offer to lease the unit once renovation and repairs are completed and the unit is ready for occupancy. Renovation and repairs were delayed due to issues with a unit owner who owned the unit where the damage emanated from.

The Icon Plaza

On March 21, 2023, the Parent Company's Board of Directors confirmed its December 20, 2022 approval of the reclassification of several parking units in Icon Plaza from investment properties to real estate inventories as these properties have been sold/are committed to be sold to several buyers.

San Fernando, La Union

On November 29, 2021, the Parent Company cancelled its Contract to Sell agreement dated December 18, 2014 with Humboltbay Holdings, Inc for the San Fernando, La Union lot originally classified as investment property prior to sale. The Parent Company incurred a loss on sale cancellation of investment property amounting to P87,996,422 (see Note 23).

Details of the accumulated unrealized holding gain are as follows:

	2022	2021
<b>Accumulated unrealized holding gain</b>		
Tektite East Tower	<b>P1,047,126,177</b>	P1,031,291,177
Tektite West Tower	<b>566,540,552</b>	556,747,007
San Fernando, La Union	<b>295,480,822</b>	249,372,822
BGC	<b>738,000,000</b>	246,800,000
The Icon Plaza	<b>72,345,367</b>	110,035,367
Baguio	<b>106,542,795</b>	104,921,048
Icon Residences Tower 1	<b>10,761,400</b>	10,761,400
	<b>P2,836,797,113</b>	P2,309,928,821

The movements in accumulated unrealized holding gain in 2022 and 2021 are as follows:

	Note	2022	2021
Beginning balance		<b>P2,309,928,821</b>	P1,699,002,929
Increase in fair value during the year	20	<b>526,868,292</b>	610,925,892
Total		<b>P2,836,797,113</b>	P2,309,928,821

An independent valuation of the Group's investment properties was performed by qualified appraisers as of December 14, 2022, December 15, 2022, December 22, 2022 and March 29, 2023 to determine their fair values. The external independent appraiser used sales comparison approach in arriving at the value of the properties. In this approach, the values of the properties were determined based on sales and listings of comparable properties. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate



vicinity or at a different floor level of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

Rental income recognized from the investment properties amounted to P55,200,865 in 2022, P55,175,665 in 2021 and P55,175,665 in 2020. Real property taxes attributable to the investment property amounted to P7,870,171 in 2022, P8,327,454 in 2021 and P22,124,552 in 2020 are included as part of taxes and licenses in cost of services. Condominium dues attributable to the investment properties amounted to P8,395,079 in 2022, P9,823,728 in 2021 and P10,127,213 in 2022 are included also in cost of services.

Certain investment properties are mortgaged as collateral to loans (see Note 14).

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**11. Property and Equipment**

The details of the carrying amounts of property and equipment, the gross carrying amounts, and accumulated depreciation and amortization of property and equipment are shown below:

	<b>For the Years Ended December 31, 2022 and 2021</b>				
	<b>Condominium Units, Building and Building Improvements</b>	<b>Office Furniture, Fixtures and Equipment</b>	<b>Transportation, Machinery and Other Equipment</b>	<b>Leasehold and Office Improvements</b>	<b>Total</b>
<b>Cost</b>					
January 1, 2021	P96,427,199	P28,212,788	P66,375,292	P1,221,181	P192,236,460
Additions	5,500,000	859,554	67,835	-	6,427,389
Disposals	-	(288,482)	(2,757,103)	-	(3,045,585)
December 31, 2021	101,927,199	28,783,860	63,686,024	1,221,181	195,618,264
Additions	-	2,093,451	-	-	2,093,451
Adjustments	2,650,014	-	-	-	2,650,014
Disposals	-	(244,955)	-	-	(244,955)
December 31, 2022	104,577,213	30,632,356	63,686,024	1,221,181	200,116,774
<b>Accumulated depreciation</b>					
January 1, 2021	34,902,341	27,656,078	47,508,775	1,123,969	111,191,163
Provision	3,402,418	1,320,145	8,254,030	4,437	12,981,030
Disposals	-	(288,482)	(1,308,915)	-	(1,597,398)
December 31, 2021	38,304,759	28,687,741	54,453,890	1,128,406	122,574,796
Provision	11,269,593	1,429,613	4,702,709	92,775	17,494,691
Disposals	-	(249,817)	-	-	(249,817)
Adjustments	-	(24,862)	-	-	(24,862)
December 31, 2022	49,574,353	29,842,674	59,156,599	1,221,181	139,794,808
<b>Carrying Amount</b>					
At December 31, 2021	P63,622,440	P96,119	P9,232,134	P92,775	P 73,043,468
<b>At December 31, 2022</b>	<b>P55,002,860</b>	<b>P789,682</b>	<b>P4,529,425</b>	<b>P -</b>	<b>P60,321,966</b>

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Certain transportation equipment of the Group with total carrying value of P2.7 million and P8.85 million and as at December 31, 2022 and 2021, respectively are pledged as security under chattel mortgage (see Note 14).

**12. Leases**

**A. Rights-of-use assets**

The Parent Company leases two parcels of land located at 5<sup>th</sup> Avenue corner 24<sup>th</sup> Street and 5<sup>th</sup> avenue corner 25<sup>th</sup> Street, Bonifacio Global City, Taguig City. These contracts have a term of fifteen (15) years, renewable for another ten years upon submission of a written notice to renew at least ninety days prior to the expiration of the original term, with terms and conditions mutually agreed by both parties.

The Parent Company also leases Unit 10A in Icon Plaza located 26<sup>th</sup> Street, Bonifacio Global City, Taguig City. The contract has a term of five (5) years and is renewable upon mutual agreement of both parties.

The carrying amount of right-of-use assets as at December 31, 2022 and 2021 is shown below.

	2022	2021
Right-of-use assets	<b>P132,987,647</b>	P114,508,603
Accumulated depreciation	<b>(35,573,046)</b>	(25,076,776)
	<b>P97,414,601</b>	P89,431,827

Amounts recognized in profit or loss:

	<i>Note</i>	2022	2021
Depreciation expense	21,22	<b>P10,496,270</b>	P9,622,488
Interest expense		<b>8,824,235</b>	10,506,780

**B. Investments in finance lease**

The Parent Company entered into a sublease contract relating to one of the parcels of land being leased in BGC as discussed above. This agreement was assessed by the management to be of a finance lease. This agreement is renewable at the end of the lease term of initially fifteen (15) years upon mutual consent of the parties.

<b>Amounts receivable under finance lease</b>	2022	2021
Year 1	<b>P23,672,896</b>	P23,284,800
Year 2	<b>24,449,088</b>	23,672,896
Year 3	<b>24,856,576</b>	24,449,088
Year 4	<b>25,671,552</b>	24,856,576
Year 5	<b>26,099,392</b>	25,671,552
Onwards	<b>131,248,896</b>	157,348,288
Undiscounted lease payments	<b>255,998,400</b>	279,283,200
Present value of minimum lease payments receivable	<b>P201,677,275</b>	P214,732,527
Less: current portion	<b>14,099,824</b>	13,055,174
Investment in finance lease – net of current portion	<b>P187,577,451</b>	P201,677,353

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Amounts recognized in profit or loss:

	<i>Note</i>	<b>2022</b>	<b>2021</b>
Interest income	<i>19</i>	<b>P10,299,536</b>	P11,816,719
Loss on sublease	<i>23</i>	-	2,769,442

In 2021, the incremental borrowing rate used to calculate the present value of lease payments was adjusted. The effects of the change in rates were applied prospectively.

**C. Lease liabilities**

A maturity analysis of lease liabilities under both lessee and lessor based on the total cash flows is reported in the table below:

	<b>2022</b>		<b>2021</b>	
	<b>Undiscounted</b>	<b>Discounted</b>	<b>Undiscounted</b>	<b>Discounted</b>
<b>Right-of-use assets</b>				
Less than 1 year	<b>P11,812,050</b>	<b>P7,726,363</b>	P11,781,000	P7,341,175
More than 1 year	<b>98,056,703</b>	<b>79,981,943</b>	109,868,753	87,708,307
	<b>109,868,753</b>	<b>87,708,306</b>	121,649,753	95,049,482
<b>Finance lease</b>				
Less than 1 year	<b>11,160,000</b>	<b>7,115,095</b>	11,160,000	6,775,589
More than 1 year	<b>96,720,000</b>	<b>78,679,760</b>	107,880,000	85,794,855
	<b>107,880,000</b>	<b>85,794,855</b>	119,040,000	92,570,444
	<b>P217,748,753</b>	<b>P173,503,161</b>	P240,689,753	P187,619,926

**D. Short-term operating leases as lessor**

The Group entered into short-term lease agreements including condominium units, office spaces, food plaza spaces and parking spaces. The lease contracts between the Group and its lessees have a term of one (1) to two (2) years which are renewable.

Total rental income earned in 2022, 2021 and 2020 amounted to P56.67 million, P55.30 million and P69.34 million, respectively.

Deferred rental income classified under other non-current liabilities amounting to P40.43 million and P40.97 million as of December 31, 2022 and 2021, respectively, pertains to advance rent received from lessees to be applied on the last three (3) months of the lease contract.

Refundable deposits on these lease agreements amounted to P17,242,595 and P17,549,121 in 2022 and 2021, respectively, and are included as part of trade and other payables (see Note 13).

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**E. Short-term operating leases as lessee**

PPMI leases its office premises for a period of one (1) year, renewable upon mutual consent of both parties:

	<b>Terms</b>
Office premises	December 1, 2021 to November 30, 2022
Subleased property*	December 1, 2020 to November 30, 2021

Rent expense charged to profit or loss amounted to P304,632 and P526,243 in 2022 and 2021, respectively (see Note 21).

**13. Trade and Other Payables**

This account consists of:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Accrued expenses		<b>P60,875,331</b>	P37,614,146
Non-trade payables		<b>56,865,807</b>	53,105,832
Customers' deposits		<b>22,485,042</b>	42,087,043
Retention fees payable		<b>21,682,353</b>	40,072,890
Refundable deposits	12	<b>17,242,595</b>	17,549,121
Due to government agencies		<b>8,360,308</b>	2,239,250
Trade payables		<b>7,640,712</b>	29,352,067
Others		<b>54,525</b>	53,978
		<b>195,206,673</b>	222,074,327
Less: non-current portion		<b>84,852,490</b>	71,825,744
		<b>P110,354,183</b>	P150,248,583

Customers' deposits consist of down payments representing less than 25% of the contract price of the condominium units sold which are deductible from the total contract price.

Retention fees payable pertain to retention fees withheld from the contractors of ongoing and completed projects.

Accrued expenses consist of accrual for costs on outside services, insurance, supplies, tax and other legal expenses.

Due to government agencies consist mainly of payable to the Bureau of Internal Revenue, SSS, HDMF and Philhealth.

Others consist of refunds payable, commission payable and unearned rent income.

Non-current portion of trade and other payables which mainly pertains to transfer fees, refundable deposits and accruals amounted to P84,852,490 and P71,825,744 as at December 31, 2022 and 2021, respectively.

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**14. Loans and Note Payable**

**Loans Payable**

The movements in the loans payable are summarized as follows:

	2022	2021
Balance at beginning of year	<b>P810,600,803</b>	P1,030,593,284
Availments of loan	<b>1,013,706,633</b>	796,260,165
Payments of principal	<b>(930,940,131)</b>	(1,016,252,646)
Balance at end of year	<b>P893,367,305</b>	P810,600,803

The loans payable is composed of the following:

	2022	2021
Payable within one year:		
Philippine National Bank	<b>P250,000,000</b>	P200,000,000
Philippine Bank of Communications	<b>413,706,633</b>	175,495,279
Union Bank of the Philippines	<b>1,583,107</b>	3,492,417
RCBC Savings Bank	<b>536,450</b>	2,147,122
	<b>665,826,190</b>	381,134,818
Payable after one year:		
Philippine Bank of Communications	<b>226,260,165</b>	426,260,165
Union Bank of the Philippines	<b>706,599</b>	2,046,478
RCBC Savings Bank	<b>574,351</b>	1,159,342
	<b>227,541,115</b>	429,465,985
	<b>P893,367,305</b>	P810,600,803

**Philippine National Bank (PNB)**

In 2021, the Parent Company availed of working capital loans from Philippine National Bank with a total principal amount of P480 million which has been fully paid in 2022. The Company availed new loans in 2022 with total principal amount of P650 million. These loans bear an interest ranging from 4.50% to 6.00% annually and payable within three (3) months subject to extension upon lapse of the maturity date. Interest rates will then be re-evaluated to conform with the current period's rate. These loans are secured by certain real estate inventories with the carrying amount of P135.4 million (see Note 7).

**Philippine Bank of Communications (PBCom)**

In 2017, the Parent Company entered into a long-term credit facility agreement with PBCom. PBCom approved a P500 million Term Loan under which the Company drew down P500 million in September 2017. These loans are payable within five (5) years from the date of drawdown. These loans bear 6% interest rate and are payable quarterly in arrears and secured by certain inventories mortgaged in favor of PBCom with the total carrying amount of nil and P122.60 million as of December 31, 2022 and 2021. The collaterals securing the Term Loan availed in 2017 were already released as at December 31, 2022 as the said Term Loan was already fully paid as at December 31, 2022.

In 2019, the Parent Company entered into a long-term credit facility agreement with PBCom. PBCom approved a Term Loan under which the Company drew down P500 million during 2019. These loans are payable within six (6) years from the date of drawdown. These loans bear 8.5% interest rate and are payable quarterly in arrears and secured by certain investment properties

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mortgaged in favor of PBCom with the total carrying amount of P390.4 million and P592.5 million as of December 31, 2022 and 2021.

In 2020, PBCom approved a Loan Line amounting to P300 million available for drawings up to 180-day promissory notes (PNs). These loans bear 4.5% to 5.5% interest rate payable at maturity of the PNs. The principal payment is on the maturity date of the PNs.

In 2021, PBCOM approved a Contract to Sell Financing line amounting to P300 million available for drawings. The Company drew down P114 million and P76 million in 2022 and 2021, respectively. These loans bear 7.0% to 7.5% interest rate payable at maturity of the deed of undertaking and secured by certain receivables assigned in favor of PBCom amounting to P189.97 million and P76.26 million as at December 31, 2022 and 2021, respectively (see Note 6).

**Union Bank of the Philippines (UBP)**

In July 2016, the Company availed car loans from Union Bank which bears 9.11% interest and is payable in installment within sixty (60) months. These loans are secured by certain transportation equipment of the Company (see Note 11).

**RCBC Savings Bank (RCBC)**

In July 2017, the Company availed a car loan from RCBC Savings Bank which bears 8.72% interest and is payable in installment within sixty (60) months. These loans are secured by certain transportation equipment of the Company (see Note 11).

Total interest on loans payable charged to profit or loss amounted to P54,819,311, P60,124,456 and P24,864,954 in 2022, 2021 and 2020, respectively. Total interest on loans payable capitalized amounted to nil and P348,502 in 2022 and 2021, respectively. The capitalization rates are nil and 4.75% in 2022 and 2021, respectively.

**Note Payable**

**RCBC Savings Bank**

In 2019, PPMI availed of a five-year note payable amounting to P3,744,000 from a local bank to finance the purchase of transportation equipment. The note carries interest at 11.04% per annum. The loan was obtained in February 2019 and will mature in February 2024.

The movements in the note payable are summarized as follows:

	2022	2021
Balance at beginning of year	<b>P1,859,486</b>	P2,732,394
Payments of principal	<b>(803,427)</b>	(872,908)
Balance at end of year	<b>P1,056,059</b>	P1,859,486

Outstanding balance of note is composed of the following:

	2022	2021
Payable within one year	<b>P896,804</b>	P803,427
Payable after one year	<b>159,255</b>	1,056,059
	<b>P1,056,059</b>	P1,859,486

Interest expense charged to profit or loss amounted to P165,525 and P257,537 in 2022 and 2021, respectively.

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**15. Related Party Transactions**

The details of related party transactions and balances are as follows:

As at and for the year ended December 31, 2022:	Transactions	Outstanding balance	Terms and conditions	
<i>Trade receivables</i>			Sales of condominium units and parking spaces to related parties are based on the effective price list and terms that would be available to third parties. The receivables are secured with related units until full payment.	
Ultimate Parent Company Greenhills Properties, Inc.				
Sale of parking space	P -			
Collections during the year	-	P51,892,140		
<i>Purchase of services</i>			Purchase of services is negotiated with related parties on a cost-plus basis and is due 30 days after the end of the month. These payables are unsecured and bear no interest and settled in cash.	
Subsidiary Tektite Insurance Brokers, Inc.	P6,959,695			
Purchase of services	6,941,894	17,801		
Payments during the year				
<i>Advances</i>			Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash.	
Alexandra (USA), Inc., Associate	-	132,417,765		
Le Cheval Holdings, Inc., Associate	-	122,248		
Less: Allowance for impairment loss	-	132,540,013		
Balance, net	-	-		
<i>Key management personnel</i>			Key management includes directors (executive and non-executive) and executive officers. Short-term benefits are payable monthly and post-employment benefits are payable upon retirement	
Short-term benefits	P -	-		
Salaries and other short-term employee benefits	43,439,819	-		
Post-employment benefits	-	-		
Provision for retirement benefits/PVO	7,869,438	-		
<b>As at and for the year ended December 31, 2021:</b>			<b>Outstanding balance</b>	<b>Terms and conditions</b>
<i>Trade receivables</i>			Sales of condominium units and parking spaces to related parties are based on the effective price list and terms that would be available to third parties. The receivables are secured with related units until full payment.	
Ultimate Parent Company Greenhills Properties, Inc.				
Sale of parking space	P1,300,000			
Collections during the year	(1,300,000)	P51,892,140		
<i>Purchase of services</i>			Purchases of services are negotiated with related parties on a cost-plus basis and are due 30 days after the end of the month. These receivables are unsecured and bear no interest and settled in cash.	
Subsidiary Tektite Insurance Brokers, Inc.				
Purchase of services	6,260,354	-		
Payments during the year	(6,260,354)	-		
<i>forward</i>				

*forward*



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<b>As at and for the year ended December 31, 2021:</b>	<b>Transactions</b>	<b>Outstanding balance</b>	<b>Terms and conditions</b>
<i>Advances</i>			Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash.
Alexandra (USA), Inc., Associate	-	132,417,765	
Le Cheval Holdings, Inc., Associate	-	122,248	
Meridian Assurance Corp. Associate	16		
Less: Allowance for impairment loss	(16)	(132,540,013)	
Balance, net	-	-	
<i>Key management personnel</i>			Key management includes directors (executive and non-executive) and executive officers.
Short-term benefits	P -	-	Short-term benefits are payable monthly and post-employment benefits are payable upon retirement
Salaries and other short-term employee benefits	41,668,747	-	
Post-employment benefits	-	-	
Provision for retirement benefits/PVO	7,297,122	-	

*Management Services*

PPMI provides general management services and financial management and supervision over the janitorial and security services for the efficient administration of the properties of GPI, the ultimate parent company, and third parties, collectively referred herein as property owners. In consideration for said services, PPMI charges the property owners a fixed monthly amount, with a 10% escalation rate annually. These management contracts are renewable for a period of two (2) to three (3) years upon mutual agreement of both PPMI and the property owners.

*Advances to related parties*

The Parent Company's substantial receivables from AUI, an associate, which is intended to fund the latter's working capital requirement, represents non-interest-bearing advances with no fixed term with the option to convert to equity in case of increase in capital. Advances contributed by AUI's stockholders were in accordance with the percentage of ownership of the stockholders in AUI. With the imminent liquidation of AUI, the receivables have been fully provided with allowance for impairment losses since 2011.

**16. Retirement Benefit Plans**

The Parent Company and Tektite Insurance Brokers, Inc. (TIBI) operate funded, non-contributory defined benefit retirement plans covering substantially all of their regular employees. The plans are administered by local banks as trustee and provide for a lump-sum benefit payment upon retirement. The benefits are based on the employees' monthly salary at retirement date multiplied by years of credited service. No other post-retirement benefits are provided.

PPMI has an unfunded, noncontributory defined benefit retirement plan.

Through their defined benefit retirement plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

- *Asset volatility* - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.

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- *Inflation risk - Some of the Group retirement obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.*

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by an independent actuary on February 28, 2023, March 10, 2023 and April 19, 2023 for the year ended December 31, 2022. The present values of the defined benefit obligations, the related current service costs and past service costs were measured using the Projected Unit Credit Method.

Key assumptions used for the Parent Company:

	Valuation at	
	2022	2021
Discount rate	7.22%	5.03%
Future salary increase	4.00%	4.00%

Key assumptions used for PPMI:

	Valuation at	
	2022	2021
Discount rate	7.22%	5.08%
Future salary increase	6.00%	6.00%

Key assumptions used for TIBI:

	Valuation at	
	2022	2021
Discount rate	5.21%	1.97%
Future salary increase	5.00%	5.00%

Assumptions regarding future mortality and disability are set based on actuarial advice in accordance with published statistics and experience.

The reconciliation of the present value of the defined benefit obligation (DBO) and the fair value of the plan assets to the recognized liability presented as accrued retirement liability in the consolidated statements of financial position is as follows:

	2022	2021
Present value of defined benefit obligation	P94,301,784	P99,028,667
Fair value of plan assets	27,348,299	28,098,491
Recognized liability	P66,953,485	P70,930,176

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The movements in the present value of defined benefit obligation are shown below:

	2022	2021
Liability at beginning of year	<b>P99,028,667</b>	P101,087,591
Adjustments	-	1,795,913
Current service cost	<b>12,174,121</b>	12,438,972
Interest cost	<b>4,642,214</b>	3,875,531
Remeasurement gains		
Changes in financial assumptions	<b>(20,097,390)</b>	(11,057,446)
Changes based on experience	<b>(1,357,585)</b>	(7,680,074)
Changes in demographic assumptions	-	(7,181)
Benefits paid from plan assets	<b>(88,243)</b>	-
Benefits paid from Company operating funds	-	(1,424,639)
Liability at end of year	<b>P94,301,784</b>	P99,028,667

The movements in the plan assets are shown below:

	2022	2021
Fair value of plan assets at beginning of year	<b>P28,098,491</b>	P27,666,680
Interest income	<b>1,185,166</b>	940,618
Actual contribution	-	500,000
Remeasurement loss	<b>(1,935,358)</b>	(1,008,807)
Fair value of plan assets at end of year	<b>P27,348,299</b>	P28,098,491

The Parent Company expects to contribute P2,000,000 to the retirement fund in 2023.

The main categories of plan assets as at December 31, 2022 and 2021 are as follows:

	2022	2021
Cash and cash equivalents	<b>P21,860,161</b>	P21,793,845
Equity instruments	<b>5,453,747</b>	6,325,056
Accrued interest	<b>58,134</b>	3,081
Liabilities	<b>(23,743)</b>	(23,491)
	<b>P27,348,299</b>	P28,098,491

The retirement expense recognized in profit or loss consists of:

	2022	2021	2020
Current service cost	<b>P12,174,121</b>	P12,438,972	P12,252,598
Net interest on defined benefit liability	<b>3,457,048</b>	2,934,913	2,344,243
	<b>P15,631,169</b>	P15,373,885	P14,596,841

The provision for retirement benefits is recognized under general and administrative expenses in the consolidated statements of total comprehensive income (see Note 22).

The sensitivity analysis of the defined benefit obligation is:

	<b>Increase (decrease) in basis points</b>	<b>Effect on defined benefit obligation</b>
Discount rate	1.00%	(P6,878,162)
	(1.00%)	8,116,757
Future salary increase	1.00%	8,261,454
	(1.00%)	(7,105,910)

The above sensitivity analyses are based on changes in principal assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized in the consolidated statements of financial position.

The BOD reviews the level of funding required for the retirement fund. This includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation.

As of December 31, 2022, the weighted average duration of defined benefit obligation are 8.10, 11.50 and 2.80 years for Parent Company, PPMI and TIBI, respectively (2021: 10.20, 14.90, and 3.90 years, respectively).

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#### **17. Management Fees and Other Services Fees**

The Group provides general management services and financial management and supervision over the janitorial and security services through PPMI. In consideration for the said services, the Group charges the property owners a fixed monthly amount with a 10% escalation rate annually. These management contracts are renewable for a period of two (2) to three (3) years upon mutual agreement of both PPMI and the property owners. The Group is entitled to fixed reimbursement of actual cost of the on-site staff. The total income from management fees and other services fees amounted to P34.66 million, P36.78 million and P42.85 million in 2022, 2021 and 2020, respectively.

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#### **18. Commission**

The Group's commission income derived from insurance brokerage amounted to P5.57 million, P4.51 million and P4.46 million in 2022, 2021 and 2020, respectively.

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**19. Interest Income**

The Group's interest income was derived from the following:

	<i>Note</i>	<b>2022</b>	2021	2020
Sublease	12	<b>P10,229,536</b>	P11,816,719	P10,875,595
Penalty for late payments		<b>4,305,819</b>	4,127,556	-
Cash and cash equivalents	3	<b>494,516</b>	495,270	836,357
Trade receivables	6	<b>431,600</b>	619,736	2,016,397
Others		<b>463,022</b>	345,339	-
		<b>P15,924,493</b>	P17,404,620	P13,728,349

**20. Other Income**

The account consists of:

	<i>Notes</i>	<b>2022</b>	2021	2020
Gain on change in fair value of investment properties	10	<b>P526,868,292</b>	P610,925,892	P286,750,907
Dividend income	5	<b>1,953,910</b>	-	-
Foreign exchange gain		<b>1,952,441</b>	1,434,240	-
Gain on repossession of real estate inventories		<b>1,498,643</b>	14,287,462	12,057,967
Gain on money market investments		-	34,652	-
Others	6,15	<b>8,236,429</b>	10,484,867	11,367,237
		<b>P 540,509,715</b>	P637,167,113	P310,176,111

Others mainly consists of reversal of allowance for impairment losses on receivables and gain on repossession of real estate inventories.

**21. Cost of Services**

The account consists of:

	<i>Note</i>	<b>2022</b>	2021	2020
Salaries, wages, and other benefits		<b>P18,387,056</b>	P20,657,116	P25,810,786
Condominium dues	10	<b>8,395,079</b>	9,823,728	10,127,213
Depreciation and amortization on ROU assets	12	<b>8,763,860</b>	8,466,620	8,430,511
Taxes and licenses		<b>7,949,813</b>	8,595,591	23,352,566
Outside services		<b>6,774,278</b>	4,063,409	3,745,552
Utilities		<b>4,804,628</b>	4,167,232	4,283,890
Insurance and bond premiums		<b>2,052,286</b>	2,131,294	2,050,936
Commission		<b>1,630,729</b>	627,766	357,785
SSS, Pag-IBIG and other contributions		<b>1,459,167</b>	1,558,212	1,787,728
Repairs and maintenance		<b>649,308</b>	1,492,363	788,667
Communication		<b>532,221</b>	618,175	-
Rental	12	<b>364,098</b>	561,943	604,252
Employees' welfare		<b>64,823</b>	101,192	77,419
Transportation and travel		-	38,000	-
Supplies and materials		-	-	258,385
Others		<b>723,752</b>	5,860,819	1,479,285
		<b>P62,551,098</b>	P68,763,460	P83,154,975

Others include various expenses that are individually insignificant.

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**22. General and Administrative Expenses**

The account consists of:

	<i>Note</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Salaries, wages, and other benefits		<b>P71,586,651</b>	P69,048,790	P83,787,422
Taxes and licenses		<b>64,020,284</b>	44,916,582	51,393,428
Transportation and travel		<b>34,324,100</b>	15,408,094	16,448,165
Marketing expense		<b>33,285,461</b>	40,531,274	47,599,104
Provision for impairment loss on trade and other receivables	<i>6</i>	<b>27,589,342</b>	24,559,812	5,107,257
Professional fees		<b>21,799,851</b>	21,423,175	20,094,194
Depreciation and amortization				
Property and equipment	<i>11</i>	<b>17,494,691</b>	12,981,031	14,756,859
ROU assets	<i>12</i>	<b>1,732,410</b>	1,155,868	1,264,984
Provision for retirement benefits	<i>16</i>	<b>15,631,169</b>	15,373,885	14,596,841
Insurance and bond premiums		<b>7,295,002</b>	12,445,616	5,570,144
Outside services		<b>6,726,186</b>	5,809,893	5,044,580
SSS, Pag-IBIG, Medicare and other benefits		<b>5,761,900</b>	5,528,706	4,943,382
Repairs and maintenance		<b>5,461,617</b>	5,919,526	7,304,244
Condominium dues		<b>5,351,072</b>	8,069,082	5,044,517
Postage and communication		<b>2,455,107</b>	2,377,689	2,055,719
Utilities		<b>1,838,399</b>	1,879,823	3,076,739
Representation and entertainment		<b>916,823</b>	770,962	644,978
Membership dues		<b>697,754</b>	-	-
Rental	<i>12</i>	<b>516,225</b>	86,844	77,539
Supplies and materials		<b>168,221</b>	3,120,464	154,644
Corporate social responsibility		-	-	100,000
Miscellaneous		<b>13,812,764</b>	13,035,889	6,867,826
		<b>P338,465,029</b>	P304,443,005	P295,932,566

Miscellaneous expenses include PSE fees, trainings and seminars, donations and contributions, fines, penalties and various individually insignificant expenses.

**23. Other Expenses**

The account consists of:

	<i>Note</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Bank charges		<b>P144,637</b>	P48,161	P447,417
Loss on money market investment		<b>85,414</b>	-	29,041
Loss on sale of property and equipment		-	38,793	-
Foreign exchange loss		-	-	1,183,942
Loss on cancellation of sale of investment property	<i>10</i>	-	87,996,422	-
Loss on sublease	<i>12</i>	-	2,769,442	-
		<b>P230,051</b>	P90,852,818	P1,660,400

**24. Income Taxes**

The components of income tax expense are as follows:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current	<b>P1,755,527</b>	P120,471	P3,629,744
Deferred	<b>123,403,970</b>	59,517,853	79,126,494
	<b>P125,159,497</b>	P59,638,324	P82,756,238

The reconciliation of the provision for income tax expense computed at the statutory rate to the provision shown in the consolidated statements of total comprehensive income is as follows:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Income before income tax	<b>P305,547,988</b>	P252,377,845	P122,599,591
Income tax expense using statutory tax rate	<b>P76,336,592</b>	P63,646,131	P36,779,877
Additions to (reductions in) income tax resulting from the tax effects of:			
Movement on unrecognized deferred tax assets	<b>31,723,767</b>	64,500,197	34,069,759
Non-deductible expenses	<b>18,144,504</b>	14,305,124	12,777,838
Unrecognized net operating loss carry-over (NOLCO)	<b>1,120,162</b>	848,363	1,310,840
Expired MCIT	<b>135,344</b>	-	-
Retirement obligation	<b>46,860</b>	51,560	120,318
Limit on interest expense	<b>30,250</b>	29,423	92,914
Interest income subjected to final tax	<b>(123,104)</b>	(122,698)	(250,908)
Dividend income	<b>(488,478)</b>	-	-
Gain on changes in fair value of investment property of a subsidiary	<b>(1,766,400)</b>	(150,400)	(2,144,400)
Book and tax difference in income tax expense due to CREATE	-	(816,990)	-
Changes in deferred tax assets and liabilities due to reduction in income tax rates under CREATE	-	(82,652,386)	-
	<b>P125,159,497</b>	P59,638,324	P82,756,238

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The components of the deferred income tax assets (liabilities) recognized by the Group are as follows:

	2022		2021	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
<b>Deferred Tax Assets:</b>				
Retirement benefit obligation	<b>P78,526,024</b>	<b>P18,229,507</b>	P67,066,429	P16,017,440
Deferred rent income	<b>40,437,410</b>	<b>10,108,753</b>	40,982,220	10,244,955
Rent expense derecognized due to PFRS 16	<b>8,134,602</b>	<b>2,033,650</b>	6,711,918	1,677,980
NOLCO	-	-	2,321,981	464,396
Impairment loss on receivables	<b>3,189,750</b>	<b>637,950</b>	600,408	120,082
MCIT	<b>75,183</b>	<b>75,183</b>	92,118	92,118
	<b>130,362,969</b>	<b>31,085,043</b>	117,775,074	28,616,971
<b>Deferred Tax Liabilities:</b>				
Gain on change in fair value of investment properties	<b>2,796,038,953</b>	<b>699,009,737</b>	2,278,002,661	569,500,664
Gain on sublease	<b>91,405,050</b>	<b>22,851,262</b>	99,625,124	24,906,281
Retirement obligation charged to OCI	<b>15,436,655</b>	<b>3,087,331</b>		
Unrealized gain on repossession of real estate inventories	<b>9,244,982</b>	<b>2,311,246</b>	9,244,982	2,311,245
Accrued rent receivable	<b>1,765,295</b>	<b>441,324</b>	1,765,295	441,323
Unrealized foreign exchange gain	<b>349,498</b>	<b>87,374</b>	540,322	135,080
	<b>2,914,240,433</b>	<b>727,788,274</b>	2,389,178,384	597,294,593
	<b>(P2,783,877,463)</b>	<b>(P696,703,231)</b>	(P2,271,403,310)	(P568,677,622)

The recognized deferred tax assets were from the Parent Company and PPML.

The Group's unrecognized deferred tax assets pertain to the following:

	2022		2021	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
NOLCO	<b>P463,814,777</b>	<b>P116,046,159</b>	P368,614,886	P92,134,898
Allowance for impairment loss on receivables	<b>385,622,756</b>	<b>95,974,451</b>	356,060,310	88,760,932
Allowance for impairment loss on investments in subsidiaries and associates	<b>55,618,196</b>	<b>12,119,549</b>	19,918,196	4,979,549
MCIT	<b>5,287,421</b>	<b>5,287,421</b>	3,800,308	3,800,308
Accrued retirement benefit expense	<b>3,864,116</b>	<b>772,823</b>	3,863,747	772,749
	<b>P914,207,266</b>	<b>P230,200,403</b>	P752,257,447	P190,448,436



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Detail of the Group's NOLCO which can be claimed as deduction from future taxable income is as follows:

Year Incurred	Expiry date	Amount	Applied	Expired	Balance
2022	2025	P95,637,015	P -	P -	P95,637,015
2021	2026	255,877,156	-	-	255,877,156
2020	2025	112,643,786	-	-	112,643,786
2019	2022	28,094	-	(28,094)	-
		P464,186,051	P -	(P28,094)	P464,157,957

In accordance to Section 4 of Revenue Regulations No. 25-2020 issued on September 30, 2020, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of the Group's MCIT which can be claimed as deduction from future taxable income is as follows:

Year Incurred	Expiry date	Amount	Applied	Expired	Balance
2022	2025	P1,701,073	P -	P -	P1,701,073
2021	2024	867,849	-	-	P867,849
2020	2023	2,134,648	-	-	2,134,648
2019	2022	116,271	-	(116,271)	-
		P 4,819,84	P -	(P116,271)	P4,703,570

*Impact of the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)*

On March 26, 2021, the President signed into law the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

The following are certain provisions of the law that had an impact on the Group's financial statements.

- Reduced RCIT rate effective July 1, 2020 of 20% or 25%
- Reduced MCIT rate of 1% effective July 1, 2020 until June 30, 2023.

As mentioned above, the reduction in income tax under CREATE took effect on July 1, 2020. However, Philippine Interpretations Committee issued Questions and Answers No. 2020-07, in which it stated that the CREATE Law is considered to be not substantively enacted as of December 31, 2020; accordingly, the current and deferred taxes for financial reporting purposes as of December 31, 2020 are measured using the regular income tax rate in effect as of December 31, 2020, which is 30%. The difference was reflected as adjustment to the current income tax for the year ended December 31, 2021 in accordance with PAS 12, Income Taxes.

In addition, the effect of the reduction in the income tax rates under CREATE on deferred tax liabilities - net as at December 31, 2020 amounted to P83,182,728 and is shown in the consolidated statements of total comprehensive income as reduction of income tax expense.

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Presented below are the effects of the changes in tax rates under the CREATE Act.

	As at December 31, 2020	Amounts Based on the Reduced Tax Rates	Effect of Changes in Tax Rates
<b>Statements of Total Comprehensive Income</b>			
Current tax expense	P3,628,882	P2,789,385	(P839,497)
Deferred tax expense (benefit)	79,126,494	(4,056,234)	(83,182,728)
Net income for the year	53,501,849	137,524,073	84,022,225
Remeasurement loss on retirement benefit obligation, net of tax	(8,389,664)	(8,988,926)	(599,262)
<b>Statements of Financial Position</b>			
Deferred tax assets	34,803,089	28,031,058	(6,772,031)
Deferred tax liabilities	539,728,555	449,773,796	(89,954,759)
Prepaid taxes	151,916,085	152,755,582	839,497
Retained earnings	1,187,806,065	1,271,828,290	84,022,225
Remeasurement loss on retirement benefit obligation	(48,938,995)	(49,538,257)	(599,262)

**25. Capital and Treasury Stock**

Movements in the Group's capital stock are as follows:

	2022	2021	2020
<b>Authorized</b>			
16,000,000,000 common shares at P0.50 par value	<b>P8,000,000,000</b>	P8,000,000,000	P8,000,000,000
<b>Issued and outstanding</b>			
7,866,647,523 shares in 2022 and 2021			
3,688,869,745 shares in 2020	<b>3,933,323,762</b>	3,933,323,762	1,844,434,873
<b>Subscribed</b>			
1,314,711,262 shares	<b>657,355,632</b>	657,355,632	657,355,632
Subscriptions receivable	<b>(157,467,723)</b>	(157,490,223)	(157,564,260)
	<b>499,887,909</b>	499,865,409	499,791,372
<b>Total capital stock</b>	<b>4,433,211,671</b>	4,433,189,171	2,344,226,245
<b>Additional paid-in capital</b>	<b>623,139,806</b>	623,139,806	557,014,317
	<b>P5,056,351,477</b>	P5,056,328,977	P2,901,240,562
<b>Treasury stock</b>	<b>P110,049,633</b>	P110,049,633	P110,049,633

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On June 22, 2021, the Parent Company issued 4,177,777,778 new common shares valued at P0.54 per share based on 120-day Volume Weighted Average Price for the period October 6, 2017 to April 6, 2028, in favor of Greenhills Properties, Inc. (GPI) in exchange for two (2) vacant lots in Bonifacio Global City (see Note 1). The Parent Company obtained a Valuation and Fairness Opinion Report from a PSE-Accredited Firm on the property-for-share swap transaction for the reason that the parties to the said transaction are related parties. The above-described transaction resulted in Additional Paid-in Capital of P167,111,111 before deducting transaction costs of P100,985,622 or a net amount of P66,125,489. Transaction costs include SEC filing fees, legal and other professional fees, documentary stamps tax on primary issue of common stocks, transfer taxes and registration fees on the transfer of ownership on the real properties from GPI to the Parent Company.

Details of the Group's treasury stock are as follows:

	2022	2021	2020
Treasury Stock			
82,049,497 common shares with average cost of P1.34 per share	<b>P110,049,633</b>	P110,049,633	P110,049,633

**26. Reserves**

This account consists of:

	Note	2022	2021	2020
Appropriated retained earnings for:				
Treasury stock acquisitions		<b>P109,712,439</b>	P109,712,439	P109,712,439
Revaluation on FVOCI				
Balance at beginning of year		<b>(24,038,272)</b>	(20,672,288)	(25,988,878)
Movements during the year		<b>(1,568,430)</b>	(3,365,984)	5,316,590
Balance at end of year	5	<b>(25,606,702)</b>	(24,038,272)	(20,672,288)
Remeasurement gain (loss) on retirement benefit obligation				
Balance at beginning of year		<b>(33,473,053)</b>	(44,735,989)	(37,347,443)
Adjustment		-	(2,637,009)	-
Actuarial gain (loss) during the year - gross		<b>19,519,617</b>	18,852,265	(10,555,065)
Tax effect		<b>(4,621,639)</b>	(4,952,320)	3,166,519
Balance at end of year		<b>(18,575,075)</b>	(33,473,053)	(44,735,989)
		<b>P65,530,662</b>	P52,201,114	P44,304,162

The Parent Company's retained earnings amounting to P109,712,439 is appropriated to cover the cost of the treasury shares.

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**27. Non-controlling Interest**

	2022	2021
<b>Universal Travel Corporation</b>		
January 1	<b>P2,017,318</b>	P2,024,257
Share in net loss	<b>(9,587)</b>	(6,939)
December 31	<b>2,007,731</b>	2,017,318
<b>Recon-X Energy Corporation</b>		
January 1	<b>(22,059,629)</b>	(20,072,695)
Share in net loss	<b>(2,689,240)</b>	(1,986,934)
December 31	<b>(24,748,869)</b>	(22,059,629)
	<b>(P22,741,138)</b>	(P20,042,311)

**28. Earnings Per Share**

	2022	2021	2020
Net income attributable to equity holders of Parent Company	<b>P183,087,319</b>	P194,733,394	P41,897,319
Weighted average no. of common shares issued and outstanding	<b>9,099,309,288</b>	9,099,309,288	4,877,907,002
Basic earnings per share	<b>P0.02</b>	P0.02	P0.01

The weighted average number of common shares issued and outstanding was computed as follows:

	2022	2021	2020
Issued and outstanding shares	<b>7,866,647,523</b>	7,866,647,523	3,688,869,745
Subscribed shares	<b>1,314,711,262</b>	1,314,711,262	1,314,711,262
Treasury shares	<b>(82,049,497)</b>	(82,049,497)	(125,674,005)
Average number of shares	<b>9,099,309,288</b>	9,099,309,288	4,877,907,002

The Group has no potential dilutive shares as at December 31, 2022, 2021 and 2020.

**29. Provisions and Contingencies**

The Group is a party to legal claims that arise in the ordinary course of business, the outcome of which is not presently determinable. The Group and its legal counsel, however, believe that final settlement, if any, will not be material to the Group's financial results.

**30. Significant Accounting Policies**

Adoption of New and Revised Standards, Amendments to Standards and Interpretations

The accounting policies adopted in the preparation of the financial statements are consistent with those of the Group's financial statements for the year ended December 31, 2021 except for the adoption of the following new standards and amended PFRS which became effective beginning January 1, 2022. Unless otherwise indicated, none of these had a significant effect on the financial statements.

- Amendments to PFRS 3, *Reference to the Conceptual Framework* refer to amendments to

PFRS 2, 3, 6 and 14, PAS 34, 37 and 38, IFRIC 12, 19, 20 and 22, and SIC-32 to update references to and quotes from the framework so that they refer to the revised Conceptual Framework.

- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use* prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract* specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.
- Annual Improvements to PFRS Standards 2018-2020
  - PFRS 9, *Financial Instruments* clarifies which fees an entity includes when it applies the ‘10 percent’ test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
  - PFRS 16, *Leases* amends Illustrative Example 13 accompanying PFRS 16 which removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

*New and Amended Standards and Interpretation Not Yet Adopted*

A number of new and amended standards and interpretations are effective for annual periods beginning after January 1, 2022 and have not been applied in preparing the financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the financial statements. The Company will adopt the following new and amended standards and interpretations on the respective effective dates:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:
  - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the “right” to defer settlement by at least twelve months and make explicit that only rights in place “at the end of the reporting period” should affect the classification of a liability;
  - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
  - make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual periods beginning on January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates* focus entirely on accounting estimates and clarify the following:
  - The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
  - Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
  - A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, 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 current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* amends the following:
  - An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
  - several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
  - the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
  - the amendments clarify 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;
  - the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information; and
  - adds guidance and examples to explain and demonstrate the application of the “four-step materiality process” to accounting policy information in order to support the amendments to PAS 1.

The amendments are applied prospectively. The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities from a Single Transaction* include an exemption from the initial recognition exemption provided in PAS 12.15(b) and PAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

#### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company, the subsidiaries, up to December 31 each year. Details of the subsidiaries are shown in Note 35.

The consolidated financial statements were prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses, are eliminated.

#### *Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Parent Company controls an entity when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are deconsolidated from the date that control ceases.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired i.e. discount on acquisition is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the Parent Company.

Acquisition-related costs are expensed as incurred.

#### *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### *Associates and joint ventures*

An associate is an entity over which the Parent Company is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate or joint venture. The investment is initially recognized at cost. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Parent Company's share in the net assets of the investee companies, less any impairment losses. The consolidated statements of total comprehensive income reflect the share of the results of the operations of the investee companies. The Parent Company's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Parent Company and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

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

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

#### Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.



Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

#### Segment Information

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 35 to the financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

For management purposes, the Group is currently organized into five business segments. These divisions are the basis on which the Group reports its primary segment formation.

The Group's principal business segments are as follows:

- a. Sale of Real Estate and Leasing
- b. Property Management
- c. Insurance Brokerage
- d. Holding Company
- e. Travel Services (discontinued as of July 31, 2018)

The Group's resources producing revenues are all located in the Philippines. Therefore, geographical segment information is not presented.

#### Financial Assets and Liabilities

##### *Financial Assets*

##### *Initial recognition and Measurement*

The Group recognizes a financial asset 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 is done using settlement date accounting. Financial assets are recognized initially at fair value of the consideration given. The initial measurement of financial assets, except for those designated as at FVPL, includes transaction costs.

##### *Classification*

The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at amortized cost, financial assets at FVOCI and financial assets at FVPL. The classification depends on the business model of the Group for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are not reclassified subsequent to initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

*Financial Assets at Amortized Cost.* A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

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

After initial measurement, the financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. 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 reclassified to FVPL, impaired or derecognized, as well as through the amortization process.

The Groups's cash and cash equivalents, trade and other receivables and refundable deposits are included under this category.

*Financial Assets at FVOCI (equity instruments).* Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of total comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Groups's financial assets at fair value through OCI include investments in quoted and unquoted equity instruments and proprietary club shares.

*Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in profit or loss.

The Group's investments in equity instruments at FVPL are classified under this category.

*Derecognition*

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

- The right to receive cash flows from the asset has expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

*Impairment*

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables on sale of real estate, the Group applies a general approach in calculating ECLs. Under the general approach, ECLs are recognized in three (3) stages as follows:

- Stage 1: For credit exposures for which there has not been a significant increase in credit risk since initial recognition and there is no default that occurred, a 12-month ECL is provided for credit losses that result from default events that are possible within the next 12 months.
- Stage 2: For credit exposures for which there has been a significant increase in credit risk since initial recognition and there is still no default that occurred, a loss allowance equivalent to lifetime ECL is required for credit losses expected over the remaining life of the exposure.
- Stage 3: For credit exposures for which there has been a significant increase in credit risk since initial recognition and for which an actual default has also occurred, a loss allowance equivalent to lifetime ECL is required for credit losses expected over the remaining life of the exposure.

The key inputs in the model include the Group's definition of default and historical data of two (2) significant projects with an average of five (5) years for the origination, maturity date and default date. The Group considers trade receivables on sale of real estate in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12- months ECL.

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from publicly available sources to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

For trade receivables on lease and other financial assets such as accrued receivable, receivable from related parties and advances to other companies, impairment provisions would be based on the assumption that the receivable is demanded at the reporting date and it would reflect the losses (if any) that would result from this. Since the receivables are collectible on demand, the contractual period is the very short period needed to transfer the cash once demanded. Discounting would have immaterial effect in the balances.

### *Financial Liabilities*

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, finance lease liability and loans payable.

#### *Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

#### *Loans and borrowings*

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of total comprehensive income.

This category generally applies to short term and long term debt.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of total comprehensive income.

Determination of Fair Value

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is 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 an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the consolidated statements of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year or the Group's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Real Estate Inventories

Property acquired or being developed 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.

Cost includes amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs to sell.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

The provision account, if any, is reviewed on a monthly basis to reflect the reasonable valuation of the Group's inventories. Inventory items identified to be no longer recoverable is written-off and charged as expense for the period.

Real estate held for development is measured at lower of cost and NRV. Expenditures for development and improvements of land are capitalized as part of the cost of the land. Directly identifiable borrowing costs are capitalized while the development and construction is in progress.

Property and Equipment

Property and equipment are initially measured at cost which consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use and are subsequently measured at cost less any accumulated depreciation, amortization and impairment losses, if any.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

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Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of years
Condominium units	20
Building	25
Building improvements	5 to 10
Office furniture, fixtures and equipment	3 to 10
Transportation and other equipment	5
Leasehold and office improvements	5

The assets' residual values, estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that the amounts, periods and methods 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 accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

*Derecognition*

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time, the cost and their related accumulated depreciation are removed from the accounts. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

Investment properties comprised completed property and property under development or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the Group. Investment property is initially measured at cost incurred in acquiring the asset and subsequently stated at fair value. Revaluations are made with sufficient regularity by external independent appraisers to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the period. The external independent appraiser uses sales comparison approach in arriving at the value of the properties. In this approach, the value of the properties is based on sales and listings of comparable properties. This is done by adjusting, the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at different floor levels of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

*Derecognition*

Investment properties are derecognized when either they 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 total comprehensive income in the year of retirement or disposal.

Impairment of Non-financial Assets

At each reporting date, the Group assesses whether there is any indication that any of its non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of the non-financial asset is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized in profit or loss.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Parent Company after deducting all of its liabilities. Distribution to the Parent Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Parent Company's Board of Directors.

Capital stock

Capital stock is classified as equity when there is no obligation to the transfer of cash or other assets. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

*Additional paid-in capital*

Additional paid-in capital pertains to premium paid over the par value of shares.

*Retained earnings*

Retained earnings include all the accumulated income (loss) of the Group, dividends declared and share issuance costs. Retained earnings is net of amount offset from additional paid-in capital arising from the quasi-reorganization.

*Treasury stock*

The Parent Company's equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of total comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. 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 when the shares were issued and to retained earnings for the remaining balance.

#### 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. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

##### *Post-employment benefits*

The Group's net obligation in respect of its defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined benefit obligation (DBO) is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the DBO at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### Revenue Recognition

##### Revenue from contracts with customers

##### *Revenue from real estate sales*

The Parent Company primarily derives its real estate revenue from the sale of vertical real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 32.

The Parent Company derives its real estate revenue from sale of condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Parent Company's performance does not

create an asset with an alternative use and the Parent Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Parent Company uses the output method. The Parent Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Revenue from sales of completed real estate projects is accounted for using the full accrual method.

Any excess of collections over the recognized receivables are included in the "Deposits and other current liabilities" account in the liabilities section of the consolidated statements of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Deposits and other current liabilities" account in the liabilities section of the consolidated statements of financial position.

*Cancellation of real estate sales*

The Group reverses the previously recognized revenue and related costs.

The Group also derives its revenue from management fee, commission, rental and interest income for which the Group assessed that there is only one performance obligation. Revenue from contracts with customers is recognized at a point in time when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

*Management fee*

Management fee is recognized when the related services have been performed in accordance with the terms and conditions of the management agreement and applicable policies.

*Commission income*

Commission income is recognized when the real estate and insurance brokering services have been performed in accordance with the terms and conditions of the agreement, commission scheme and applicable policies. Commission income recognized is the amount earned as an agent and excludes amounts collected on behalf of the principal.

*Interest income*

Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

*Rental income*

Rent income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

*Miscellaneous income*

Miscellaneous income is recognized when earned.

*Cost recognition from real estate sales*

Cost of real estate sales is recognized consistent with the revenue recognition method applied and is determined with reference to the specific, including estimated costs, on the property allocated to sold area. Cost of residential and commercial lots and 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, as determined by the Parent Company's in-house technical staff.

Estimated development costs include direct land development, shared development cost, building cost, external development cost, professional fees, post construction, contingency, miscellaneous and socialized housing. Miscellaneous costs include payments such as permits and licenses, business permits, development charges and claims from third parties which are attributable to the project. Contingency includes fund reserved for unforeseen expenses and/or cost adjustments. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts are considered as special budget appropriations that are approved by management and are made to form part of total project costs on a prospective basis and allocated between costs of sales and real estate inventories.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify for recognition in the consolidated statements of financial position as an asset.

Cost and expenses in the consolidated statements of total comprehensive income are presented using the function of expense method. General and administrative expenses are costs attributable to general, administrative and other business activities of the Group.

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 in which they were incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs are capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases

*The Group as Lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal

computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statements of financial position.

The Group applies PAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

Short-term leases with terms of less than 12 months or lease of low value assets are expensed as incurred.

*The Group as Lessor*

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies PFRS 15 to allocate the consideration under the contract to each component.

*The Group as Sub-lessor*

The Group is a sub-lessor (intermediate lessor) to one of its right-of-use assets.

An intermediate lessor classifies the sublease as a finance lease or an operating lease as follows:

- If the head lease is a short-term lease, the sublease is classified as an operating lease
- Otherwise, the sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. A lease is classified as a finance lease if it transfers substantially all the risks and rewards from the right-of-use asset resulting from the head lease; otherwise, it is classified as an operating lease.

For subleases classified as a finance lease, the intermediate lessor derecognizes the right-of-use asset relating to the head lease that is transfers to the sublessee and recognizes the net investment in the sublease; any difference between the right-of-use assets and the investment in the finance sublease is recognized in profit or loss. At the commencement date, net investment in the finance lease is measured at an amount equal to the present value of the lease payments for the underlying right-of-use assets during the lease term. The lessor recognizes

finance income over the lease term, based on a pattern reflecting a constant period rate of return on the lessor's net investment in the lease.

For subleases classified as operating lease, the intermediate lessor recognizes the lease income from operating leases on a straight-line basis over the lease term. The respective leased asset is included in the statement of financial position based on its nature.

#### Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are restated at the rates prevailing on the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

#### Income Tax

Income tax expense for the year comprises current and deferred tax. Income tax is recognized 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.

The current income tax expense is calculated on the basis of the tax laws enacted at the reporting date. Management periodically evaluates positions in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and the same taxable entity.

#### Uncertainty over Income Tax Treatments

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty is followed.

The Group considers whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

If the Group concludes that it is probable that a particular tax treatment is accepted, the Company determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

If the Group concludes that it is not probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

#### Provisions and Contingencies

Provisions are recognized when the Group has a present obligation, either legal or constructive, as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and; when the amount of the obligation can be estimated reliably. When the Group expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities are disclosed, 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 when an inflow of economic benefits is probable.

#### Related Party Relationships and Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### Earnings per Share

##### *Basic earnings per share*

The Group computes its basic earnings per share by dividing net profit attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the period.

##### *Diluted earnings per share*

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

Events After the Reporting Date

The Group identifies events after the reporting date as events that occurred after the reporting date but before the date the consolidated financial statements were authorized for issue. Any subsequent event that provides additional information about the Group's financial position at the reporting date is reflected in the consolidated financial statements. Non-adjusting subsequent events are disclosed in the notes to the consolidated financial statements when material.

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**31. Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Revenue and cost recognition on real estate projects*

The Parent Company's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Parent Company's revenue from real estate and construction contracts is recognized based on the percentage of completion and are measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of inputs such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers).

Similarly, the commission is determined using the percentage of completion.

*Provision for expected credit losses of trade receivables*

The Group uses historical loss rates as input to assess credit risk characteristics. The Group determines the appropriate receivables groupings based on shared credit risk characteristics such as revenue type, collateral or type of customer. The historical loss rates are adjusted to reflect the expected future changes in the portfolio condition and performance based on economic conditions and indicators such as inflation and interest rates that are available as at the reporting date.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables is disclosed in Notes 6 and 33.

*Evaluation of net realizable value of real estate inventories*

The Parent Company adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the assets. In determining the recoverability of the assets, management considers whether those assets are damaged or if their selling prices have declined. Likewise, management also considers whether the estimated costs of completion or



the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Results of management's assessment disclosed that there is no need for provision for impairment of inventories as at December 31, 2022 and 2021.

*Estimating useful lives of assets*

The useful lives of assets are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of assets would increase the recognized operating expenses and decrease non-current assets.

*Post-employment and other employee benefits*

The present value of the retirement obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement obligations are based in part on current market conditions. Additional information is disclosed in Note 16.

Retirement obligation as at December 31, 2022 and 2021 amounted to P66,953,485 and P70,930,176, respectively.

*Estimating fair value of investment property*

The Group obtained the services of an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. An independent valuation of the Group's investment properties was performed by appraisers to determine their fair values. The valuation was determined by reference to sales and listing of comparable properties.

*Recoverability of deferred tax assets*

The Group reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it may be more prudent and conservative not to make a determination when these deferred tax assets can be utilized. The Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the utilization of deferred tax assets.

Total unrecognized deferred tax assets amounted to P230,200,402 and P190,448,436 as at December 31, 2022 and 2021, respectively (see Note 24).

*Impairment losses on non-financial assets*

The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of non-financial assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that non-financial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations.

Critical Accounting Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

*Existence of a contract*

The Parent Company's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Parent Company before revenue recognition is to assess the probability that the Parent Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer.

*Collectability*

In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

*Revenue recognition method and measure of progress*

The Parent Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Parent Company's performance does not create an asset with an alternative use and; (b) the Parent Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Parent Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Parent Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Parent Company. The Parent Company considers that the initial and continuing investments by the buyer of about 25% would demonstrate the buyer's commitment to pay.

The Parent Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Parent Company's performance in transferring control of real estate development to the customers.

*Distinction between investment properties and owner-occupied properties and real estate inventories and held for development*

The Group determines whether a property qualifies as investment property. In making this judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

The Group determines that a property will also be classified as real estate inventory when it will be sold in the normal operating cycle or it will be treated as part of the Group's strategic land activities for development in the medium or long-term.

*Contingencies*

The Group is currently involved in various legal proceedings and tax assessments. Estimates of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on the financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Group's strategies relating to these proceedings.

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**32. Fair Value Measurement**

The fair values of the Group's financial instruments are equal to the carrying amounts in the consolidated statements of financial position as at December 31, 2022 and 2021.

Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values are disclosed in the notes to the consolidated financial statements specific to that asset or liability.

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

*Cash and cash equivalents and trade and other receivables – current portion* carrying amounts approximate fair values due to the relatively short-term maturities of these items.

*Trade and other receivables- non-current portion* carrying amounts approximate their fair values as they are either priced using prevailing market rates or that the effect of discounting has been considered.

*Financial assets at FVPL and FVOCI* – these are investments in equity securities, fair value for quoted equity securities is based on quoted prices published in markets as of reporting dates.

*Trade and other payables* – the carrying value of trade and other payables approximate its fair value either because of the short-term nature of these financial liabilities.

*Loans payable* – carrying amounts approximate their fair values as they are either priced using prevailing market rates or that the effect of discounting is not significant.

The table below analyzes financial and non-financial assets measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

**December 31, 2022**

	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVPL</b>				
Equity investments	P6,750,000	P -	P -	P6,750,000
<b>Financial assets at FVOCI</b>				
Equity investments	36,076,106	-	-	36,076,106

**December 31, 2021**

	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVPL</b>				
Equity investments	P6,750,000	P -	P -	P6,750,000
<b>Financial asset at FVOCI</b>				
Equity investments	37,644,536	-	-	37,644,536

**33. Financial Risk Management Objectives and Policies**

The Group's activities expose it to a variety of financial risks: market risk, liquidity risk and credit risk. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. It monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**Market Risk**

*Foreign exchange risk*

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

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Foreign exchange risk exposure of the Group is limited to its cash and cash equivalents. Currently, the Group has a policy not to incur liabilities in foreign currency. Construction and supply contracts, which may have import components, are normally denominated in Philippine peso.

The amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	2022		2021	
	US dollar Deposit	Peso Equivalent	US dollar Deposit	Peso Equivalent
Cash and cash equivalents	<b>\$343,937</b>	<b>P19,301,749</b>	\$499,771	P25,375,374

The closing rates applicable as at December 31, 2022 and 2021 are P56.12 and P50.77 to US\$1, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Group's income in 2022 and 2021. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

	+/-	Effect on Equity
<b>2022</b>	<b>0.79%</b>	<b>P152,859</b>
2021	0.36%	90,722

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to its cash and cash equivalents, and loans and note payable. The interest rates on cash and cash equivalents and loans and note payable are disclosed in Notes 3 and 14, respectively.

Cash and cash equivalents are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit or loss of the Group.

Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

The following table illustrates the sensitivity of the Group's profit or loss to a reasonably possible change in interest rates of its cash and cash equivalents and loan with all other variables held constant.

	2022		2021	
	+/-%	Effect on Profit or Loss	+/-%	Effect on Profit or Loss
Cash in bank	0.06%	P81,530	0.03%	35,586
Cash equivalents	1.07%	300,440	0.05%	41,989
Loans and note payable	1.64%	(14,635,961)	1.26%	(10,266,034)
		(P14,253,991)		(P10,188,459)

*Price risk*

Price risk is the risk that the fair value of the financial instrument particularly equity instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Parent Company's Board of Directors reviews and approves all equity investment decisions.

At December 31, 2022, the impact of 0.21% increase/decrease in the price of listed equity securities, with all other variables held constant, would have been an increase/decrease of in the Company's total comprehensive income and equity for the year of 2022 – P121,269 and 2021 – P94,365. The Group's sensitivity analysis takes into account the historical performance of the stock market.

Liquidity risk

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

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The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Carrying Amount	Contractual Obligation			Total
		Less than One Year	One to Five Years	More than Five Years	
<b>2022</b>					
			(In Thousand Pesos)		
Trade and other payables*	P186,730	P133,630	53,100	-	P186,730
Loans and note payable	894,442	706,637	238,793	-	945,429
<b>2021</b>					
			(In Thousand Pesos)		
Trade and other payables*	P219,835	P118,154	P100,034	P1,647	P219,835
Loans and note payable	812,460	382,081	430,379	-	812,460

*\*excluding payables to government*

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risk is primarily attributable to its cash and cash equivalents and trade and other receivables as disclosed in Notes 3 and 6, respectively. The Group has adopted stringent procedure in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, financial assets at FVPL, financial assets at FVOCI and advances to associates. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely

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monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 are as follows:

	2022	2021
Cash and cash equivalents excluding cash on hand	<b>P163,841,734</b>	P202,598,198
Trade and other receivables	<b>542,479,207</b>	593,542,550
	<b>P706,320,941</b>	P796,140,748

The credit quality of financial assets which are neither past due nor impaired is discussed below:

*(a) Cash in banks and cash equivalents*

The Group deposits its cash balance in reputable banks to minimize credit risk exposure amounting to P163,961,734 and P202,598,198 as at December 31, 2022 and 2021, respectively. Cash deposits are considered to be of high grade.

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from publicly available sources to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Receivables amounting to P150.68 million and P119.53 million as of December 31, 2022 and 2021, respectively, were impaired and fully provided for. The allowance for doubtful accounts for receivables has been determined as follows:

	2022	2021
Trade:		
Sale of real estate	<b>P83,512,900</b>	P88,650,704
Lease	<b>5,478,810</b>	7,507,749
Management fees	<b>3,189,750</b>	600,408
Premiums receivable	<b>5,082,902</b>	5,082,902
Advances	<b>862,891</b>	862,891
Other receivables	<b>52,550,154</b>	16,820,965
	<b>P150,677,407</b>	P119,525,619



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b.1. *Trade receivables on real estate*

<b>2022</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Trade receivables</b>				
High grade	P269,348,812	P -	P -	P269,348,812
Sub-standard	-	76,348,441	-	76,348,441
Low grade	-	-	121,787,390	121,787,390
Individually impaired	-	-	66,371,974	66,371,974
	269,348,812	76,348,441	188,159,364	533,856,617
<b>Provision</b>				
High grade	4,087,405	-	-	4,087,405
Sub-standard	-	3,820,559	-	3,820,559
Low grade	-	-	9,532,005	9,532,005
Individually impaired	-	-	66,072,931	66,072,931
	4,087,405	3,820,559	75,604,936	83,512,900
	P265,261,407	P72,527,882	P112,554,428	P450,343,717

<b>2021</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Trade receivables</b>				
High grade	P243,233,791	P -	P -	P243,233,791
Sub-standard	-	102,963,334	-	102,963,334
Low grade	-	-	125,795,196	125,795,196
Individually impaired	-	-	60,512,101	60,512,101
	243,233,791	102,963,334	186,307,297	P532,504,422
<b>Provision</b>				
High grade	6,759,846	-	-	6,759,846
Sub-standard	-	137,374	-	137,374
Low grade	-	-	20,446,483	20,446,483
Individually impaired	-	-	61,307,001	61,307,001
	6,759,846	137,374	81,753,484	88,650,704
	P236,473,945	P102,825,960	P104,553,813	P443,853,718

High grade exposures are loans that do not have greater-than-normal credit risk. The buyer has the apparent ability and willingness to satisfy his obligation in full and therefore no loss in ultimate collection is anticipated.

Sub-standard grade exposures are receivables that have normal credit risk and have past due above 30 days but below 90 days.

Low grade exposures are receivables that are past due date beyond 90 days and have approached greater-than-normal credit risk.

Individually impaired exposures are receivables that are past due beyond 90 days, have approached greater-than normal credit risk.

For trade receivables on sale of real estate, the Parent Company applies a general approach in calculating ECLs. Under the general approach, ECLs are recognized in three (3) stages as follows:

- Stage 1: For credit exposures for which there has not been a significant increase in credit risk since initial recognition and there is no default that occurred, a 12-month ECL is provided for credit losses that result from default events that are possible within the next 12 months.
- Stage 2: For credit exposures for which there has been a significant increase in credit risk since initial recognition and there is still no default that occurred, a loss allowance equivalent to lifetime ECL is required for credit losses expected over the remaining life of the exposure.

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- Stage 3: For credit exposures for which there has been a significant increase in credit risk since initial recognition and for which an actual default has also occurred, a loss allowance equivalent to lifetime ECL is required for credit losses expected over the remaining life of the exposure.

b.2 For trade receivables on lease and other financial assets such as accrued receivable, receivable from related parties and advances to other companies, impairment provisions would be based on the assumption that the receivable is demanded at the reporting date and it would reflect the losses (if any) that would result from this. Since the receivables are collectible on demand, the contractual period is the very short period needed to transfer the cash once demanded. Discounting would have immaterial effect in the balances.

	2022				
	Lease	Management fees	Premiums receivable	Advances	Other receivables
Gross amount	P24,271,329	P4,970,368	P12,365,197	P51,760,569	P69,174,370
Provisions	5,478,810	3,189,750	5,082,902	862,891	52,550,154
Carrying Amount	P18,792,519	P1,780,618	P7,282,295	P50,897,678	P16,624,216

	2021				
	Lease	Management fees	Premiums receivable	Advances	Other receivables
Gross amount	P27,651,679	P4,826,041	P11,964,506	P28,282,470	P113,120,069
Provisions	7,507,749	600,408	5,082,902	862,891	16,820,965
Carrying Amount	P20,143,930	P4,225,633	P6,881,604	P27,419,579	P96,299,104

### 34. Capital Management

The Parent Company manages its capital to ensure that the Parent Company is able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Parent Company consists of equity, which comprises of issued capital, additional paid-in capital, reserves, retained earnings and treasury stocks.

Management reviews the capital structure on a quarterly basis. As part of this review, management considers the cost of capital and the risks associated with it.

There were no changes in the Parent Company's approach to capital management during the year.

As part of the reforms of the Philippine Stock Exchange (PSE) to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Parent Company has fully complied with this requirement in 2021 and 2020.

#### *Tektite Insurance Brokers, Inc. (TIBI)*

The operations of TIBI are subject to the regulatory requirements of the Insurance Commission (IC). Such regulations not only prescribe approval and monitoring of activities but also impose certain capital requirement.

In 2006, the IC issued Memorandum Circular (MC) No. 1-2006 which provides for the minimum capitalization requirements of all insurance brokers and reinsurance brokers. Under this circular, existing insurance brokers and reinsurance brokers must have a net worth in accordance with the amounts and schedule stipulated in the circular.

As at December 31, 2022 and 2021, the required statutory net worth for TIBI, being an existing insurance broker is P10 million.

As at December 31, 2021 and 2020, the Company was not able to comply with the capitalization requirements of IMC No. 2006 – 1 – Capitalization Requirements for Insurance Broker and Reinsurance Broker. On April 22, 2022, the Company sent a request to the IC to convert its license from an insurance broker to an insurance agent. Consequently, the pending application for renewal of the Company as an insurance broker for licensing year 2022-2024, which was held in abeyance pending compliance with the IC's requirements, was considered withdrawn.

### **35. Segment Information**

Details of the Parent Company's subsidiaries as of December 31, 2022 and 2021 are as follows:

	<b>Principal Activities</b>		<b>Ownership Interest</b>	
			<b>2022</b>	<b>2021</b>
PRHC Property Managers, Inc. (PPMI)	Property Management	Direct	100%	100%
Tektite Insurance Brokers, Inc. (TIBI)	Insurance Brokerage	Direct	100%	100%
Sultan's Power, Inc. (SPI)	Holding Company	Direct	100%	100%
	Travel and Tours	Direct		
Universal Travel Corporation (UTC)	Agency		81.53%	81.53%
Recon-X Energy Corporation	Waste Management	Indirect	51%	51%

Minority interests as of 2022 and 2021 represent the equity interests in Universal Travel Corporation not held by the Group.

The segment assets and liabilities as of December 31, 2022, 2021 and 2020 and the results of operations of the reportable segments for the years ended December 31, 2022, 2021 and 2020 are as follows:

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	2022						
	Parent Company		Subsidiaries			Intersegment adjustments	Consolidated
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel Services		
(In Thousand Pesos)							
Revenue							
Revenue from contracts with customers	P224,999	P34,656	P5,567	P -	P -	P -	P265,222
Rental income	56,344	151	180	-	-	-	56,675
Intersegment sales	-	669	-	-	-	(669)	-
Total revenue	281,343	35,476	5,747	-	-	(669)	321,897
Real estate costs and expenses	462,212	40,738	4,981	-	52	(669)	507,313
Equity in net loss of an associate	-	-	-	-	-	1,431	1,431
Gross loss	(180,869)	(5,262)	766	-	(52)	(1,431)	(186,847)
Interest income	15,914	2	8	-	-	-	15,924
Finance costs	(63,644)	(166)	-	-	-	-	(63,810)
Other income	530,682	9,828	-	-	-	-	540,510
Other expenses	(230)	-	-	-	-	-	(230)
Provision for income tax	(125,623)	417	47	-	-	-	(125,159)
Net income	P176,230	P4,820	P821	P -	(P52)	(P1,431)	P180,388
Net income attributable to:							
Equity holders of PRHC							P183,087
Non-controlling interests							(2,699)
							P180,388
Other information							
Segment assets	P8,557,347	P91,673	P9,364	P367	P1,271	(P67,108)	P8,592,913
Investment in associates	100,930	-	-	-	-	(42,694)	58,236
Total assets	P8,658,277	P91,673	P9,364	P367	P1,271	(P109,802)	P8,651,149
Segment liabilities	P1,328,245	P30,556	P4,119	P -	P30,144	(P22,552)	P1,370,512
Deferred tax liabilities	699,939	(3,236)	-	-	-	-	696,703
Total liabilities	P2,028,185	P27,320	P4,119	P -	P30,144	(P22,552)	P2,067,215

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2022							
	Parent Company	Subsidiaries				Intersegment adjustments	Consolidated
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel Services		
(In Thousand Pesos)							
Segment additions to:							
Property and equipment	P1,546	P511	P36	P -	P -	P -	P2,093
Investment properties	30,031	-	-	-	-	-	30,031
Depreciation and amortization	P12,338	P1,985	P80	P3,090	P -	P -	P17,495
Non-cash expenses other than depreciation and amortization	P12,757	P2,640	P234	P -	P -	P -	P15,631
Impairment losses	P25,000	P2,589	P -	P -	P -	P -	P27,589

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	2021						
	Parent Company		Subsidiaries				
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel Services	Intersegment adjustments	Consolidated
(In Thousand Pesos)							
Revenue							
Revenue from contracts with customers	P153,820	P36,779	P4,513	P -	P -	P -	P195,112
Rental income	55,050	151	102	-	-	-	55,303
Intersegment sales	-	555	-	-	-	(555)	-
Total revenue	208,870	37,485	4,615	-	-	(555)	250,415
Real estate costs and expenses	437,696	43,985	5,211	-	42	(555)	486,379
Equity in net loss of an associate	4,488	-	-	-	-	-	4,488
Gross loss	(233,314)	(6,500)	(596)	-	(42)	-	(240,452)
Interest income	17,378	3	19	-	5	-	17,405
Finance costs	(70,631)	(258)	-	-	-	-	(70,889)
Other income	630,573	1,296	-	-	-	5,298	637,167
Other expenses	(90,853)	-	-	-	-	-	(90,853)
Provision for income tax	(58,227)	(1,388)	(24)	-	-	-	(59,639)
Net income (loss)	P194,925	(P6,847)	(P601)	-	(P37)	P5,298	P192,739
Net income attributable to:							
Equity holders of PRHC							P194,733
Non-controlling interests							(1,994)
							P192,739
Other information							
Segment assets	P8,092,380	P84,400	P12,273	P547	P1,201	(P53,521)	P8,137,279
Investment in associates	59,667	-	-	-	-	-	59,667
Total assets	P8,152,047	P84,400	P12,273	P547	P1,201	(P53,521)	P8,196,947
Segment liabilities	P1,283,793	P32,488	P4,316	P -	P30,022	(16,564)	P1,334,055
Deferred tax liabilities	572,354	(3,676)	-	-	-	-	568,678
Total liabilities	P1,856,147	P28,812	P4,316	P -	P30,022	(16,564)	P1,902,733
Forward							

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**2021**

	Parent Company		Subsidiaries			Intersegment adjustments	Consolidated
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel Services		
(In Thousand Pesos)							
Segment additions to:							
Property and equipment	P6,195	P176	P56	P -	P -	P -	P6,427
Investment properties	6,572	-	-	-	-	-	6,572
Depreciation and amortization	P21,441	P870	P293	P -	P -	P -	P22,604
Non-cash expenses other than depreciation and amortization	P102,422	P3,499	P258	P -	P -	P -	P106,179
Impairment losses	P22,780	P1,780	P -	P -	P -	P -	P24,560

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2020							
	Parent Company		Subsidiaries				
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel Services	Intersegment adjustments	Consolidated
(In Thousand Pesos)							
Revenue							
Revenue from contracts with customers	P264,773	P42,853	P4,456	P -	P -	P -	P312,082
Rental income	69,120	139	86	-	-	-	69,345
Intersegment sales	-	941	-	-	-	(941)	-
Total revenue	333,893	43,933	4,542	-	-	(941)	381,427
Real estate costs and expenses	495,699	40,736	5,303	-	77	(941)	540,874
Equity in net loss of an associate	3,409	-	-	-	-	-	3,409
Gross income (loss)	(165,215)	3,197	(761)	-	(77)	-	(162,856)
Interest income	13,643	3	70	-	12	-	13,728
Finance costs	(36,509)	(279)	-	-	-	-	(36,788)
Other income	307,951	7,513	2	-	-	(5,291)	310,175
Other expenses	(1,660)	-	-	-	-	-	(1,660)
Provision for income tax	(81,413)	(1,252)	(91)	-	-	-	(82,756)
Net income (loss)	P36,797	P9,182	(P780)	(P4,295)	(P65)	(P5,291)	P39,843
Net income attributable to:							
Equity holders of PRHC							P41,897
Non-controlling interests							(2,054)
							P39,843
Other information							
Segment assets	P5,948,070	P83,859	P15,628	P2,503	P1,173	(P11,446)	P6,039,787
Investment in associates	64,155	-	-	-	-	-	64,155
Total assets	P6,012,225	P83,859	P15,628	P2,503	P1,173	(P11,446)	P6,103,942
Segment liabilities	P1,564,546	P32,140	P5,311	P -	P29,957	(P5,457)	P1,626,497
Deferred tax liabilities	510,755	(5,830)	-	-	-	-	504,925
Total liabilities	P2,075,301	P26,310	P5,311	P -	P29,957	(P5,457)	P2,131,422

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2020							
	Parent Company		Subsidiaries			Intersegment adjustments	Consolidated
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel Services		
(In Thousand Pesos)							
Segment additions to:							
Property and equipment	P1,389	P -	P607	P -	P -	P -	P1,996
Investment properties	61,377	-	-	-	-	-	61,377
Depreciation and amortization	P23,153	P891	P409	P -	P -	P -	P24,453
Non-cash expenses other than depreciation and amortization	P10,458	P3,738	P401	P -	P -	P -	P14,597
Impairment losses	P4,709	P -	P398	P -	P -	P -	P5,107

The following are the principal activities of the Parent Company's subsidiaries:

PRHC Property Managers, Inc. (PPMI)

PPMI was incorporated and registered with the SEC on May 24, 1991 to engage in the business of managing, operating, developing, buying, leasing and selling real and personal property either for itself and/or for others.

The registered office of PPMI is at the 29th/F East Tower, Philippine Stock Exchange Centre (PSE), Exchange Road, Ortigas Center, Pasig City.

Tektite Insurance Brokers, Inc. (TIBI)

TIBI was incorporated and registered with the SEC on January 2, 1989 to engage in the business of insurance brokerage.

On April 22, 2022, TIBI sent a communication to the Insurance Commission formalizing its intention/request to convert its certificate of authority or corporate from an insurance broker to that of an insurance agent.

The registered office of TIBI is at the 20/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

Universal Travel Corporation (UTC)

UTC was incorporated and registered with the SEC on November 9, 1993 to engage in the business of travel services by providing, arranging, marketing, engaging or rendering advisory and consultancy services relating to tours and tour packages. On March 15, 2018, the Board of Directors of UTC approved the resolution on the cessation of its operations effective July 31, 2018 and sold all its existing assets and paid its liabilities from the proceeds and collections of receivables and sale of assets. Thereafter, UTC became inactive. The management is currently looking for new business opportunities.

The registered office of UTC is at the 29<sup>th</sup>/F, East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

Sultan's Power, Inc. (SPI)

Sultan Power, Inc. (SPI) was incorporated under Philippine laws and registered with the SEC on March 19, 2015 as a holding company. SPI achieved majority ownership in Recon-X Energy Corporation (Recon-X) by acquiring 51% of the total issued and outstanding shares of the latter company.

Recon-X was incorporated under Philippine laws and registered with the SEC on June 27, 2014 to engage in the business of recycling and converting plastics into fuel (gasoline, diesel and kerosene) using a patented technology. The process was duly-certified on November 2, 2015 by the Intellectual Property Office of the Philippines (IPO) for "Improved Method of Converting Land-Filled Plastic Wastes into Hydrocarbon Fuel", and was also certified by the Department of Science and Technology (DOST) and by the Department of Energy (DOE). As of December 31, 2021, Recon-X was able to procure the additional catalysts and materials required to operate the plastic to diesel conversion plant efficiently. Recon-X also completed physical plant improvements and repairs and is currently undergoing debottlenecking operations to enhance the production process. This is in preparation for the commencement of commercial operations by the third quarter of 2022

The registered office of SPI is at the 29<sup>th</sup>/F, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

**STATEMENTS REQUIRED BY THE REVISED SECURITIES REGULATION CODE (SRC) RULE 68,  
ON OCTOBER 3, 2019**

The Shareholders and Board of Directors  
Philippine Realty and Holdings Corporation  
One Balete, 1 Balete Drive corner N. Domingo Street  
Brgy. Kaunlaran District 4  
Quezon City

We have audited the accompanying consolidated financial statements of Philippine Realty and Holdings Corporation and Subsidiaries as at and for the year ended December 31, 2022, on which we have rendered our report dated March 21, 2023. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 5B and Annex 68-D), Financial Soundness Indicators (Part 1, 5C and Annex 68-E), and Map of Relationships Between and Among the Related Parties (Part 1, 5G) as additional components required by Part I, Section 5 of the Revised SRC Rule 68 and Schedules A, B, C, D, E, F and G, as required by Part II, Section 7 and Annex 68-J of the Securities Regulation Code, are presented for purposes of filing with the Securities and Exchange Commission and are not a required part of the basic consolidated financial statements.

Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements. In our opinion, the supplementary information has been prepared in accordance with Part I, Section 5 and Part II, Section 7 of the Revised SRC Rule 68.

**MACEDA VALENCIA & CO.**



**ANTONIO O. MACEDA, JR.**

Partner

CPA License No. 20014

Tax Identification No. 102-090-963-000

PTR No. 9592715

Issued on January 18, 2023 at Makati City

BOA/PRC Reg. No. 4748 valid until August 7, 2024

BIR Accreditation No. 08-001987-004-2021 (firm)

Issued on April 7, 2021; valid until April 6, 2024

BIR Accreditation No. 08-001987-004-2021 (individual)

Issued on April 12, 2021; valid until April 11, 2024

SEC Accreditation No. 4748-SEC, Group A (firm)

Effective for audits of 2019 to 2023 financial statements

SEC Accreditation No. 20014-SEC, Group A (individual)

Effective for audits of 2022 to 2026 financial statements

March 21, 2023

Makati City

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**  
As of December 31, 2022

Philippine Realty And Holdings Corporation  
One Balete, 1 Balete Drive Corner N. Domingo St.  
Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines

<b>Unappropriated Retained Earnings, beginning</b>		<b>P1,349,807,235</b>
Adjustments for:		
Accumulated Deferred tax		<b>524,098,034</b>
Accumulated unrealized gain on fair market value		<b>(1,667,828,770)</b>
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>		<b>11,343,105</b>
Add: Net income during the period closed to Retained Earnings		<b>194,733,394</b>
Less: Non-actual/unrealized income net of tax	-	
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)		
Unrealized actuarial gain	-	
Fair value adjustments (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	<b>(610,925,892)</b>	<b>(610,925,892)</b>
Add: Non-actual losses	-	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP-loss	-	
Deferred tax expense	<b>59,517,853</b>	
Loss on fair value adjustment to investment property (after tax)	-	-
<b>Net income actually earned/realized during the period</b>		<b>(345,331,540)</b>
Add (Less):		
Dividend declarations during the period		-
Appropriations of Retained Earnings during the period		-
Reversals of appropriations		-
Treasury shares		-
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND</b>		<b>(P345,331,540)</b>

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
As of December 31, 2022

Philippine Realty And Holdings Corporation  
One Balete, 1 Balete Drive Corner N. Domingo St.  
Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines

	<b>2022</b>	2021
Current Ratio <sup>(1)</sup>	<b>3.61</b>	5.31
Acid Test Ratio <sup>(2)</sup>	<b>1.32</b>	1.30
Debt to Equity Ratio <sup>(3)</sup>	<b>0.32</b>	0.30
Asset to Equity Ratio <sup>(4)</sup>	<b>1.32</b>	1.30
Interest Coverage Ratio <sup>(5)</sup>	<b>5.80</b>	4.56
Net Profit Margin Ratio <sup>(6)</sup>	<b>0.56</b>	0.77
Return on Assets <sup>(7)</sup>	<b>0.02</b>	0.02
Return on Equity <sup>(8)</sup>	<b>0.03</b>	0.03
Solvency Ratio <sup>(9)</sup>	<b>0.09</b>	0.03

<sup>(1)</sup> Current ratio is measured as current assets divided by current liabilities.

<sup>(2)</sup> Acid test ratio is measured as current assets less inventory divided by current liabilities.

<sup>(3)</sup> Debt to equity ratio is measured as total liabilities divided by total equity.

<sup>(4)</sup> Asset to equity ratio is measured as total assets divided by total equity.

<sup>(5)</sup> Interest coverage ratio is measured by EBIT, or earnings before interest and taxes, divided by total financing costs.

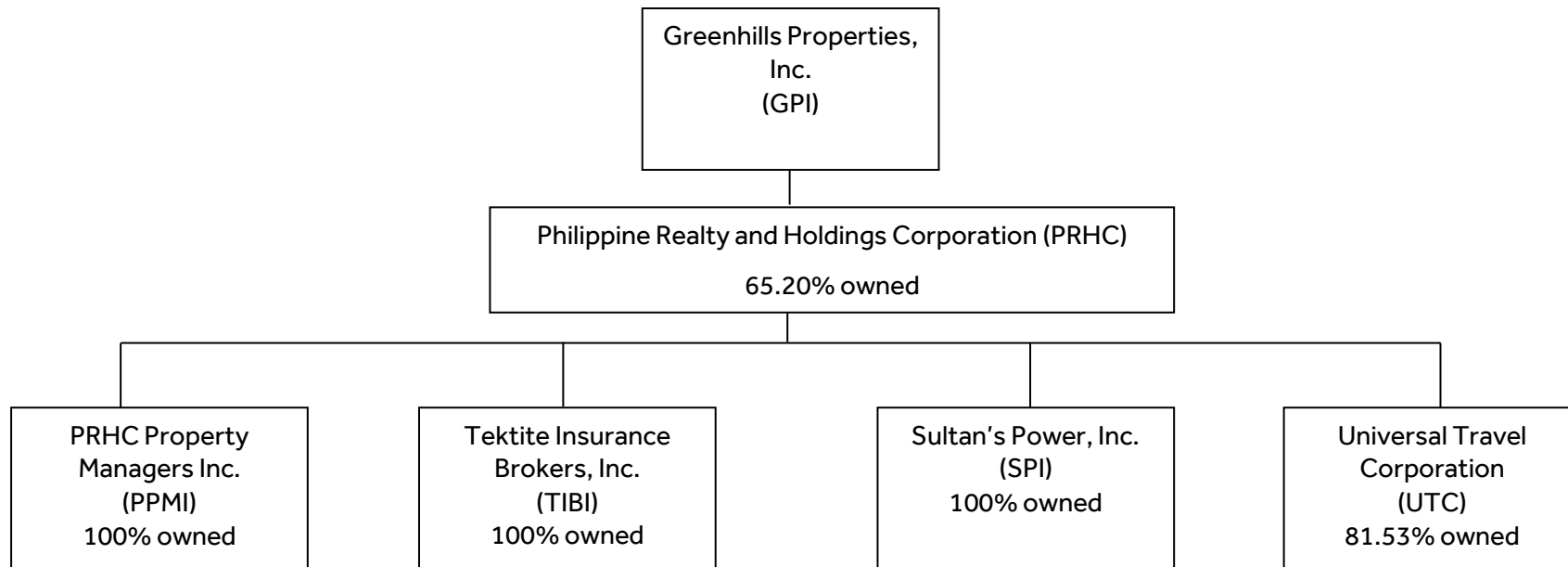
<sup>(6)</sup> Net profit margin ratio is derived by dividing net profit with total revenue.

<sup>(7)</sup> Return on assets is measured by dividing net income after tax with total assets.

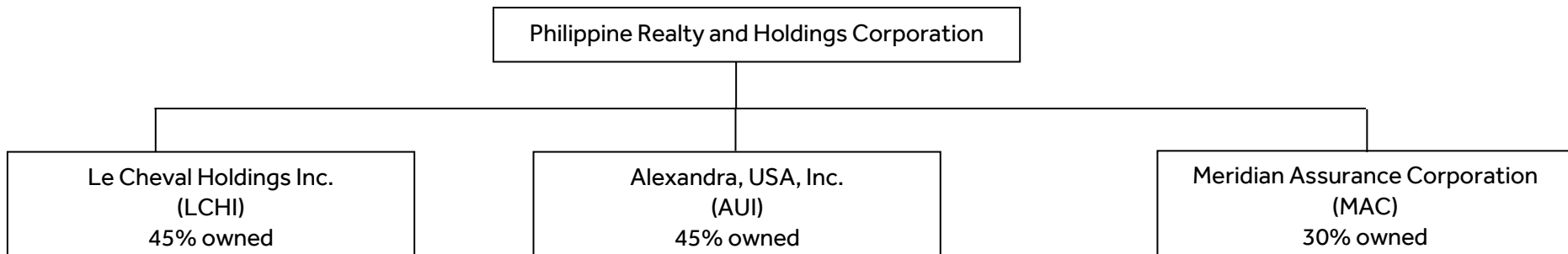
<sup>(8)</sup> Return on equity is measured by dividing net income after tax with total capital accounts.

<sup>(9)</sup> Solvency ratio is measured by dividing net income after tax plus depreciation with total liabilities.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**SUBSIDIARIES, AFFILIATES GROUP STRUCTURE**  
As of December 31, 2022



**Associates:**



## ANNEX 68-I

### Schedule for Listed Companies with a Recent Offering of Securities to the Public As of December 31, 2022

Philippine Realty And Holdings Corporation  
One Balete, 1 Balete Drive Corner N. Domingo St.  
Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines

1. Gross and net proceeds as disclosed in the final prospectus

*Not applicable*

2. Actual gross and net proceeds

*Not applicable*

3. Each expenditure item where the proceeds were used

*Not applicable*

4. Balance of the proceeds as of end reporting period

*Not applicable*

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule A – Financial Assets**

**December 31, 2022**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown in the Statement of Financial Position	Valued based on market quotation at end of reporting period	Income received and accrued
<b>Financial assets at fair value through profit or loss</b>				
Tagaytay Properties	6,750,000 shares	P6,750,000	P6,750,000	P -
<b>Financial Assets at Fair Value through OCI</b>				
<i><b>Equity securities</b></i>				
A. Brown Company, Inc.	36,840,000 shares	P29,103,600	P29,103,600	P -
Premium Leisure Corporation	14,264,120 shares	6,133,572	6,133,572	-
Philippine Racing Club (prc)	944 shares	7,364	7,364	-
Orchard Golf & Country Club				
CLASS "C" Shares	1 share	800,000	800,000	-
Valley Golf Country Club	1 share	1,600,000	1,600,000	-
	51,105,066 shares	P37,644,536	P37,644,536	P -
<b>Trade and other receivables - net</b>		P559,511,421	P559,511,421	P619,736
		P603,905,957	P603,905,957	P619,736



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule B –Amounts Receivable from Director, Officers, Employees,**  
**Related Parties and Principal Stockholders (Other than Related Parties)**  
**December 31, 2022**

<b>Name of Debtor</b>	<b>Balance at the beginning of the period</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written-off</b>	<b>Current</b>	<b>Non- current</b>	<b>Balance at the end of period</b>
AGUILAR, DENNIS	P27,836	P41,754.00	(P41,754.00)	P -	P27,836.00	P -	P27,836.00
ALMEROL, CARLA	104,035	301,489.00	(340,051.00)	-	65,473.00	-	65,473.00
AVILA, JESSICA	8,000	2,071.00	(2,071.00)	-	8,000.00	-	8,000.00
BONTOGON, MARISSA	486,365	205,864.00	(461,442.00)	-	230,787.00	-	230,787.00
CALANOG, DANTE	54,062	61,602.00	(72,489.00)	-	43,175.00	-	43,175.00
CALUBAYAN, MARIE JOYCE	81,924	220,333.00	(265,369.00)	-	36,888.00	-	36,888.00
CARAG, ADELINE SUSAN	424,172	3,826.00	(316,733.00)	-	111,265.00	-	111,265.00
CARTAGENA, AILENE	21,441	51,162.00	(48,098.00)	-	24,505.00	-	24,505.00
CATACUTAN, MIGUEL GERALDITO	40,216	11,468.00	(51,612.00)	-	72.00	-	72.00
CIAR, ERWIN	585,731	245,588.00	(697,146.00)	-	134,173.00	-	134,173.00
CONSTANTINO, VIRGILIO	-	-	-	-	-	-	-
CRUZ, ROSELLE	10,092	28,530.00	(28,529.00)	-	10,093.00	-	10,093.00
DAYRIT, AMYLEEN JOY	168,254	15,274.00	(108,301.00)	-	75,227.00	-	75,227.00
DEL ROSARIO, ALFREDO S	13,267,568	271,055.00	(627,616.00)	-	12,911,007.00	-	12,911,007.00
DELA CRUZ, ANGELICA	20,445	12,806.00	(33,251.00)	-	-	-	-
DEOCAMPO, DEXTER JAN	-	41,807.00	(24,295.00)	-	17,512.00	-	17,512.00
DEOCERA, NORBERT	90,430	10,453.00	(100,883.00)	-	-	-	-
DUMAYAS, JINECA PRINCESS	-	7,000.00	(7,000.00)	-	-	-	-

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of period
DURAN, AILEEN	1,411,469	4,577,495.00	(5,457,274.00)	-	531,690.00	-	531,690.00
DURAN, NORMALENE	249,561	29,271.00	(105,512.00)	-	173,320.00	-	173,320.00
ENRIQUEZ, EDILYNDA	264,707	220,597.00	(485,304.00)	-	-	-	-
FAJATIN, INJA	-	47,450.00	(47,450.00)	-	-	-	-
FISCHER, VINCENT	1,468,891	-	-	-	1,468,891.00	-	1,468,891.00
GAGTAN, ALAIN FLORA	-	-	-	-	-	-	-
GARGAR, ERWIN	3,500	-	(3,500.00)	-	-	-	-
GATCHALIAN, VILLAMOR	20,007	64,696.00	(62,836.00)	-	21,867.00	-	21,867.00
GO, RICHARD NICOLAS KO	752,503	61,594.00	(642,258.00)	-	171,839.00	-	171,839.00
GOZO, CAROL JOY	80,500	245,500.00	(316,000.00)	-	10,000.00	-	10,000.00
HERNANI, MARIA ELIZABETH	26,399	134,676.00	(161,075.00)	-	-	-	-
ISNIT, JOSEFINA	497,379	749,242.00	(1,130,287.00)	-	116,334.00	-	116,334.00
LAMPAS, ROCHELLE JOY	23,760	28,562.00	(52,322.00)	-	-	-	-
LANUZA, CAMILLE	67,495	-	-	-	67,495.00	-	67,495.00
LANUZA, GERARDO DOMENICO	813,444	22,536.00	(628,266.00)	-	207,714.00	-	207,714.00
LAROYA, JOHN CEDRICK	10,000	-	-	-	10,000.00	-	10,000.00
MAGPAYO, GILBERT	3,500	-	(3,500.00)	-	-	-	-
MAGPAYO, JERRY	-	32,000.00	(29,000.00)	-	3,000.00	-	3,000.00
MEDRANO, EDMUNDO	1,231,026	10,219.00	(836,416.00)	-	404,829.00	-	404,829.00
MIRANDE, MIKE	375,810	101,266.00	(385,114.00)	-	91,962.00	-	91,962.00
NARITO-DIOCARAS, GERALDINE	-	109,220.00	(104,220.00)	-	5,000.00	-	5,000.00
PACA, CARLOS MIGUEL	859,477	468,612.00	(602,226.00)	-	725,863.00	-	725,863.00
PANESA, MARIA TERESA	-	94,000.00	(80,500.00)	-	13,500.00	-	13,500.00
PENGSON, BELLE	1,950	17,000.00	(18,950.00)	-	-	-	-

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of period
PERILLO, MARIA CHRISTINA	284,841	330,067.00	(369,165.00)	-	245,743.00	-	245,743.00
PUYAT, TXYLA	233,365	21,224.00	(91,439.00)	-	163,150.00	-	163,150.00
RAMOS, MARK ANTHONY	161,684	42,715.00	(163,831.00)	-	40,568.00	-	40,568.00
REYES, REINHARD	-	4,390.00	(4,390.00)	-	-	-	-
SANTOS, ROZANO	408,006	366,458.00	(426,080.00)	-	348,384.00	-	348,384.00
SANTOS, LEONARD ROSS	254,028	218,197.00	(123,661.00)	-	348,564.00	-	348,564.00
TABAJEN, CHRISTIAN	-	28,244.00	(28,244.00)	-	-	-	-
TABLADA, DEXTER	-	40,897.00	(40,897.00)	-	-	-	-
TABORLUPA, MARGIE	150,607	158,463.00	(204,845.00)	-	104,225.00	-	104,225.00
TAMANG, CHARLIE	7,000	-	(7,000.00)	-	-	-	-
TUROT, KRISTEL JOY	15,630	330.00	(330.00)	-	-	-	-
UMAYAM,RODRIGO	102,836	5,069.00	(20,699.00)	-	-	-	-
VALENTIN, RHONALD	-	334,844.00	(371,365.00)	-	66,315.00	-	66,315.00
VEDAÑA, FERDERICK	26,897	134,827.00	(134,827.00)	-	-	-	-
VERCELES, REGANDOR	407,647	62,292.00	(75,264.00)	-	13,925.00	-	13,925.00
VERZOSA, SAMUEL	-	148,156.00	(248,875.00)	-	306,928.00	-	306,928.00
VICTORIA, RODOLFO	7,582	-	-	-	-	-	-
VINLUAN, FATIMA	-	-	-	-	-	-	-
Others	201,889	3,804.00	(205,693.00)	-	-	-	-
	<b>P25,813,961</b>	<b>P10,476,906.00</b>	<b>(P16,933,748.00)</b>	<b>P -</b>	<b>P19,357,119.00</b>	<b>P -</b>	<b>P19,357,119.00</b>

Note: Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders are subject to usual terms in the normal course of business.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule C – Amounts Receivable from Related Parties which are eliminated**  
**during the consolidation of financial statement**  
**December 31, 2022**

<b>Name of Debtor</b>	<b>Balance at the beginning of the period</b>	<b>Additions</b>	<b>Amounts collected (i)</b>	<b>Amounts written-off (ii)</b>	<b>Current</b>	<b>Non-current</b>	<b>Balance at the end of period</b>
Universal Travel Corporation, Subsidiary	P29,897,408	P92,243	P -	P -	P -	P29,989,651	P29,989,651
PRHC Property Managers, Inc., Subsidiary	9,222,303	4,137,628	-	-	13,359,931	-	13,359,931
Sultan's Power, Inc., Subsidiary	76,409,530	3,941,544	50,000	-	-	80,301,074	80,301,074
	P115,529,241	P8,171,415	P50,000	P -	P13,359,931	P110,290,725	P123,650,656

i. If collected was other than in cash, explain.

ii. Give reasons to write-off.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule D – Long Term Debt**  
**December 31, 2022**

<b>Title of issue and type of obligation (i)</b>	<b>Amount authorized by indenture</b>	<b>Amount shown under caption "Current portion of long-term debt in related Statement of Financial Position " (ii)</b>	<b>Amount shown under caption "Long-term debt in related Statement of Financial Position " (iii)</b>	<b>Interest Rate %</b>	<b>Maturity Date</b>
Car loan	25,574,812	1,583,107	706,599	0.78%-0.80%	2023-2024
Car loan	15,789,574	536,450	574,351	0.73%-0.79%	2023-2025
Real estate mortgage	1,489,966,798	413,706,633	226,260,165	4.75%-8.5%	2023-2025
Real estate mortgage	900,000,000	250,000,000	-	4.5%-6%	2023
Notes Payable	3,744,000	896,804	159,255	11.06%	2024

- 
- i. Include in this column each type of obligation authorized.
- ii. This column is to be totalled to correspond to the related Statements of Financial Position caption.
- iii. Include in this column details as to interest rates, amounts or numbers of periodic instalments, and maturity dates.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule E – Indebtedness to Related Parties**

**(included in the Consolidated Financial Statement of Position)**

**December 31, 2022**

Name of Related Parties (i)	Balance at the beginning of the period	Balance at the end of the period (ii)
-----------------------------	----------------------------------------	---------------------------------------

None to report.

- 
- i. The related party shall be grouped as in Schedule C. The information called for shall be stated for any persons whose investments shown in separately in such related schedule.
  - ii. For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10% of the related balance at either the beginning or end of the period.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule F – Guarantees of Securities of Other Issuers**  
**December 31, 2022**

<b>Name of the issuing entity of securities guaranteed by the company for which this statement is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount of guaranteed and outstanding (i)</b>	<b>Amount owned by person of which statement is filed</b>	<b>Nature of Guarantee (ii)</b>
-------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------	-------------------------------------------------------	-----------------------------------------------------------	---------------------------------

None to report.

- 
- i. Indicate in the note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.
- ii. There must be a brief statement of the nature of the guarantee, such as "Guarantee of Principal and Interest", "Guarantee of Interest" or "Guarantee of Dividend". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule G – Capital Stock**  
**December 31, 2022**

<b>Title of Issue (i)</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under the related Statement of Financial Position caption</b>	<b>Number of shares reserved for options, warrants, conversion and other rights</b>	<b>Number of shares held by related parties (ii)</b>	<b>Directors, officers and employees</b>	<b>Others (iii)</b>
Common	16,000,000,000	7,866,647,523	-	-	545,896,841	-

- 
- i. Include in this column each type of issue authorized
  - ii. Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.
  - iii. Indicate in a note any significant changes since the date of the last balance sheet filed.



**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

0	9	9	9	0	5				
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Company Name

P	H	I	L	I	P	P	I	N	E		R	E	A	L	T	Y		A	N	D		H	O	L	D	I	N	G	S
C	O	R	P	O	R	A	T	I	O	N																			

Principal Office ( No./Street/Barangay/City/Town)Province)

O	N	E		B	A	L	E	T	E	,		1		B	A	L	E	T	E		D	R	I	V	E				
C	O	R	N	E	R		N	.		D	O	M	I	N	G	O		S	T	.		B	R	G	Y	.			
K	A	U	N	L	A	R	A	N	,		D	I	S	T	R	I	C	T		4	,		Q	U	E	Z	O	N	
C	I	T	Y		1	1	1	1	,		P	H	I	L	I	P	P	I	N	E	S								

Form Type

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

Department requiring the report

--	--	--	--

Secondary License Type, If Applicable

--	--	--	--

**COMPANY INFORMATION**

Company's Email Address

--

Company's Telephone Number/s

--

Mobile Number

--

No. of Stockholders

2,257
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Annual Meeting  
Month/Day

June 30
---------

Fiscal Year  
Month/Day

December 31
-------------

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

--

Email Address

--

Telephone Number/s

--

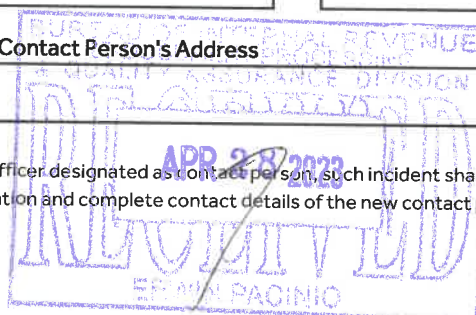
Mobile Number

--

Contact Person's Address

--

**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.



**PHILIPPINE REALTY AND HOLDINGS CORPORATION**

**SEPARATE FINANCIAL STATEMENTS**  
December 31, 2022, 2021 AND 2020



# Philippine Realty & Holdings Corporation

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of **PHILIPPINE REALTY AND HOLDINGS CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, 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 and error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

Maceda Valencia and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**GERARDO DOMENICO ANTONIO V. LANUZA**  
Chairman and President

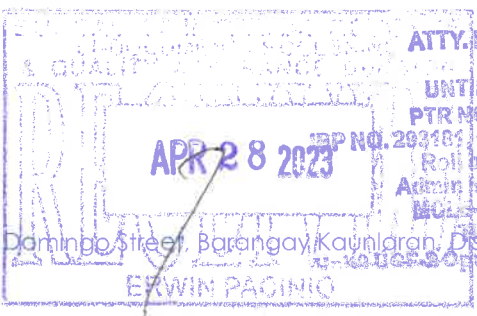
  
**EDMUNDO C. MEDRANO**  
Executive Vice President and Chief Operating Officer and Treasurer

Signed this 21<sup>st</sup> day of March 2023.

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of **27 APR 2023**, 2023, affiants exhibiting to me their Tax Identification Nos., as follows:

Name	Tax Identification No.
Gerardo Domenico Antonio V. Lanuza	243-616-771
Edmundo C. Medrano	134-515-229

Doc. No. 202  
Page No. 92  
Book No. 94  
Index of down

  
**ATTY. RUBEN M. AZANES, JR.**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2023  
PTR NO. 4029325D, 01/08/2023-Q.C.  
Roll of Attorney's No. 40427  
Admin Matter No. 025(2023-2024)  
MCLE No. 0010805-05-24-2022  
ERWIN PACINIO

1 Balete Drive corner N. Domingo Street, Barangay, Kawit, District 2, Quezon City 1111  
Tel. No.: (632) 8631-3179

**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Shareholders and Board of Directors  
**Philippine Realty and Holdings Corporation**  
One Balete, 1 Balete Drive corner N. Domingo Street  
Brgy. Kaunlaran District 4  
Quezon City

We have audited the separate financial statements of Philippine Realty and Holdings Corporation as at and for the year ended December 31, 2022, on which we have rendered our report dated March 21, 2023.

In compliance with Revised Securities Regulation Code Rule 68 and based on the certification received from the Company's corporate secretary and the results of our work done, as at December 31, 2022, we are stating that the said Company has two thousand two hundred fifty-seven (2,257) shareholder owning one hundred (100) or more shares.

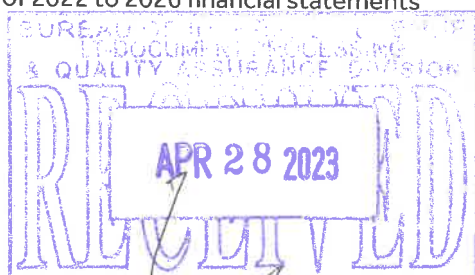
**MACEDA VALENCIA & CO.**



**ANTONIO O. MACEDA, JR.**  
Partner  
CPA License No. 20014  
Tax Identification No. 102-090-963-000  
PTR No. 9592715

Issued on January 18, 2023 at Makati City  
BOA/PRC Reg. No. 4748 valid until August 7, 2024  
BIR Accreditation No. 08-001987-004-2021 (firm)  
Issued on April 7, 2021; valid until April 6, 2024  
BIR Accreditation No. 08-001987-004-2021 (individual)  
Issued on April 12, 2021; valid until April 11, 2024  
SEC Accreditation No. 4748-SEC, Group A (firm)  
Effective for audits of 2019 to 2023 financial statements  
SEC Accreditation No. 20014-SEC, Group A (individual)  
Effective for audits of 2022 to 2026 financial statements

March 21, 2023  
Makati City



## REPORT OF INDEPENDENT AUDITORS

The Shareholders and Board of Directors  
Philippine Realty and Holdings Corporation  
One Balete, 1 Balete Drive corner N. Domingo Street  
Brgy. Kaunlaran District 4  
Quezon City

### Report on the Audit of the Separate Financial Statements

#### *Opinion*

We have audited the separate financial statements of Philippine Realty and Holdings Corporation (the "Company"), which comprise the separate statements of financial position as at December 31, 2022 and 2021, and the separate statements of total comprehensive income, separate statements of changes in equity and separate statements of cash flows for the three years in the period ended December 31, 2022, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory information.

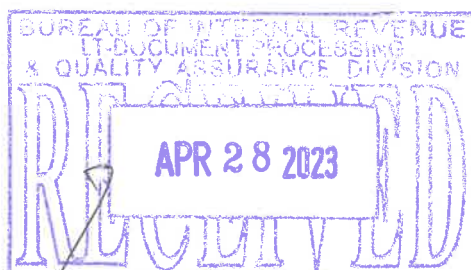
In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2022 and 2021, and its unconsolidated financial performance and its unconsolidated cash flows for the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

#### *Basis for Opinion*

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

#### *Key Audit Matters*

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



5/F Don Jacinto Building  
dela Rosa cor Salcedo Sts.  
Legazpi Village, Makati City  
1226 Philippines  
Telephone + 63 (2) 8403 7228 to 30  
Fax + 63 (2) 8403 7306

### *The Risk*

#### Real Estate Revenue Recognition and Determination of Related Cost

The Company's revenue recognition process, policies and procedures on real estate sales are significant to our audit because these involve the application of significant judgment and estimation. In addition, real estate sales and costs of real estate sales amounted to P225.00 million or 27% of Revenues and Income and P106.30 million or 20% of Cost and Expenses, respectively, for the year ended December 31, 2022. The areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the financial statements.

The Company's policy for revenue recognition on real estate sales are more fully described in Note 28 to the financial statements. The significant judgments applied, and estimates used by management related to revenue recognition are more fully described in Note 29 to the financial statements. The breakdown of real estate sales and costs of real estate sales are also in Note 7 to the financial statements.

### *Our Response*

We obtained an understanding of the revenue and cost recognition policy on real estate sales transactions. We performed risk assessment procedures to obtain audit evidence about the design and implementation of relevant controls. We performed a walkthrough as part of obtaining an understanding of the revenue and cost recognition process to identify and further understand what could go wrong in the process and to identify relevant controls that management has implemented to address what could go wrong. In performing walkthroughs, we obtained sufficient information to be able to evaluate the design and implementation of relevant controls and tested for operating effectiveness over revenue and cost recognition process and financial reporting close process.

On the revenue recognition process, the following controls, among others, were identified and tested for operating effectiveness.

- Control over initiation – sales reservation and payment scheme are based on valid transaction and sales cancellation are issued based on cancellation policy;
- Control over authorization – (a) Reservation and payment scheme, Contract to Sell, and Deed of Absolute Sale and (b) Notice of Cancellation for cancellation are approved by authorized officer;
- Control over recording and processing - Sales are systems generated at point of recognition and are counterchecked by responsible finance officer and cancellations are manually recognized based on approved Notice of Cancellation.

On the cost recognition process, the following key controls, among others, were tested for operating effectiveness.

- Control over initiation - Project costs are initiated based on budget.
- Control over authorization - (a) Budgets are approved by management and the Board; (b) Project spendings are made based on approved letters of award; (c) Recommendation for payment are compared with approved letter of award and approved by authorized officer; and (d) Changes in contract are approved by authorized officer;
- Control over recording and processing - (a) Payments are recorded based on approved recommendation of payment; (b) Sales are systems generated on point of recognition based on approved standard cost; and (c) Other capitalized cost such as interest cost are manually recorded based on policy.



On financial reporting close process, control over preparation of relevant disclosure were tested for operating effectiveness. Financial statements and relevant disclosures are prepared and reviewed by authorized finance officer.

We also performed substantive test procedure on selected sales and cancellations transactions during the year by examining the approved payment scheme, Contract to Sell or Deed of Absolute Sale and Notice of Cancellation and reperformed calculation of sales or cancellations recognized.

#### Valuation of Real Estate Inventories

##### *The Risk*

Real estate inventories constitute a material component in the Company's statements of financial position. Real estate inventories amounted to P2.09 billion representing 24% of the total assets as at December 31, 2022. Real estate inventories include properties under construction, newly built and acquired properties that are held for sale in the ordinary course of business and land held for development. Real estate inventories are valued at the lower of cost or market and net realizable value.

The valuation of real estate inventories is influenced by assumptions and estimates regarding construction costs to be incurred, and future selling prices. Weak demand and the consequential over supply of residential units might exert downward pressure on transaction volumes and selling prices of residential properties.

##### *Our Response*

Based on the controls over cost recognition process, we examined supporting documents of selected transactions of sampled projects to ensure that cost spending are complete and accurate and relates to the project and any spending noted outside the budgeted costs including capitalized interest are explained.

We reperformed standard cost calculation for selected projects and compared it with the standard cost used to cost inventories. We compared standard cost against net realizable values of selected projects through inspection of most recent sales contracts and expected sales proceeds from the remaining properties. We also tested the basis of percentage of completion for a project completed during the year.

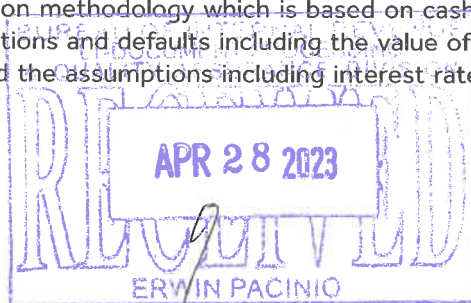
#### Allowance for Impairment Losses on Trade and Other Receivables

##### *The Risk*

The allowance for impairment losses on trade and other receivables is considered to be a matter of significance as it requires the application of judgment and use of subjective assumptions by management. As of December 31, 2022, trade and other receivables has a total carrying amount of P564 million contributing 7% of the Company's total assets.

##### *Our Response*

We tested the calculation methodology which is based on cash flows of future payments considering historical data of collections and defaults including the value of repossessed inventories and possible refunds. We also tested the assumptions including interest rates used in computing for the expected credit loss.



## Valuation of Investment Properties

### *The Risk*

Investment properties is considered to be a matter of significance as it requires the application of valuation judgment and use of assumptions by management. As of December 31, 2022, investment property has a total carrying amount of P4.88 billion contributing 57% of the Company's total assets.

### *Our Response*

To validate additions to investment properties, we examined supporting documents such as contracts, Deeds of Absolute Sale, supplier invoices and/or official receipts.

To determine fair value adjustments, we obtained the latest appraisal report and evaluated appropriateness of assumptions and valuation method and completeness of the information used.

We also evaluated the competence and objectivity of the external expert engaged by the management to value the investment properties by ensuring the expert is an accredited appraiser by the SEC and had discussions with the expert on the methodology used including any adjustments made.

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

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

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

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

### *Auditor's Responsibilities for the Audit of the Separate Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

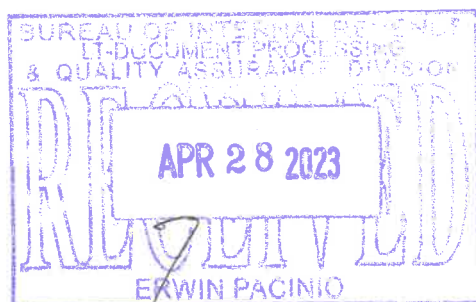


- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.



### Report on the Supplementary Information Required by the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information on taxes and license fees required for purposes of filing with the Bureau of Internal Revenue is presented by the management of Philippine Realty and Holdings Corporation in a separate schedule. Revenue Regulation 2-2014 and 15-2010 requires the information to be presented in the notes to the separate financial statements. Such information is the responsibility of management and is not a required part of the basic separate financial statements. Our opinion on the basic separate financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audit resulting in this independent auditor's report is Antonio O. Maceda, Jr.

MACEDA VALENCIA & CO.



ANTONIO O. MACEDA, JR.

Partner

CPA License No. 20014

Tax Identification No. 102-090-963-000

PTR No. 9592715

Issued on January 18, 2023 at Makati City

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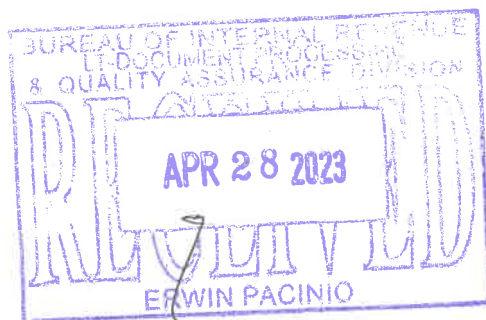
Effective for audits of 2019 to 2023 financial statements

SEC Accreditation No. 20014-SEC, Group A (individual)

Effective for audits of 2022 to 2026 financial statements

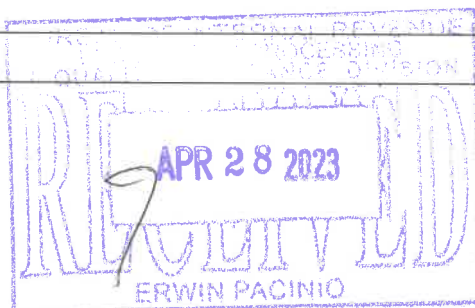
March 21, 2023

Makati City



PHILIPPINE REALTY AND HOLDINGS CORPORATION  
SEPARATE STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021

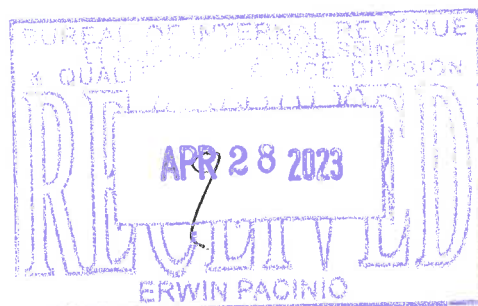
	<i>Note</i>	2022	2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	P157,708,142	P193,476,955
Financial assets at fair value through profit or loss (FVPL)	4,30	6,750,000	6,750,000
Trade and other receivables - current portion	6,31	184,464,217	139,386,732
Real estate inventories	7	2,086,122,188	2,136,292,560
Prepayments and other current assets – net	8	363,136,328	364,436,622
Investment in finance lease - current portion	13	14,099,824	13,055,174
<b>Total Current Assets</b>		<b>2,812,280,699</b>	<b>2,853,398,043</b>
<b>Non-current Assets</b>			
Financial assets at fair value through other comprehensive income (FVOCI)	5,30	36,076,106	37,644,536
Trade and other receivables - net of current portion	6,31	379,420,726	467,066,100
Investments in subsidiaries	9	19,100,000	20,100,000
Investments in associates	10	81,829,858	81,829,858
Investment properties - net	11	4,883,721,273	4,372,443,439
Property and equipment - net	12	59,926,295	70,718,767
Investment in finance lease - net of current portion	13	187,577,451	201,677,353
Right-of-use asset - net	13	97,414,601	89,431,827
<b>Total Non-current Assets</b>		<b>5,745,066,310</b>	<b>5,340,911,880</b>
		<b>P8,557,347,009</b>	<b>P8,194,309,923</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables - current portion	14	P85,653,425	P120,715,975
Loans payable - current portion	15	665,826,190	381,134,818
Lease liability - current portion	13	14,841,458	14,116,765
<b>Total Current Liabilities</b>		<b>766,321,073</b>	<b>515,967,558</b>
<b>Non-current Liabilities</b>			
Trade and other payables - net of current portion	14	84,809,964	71,803,218
Loans payable - net of current portion	15	227,541,115	429,465,985
Retirement benefit obligation	17	50,486,052	52,083,088
Lease liability - net of current portion	13	158,661,703	173,503,161
Other non-current liabilities		40,425,411	40,970,220
Deferred tax liabilities - net	23	699,939,428	572,353,286
<b>Total Non-current Liabilities</b>		<b>1,261,863,673</b>	<b>1,340,178,958</b>
<b>Total Liabilities</b>		<b>P2,028,184,746</b>	<b>P1,856,146,516</b>
<i>Forward</i>			



PHILIPPINE REALTY AND HOLDINGS CORPORATION  
SEPARATE STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021

	<i>Note</i>	2022	2021
<b>EQUITY</b>			
Capital stock	24	P 4,433,211,671	P4,433,189,171
Additional paid-in capital	24	623,139,806	623,139,806
Reserves	25	54,072,312	44,875,005
Retained earnings		1,528,450,913	1,346,671,864
Treasury stock	24	(109,712,439)	(109,712,439)
<b>Total Equity</b>		<b>6,529,162,263</b>	<b>6,338,163,407</b>
		<b>P8,557,347,009</b>	<b>P8,194,309,923</b>

*See Notes to the Separate Financial Statements.*



**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**SEPARATE STATEMENTS OF TOTAL COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

	<i>Note</i>	2022	2021	2020
<b>INCOME</b>				
Sales of real estate		P224,998,917	P153,819,523	P264,772,984
Rent	11,13	56,343,600	55,049,665	69,119,550
Interest	18	15,913,983	17,377,552	13,642,810
Other income	19	530,682,061	630,572,948	307,951,392
		<b>827,938,561</b>	<b>856,819,688</b>	<b>655,486,736</b>
<b>COSTS AND EXPENSES</b>				
Cost of real estate sold	7	106,296,787	113,172,007	161,787,110
Cost of services	20	39,043,111	39,945,202	54,015,265
General and administrative expenses	21	311,322,564	280,389,396	275,602,079
Finance costs	13,15	63,643,546	70,631,236	36,508,551
Other expenses	22	230,051	90,852,818	1,660,400
		<b>520,536,059</b>	<b>594,990,659</b>	<b>529,573,405</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>307,402,502</b>	<b>261,829,029</b>	<b>125,913,331</b>
<b>INCOME TAX EXPENSE</b>	23	<b>125,623,453</b>	<b>58,226,599</b>	<b>81,413,348</b>
<b>NET INCOME</b>		<b>181,779,049</b>	<b>203,602,430</b>	<b>44,499,983</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Items that will never be reclassified to profit or loss</i>				
Remeasurement gain (loss) on retirement benefit obligation, net of tax	25	10,765,737	8,139,833	(8,389,664)
Unrealized holding gain (loss) on financial assets at FVOCI	5,25	(1,568,430)	(3,365,984)	5,316,590
		<b>9,197,307</b>	<b>4,773,849</b>	<b>(3,073,074)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P190,976,356</b>	<b>P208,376,279</b>	<b>P41,426,909</b>
<b>BASIC EARNINGS PER SHARE</b>	26	<b>P0.02</b>	<b>P0.02</b>	<b>P0.01</b>

See Notes to the Separate Financial Statements.



**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**SEPARATE STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

	Capital Stock (Note 24)	Additional Paid-in Capital (Note 24)	Reserves (Note 25)	Retained Earnings	Treasury Stock (Note 24)	Total Equity
Balance as at January 1, 2020	P2,344,226,245	P557,014,317	P43,174,230	P1,098,569,451	(P109,712,439)	P3,933,271,804
<b>Comprehensive income (loss)</b>						
Net income for the year	-	-	-	44,499,983	-	44,499,983
Other comprehensive loss for the year	-	-	(3,073,074)	-	-	(3,073,074)
<b>Total comprehensive income (loss) for the year</b>				44,499,983	-	41,426,909
Balance as at December 31, 2020	2,344,226,245	557,014,317	40,101,156	1,143,069,434	(109,712,439)	3,974,698,713
<b>Comprehensive income</b>						
Net income for the year	-	-	-	203,602,430	-	203,602,430
Other comprehensive income for the year	-	-	4,773,849	-	-	4,773,849
<b>Total comprehensive income for the year</b>			4,773,849	203,602,430	-	208,376,279
<b>Transaction with owners</b>						
Issuance of shares during the year	2,088,888,889	66,125,489	-	-	-	2,155,014,378
Collection of subscriptions receivable	74,037	-	-	-	-	74,037
Balance as at December 31, 2021	4,433,189,171	623,139,806	44,875,005	1,346,671,864	(109,712,439)	6,338,163,407
<b>Comprehensive income</b>						
Net income for the year	-	-	-	181,779,049	-	181,779,049
Other comprehensive income for the year	-	-	9,197,307	-	-	9,197,307
<b>Total comprehensive income for the year</b>			9,197,307	181,779,049	-	190,976,356
<b>Transaction with owners</b>						
Collection of subscriptions receivable	22,500	-	-	-	-	22,500
Balance as at December 31, 2022	P4,433,211,671	P623,139,806	P54,072,312	P1,528,450,913	(P109,712,439)	P6,529,162,263

See Notes to Separate Financial Statements.

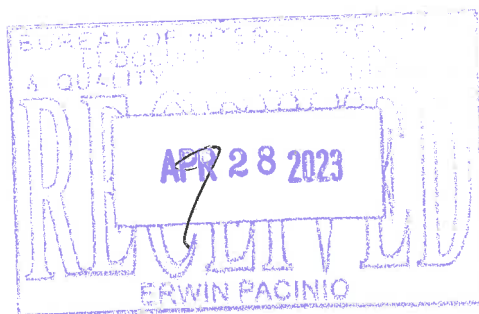
APR 28 2023  
 ERWIN PACINIO



**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**SEPARATE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

	<i>Note</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		<b>P 307,402,502</b>	P261,829,029	P125,913,331
Adjustments for:				
Finance costs	13,15,17	<b>63,643,547</b>	70,631,236	36,508,551
Impairment loss on trade and other receivables	6,21	<b>25,000,000</b>	22,779,538	4,709,039
Depreciation and amortization	20,21	<b>22,834,520</b>	21,440,773	23,152,547
Provision for retirement benefits	17	<b>12,757,280</b>	11,617,535	10,458,174
Impairment loss on investment in subsidiaries	9,21	<b>1,000,000</b>	-	-
Loss on cancellation of sale of investment property	11,22	-	87,996,422	-
Loss on sublease	22	-	2,769,442	-
Loss (gain) on sale of property and equipment	19,22	<b>(24,135)</b>	38,793	-
Gain on repossession of real estate inventories	19	<b>(1,498,643)</b>	(14,287,462)	(12,057,967)
Foreign exchange loss (gain)	19,22	<b>(1,952,441)</b>	(1,434,240)	1,183,942
Dividend income	5,19	<b>(1,953,910)</b>	-	-
Interest income	18	<b>(15,913,983)</b>	(17,377,552)	(13,642,810)
Gain on change in fair value of investment properties - net	11,19	<b>(518,036,292)</b>	(610,173,892)	(279,602,907)
Reversal of allowance for impairment losses on receivables	6,19	-	-	(13,471,215)
Operating loss before working capital changes		<b>(106,741,555)</b>	(164,170,378)	(116,849,315)
Decrease in:				
Trade and other receivables		<b>22,768,318</b>	502,257,372	364,935,872
Prepayments and other current assets		<b>1,628,314</b>	49,294	480,773
Real estate inventories		<b>69,979,015</b>	78,532,024	29,067,260
Increase (decrease) in:				
Trade and other payables		<b>(24,758,508)</b>	(47,719,083)	(83,311,969)
Unearned income		-	(1,361,382)	65,739
Other non-current liabilities		<b>(544,809)</b>	1,502,544	(2,073,117)
Net cash provided by (used in) operations		<b>(37,669,225)</b>	369,090,391	192,315,243
Interest received		<b>484,006</b>	16,399,995	13,642,810
Contributions to retirement fund		-	-	(2,000,000)
Retirement benefits paid		-	-	(300,000)
Net cash provided by (used in) operating activities		<b>(37,185,219)</b>	385,490,386	203,658,053

Forward



**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**SEPARATE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

	<i>Note</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to property and equipment	12	(P1,545,778)	(P6,195,300)	(P1,388,537)
Additions to investment properties	11	(30,030,586)	(6,571,762)	(61,376,533)
Disposal of investment property	11	-	14,000,000	-
Proceeds of property and equipment		24,135	-	-
Proceeds from sale of property and equipment		-	1,071,894	171,763
Return of investment in associate	10	-	-	7,045,222
Net cash provided by (used in) investing activities		(31,552,229)	2,304,832	(55,548,085)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Availments of loans	15	1,013,706,633	796,260,165	831,343,910
Collection of lease receivables	13	23,284,800	13,737,584	11,300,404
Proceeds from collections of subscriptions receivable	24	22,500	74,037	-
Costs incurred in issuance of shares	24	-	(100,985,622)	-
Payments of lease liabilities	13	(22,941,000)	(15,981,379)	(14,112,902)
Finance costs paid	13,15	(52,116,608)	(68,685,152)	(34,584,340)
Payments of loans principal	15	(930,940,131)	(1,016,252,646)	(952,575,586)
Net cash provided by (used in) financing activities		31,016,194	(391,833,013)	(158,628,514)
<b>EFFECTS OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>				
		1,952,441	1,434,240	(1,183,942)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(35,768,813)</b>	<b>(2,603,555)</b>	<b>(11,702,488)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>193,476,955</b>	<b>196,080,510</b>	<b>207,782,998</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>P157,708,142</b>	<b>P193,476,955</b>	<b>P196,080,510</b>

See Notes to the Separate Financial Statements.





**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**SEPARATE STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	<i>Note</i>	<b>2022</b>	2021
<b>EQUITY</b>			
Capital stock	24	<b>P 4,433,211,671</b>	P4,433,189,171
Additional paid-in capital	24	<b>623,139,806</b>	623,139,806
Reserves	25	<b>54,072,312</b>	44,875,005
Retained earnings		<b>1,528,450,913</b>	1,346,671,864
Treasury stock	24	<b>(109,712,439)</b>	(109,712,439)
<b>Total Equity</b>		<b>6,529,162,263</b>	6,338,163,407
		<b>P8,557,347,009</b>	P8,194,309,923

*See Notes to the Separate Financial Statements.*

## **1. Corporate Information**

Philippine Realty and Holdings Corporation (the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 13, 1981 with a corporate life of fifty (50) years. The principal activities of the Company include the acquisition, development, sale and lease of all kinds of real estate and personal properties, and as an investment and holding company.

The Company was listed with the Philippine Stock Exchange (PSE) on September 7, 1987.

On June 22, 2021, the Company issued 4,177,777,778 new common shares at par value of P0.50 per share in favor of Greenhills Properties, Inc. (GPI), in exchange for the two vacant lots in Bonifacio Global City (BGC) making the Company a subsidiary of GPI (see Note 24).

The Company is 65.20% owned by GPI as at December 31, 2022 and 2021, respectively. The remaining shares are owned by various individuals and institutional stockholders.

The Company’s registered address is at One Balete, 1 Balete Drive Corner N. Domingo St. Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines.

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## **2. Basis of Preparation**

### Statement of Compliance

The separate financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC), as approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The Company also prepares and issues consolidated financial statements for the same period in which it consolidates all its investments in subsidiaries. Such consolidated financial statements provide information about the economic activities of the group of which the Company is the parent.

The separate financial statements as of and for the year ended December 31, 2022 were reviewed by the Company’s Audit Committee and authorized for issuance by the Board of Directors (BOD) on March 21, 2023.

### Basis of Measurement

The Company’s separate financial statements have been prepared under the historical cost convention, except for the following which are measured using alternative basis at each reporting date:

<u>Account name</u>	<u>Measurement Bases</u>
Financial assets at FVPL	Fair value
Financial assets at FVOCI	Fair value
Investment properties	Fair value
Retirement benefit obligation	Present value of the defined benefit obligation less fair value of plan assets

### Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is the presentation and functional currency of the Company. All financial information presented have been rounded to the nearest peso, unless otherwise stated.

### Use of Estimates and Judgments

The preparation of the separate financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the separate financial statements are described in Note 29.

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**3. Cash and Cash Equivalents**

This account consists of:

	<b>2022</b>	<b>2021</b>
Cash on hand	<b>P20,000</b>	P20,000
Cash in banks	<b>132,157,773</b>	114,233,497
Cash equivalents	<b>25,530,369</b>	79,223,458
	<b>P157,708,142</b>	P193,476,955

Cash in banks earned an average annual interest of 0.03% and 0.05% in 2022 and 2021. Cash equivalents represent money market placements or short-term investments with maturities up to three months and annual interest ranging from 3.00% to 4.40% and 0.10% to 2.75% in 2022 and 2021, respectively.

Interest income recognized amounted to P484,006, P468,202 and P750,818 in 2022, 2021 and 2020, respectively (see Note 18).

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**4. Financial Assets at Fair Value Through Profit or Loss (FVPL)**

This account is composed of listed equity securities that are held for trading amounting to P6,750,000. The fair values of these securities are based on quoted market price.

**5. Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)**

As at December 31, financial assets at FVOCI consist of investments in:

	<i>Note</i>	<b>2022</b>	<b>2021</b>
At cost:			
Listed shares of stock		<b>P58,332,808</b>	<b>P58,332,808</b>
Golf and country club shares		<b>3,350,000</b>	<b>3,350,000</b>
		<b>61,682,808</b>	<b>61,682,808</b>
Accumulated unrealized holding loss	25	<b>(25,606,702)</b>	<b>(24,038,272)</b>
		<b>P36,076,106</b>	<b>P37,644,536</b>

The movements in this account are summarized as follows:

	<i>Note</i>	<b>2022</b>	<b>2021</b>
Balance at beginning of year		<b>P37,644,536</b>	<b>P41,010,520</b>
Fair value adjustments	25	<b>(1,568,430)</b>	<b>(3,365,984)</b>
Balance at end of year		<b>P36,076,106</b>	<b>P37,644,536</b>

The investments in shares of stock of various listed equity securities present the Company with opportunity for return through dividend income. The fair values of these investments are based on quoted market prices. Unrealized holding gains or losses from market value fluctuations are recognized as part of the Company's reserves.

The above investments in equity instruments are not held for trading and the Company irrevocably elected to present subsequent changes in fair values in OCI.

Unrealized holding gain (loss) recognized in other comprehensive income from FVOCI financial assets amounted to (P1.57) million in 2022, (P3.37) million in 2021 and P5.32 million in 2020 (see Note 25).

Dividend income recognized in profit or loss amounted to P1,953,910 in 2022 (see Note 19).

**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

**6. Trade and Other Receivables**

This account consists of:

	<i>Note</i>	<b>2022</b>	<b>2021</b>
Trade:			
Sale of real estate		<b>P533,856,617</b>	P532,504,422
Lease		<b>24,271,329</b>	27,651,679
Advances to subsidiaries and associates	16	<b>259,366,922</b>	256,190,669
Advances		<b>21,096,626</b>	27,834,225
Other receivables		<b>101,270,857</b>	113,249,245
		<b>939,862,351</b>	957,430,240
Less allowance for impairment loss		<b>375,977,408</b>	350,977,408
		<b>563,884,943</b>	606,452,832
Less: non-current portion		<b>379,420,726</b>	467,066,100
Trade and other receivables- current portion		<b>P184,464,217</b>	P139,386,732

Trade receivables include amounts due from buyers of the Company's condominium projects, generally over a period of three (3) or four (4) years. The condominium certificates of title remain in the possession of the Company until full payment has been made by the customers. Trade receivables for restructured accounts carry interest rates of 1.5% per month in 2022 and 2021. Interest income recognized amounted to P431,600, P619,736 and P2,016,397 in 2022, 2021 and 2020, respectively (see Note 18). Certain trade receivables with total carrying amount of P189.97 million and P76 million as at December 31, 2022 and 2021, respectively, are pledged to a local bank as collateral to the Company's loans payable (see Note 15).

Advances consist mainly of advances to officers and employees that are settled either through liquidation or salary deduction.

Other receivables include receivables amounting to P45.35 million and P44.02 million as at December 31, 2022 and 2021, respectively, in relation to the parcel of land sold in 2014. The remaining balance consists of receivables from concessionaires.

Receivables amounting to P375.98 million and P350.98 million as of December 31, 2022 and 2021, respectively, were impaired and fully provided with allowance. The movements in the allowance for ECLs on receivables are as follows:

<b>2022</b>						
	Sale of real estate	Lease	Advances to subsidiaries and associates	Advances	Other receivables	Total
Beginning balance	P88,650,704	P7,507,749	P237,135,099	P862,891	P16,820,965	P350,977,408
Provisions (Reversals)	(5,137,804)	(2,028,939)	-	-	32,166,743	25,000,000
	P83,512,900	P5,478,810	P237,135,099	P862,891	P48,987,700	P375,977,408
<b>2021</b>						
	Sale of real estate	Lease	Advances to subsidiaries and associates	Advances	Other receivables	Total
Beginning balance	P79,692,807	P1,038,654	P237,135,099	P478,891	P9,852,419	328,197,870
Provisions	8,957,897	6,469,095	-	384,000	6,968,546	22,779,538
	P88,650,704	P7,507,749	P237,135,099	P862,891	P16,820,965	P350,977,408

**7. Real Estate Inventories**

**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

This account consists of:

	2022	2021
In progress:		
BGC Project	<b>P252,154,357</b>	P232,282,519
Andrea North Estate	<b>129,466,042</b>	130,987,227
	<b>381,620,399</b>	363,269,746
Completed units:		
Andrea North SkyVillas Tower	<b>96,696,424</b>	123,980,597
Andrea North Skyline Tower	<b>26,008,598</b>	85,822,208
The Icon Plaza	<b>29,267,782</b>	10,957,782
Casa Miguel	<b>7,192,072</b>	6,895,314
	<b>159,164,876</b>	227,655,901
Land held for development:		
New Manila, Quezon City	<b>135,336,913</b>	135,366,913
BGC	<b>1,410,000,000</b>	1,410,000,000
	<b>1,545,336,913</b>	1,545,366,913
	<b>P2,086,122,188</b>	P2,136,292,560

BGC Project represents the cost of the master plan design, excavation works, survey and permits, and capitalized loan interest related to the construction of the new tower in BGC.

On June 22, 2021, the Company received two BGC lots from GPI in exchange for the Company's shares of stock. One of these lots was recognized as part of real estate inventories – land held for development as the land is being used for the BGC condominium project.

On February 15, 2022, the Company's Board of Directors confirmed its November 16, 2021 approval of the reclassification of the Baguio property previously classified as real estate inventories – land held for development to investment properties with the change in use and the management's view of improving the value of the property over time, as well as the approval of the reclassification of a condominium unit in Icon Residences Tower 1 from real estate inventories to investment property due to change in use and the management's view of improving the value of the property over time.

On March 21, 2023, the Company's Board of Directors confirmed its December 20, 2022 approval of the reclassification of parking units in Icon Plaza from investment properties to real estate inventories as these properties have been sold/committed to be sold to several buyers.

Certain real estate inventories are mortgaged as collaterals to loans (see Note 15).

The cost of real estate inventories recognized in the separate statements of total comprehensive income amounted to P106,296,787, P113,172,007 and P161,787,110 in 2022, 2021 and 2020, respectively.

## **8. Prepayments and Other Current Assets**

This account consists of:

	<b>2022</b>	<b>2021</b>
Creditable withholding tax	<b>P270,202,455</b>	P258,254,773
Prepaid tax		27,648,388
	<b>27,648,388</b>	
VAT for refund	<b>24,041,403</b>	9,418,683
Prepaid expenses	<b>23,617,989</b>	36,794,566
Deposits	<b>4,984,691</b>	4,624,691
Deferred input tax	<b>634,304</b>	634,304
Others	<b>12,007,098</b>	27,061,217
	<b>P363,136,328</b>	P364,436,622

Prepaid taxes are unutilized creditable withholding taxes which the Company opted for refund with the Bureau of Internal Revenue.

Prepaid expenses consist of advance payment to contractors, rent, real property tax, insurance premium and membership dues.

Creditable withholding tax pertains to taxes withheld by the Company's customers in accordance with tax regulations which remained unutilized as at the end of the reporting period. This can be utilized by the Company as a deduction from future income tax obligations.

Deposits pertain to refundable deposits paid to utility companies. These also include security deposits paid in relation to an office lease agreement.

## **9. Investments in Subsidiaries**

Details of the Company's ownership interest in subsidiaries as of December 31 are as follows:

	<b>2022</b>	<b>2021</b>
PRHC Property Managers, Inc. (PPMI)	<b>100%</b>	100%
Tektite Insurance Brokers, Inc. (TIBI)	<b>100%</b>	100%
Sultan's Power, Inc. (SPI)	<b>100%</b>	100%
Universal Travel Corporation (UTC)	<b>81.53%</b>	81.53%

The details of the Company's investments in subsidiaries are as follows:

	<b>2022</b>	<b>2021</b>
<b>Investments in Subsidiaries:</b>		
Tektite Insurance Brokers, Inc. (TIBI)	<b>P13,900,000</b>	P13,900,000
Universal Travel Corporation (UTC)	<b>5,722,796</b>	5,722,796
PRHC Property Managers, Inc. (PPMI)	<b>5,200,000</b>	5,200,000
Sultan's Power, Inc. (SPI)	<b>1,000,000</b>	1,000,000
	<b>25,822,796</b>	25,822,796
Allowance for impairment loss	<b>(6,722,796)</b>	(5,722,796)
	<b>P19,100,000</b>	P20,100,000

**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

The negative net worth of Universal Travel Corporation (UTC) and Sultan's Power, Inc. (SPI) indicates the impairment on the Company's investment. Accordingly, the Company provided an allowance for impairment loss amounting to P5,722,796 and P1,000,000 for investments in UTC and SPI.

Aggregated amounts relating to subsidiaries are as follows:

	2022	2021
<b>PRHC Property Managers, Inc. (PPMI)</b>		
Total assets	<b>P94,524,181</b>	P88,064,468
Total liabilities	<b>30,170,917</b>	34,251,070
Net assets	<b>64,353,264</b>	53,813,398
Income	<b>49,251,143</b>	38,575,375
Cost and expenses	<b>(41,320,228)</b>	(42,009,262)
Net income (loss)	<b>P7,930,915</b>	(P3,433,887)
<b>Tektite Insurance Brokers, Inc. (TIBI)</b>		
Total assets	<b>P9,363,637</b>	P11,899,046
Total liabilities	<b>4,119,265</b>	3,941,915
Net assets	<b>5,244,372</b>	7,957,131
Income	<b>5,933,208</b>	5,571,075
Cost and expenses	<b>(4,934,189)</b>	(5,234,232)
Net income	<b>999,019</b>	P336,843
<b>Universal Travel Corporation (UTC)</b>		
Total assets	<b>P1,270,628</b>	P1,200,628
Total liabilities	<b>30,143,984</b>	30,022,076
Net liabilities	<b>(28,873,356)</b>	(28,821,448)
Income	-	4,674
Cost and expenses	<b>(51,908)</b>	(42,243)
Net loss	<b>(P51,908)</b>	(P37,569)
<b>Sultan's Power, Inc. (SPI)</b>		
Total assets	<b>P1,881,712</b>	P5,653,712
Total liabilities	<b>76,963,922</b>	80,675,264
Net liabilities	<b>(75,082,210)</b>	(75,021,552)
Income	-	-
Cost and expenses	<b>(60,659)</b>	(134,042)
Net loss	<b>(P60,659)</b>	(P134,042)

The following are the principal activities of the Company's subsidiaries:

**PRHC Property Managers, Inc.**

PPMI was incorporated and registered with the SEC on May 24, 1991 to engage in the business of managing, operating, developing, buying, leasing and selling real and personal property either for itself and/or for others.

The registered office of PPMI is Unit E-2003B East Tower, Tektite Towers (formerly Philippine Stock Exchange Centre), Exchange Road, Ortigas Center, Pasig City.



Tektite Insurance Brokers, Inc.

TIBI was incorporated and registered with the SEC on January 2, 1989 to engage in the business of insurance brokerage. On May 24, 2022, the BOD of TIBI approved the amendment of the Company's Articles of Incorporation and By-laws to conform with the IC's requirements in changing its business activities from that of an insurance broker to an insurance agent.

The registered office of TIBI is Unit E-2004A East Tower, Tektite Towers (formerly Philippine Stock Exchange Centre), Exchange Road, Ortigas Center, Pasig City.

Universal Travel Corporation

UTC was incorporated and registered with the SEC on November 9, 1993 to engage in the business of travel services by providing, arranging, marketing, engaging or rendering advisory and consultancy services relating to tours and tour packages. On March 15, 2018, the Board of Directors of UTC approved the resolution on the cessation of its operations effective July 31, 2018. Thereafter, the Company became inactive.

The registered office of UTC is Unit E-2003B East Tower, Tektite Towers (formerly Philippine Stock Exchange Centre), Exchange Road, Ortigas Center, Pasig City.

Sultan's Power, Inc.

Sultan Power, Inc. ("SPI") was incorporated under Philippine laws and registered with the SEC on March 19, 2015 as a holding company. SPI achieved majority ownership in RECON-X Energy Corporation ("RECON-X") by acquiring 51% of the total issued and outstanding shares of the latter company.

RECON-X was incorporated under Philippine laws and registered with the SEC on June 27, 2014 to engage in the business of recycling and converting plastics into fuel (gasoline, diesel and kerosene) using patented technology. The process was duly certified on November 2, 2015, by the Intellectual Property Office of the Philippines ("IPOPHL") for "Improved Method of Converting Land-Filled Plastic Wastes into Hydrocarbon Fuel", certified by the Department of Science and Technology ("DOST") and by the Department of Energy ("DOE"). As of December 31, 2021, RECON-X was able to procure the additional catalysts and materials needed for the plastic diesel conversion plant to be used to process wastes into fuel. In 2022, RECON-X has undergone physical plant improvements and debottlenecking to enhance the yield of converted fuels. Given the ongoing streamlining of operations and training of employees for production, RECON-X is highly expected to commence its commercial operations in the second quarter of 2023 as it has already officially produced its first batch of fuel.

The registered office of SPI is Unit E-2003B East Tower, Tektite Towers (formerly Philippine Stock Exchange Centre), Exchange Road, Ortigas Center, Pasig City.

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**10. Investments in Associates**

Details of the Company's ownership interest in associates as at December 31 are as follows:

	<b>2022</b>	<b>2021</b>
Meridian Assurance Corporation (MAC)	30%	30%
Alexandra (USA), Inc. (AUI)	45%	45%
Le Cheval Holdings, Inc. (LCHI)	45%	45%

**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

The details of the Company's investments in associates are as follows:

	2022	2021
<b>Investments in Associates:</b>		
Meridian Assurance Corporation (MAC)	<b>P81,829,858</b>	P81,829,858
Alexandra (USA), Inc. (AUI)	<b>14,184,150</b>	14,184,150
Le Cheval Holdings, Inc. (LCHI)	<b>11,250</b>	11,250
	<b>96,025,258</b>	96,025,258
Allowance for impairment loss	<b>(14,195,400)</b>	(14,195,400)
	<b>P81,829,858</b>	P81,829,858

The imminent liquidation of Alexandra USA, Inc. (AUI) indicates impairment losses on this investment. In 2011, the Company provided an allowance for impairment loss amounting to P14,184,150 for investments in AUI.

The Company also provided an allowance for impairment loss amounting to P11,250 for investments in LCHI.

Aggregated amounts relating to associates are as follows:

	2022	2021
<b>Meridian Assurance Corporation (MAC)</b>		
Total assets	<b>P370,799,653</b>	P222,857,213
Total liabilities	<b>32,697,486</b>	25,988,007
Net assets	<b>338,102,167</b>	196,869,206
Income	<b>9,900,997</b>	244,458
Cost and expenses	<b>(14,557,798)</b>	(15,204,657)
Net loss	<b>(P4,656,801)</b>	(P14,960,199)
<b>Le Cheval Holdings, Inc. (LCHI)</b>		
Total assets	<b>P45,362</b>	P45,362
Total liabilities	<b>142,248</b>	142,248
Net assets	<b>(96,886)</b>	(96,886)
Income	-	-
Cost and expenses	-	-
Net loss	<b>P -</b>	P -

The following are the principal activities of the Company's associates:

Meridian Assurance Corporation

MAC was incorporated and registered with the SEC on March 16, 1960, renewed on November 13, 2007, primarily to engage in the business of insurance and guarantee of any kind and in all branches except life insurance, for consideration, to indemnify any person, firm or corporation against loss, damage or liability arising from any unknown or contingent event, and to guarantee liabilities and obligations of any person, firm or corporation and to do all such acts and exercise all such powers as may be reasonably necessary to accomplish the above purposes which may be incidental.

MAC did not comply with the minimum capital requirement set by the Insurance Commission as of December 31, 2016, as it is ceding its insurance business portfolio to another insurance company. MAC, however, will continue servicing the administrative requirements of all outstanding policies issued until their expiry. On March 30, 2017, the Company wrote the Insurance Commission to apply for a license as a servicing company and tendered its Certificate of Authority (CA) as non-life insurance company. Pending issuance of the servicing license, the Company still issued new policies up to April 30, 2017. On May 1, 2017, the Insurance Commission approved the Company's application as a servicing company and issued a servicing license. As a servicing insurance company, the Company's transactions are confined to: (i) accepting periodic premium payments from its policyholders; (ii) granting policy loans and paying cash surrender values of outstanding policies to its policyholders; (iii) reviving lapsed policies of its policyholders, and (iv) such other related services.

In 2020, the Insurance Commission approved the release of the contingency surplus of MAC to its stockholders. The Company received its 30% share amounting to P7,045,222.

On July 7, 2021, MAC received a letter from the insurance commission confirming MAC's withdrawal from the insurance business. It is also stated in the letter that MAC is no longer required to submit annual financial statements and other documentary requirements to the commission starting financial year-end 2021. As at December 31, 2022, MAC is in the process of preparing the necessary documents for the amendment of Articles of Incorporation and By-laws for filing with the SEC and IC, thereafter, the Company plans to engage in the business of asset management.

The registered office of MAC is Unit E-2003B East Tower, Tektite Towers (formerly Philippine Stock Exchange Centre), Exchange Road, Ortigas Center, Pasig City.

Le Cheval Holdings, Inc.

LCHI was incorporated and registered with the SEC on August 30, 1994 as a holding company and had commenced operations as such by acquiring the majority outstanding shares of stock of Philippine Racing Club, Inc. (PRCI), a holding company incorporated in the Philippines. In 1996, LCHI sold its shares of stock of PRCI. Thereafter, LCHI became inactive.

Alexandra (USA), Inc.

AUI was incorporated in the United States of America (USA). AUI is involved in property development in Florida, USA. AUI is jointly owned with GPI (45%) and Warrenton Enterprises Corporation (10%) of William Cu-Unjeng. AUI is in the process of liquidation after the completion of the projects in Naples and Orlando. No information was obtained on the financial status and operations of AUI since 2012.

## 11. Investment Properties

The Company obtained the services of an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The effects are detailed below:

	2022	2021
<b>Cost</b>		
Balance, beginning	<b>P2,094,440,777</b>	P1,211,490,837
Additions	<b>30,030,586</b>	6,571,762
Return due to sales cancellation	-	33,859,578
Land acquired through share swap	-	846,000,000
Disposal	-	(14,000,000)
Reclassified from (to) real estate inventories	<b>(18,310,000)</b>	10,518,600
Reclassified to investment in finance lease	<b>(18,479,044)</b>	-
Balance, ending	<b>2,087,682,319</b>	2,094,440,777
<b>Accumulated unrealized holding gain</b>	<b>2,796,038,954</b>	2,278,002,662
	<b>P4,883,721,273</b>	P4,372,443,439

Details of the cost of investment properties are as follows:

	2022	2021
<b>Cost of investment properties</b>		
BGC	<b>P846,000,000</b>	P846,000,000
PSE East	<b>534,361,116</b>	520,494,591
Baguio	<b>399,436,449</b>	384,400,952
PSE West	<b>183,603,423</b>	183,603,423
The Icon Plaza	<b>79,903,153</b>	115,563,633
San Fernando, La Union	<b>33,859,578</b>	33,859,578
Icon Residences Tower 1	<b>10,518,600</b>	10,518,600
	<b>P2,087,682,319</b>	P2,094,440,777

### BGC

On June 22, 2021, the Company received two (2) BGC lots from GPI in exchange for the Company's shares of stock. One of these lots was recognized as part of investment properties as the land has undetermined use as of the reporting date and will be held for capital appreciation.

### Tektite Towers East Tower and West Tower

In 2020, the Company acquired condominium units and parking spaces at the East Tower and West Tower of Tektite Towers.

### Baguio

With the positive outlook of growth in 2018, the Company saw the opportunity to develop Baguio property into a residential development for sale. The property was then classified as part of real estate inventories – land held for development. In 2019, the Company continued with the original plan to develop the property, however, in 2020, due to the effect of COVID-19 pandemic on the overall economic condition, the Company reviewed its strategy to assume a more conservative approach by adjusting its development schedules to ensure its stability and managing cash flow. The Company decided to prioritize the development of a residential tower in BGC. Consequently, the development plan for the Baguio property was shelved with a view of improving the value of the property over time. In the meantime, a lease was entered with PPMI, a subsidiary company, to generate cash flow to cover a portion of the costs of maintaining the property. With the Company's view of improving the value of

the property over time, the Company with the approval of the Board of Directors, reclassified this property to Investment Properties.

The Icon Plaza

On March 21, 2023, the Company's Board of Directors confirmed its December 20, 2022 approval of the reclassification of several parking units in Icon Plaza from investment properties to real estate inventories as these properties have been sold/are committed to be sold to several buyers.

San Fernando, La Union

On November 29, 2021, the Company cancelled its Contract to Sell agreement dated December 18, 2014 with Humboltbay Holdings, Inc for the San Fernando, La Union lot originally classified as investment property prior to sale. The Company incurred a loss on sale cancellation of investment property amounting to P87,996,422 (see Note 22).

Icon Residences Tower 1

On November 16, 2021, the Company's Board of Directors approved the reclassification of a condominium unit in Icon Residences Tower 1 from real estate inventories to investment property due to change in use (see Note 7). On November 24, 2021, the Company received a formal offer to lease the unit once renovation and repairs are completed and the unit is ready for occupancy. Renovation and repairs were delayed due to issues with a unit owner who owned the unit where the damage emanated from.

Details of the accumulated unrealized holding gain are as follows:

	2022	2021
<b>Accumulated unrealized holding gain</b>		
Tektite East Tower	<b>P1,006,368,018</b>	P999,365,018
Tektite West Tower	<b>566,540,552</b>	556,747,007
San Fernando, La Union	<b>295,480,822</b>	249,372,822
BGC	<b>738,000,000</b>	246,800,000
The Icon Plaza	<b>72,345,367</b>	110,035,367
Baguio	<b>106,542,795</b>	104,921,048
Icon Residences Tower 1	<b>10,761,400</b>	10,761,400
	<b>P2,796,038,954</b>	2,278,002,662

The movements in accumulated unrealized holding gain in 2022 and 2021 are as follows:

	Note	2022	2021
Beginning balance		<b>P2,278,002,662</b>	P1,667,828,770
Increase	19	<b>518,036,292</b>	610,173,892
Total		<b>P2,796,038,954</b>	P2,278,002,662

An independent valuation of the Company's investment properties was performed by qualified appraisers as of December 14, 2022, December 15, 2022 and December 22, 2022 to determine their fair values. The external independent appraiser used sales comparison approach in arriving at the value of the properties. In this approach, the values of the properties were determined based on sales and listings of comparable properties. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at a different floor level of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

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Rental income recognized from the investment properties amounted to P56,343,600 in 2022, P55,049,665 in 2021 and P69,119,550 in 2020. Real property taxes attributable to the investment properties amounted to P7,870,171 in 2022, P8,327,454 in 2021 and P22,124,552 in 2020 are included as part of taxes and licenses in cost of services. Condominium dues attributable to the investment properties amounted to P8,395,079 in 2022, P9,823,728 in 2021 and P10,127,213 in 2020 are included also in cost of services.

Certain investment properties are mortgaged as collateral to loans (see Note 15).

## 12. Property and Equipment

The details of the carrying amounts of property and equipment, the gross carrying amounts, and accumulated depreciation and amortization of property and equipment are shown below:

	For the Years Ended December 31, 2022 and 2021			
	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation and Other Equipment	Total
<b>Cost</b>				
January 1, 2021	P82,678,580	P28,011,098	P52,863,571	P163,553,249
Additions	5,500,000	627,465	67,835	6,195,300
Disposals	-	(288,482)	(2,419,603)	(2,708,085)
December 31, 2021	88,178,580	28,350,081	50,511,803	167,040,464
Additions	-	1,545,778	-	1,545,778
Disposals	-	(244,955)	-	(244,955)
<b>December 31, 2022</b>	<b>P88,178,580</b>	<b>P29,650,904</b>	<b>P50,511,803</b>	<b>P168,341,287</b>
<b>Accumulated Depreciation and Amortization</b>				
January 1, 2021	P23,089,224	P25,666,483	P37,345,103	P86,100,810
Provision	3,402,418	1,265,480	7,150,387	11,818,285
Disposals	-	(288,483)	(1,308,915)	(1,597,398)
December 31, 2021	26,491,642	26,643,480	43,186,575	96,321,697
Provision	6,391,578	1,296,997	4,649,675	12,338,250
Disposals	-	(244,955)	-	(244,955)
<b>December 31, 2022</b>	<b>32,883,220</b>	<b>27,695,522</b>	<b>47,836,250</b>	<b>108,414,992</b>
Carrying Amount December 31, 2021	P61,686,938	P1,706,601	P7,325,228	P70,718,767
<b>Carrying Amount December 31, 2022</b>	<b>P55,295,360</b>	<b>P1,955,382</b>	<b>P2,675,553</b>	<b>P59,926,295</b>

Certain transportation equipment of the Company with total carrying value of P2.27 million and P8.85 million as at December 31, 2022 and 2021, respectively, are pledged as security under chattel mortgage (see Note 15).

## 13. Leases

### A. Rights-of -use assets

The Company leases two parcels of land located at 5<sup>th</sup> Avenue corner 24<sup>th</sup> Street and 5<sup>th</sup> avenue corner 25<sup>th</sup> Street, Bonifacio Global City, Taguig City. These contracts have a term of fifteen (15) years, renewable for another ten years upon submission of a written notice to renew at least ninety

days prior to the expiration of the original term, with terms and conditions mutually agreed by both parties.

The Company also leases a Unit 10A in Icon Plaza located 26<sup>th</sup> Street, Bonifacio Global City, Taguig City. The contract has a term of five (5) years and is renewable upon mutual agreement of both parties.

The carrying amount of right-of-use assets as at December 31, 2022 and 2021 is shown below.

	<b>2022</b>	<b>2021</b>
Right-of-use assets	<b>P132,987,647</b>	P114,508,603
Accumulated depreciation	<b>(35,573,046)</b>	(25,076,776)
	<b>P97,414,601</b>	P89,431,827

Amounts recognized in profit or loss:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Depreciation expense	20,21	<b>P10,496,270</b>	P9,622,488
Interest expense		<b>8,824,235</b>	10,506,780

**B. Investments in finance lease**

The Company entered into a sublease contract relating to one of the parcels of land being leased in BGC as discussed above. This agreement was assessed by the management to be of a finance lease. This agreement is renewable at the end of the lease term of initially fifteen (15) years upon mutual consent of the parties.

<b>Amounts receivable under finance lease</b>	<b>2022</b>	<b>2021</b>
Year 1	<b>P23,672,896</b>	P23,284,800
Year 2	<b>24,449,088</b>	23,672,896
Year 3	<b>24,856,576</b>	24,449,088
Year 4	<b>25,671,552</b>	24,856,576
Year 5	<b>26,099,392</b>	25,671,552
Onwards	<b>131,248,896</b>	157,348,288
Undiscounted lease payments	<b>255,998,400</b>	279,283,200
Present value of minimum lease payments receivable	<b>P201,677,275</b>	P214,732,527
Less: current portion	<b>14,099,824</b>	13,055,174
Investment in finance lease – net of current portion	<b>P187,577,451</b>	P201,677,353

Amounts recognized in profit or loss:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Interest income	18	<b>P10,299,536</b>	P11,816,719
Loss on sublease	22	-	2,769,442

In 2021, the incremental borrowing rate used to calculate the present value of lease payments was adjusted. The effects of the change in rates were applied prospectively.

**C. Lease liabilities**

A maturity analysis of lease liabilities under both lessee and lessor based on the total cash flows is reported in the table below:

	<b>2022</b>		<b>2021</b>	
	<b>Undiscounted</b>	<b>Discounted</b>	Undiscounted	Discounted
<b>Right-of-use assets</b>				
Less than 1 year	<b>P11,812,050</b>	<b>P7,726,363</b>	P11,781,000	P7,341,175
More than 1 year	<b>98,056,703</b>	<b>79,981,943</b>	109,868,753	87,708,307
	<b>109,868,753</b>	<b>87,708,306</b>	121,649,753	95,049,482
<b>Finance lease</b>				
Less than 1 year	<b>11,160,000</b>	<b>7,115,095</b>	11,160,000	6,775,589
More than 1 year	<b>96,720,000</b>	<b>78,679,760</b>	107,880,000	85,794,855
	<b>107,880,000</b>	<b>85,794,855</b>	119,040,000	92,570,444
	<b>P217,748,753</b>	<b>P173,503,161</b>	P240,689,753	P187,619,926

**D. Short-term operating lease**

The Company entered into short-term operating lease agreements including condominium units, office spaces and food plaza spaces. The lease contracts between the Company and its lessees have a term of one year which are renewable annually.

Total rental income earned in 2022, 2021 and 2020 amounted to P56.34 million, P55.05 million and P69.12 million, respectively.

Deferred rental income classified under other non-current liabilities amounting to P40 million and P41 million as of December 31, 2022 and 2021, respectively, pertains to advance rent received from lessees to be applied on the last three (3) months of the lease contract.

Refundable deposits on these lease agreements amounted to P17,242,595 and P17,526,595 in 2022 and 2021, respectively, and are included as part of trade and other payables (see Note 14).

**14. Trade and Other Payables**

This account consists of:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Non-trade payables		<b>P38,239,577</b>	P53,105,832
Customers' deposits		<b>22,485,042</b>	42,087,043
Retention fee payable		<b>21,682,353</b>	40,072,890
Accrued expenses		<b>58,996,600</b>	35,261,481
Refundable deposits	13	<b>17,242,595</b>	17,526,595
Trade payables		<b>4,101,347</b>	2,558,260
Due to government agencies		<b>7,715,875</b>	1,907,092
		<b>170,463,389</b>	192,519,193
Less: non-current portion		<b>84,809,964</b>	71,803,218
Trade and other payables- current portion		<b>P85,653,425</b>	P120,715,975

Non-trade payables consist of transfer fees and retention commission payable.



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Customers' deposits consist of down payments representing less than 25% of the contract price of the condominium units sold which are deductible from the total contract price.

Retention fee payable pertains to retention fees withheld from the contractors of ongoing projects.

Accrued expenses consist of accrual for costs on outside services, insurance, supplies, tax and other legal expenses.

Due to government agencies consist mainly of payable to the Bureau of Internal Revenue, SSS, HDMF and PhilHealth.

**15. Loans Payable**

The movements in the loans payable are summarized as follows:

	<b>2022</b>	<b>2021</b>
Balance at beginning of year	<b>P810,600,803</b>	P1,030,593,284
Availments of loan	<b>1,013,706,633</b>	796,260,165
Payments of principal	<b>(930,940,131)</b>	(1,016,252,646)
Balance at end of year	<b>P893,367,305</b>	P810,600,803

This account is composed of the following:

	<b>2022</b>	<b>2021</b>
Payable within one year:		
Philippine National Bank	<b>P250,000,000</b>	P200,000,000
Philippine Bank of Communications	<b>413,706,633</b>	175,495,279
Union Bank of the Philippines	<b>1,583,107</b>	3,492,417
RCBC Savings Bank	<b>536,450</b>	2,147,122
	<b>665,826,190</b>	381,134,818
Payable after one year:		
Philippine Bank of Communications	<b>226,260,165</b>	426,260,165
Union Bank of the Philippines	<b>706,599</b>	2,046,478
RCBC Savings Bank	<b>574,351</b>	1,159,342
	<b>227,541,115</b>	429,465,985
	<b>P893,367,305</b>	P810,600,803

Philippine National Bank (PNB)

In 2021, the Company availed of working capital loans from Philippine National Bank with a total principal amount of P480 million which has been fully paid in 2022. The Company availed new loans in 2022 with total principal amount of P650 million. These loans bear an interest ranging from 4.50% to 6.00% annually and payable within three (3) months subject to extension upon lapse of the maturity date. Interest rates will then be re-evaluated to conform with the current period's rate. These loans are secured by the certain real estate inventories with the carrying amount of P135.4 million (see Note 7).

Philippine Bank of Communications (PBCom)

In 2017, the Company entered into a long-term credit facility agreement with PBCom. PBCom approved a P500 million Term Loan under which the Company drew down P500 million in September 2017. These loans are payable within five (5) years from the date of drawdown. These loans bear 6% interest rate and are payable quarterly in arrears and secured by certain inventories mortgaged in favor of PBCom with the total carrying amount of nil and P122.60 million as of December 31, 2022 and 2021. The collaterals securing the Term Loan availed in 2017 were already released as at December 31, 2022 as the said Term Loan was already fully paid as at December 31, 2022.

In 2019, the Company entered into a long-term credit facility agreement with PBCom. PBCom approved a Term Loan under which the Company drew down P500 million during 2019. These loans are payable within six (6) years from the date of drawdown. These loans bear 8.5% interest rate and are payable quarterly in arrears and secured by certain investment properties mortgaged in favor of PBCom with the total carrying amount of P390.4 million and P592.5 million as of December 31, 2022 and 2021.

In 2020, PBCom approved a Loan Line amounting to P300 million available for drawings up to 180-day promissory notes (PNs). These loans bear 4.5% to 5.5% interest rate payable at maturity of the PNs. The principal payment is on the maturity date of the PNs.

In 2021, PBCOM approved a Contract to Sell Financing line amounting to P300 million available for drawings. The Company drew down P114 million and P76 million in 2022 and 2021, respectively. These loans bear 7.0% to 7.5% interest rate payable at maturity of the deed of undertaking and secured by certain receivables assigned in favor of PBCom amounting to P190 million and P76 million as at December 31, 2022 and 2021, respectively (see Note 6).

Union Bank of the Philippines (UBP)

In July 2016, the Company availed car loans from Union Bank which bears 9.11% interest and is payable in installment within sixty (60) months. These loans are secured by certain transportation equipment of the Company (see Note 12).

RCBC Savings Bank (RCBC)

In July 2017, the Company availed a car loan from RCBC Savings Bank which bears 8.72% interest and is payable in installment within sixty (60) months. These loans are secured by certain transportation equipment of the Company (see Note 12).

Interest on loans payable charged to profit or loss amounted to P54,819,311, P60,124,456 and P24,864,954 in 2022, 2021 and 2020, respectively. Interest on loans payable capitalized amounted to nil and P348,502 in 2022 and 2021, respectively. The capitalization rates are nil and 4.75% in 2022 and 2021, respectively.

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**16. Related Party Transactions**

In the normal course of business, the Company entered into various transactions with related parties. Transactions with related parties follow:

As at and for the year ended December 31, 2022	Transactions	Outstanding balance	Terms and conditions
<i>Trade receivables</i>			Sales of condominium units to related parties are based on the effective price list and terms that would be available to third parties. The receivables are secured with related units until full payment.
Parent Company			
Greenhills Properties, Inc.			
Sale of parking space	P -		
Collections during the year	-	P51,892,140	
<i>Purchase of services</i>			Purchase of services is negotiated with related parties on a cost-plus basis and is due 30 days after the end of the month. These payables are unsecured and bear no interest and settled in cash.
Subsidiary			
Tektite Insurance Brokers, Inc.			
Purchase of services	P 6,959,695		
Payments during the year	6,941,894	P17,801	
<i>Advances</i>			Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash (see Note 6).
Alexandra (USA), Inc., Associate	P -	P132,417,765	
Sultan’s Power, Inc., Subsidiary	(4,039,190)	76,261,884	
Universal Travel Corporation, Subsidiary	113,658	30,103,309	
PRHC Property Managers, Inc., Subsidiary	924,609	14,284,540	
Tektite Insurance Brokers, Inc.	6,177,176	6,177,176	
Le Cheval Holdings, Inc., Associate	-	122,248	
Less: Allowance for impairment loss		(237,135,099)	
Balance, net		P22,231,823	
<i>Key management personnel</i>			
Short-term benefits	P -		
Salaries and other short-term employee benefits	40,766,447		
Termination benefits	-		
Provision for retirement benefits/PVO	7,869,438		
As at and for the year ended December 31, 2021	Transactions	Outstanding balance	Terms and conditions
<i>Trade receivables</i>			Sales of condominium units to related parties are based on the effective price list and terms that would be available to third parties. The receivables are secured with related units until full payment.
Principal Shareholder			
Greenhills Properties, Inc.			
Collections during the year	P1,300,000		
Gain on repossession of asset	(1,300,000)		
Sale of parking space	-	P51,892,140	
<i>forward</i>			
As at and for the year ended December 31, 2021	Transactions	Outstanding balance	Terms and conditions

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<i>Purchase of services</i>			Purchase of services is negotiated with related parties on a cost-plus basis and is due 30 days after the end of the month. These payables are unsecured and bear no interest and settled in cash.
Subsidiary			
Tektite Insurance Brokers, Inc.			
Purchase of services	P6,260,354		
Payments during the year	(6,260,354)	P -	
<i>Advances</i>			Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash (see Note 6).
Alexandra (USA), Inc., Associate	P -	P132,417,765	
Sultan’s Power, Inc., Subsidiary	3,891,544	80,301,074	
Universal Travel Corporation, Subsidiary	92,243	29,989,651	
PRHC Property Managers, Inc., Subsidiary	4,137,628	13,359,931	
Le Cheval Holdings, Inc., Associate	-	122,248	
Meridian Assurance Corporation, Associate	16	-	
Less: Allowance for impairment loss	-	(237,135,099)	
Balance, net		P19,055,570	
<i>Key management personnel</i>			Key management includes directors (executive and non-executive) and executive officers. Short-term benefits are payable monthly and termination benefits are payable upon retirement.
Short-term benefits			
Salaries and other short-term employee benefits	P41,515,747	P -	
Termination benefits			
Provision for retirement benefits/PVO	7,297,122	-	

*Purchase of services*

The Company has an existing agreement with PPML, a subsidiary, for the latter to manage its real estate properties. In consideration thereof, the Company pays PPML a fee as stipulated in the management agreement.

In the normal course of business, the Company purchases insurance policies through TIBI.

*Advances to related parties*

The Company's substantial receivables from AUI, an associate, which is intended to fund the latter's working capital requirement, represents non-interest-bearing advances with no fixed term with the option to convert to equity in case of increase in capital. Advances contributed by AUI's stockholders were in accordance with the percentage of ownership of the stockholders in AUI. With the imminent liquidation of AUI, the receivables have been fully provided with an allowance since 2011.

## **17. Retirement Benefit Plan**

The Company operates a funded, non-contributory defined benefit retirement plan covering substantially all of its regular employees. The plan is administered by a local bank as trustee and provides for a lump-sum benefit payment upon retirement. The benefits are based on the employees' monthly salary at retirement date multiplied by years of credited service. No other post-retirement benefits are provided.

Through its defined benefit retirement plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

- *Asset volatility* - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
- *Inflation risk* - Some of the Company's retirement obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out by an independent actuary on February 28, 2023 for the year ended December 31, 2022. The present value of the defined benefit obligation, and the related current service cost were measured using the Projected Unit Credit Method.

The reconciliation of the present value of the defined benefit obligation (PVO) and the fair value of the plan assets to the recognized liability presented as retirement benefit obligation in the separate statements of financial position is as follows:

	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	<b>P71,448,524</b>	P72,724,438
Fair value of plan assets	<b>(20,962,472)</b>	(20,641,350)
Recognized liability	<b>P50,486,052</b>	P52,083,088

The movements in the present value of defined benefit obligation are shown below:

	<b>2022</b>	<b>2021</b>
Liability at beginning of year	<b>P72,724,438</b>	P72,759,440
Current service cost	<b>10,137,501</b>	9,553,675
Interest cost	<b>3,658,039</b>	2,881,274
Remeasurement losses (gains)		
Changes in financial assumptions	<b>(15,187,787)</b>	(8,696,262)
Experience adjustments	<b>116,333</b>	(3,773,689)
Liability at end of year	<b>P71,448,524</b>	P72,724,438

The movements in the plan assets are shown below:

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	<b>2022</b>	<b>2021</b>
Fair value of plan assets at beginning of year	<b>P20,641,350</b>	P20,641,761
Interest income	<b>1,038,260</b>	817,414
Remeasurement loss		
Return on plan assets, excluding amounts included in interest income	<b>(717,138)</b>	(817,825)
Fair value of plan assets at end of year	<b>P20,962,472</b>	P20,641,350

The main categories of plan assets as at December 31, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	<b>P18,602,751</b>	P18,332,240
Equity instruments	<b>2,325,330</b>	2,329,520
Accrued interest	<b>58,134</b>	3,081
Liabilities	<b>(23,743)</b>	(23,491)
	<b>P20,962,472</b>	P20,641,350

The retirement expense recognized in profit or loss consists of:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current service cost	<b>P10,137,501</b>	P9,553,675	P9,244,417
Net interest on defined benefit liability	<b>2,619,779</b>	2,063,860	1,213,757
	<b>P12,757,280</b>	P11,617,535	P10,458,174

The retirement expense is recognized as part of employees' benefits under operating expenses in the separate statements of total comprehensive income (see Note 21).

The principal assumptions used to determine retirement benefits obligation of the Company are as follows:

	<b>2022</b>	<b>2021</b>
Discount rate	<b>7.22%</b>	5.03%
Future salary increase	<b>4.00%</b>	4.00%

Assumptions regarding future mortality and disability are set based on actuarial advice in accordance with published statistics and experience.

The sensitivity analysis of the defined benefit obligation is:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rate	1.00	(P5,294,556)
	(1.00)	6,236,660
Future salary increase	1.00	6,380,168
	(1.00)	(5,494,008)

The above sensitivity analyses are based on changes in principal assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may

be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized in the separate statements of financial position.

The BOD reviews the level of funding required for the retirement fund. This includes the asset-liability matching (ALM) strategy and investment risk management policy. The Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation.

As of December 31, 2022, the weighted average duration of defined benefit obligation is 8.1 years (2021: 10.2 years).

#### **18. Interest Income**

This account consists of interest from:

	<i>Note</i>	<b>2022</b>	2021	2020
Sublease	13	<b>P10,229,536</b>	P11,816,719	P10,875,595
Penalty for late payments		<b>4,305,819</b>	4,127,556	-
Cash and cash equivalents	3	<b>484,006</b>	468,202	750,818
Trade receivables	6	<b>431,600</b>	619,736	2,016,397
Others		<b>463,022</b>	345,339	-
		<b>P15,913,983</b>	P17,377,552	P13,642,810

#### **19. Other Income**

This account consists of:

	<i>Note</i>	<b>2022</b>	2021	2020
Gain on change in fair value of investment properties -net	11	<b>P518,036,292</b>	P610,173,892	P279,602,907
Dividend income	5	<b>1,953,910</b>	-	-
Realized foreign exchange gain		<b>1,602,943</b>	893,918	-
Gain on repossession of real estate inventories		<b>1,498,643</b>	14,287,462	12,057,967
Unrealized foreign exchange gain		<b>349,498</b>	540,322	-
Gain on money market investment		-	34,652	-
Reversal of allowance for impairment losses on receivables		-	-	13,471,215
Miscellaneous		<b>7,240,775</b>	4,642,702	2,819,303
		<b>P530,682,061</b>	P630,572,948	P307,951,392

#### **20. Cost of Services**

This account consists of:

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	<b>Note</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Condominium dues		<b>P8,395,079</b>	P9,823,728	P10,127,213
Depreciation expense	13	<b>8,763,860</b>	8,466,620	8,430,511
Taxes and licenses		<b>7,949,813</b>	8,595,591	23,006,412
Utilities		<b>4,804,628</b>	4,167,232	3,758,613
Outside services		<b>4,038,390</b>	4,063,409	3,745,552
Insurance and bond premiums		<b>2,052,286</b>	2,131,294	2,050,936
Commission		<b>1,630,729</b>	627,766	357,785
Repairs and maintenance		<b>625,108</b>	914,262	774,943
Rent		<b>59,466</b>	35,700	-
Management and consultant fees		-	38,000	-
Communication		-	8,954	25,629
Supplies and materials		-	-	258,385
Others		<b>723,752</b>	1,072,646	1,479,286
		<b>P39,043,111</b>	P39,945,202	P54,015,265

Others include various expenses that are individually insignificant.

## **21. General and Administrative Expenses**

This account consists of:

	<b>Note</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Salaries and wages		<b>P68,356,662</b>	P65,792,899	P81,067,704
Taxes and licenses		<b>63,261,455</b>	44,242,019	49,542,945
Marketing expenses		<b>33,285,461</b>	40,531,274	47,599,104
Transportation and travel		<b>32,464,232</b>	13,451,126	14,456,635
Impairment loss on trade and other receivables	6	<b>25,000,000</b>	22,779,538	4,709,039
Professional fees		<b>20,172,443</b>	20,632,009	20,304,935
Provision for retirement benefits	17	<b>12,757,280</b>	11,617,535	10,458,174
Depreciation and amortization				
Property and equipment	12	<b>12,338,250</b>	11,818,285	13,457,052
ROU asset	13	<b>1,732,410</b>	1,155,868	1,264,984
Insurance and bond premiums		<b>5,857,452</b>	10,714,569	3,606,378
SSS, Pag-ibig, Medicare and other short-term benefits		<b>5,663,244</b>	5,528,706	4,943,382
Condominium dues		<b>5,351,072</b>	6,269,135	4,694,465
Repairs and maintenance		<b>5,255,760</b>	5,623,465	7,220,622
Outside services		<b>4,870,604</b>	4,884,235	4,245,576
Postage and communication		<b>2,361,606</b>	2,272,808	1,954,501
Utilities		<b>1,561,943</b>	1,647,175	2,793,653
Impairment loss on investment in subsidiaries		<b>1,000,000</b>	-	-
Representation and entertainment		<b>385,899</b>	748,135	609,695
Corporate social responsibility expenses		-	-	100,000
Miscellaneous		<b>9,646,791</b>	10,680,615	2,573,235
		<b>P311,322,564</b>	P280,389,396	P275,602,079

## **22. Other Expenses**

This account consists of:



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	<i>Note</i>	<b>2022</b>	2021	2020
Bank charges		<b>P144,637</b>	P48,161	P447,417
Loss on money market investment		<b>85,414</b>	-	29,041
Loss on cancellation of sale of investment property	11	-	87,996,422	-
Loss on sublease	13	-	2,769,442	-
Loss on sale of property and equipment		-	38,793	-
Unrealized foreign exchange loss		-	-	1,183,942
		<b>P230,051</b>	P90,852,818	P1,660,400

**23. Income Taxes**

Components of income tax expense are as follows:

	<b>2022</b>	2021	2020
Current	<b>P1,625,890</b>	P140,163	P2,726,162
Deferred	<b>123,997,563</b>	58,086,436	78,687,186
	<b>P125,623,453</b>	P58,226,599	P81,413,348

The reconciliation of the provision for income tax expense computed at the statutory rate to the provision shown in the separate statements of total comprehensive income is as follows:

	<b>2022</b>	2021	2020
Accounting income before tax	<b>P307,402,501</b>	P261,829,029	P125,913,331
Income tax expense using statutory tax rate	<b>P76,850,625</b>	P65,457,257	P37,773,999
Additions to (reductions in) income tax resulting from the tax effects of:			
Movement on unrecognized deferred tax assets	<b>32,019,980</b>	64,506,695	33,871,681
Nondeductible expenses	<b>17,332,078</b>	14,157,734	9,900,000
Limit on interest expense	<b>30,250</b>	29,263	92,914
Dividend income	<b>(488,478)</b>	-	-
Interest income subjected to final tax	<b>(121,002)</b>	(117,051)	(225,246)
Book and tax difference in income tax expense due to CREATE	-	(681,541)	-
Changes in deferred tax assets and liabilities due to reduction in income tax rates under CREATE	-	(85,125,758)	-
	<b>P125,623,453</b>	P58,226,599	P81,413,348

*Impact of the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)*

On March 26, 2021, the President signed into law the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

The following are certain provisions of the law that had an impact on the Company's financial statements.

- Reduced RCIT rate effective July 1, 2020 of 25%
- Reduced MCIT rate of 1% effective July 1, 2020 until June 30, 2023

As mentioned above, the reduction in income tax under CREATE took effect on July 1, 2020. However, Philippine Interpretations Committee issued Questions and Answers No. 2020-07, in which it stated that the CREATE Law is considered to be not substantively enacted as of December 31, 2020; accordingly, the current and deferred taxes for financial reporting purposes as of December 31, 2020 are measured using the regular income tax rate in effect as of December 31, 2020, which is 30%. The difference was reflected as adjustment to the current income tax for the year ended December 31, 2021 in accordance with PAS 12, Income Taxes.

In addition, the effect of the reduction in the income tax rates under CREATE on deferred tax liabilities - net as at December 31, 2020 amounted to P83,182,728 and is shown in the consolidated statements of total comprehensive income as reduction of income tax expense.

Presented below are the effects of the changes in tax rates under the CREATE Act.

	<b>As at December 31, 2020</b>	<b>Amounts Based on the Reduced Tax Rates</b>	<b>Effect of Changes in Tax Rates</b>
<b>Statements of Total Comprehensive Income</b>			
Current tax expense	P3,628,882	P2,789,385	(P839,497)
Deferred tax expense (benefit)	79,126,494	(4,056,234)	(83,182,728)
Net income for the year	53,501,849	137,524,073	84,022,225
Remeasurement loss on retirement benefit obligation, net of tax	(8,389,664)	(8,988,926)	(599,262)
<b>Statements of Financial Position</b>			
Deferred tax assets	34,803,089	28,031,058	(6,772,031)
Deferred tax liabilities	539,728,555	449,773,796	(89,954,759)
Prepaid taxes	151,916,085	152,755,582	839,497
Retained earnings	1,187,806,065	1,271,828,290	84,022,225
Remeasurement loss on retirement benefit obligation	(48,938,995)	(49,538,257)	(599,262)

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Deferred income tax assets (liabilities) recognized by the Company consists of:

	2022		2021	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
<b>Deferred Tax Assets</b>				
Retirement benefit obligation				
	<b>P50,486,052</b>	<b>P12,621,513</b>	P52,083,088	P13,020,772
Deferred rent income	<b>40,425,410</b>	<b>10,106,353</b>	40,970,220	10,242,555
Rent expense derecognized due to PFRS 16	<b>8,134,602</b>	<b>2,033,650</b>	6,711,918	1,677,980
	<b>99,046,064</b>	<b>24,761,516</b>	99,765,226	24,941,307
<b>Deferred Tax Liabilities</b>				
Gain on change in fair value of investment properties	<b>(2,796,038,953)</b>	<b>(699,009,737)</b>	(2,278,002,661)	(569,500,664)
Gain on sublease	<b>(91,405,050)</b>	<b>(22,851,262)</b>	(99,625,124)	(24,906,281)
Unrealized gain on repossession of real estate inventories	<b>(9,244,982)</b>	<b>(2,311,246)</b>	(9,244,982)	(2,311,245)
Accrued rent receivable	<b>(1,765,295)</b>	<b>(441,324)</b>	(1,765,295)	(441,323)
Unrealized foreign exchange gain	<b>(349,498)</b>	<b>(87,375)</b>	(540,322)	(135,080)
	<b>(2,898,803,778)</b>	<b>(724,700,944)</b>	(2,389,178,384)	(597,294,593)
	<b>(P2,799,757,714)</b>	<b>(P699,939,428)</b>	(P2,289,413,158)	(P572,353,286)

The Company's unrecognized deferred tax assets pertain to the following:

	2022		2021	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Net operating loss carry-over (NOLCO)	<b>P463,814,777</b>	<b>P115,953,694</b>	P368,238,417	P92,059,604
Allowance for impairment loss on trade and other receivables	<b>376,977,408</b>	<b>94,244,352</b>	350,977,408	87,744,352
Allowance for impairment loss on investments in subsidiaries and associates	<b>19,918,196</b>	<b>4,979,549</b>	19,918,196	4,979,549
MCIT	<b>5,173,756</b>	<b>5,173,756</b>	3,547,865	3,547,865
Total	<b>P865,884,137</b>	<b>P220,351,351</b>	P742,681,886	P188,331,370

Deferred tax assets have not been recognized by management in respect of the above items.

The Company has NOLCO which can be claimed as deduction from future taxable income as follows:

Year incurred	Amount incurred	Amount applied	Amount expired	Remaining balance	Valid until
2022	P95,576,356	P -	P -	P95,576,356	2025
2021	255,596,842	-	-	255,596,842	2026
2020	112,641,575	-	-	112,641,575	2025
	<b>P463,814,773</b>	<b>P -</b>	<b>P -</b>	<b>P463,814,773</b>	

In accordance with the Revenue Regulations No. 25-2020 Section 4 issued on September 30, 2020, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

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Details of the Company's MCIT which can be claimed as deduction against future taxable income is as follows:

Year incurred	Amount incurred	Amount applied	Amount expired	Remaining balance	Valid until
2022	P1,625,890	P -	P -	P1,625,890	2025
2021	821,704	-	-	821,704	2024
2020	2,044,621	-	-	2,044,621	2023
	P4,492,215	P -	P -	P4,492,215	

**24. Capital and Treasury Stock**

Movements in the Company's capital stock are as follows:

<i>Note</i>	2022	2021	2020
<b>Authorized</b>			
16,000,000,000 common shares at P0.50 par value	<b>P8,000,000,000</b>	P8,000,000,000	P8,000,000,000
<b>Issued and outstanding</b>			
7,866,647,523 shares in 2022 and 2021			
3,688,869,745 shares in 2020	<b>3,933,323,762</b>	3,933,323,762	1,844,434,873
<b>Subscribed</b>			
1,314,711,262 shares	<b>657,355,632</b>	657,355,632	657,355,632
Subscriptions receivable	<b>(157,467,723)</b>	(157,490,223)	(157,564,260)
	<b>499,887,909</b>	499,865,409	499,791,372
<b>Total Capital Stock</b>	<b>P4,433,211,671</b>	P4,433,189,171	P2,344,226,245

On July 23, 2018, the Stockholders approved the amendment of Article VII of the Company's Articles of Incorporation increasing the Company's authorized capital stock from 8,000,000,000 common shares with a par value of P0.50 per share to 16,000,000,000 common shares with a par value of P0.50 per share. The Company's application with the SEC for the increase in authorized capital was approved on May 14, 2019.

From the increased capital stock, on June 22, 2021, the Company issued 4,177,777,778 new common shares valued at P0.54 per share based on 120-day Volume Weighted Average Price for the period October 6, 2017 to April 6, 2028, in favor of Greenhills Properties, Inc. (GPI) in exchange for two (2) vacant lots in Bonifacio Global City (see Note 1). The Company obtained a Valuation and Fairness Opinion Report from a PSE-Accredited Firm on the property-for-share swap transaction for the reason that the parties to the said transaction are related parties. The above-described transaction resulted in Additional Paid-in Capital of P167,111,111 before deducting transaction costs of P100,985,622 or a net equivalent of P66,125,489. Transaction costs include SEC filing fees, legal and other professional fees, documentary stamps tax on primary issue of common stocks, transfer taxes and registration fees.

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Details of the Company's treasury stock are as follows:

	2022	2021	2020
Treasury Stock			
81,256,100 common shares with average cost of P1.35 per share	<b>P109,712,439</b>	P109,712,439	P109,712,439

**25. Reserves**

This account consists of:

	Note	2022	2021	2020
<b>Revaluation on FVOCI</b>				
Balance at beginning of year	5	<b>(P24,038,272)</b>	(P20,672,288)	(P25,988,878)
Movements during the year	5	<b>(1,568,430)</b>	(3,365,984)	5,316,590
Balance at end of year	5	<b>(25,606,702)</b>	(24,038,272)	(20,672,288)
<b>Remeasurement gain (loss) on retirement benefit obligation</b>				
Balance at beginning of year		<b>(P40,799,162)</b>	(P48,938,995)	(P40,549,331)
Actuarial gain (loss) during the year				
– gross		<b>14,354,316</b>	11,652,126	(11,985,234)
Tax effect		<b>(3,588,579)</b>	(3,512,293)	3,595,570
Balance at end of year	17	<b>(30,033,425)</b>	(40,799,162)	(48,938,995)
<b>Appropriated retained earnings</b>		<b>109,712,439</b>	109,712,439	109,712,439
		<b>P54,072,312</b>	P44,875,005	P40,101,156

The Company's retained earnings amounting to P109,712,439 is appropriated to cover the cost of the treasury shares.

**26. Basic Earnings Per Share**

	2022	2021	2020
Net income	<b>P181,779,049</b>	P203,602,430	P44,499,983
Weighted average no. of common shares - issued and outstanding	<b>9,100,102,685</b>	9,100,102,685	4,922,324,907
Basic earnings per share	<b>P0.02</b>	P0.02	P0.01

The weighted average number of common shares issued and outstanding was computed as follows:

	Note	2022	2021	2020
Issued and outstanding	24	<b>7,866,647,523</b>	7,866,647,523	3,688,869,745
Subscribed shares	24	<b>1,314,711,262</b>	1,314,711,262	1,314,711,262
Treasury shares	24	<b>(81,256,100)</b>	(81,256,100)	(81,256,100)
Average number of shares		<b>9,100,102,685</b>	9,100,102,685	4,922,324,907

The Company has no potential dilutive shares as at December 31, 2022, 2021 and 2020.

**27. Provisions and Contingencies**

The Company is also a party to legal claims that arise in the ordinary course of business, the outcome of which is not presently determinable. The Company and its legal counsel, however, believe that final settlement, if any, will not be material to the Company's financial results.

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## **28. Significant Accounting Policies**

### Adoption of New and Revised Standards, Amendments to Standards and Interpretations

The accounting policies adopted in the preparation of the financial statements are consistent with those of the Company's financial statements for the year ended December 31, 2021 except for the adoption of the following new standards and amended PFRS which became effective beginning January 1, 2022. Unless otherwise indicated, none of these had a significant effect on the financial statements.

- Amendments to PFRS 3, *Reference to the Conceptual Framework* refer to amendments to PFRS 2, 3, 6 and 14, PAS 34, 37 and 38, IFRIC 12, 19, 20 and 22, and SIC-32 to update references to and quotes from the framework so that they refer to the revised Conceptual Framework.
- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use* prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract* specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.
- Annual Improvements to PFRS Standards 2018-2020
  - PFRS 9, *Financial Instruments* clarifies which fees an entity includes when it applies the ‘10 percent’ test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
  - PFRS 16, *Leases* amends Illustrative Example 13 accompanying PFRS 16 which removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

### New and Amended Standards and Interpretation Not Yet Adopted

A number of new and amended standards and interpretations are effective for annual periods beginning after January 1, 2022 and have not been applied in preparing the financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the financial statements. The Company will adopt the following new and amended standards and interpretations on the respective effective dates:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:
  - clarify that the classification of liabilities as current or non-current should be based on

rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;

- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual periods beginning on January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates* focus entirely on accounting estimates and clarify the following:
  - The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
  - Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
  - A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, 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 current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* amends the following:
  - An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
  - several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
  - the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
  - the amendments clarify 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;
  - the amendments clarify that if an entity discloses immaterial accounting policy

information, such information shall not obscure material accounting policy information;  
and

- adds guidance and examples to explain and demonstrate the application of the “four-step materiality process” to accounting policy information in order to support the amendments to PAS 1.

The amendments are applied prospectively. The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities from a Single Transaction* include an exemption from the initial recognition exemption provided in PAS 12.15(b) and PAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The accounting policies set out below have been applied consistently to all periods presented in the separate financial statements.

#### Financial Assets and Financial Liabilities

##### *Financial Assets*

##### *Initial recognition and Measurement*

The Company recognizes a financial asset in the separate 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 is done using settlement date accounting.

Financial assets are recognized initially at fair value of the consideration given. The initial measurement of financial assets, except for those designated as at FVPL, includes transaction costs.

##### *Classification*

The Company classifies its financial assets, at initial recognition, in the following categories: financial assets at amortized cost, financial assets at FVOCI and financial assets at FVPL. The classification depends on the business model of the Company for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are not reclassified subsequent to initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

*Financial Assets at Amortized Cost.* A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

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

After initial measurement, the financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. 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 reclassified to FVPL, impaired or derecognized, as well as through the amortization process.

The Company's cash and cash equivalents, trade and other receivables and refundable deposits are included under this category.

*Financial Assets at FVOCI (equity instruments).* Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the separate statement of total comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company's financial assets at fair value through OCI include investments in quoted and unquoted equity instruments and proprietary club shares.

*Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the separate statements of financial position at fair value with net changes in fair value recognized in profit or loss.

The Company's investments in equity instruments at FVPL are classified under this category.

#### *Derecognition*

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

- The right to receive cash flows from the asset has expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; 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 Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company is required to repay.

*Impairment*

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables on sale of real estate, the Company applies a general approach in calculating ECLs. Under the general approach, ECLs are recognized in three (3) stages as follows:

- Stage 1: For credit exposures for which there has not been a significant increase in credit risk since initial recognition and there is no default that occurred, a 12-month ECL is provided for credit losses that result from default events that are possible within the next 12 months.
- Stage 2: For credit exposures for which there has been a significant increase in credit risk since initial recognition and there is still no default that occurred, a loss allowance equivalent to lifetime ECL is required for credit losses expected over the remaining life of the exposure.
- Stage 3: For credit exposures for which there has been a significant increase in credit risk since initial recognition and for which an actual default has also occurred, a loss allowance equivalent to lifetime ECL is required for credit losses expected over the remaining life of the exposure.

The key inputs in the model include the Company's definition of default and historical data of two (2) significant projects with an average of five (5) years for the origination, maturity date and default date. The Company considers trade receivables on sale of real estate in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Company considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12- months ECL.

For cash and cash equivalents, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from publicly available sources to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

For trade receivables on lease and other financial assets such as accrued receivable, receivable from related parties and advances to other companies, impairment provisions would be based on the assumption that the receivable is demanded at the reporting date and it would reflect the losses (if any) that would result from this. Since the receivables are collectible on demand, the contractual period is the very short period needed to transfer the cash once demanded. Discounting would have immaterial effect in the balances.

#### *Financial Liabilities*

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, finance lease liability and loans payable.

##### *Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

##### *Loans and borrowings*

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of total comprehensive income.

This category generally applies to short term and long term debt.

##### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of total comprehensive income.

##### Determination of Fair Value

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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 Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the separate statements of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Investments in Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company has control as an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Investment in shares of stock of subsidiaries is accounted for using the cost method in the separate financial statements. Under this method, investments are recognized at cost and income from investment is recognized in profit or loss only to the extent that the investor receives distribution from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Investments in Associates

An associate is an entity over which the Company is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

In the separate financial statements of the Company, investment in shares of stock of associates is accounted for using the cost method. The reporting dates of the investee companies and the Company are identical and the investee companies' accounting policies conform to those used by the Company for like transactions and events in similar circumstances. Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Real Estate Inventories

Property acquired or being developed 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.

Cost includes amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Net realizable value (NRV) is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs to sell.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

The provision account, if any, is reviewed on a monthly basis to reflect the reasonable valuation of the Company's inventories. Inventory items identified to be no longer recoverable is written-off and charged as expense for the period.

Real estate held for development is measured at lower of cost and NRV. Expenditures for development and improvements of land are capitalized as part of the cost of the land. Directly identifiable borrowing costs are capitalized while the development and construction is in progress.

Property and Equipment

Property and equipment are initially measured at cost which consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use and are subsequently measured at cost less any accumulated depreciation, amortization and impairment losses, if any.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of years
Building	25
Building improvements	5 to 10
Office furniture, fixtures and equipment	3 to 10
Transportation and other equipment	5

The assets' residual values, estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that the amounts, periods and methods 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 accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

#### *Derecognition*

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time, the cost and their related accumulated depreciation are removed from the accounts. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### Investment Properties

Investment properties comprised completed property and property under development or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the Company. Investment property is initially measured at cost incurred in acquiring the asset and subsequently stated at fair value. Subsequent expenditures are measured at costs at the time the costs are incurred. Revaluations are made with sufficient regularity by external independent appraisers to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the period. The external independent appraiser uses sales comparison approach in arriving at the value of the properties. In this approach, the value of the properties is based on sales and listings of comparable properties. This is done by adjusting, the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at a different floor levels of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in

use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

*Derecognition*

Investment properties are derecognized when either they 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, disposal or cancellation of sale of an investment property is recognized in the separate statements of total comprehensive income in the year of retirement or disposal.

Impairment of Non-financial Assets

At each reporting date, the Company assesses whether there is any indication that any of its non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of the non-financial asset is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized in profit or loss.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Distribution to the Company's shareholders is recognized as a liability in the Company's separate financial statements in the period in which the dividends are approved by the Company's Board of Directors.

*Capital stock*

Capital stock is classified as equity when there is no obligation to the transfer of cash or other assets. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

*Additional paid-in capital*

Additional paid-in capital pertains to premium paid over the par value of shares.

*Retained earnings*

Retained earnings include all the accumulated income of the Company, dividends declared and share issuance costs. Retained earnings is net of amount offset from additional paid-in capital arising from the quasi-reorganization.

*Treasury stock*

The Company's equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the separate statements of total comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively. 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 when the shares were issued and to retained earnings for the remaining balance.

Employee Benefits

*Short-term benefits*

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

*Post-employment benefits*

The Company's net obligation in respect of its defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined benefit obligation (DBO) is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the DBO at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.



Revenue Recognition

The Company primarily derives its real estate revenue from the sale of vertical real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 29.

The Company derives its real estate revenue from sale of condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Company uses the output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date.

This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Revenue from sales of completed real estate projects is accounted for using the full accrual method.

Any excess of collections over the recognized receivables are included in the "Deposits and other current liabilities" account in the liabilities section of the separate statements of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Deposits and other current liabilities" account in the liabilities section of the separate statements of financial position.

*Cancellation of real estate sales*

The Company reverses the previously recognized revenue and related costs.

*Interest income*

Interest income is recognized as it accrues using the effective interest method.

*Dividend income*

Dividend income is recognized when the Company's right to receive the payment is established.

*Cost Recognition*

The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and

final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify for recognition in the statements of separate financial position as an asset.

Expenses in the separate statements of total comprehensive income are presented using the function of expense method. General and administrative expenses are costs attributable to general, administrative and other business activities of the Company.

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 in which they were incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs are capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases

*The Company as Lessee*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the separate statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the separate statement of financial position.

The Company applies PAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

#### *The Company as Lessor*

The Company enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies PFRS 15 to allocate the consideration under the contract to each component.

*The Company as Sub-lessor*

The Company is a sub-lessor (intermediate lessor) to one of its right-of-use assets.

An intermediate lessor classifies the sublease as a finance lease or an operating lease as follows:

- If the head lease is a short-term lease, the sublease is classified as an operating lease
- Otherwise, the sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. A lease is classified as a finance lease if it transfers substantially all the risks and rewards from the right-of-use asset resulting from the head lease; otherwise, it is classified as an operating lease.

For subleases classified as a finance lease, the intermediate lessor derecognizes the right-of-use asset relating to the head lease that is transfers to the sublessee and recognizes the net investment in the sublease; any difference between the right-of-use assets and the investment in the finance sublease is recognized in profit or loss. At the commencement date, net investment in the finance lease is measured at an amount equal to the present value of the lease payments for the underlying right-of-use assets during the lease term. The lessor recognizes finance income over the lease term, based on a pattern reflecting a constant period rate of return on the lessor's net investment in the lease.

For subleases classified as operating lease, the intermediate lessor recognizes the lease income from operating leases on a straight-line basis over the lease term. The respective leased asset is included in the statement of financial position based on its nature.

Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are restated at the rates prevailing on the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Income Tax

Income tax expense for the period comprises current and deferred tax. Income tax is recognized 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.

The current income tax expense is calculated on the basis of the tax laws enacted at the reporting date. Management periodically evaluates positions in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum

corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and the same taxable entity.

#### Uncertainty over Income Tax Treatments

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty is followed.

The Company considers whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

If the Company concludes that it is probable that a particular tax treatment is accepted, the Company determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

If the Company concludes that it is not probable that a particular tax treatment is accepted, the Company uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

#### Provisions and Contingencies

Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and; when the amount of the obligation can be estimated reliably. When the Company expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the separate financial statements but are disclosed when an inflow of economic benefits is probable.

#### Related Party Relationships and Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Earnings per Share

*Basic earnings per share*

The Company computes its basic earnings per share by dividing net profit attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the period.

*Diluted earnings per share*

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

Events After the Reporting Date

The Company identifies events after the reporting date as events that occurred after the reporting date but before the date the separate financial statements were authorized for issue. Any subsequent event that provides additional information about the Company's financial position at the reporting date is reflected in the separate financial statements. Non-adjusting subsequent events are disclosed in the notes to the separate financial statements when material.

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**29. Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Critical Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Revenue and cost recognition on real estate projects*

The Company's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Company's revenue from real estate and construction contracts is recognized based on the percentage of completion (POC) are measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of inputs such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers).

Similarly, the commission is determined using the percentage of completion.

*Provision for expected credit losses of trade receivables*

The Company uses historical loss rates as input to assess credit risk characteristics. The Company determines the appropriate receivables groupings based on shared credit risk characteristics such as revenue type, collateral or type of customer. The historical loss rates are adjusted to reflect the expected future changes in the portfolio condition and performance based on economic conditions and indicators such as inflation and interest rates that are available as at the reporting date.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Company's trade receivables is disclosed in Notes 6 and 31.

*Evaluation of net realizable value of real estate inventories*

The Company adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the assets. In determining the recoverability of the assets, management considers whether those assets are damaged or if their selling prices have declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Results of management's assessment disclosed that there is no need for provision for write-down of inventories as at December 31, 2022 and 2021.

*Estimating useful lives of assets*

The useful lives of assets are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of assets would increase the recognized operating expenses and decrease non-current assets.

*Post-employment and other employee benefits*

The present value of the retirement obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement obligations are based in part on current market conditions. Additional information is disclosed in Note 17.

Retirement obligation as at December 31, 2022 and 2021 amounted to P50,486,052 and P52,083,088, respectively.

*Estimating fair value of investment property*

The Company obtained the services of an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. An independent valuation of the Company's investment properties was performed by appraisers to determine their fair values. The valuation was determined by reference to sales and listing of comparable properties.

*Recoverability of deferred tax assets*

The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it may not be probable that sufficient taxable profit will be available to allow all or part

of the deferred tax assets to be utilized. The Company considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the utilization of deferred tax asset.

Total unrecognized deferred tax assets amounted to P220.35 million and P188.33 million as at 2022 and 2021, respectively (see Note 23).

#### Critical Accounting Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the separate financial statements:

##### *Existence of a contract*

The Company's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer.

##### *Collectability*

In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

##### *Revenue recognition method and measure of progress*

The Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Company. The Company considers that the initial and continuing investments by the buyer of about 25% would demonstrate the buyer's commitment to pay.

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

##### *Distinction between investment properties and owner-occupied properties and real estate inventories and held for development*

The Company determines whether a property qualifies as investment property. In making this judgment, the Company considers whether the property generates cash flows largely independent of the other



assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

The Company determines that a property will also be classified as real estate inventory when it will be sold in the normal operating cycle or it will be treated as part of the Company's strategic land activities for development in the medium or long-term.

*Contingencies*

The Company is currently involved in various legal proceedings and tax assessments. Estimates of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Company's strategies relating to these proceedings.

### **30. Fair Value Measurement**

The fair values of the Company's financial instruments are equal to the carrying amounts in the separate statements of financial position as at December 31, 2022 and 2021.

Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values are disclosed in the notes to the separate financial statements specific to that asset or liability.

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are as follows:

*Cash and cash equivalents and trade and other receivables – current portion* carrying amounts approximate fair values due to the relatively short-term maturities of these items.

*Trade and other receivables- non-current portion* carrying amounts approximate their fair values as they are either priced using prevailing market rates or that the effect of discounting has been considered.

*Financial assets at FVPL and FVOCI* – these are investments in equity securities, fair value for quoted equity securities is based on quoted prices published in markets as of reporting dates.

*Trade and other payables* - the carrying values of trade and other payables approximate its fair value because of the short-term nature of these financial liabilities.

*Loans payable* – carrying amounts approximate their fair values as they are either priced using prevailing market rates or that the effect of discounting is not significant.

The table below analyzes financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

#### **December 31, 2022**

	Level 1	Level 2	Level 3	Total
<b>Equity investments:</b>				
Financial assets at FVPL	P6,750,000	P-	P-	P6,750,000
Financial assets at FVOCI	36,076,106	-	-	36,076,106

#### **December 31, 2021**

	Level 1	Level 2	Level 3	Total
<b>Equity investments:</b>				
Financial assets at FVPL	P6,750,000	P-	P-	P6,750,000
Financial assets at FVOCI	37,644,536	-	-	37,644,536

### **31. Financial Risk Management Objective and Policies**

The Company's activities expose it to a variety of financial risks: market risk, liquidity risk and credit risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. It monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market risk

*Foreign exchange risk*

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

Foreign exchange risk exposure of the Company is limited to its cash and cash equivalents. Currently, the Company has a policy not to incur liabilities in foreign currency. Construction and supply contracts, which may have import components, are normally denominated in Philippine peso.

	<b>2022</b>		<b>2021</b>	
	<b>US dollar Deposit</b>	<b>Peso Equivalent</b>	<b>US dollar Deposit</b>	<b>Peso Equivalent</b>
Cash and cash equivalents	<b>\$343,937</b>	<b>P19,301,749</b>	\$499,771	P25,375,374

The closing rates applicable as at December 31, 2022 and 2021 are P56.12 and P50.77 to US\$1, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Company's income in 2022 and 2021. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

	<b>+/-</b>	<b>Effect on Equity</b>
<b>2022</b>	<b>0.79%</b>	<b>P152,859</b>
2021	0.36%	90,722

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Company's interest rate risk relates to its cash and cash equivalents, trade receivables and loans payable. The interest rates on cash and cash equivalents and loans payable are disclosed in Notes 3 and 15, respectively.

Cash and cash equivalents are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit or loss of the Company.

Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks (see Note 15).

The following table illustrates the sensitivity of the Company's profit or loss to a reasonably possible change in interest rates of its cash and cash equivalents and loan with all other variables held constant.

	<b>2022</b>		<b>2021</b>	
	<b>+/-%</b>	<b>Effect on Profit or Loss</b>	<b>+/-%</b>	<b>Effect on Profit or Loss</b>
Cash in bank	<b>0.06%</b>	<b>P84,338</b>	0.03%	P34,614
Cash equivalents	<b>1.07%</b>	<b>272,484</b>	0.05%	36,217
Loans payable	<b>1.64%</b>	<b>(14,618,680)</b>	1.26%	(10,242,538)
		<b>(P14,261,858)</b>		<b>(P10,171,707)</b>

*Price risk*

Price risk is the risk that the fair value of the financial instrument particularly equity instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Company's Board of Directors reviews and approves all equity investment decisions.

At December 31, 2022, the impact of 0.21% increase/decrease in the price of listed equity securities, with all other variables held constant, would have been an increase/decrease of in the Company's total comprehensive income and equity for the year of 2022 – P91,032 and 2021 – P94,365. The Company's sensitivity analysis takes into account the historical performance of the stock market.

Liquidity risk

Liquidity risk refers to the risk in which the Company encounters difficulties in meeting its short-term obligations.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

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The following tables detail the Company's remaining maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Carrying Amount	Contractual Obligation			Total
		Less than One Year	One to Five Years	More than Five Years	
2022			(In Thousand Pesos)		
Trade and other payables*	P162,748	P4,901	P146,918	P10,928	P162,748
Loans payable	893,367	266,939	626,428	-	893,367
2021					
Trade and other payables*	P190,452	P88,771	P100,034	P1,647	P190,452
Loans payable	810,601	381,135	429,466	-	810,601

*\*excluding payables to government*

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's credit risk is primarily attributable to its cash and cash equivalents, and trade and other receivables as disclosed in Notes 3 and 6, respectively. To manage credit risks, the Company maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Company also undertakes supplemental credit review procedures for certain installment payment structures. The Company's stringent customer requirements and policies in place contribute to low customer default. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which helps reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, financial assets at FVPL and financial assets at FVOCI. The Company adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Company closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 are as follows:

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	<b>2022</b>	<b>2021</b>
Cash and cash equivalents excluding cash on hand	<b>P157,688,142</b>	P193,456,955
Trade and other receivables	<b>563,884,943</b>	606,452,832
	<b>P721,573,085</b>	P799,909,787

The credit quality of financial assets which are neither past due nor impaired is discussed below:

*(a) Cash in banks and cash equivalents*

The Company deposits its cash balance in reputable banks to minimize credit risk exposure amounting to P132,157,773 and P114,233,497 as at December 31, 2022 and 2021, respectively. Cash deposits are considered to be of high grade.

For cash and cash equivalents, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from publicly available sources to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

*(b) Trade and other receivables*

Receivables amounting to P375.98 million and P350.98 million as of December 31, 2022 and 2021, respectively, were impaired and provided for. The allowance for doubtful accounts for receivables has been determined as follows:

	<b>2022</b>	<b>2021</b>
Trade receivables on sale of real estate	<b>P83,512,900</b>	88,650,704
Trade receivables on lease	<b>5,478,810</b>	7,507,749
Advances to subsidiaries and associates	<b>237,135,099</b>	237,135,099
Advances	<b>862,891</b>	862,891
Other receivables	<b>48,987,708</b>	16,820,965
	<b>P375,977,408</b>	P350,977,408

*b.1. Trade receivables on real estate*

<b>2022</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Trade receivables</b>				
High grade	<b>P269,348,812</b>	P -	P -	<b>P269,348,812</b>
Sub-standard	-	<b>76,348,441</b>	-	<b>76,348,441</b>
Low grade	-	-	<b>121,787,390</b>	<b>121,787,390</b>
Individually impaired	-	-	<b>66,371,974</b>	<b>66,371,974</b>
	<b>269,348,812</b>	<b>76,348,441</b>	<b>188,159,364</b>	<b>533,856,617</b>
<b>Provision</b>				
High grade	4,087,405	-	-	4,087,405
Sub-standard	-	3,820,559	-	3,820,559
Low grade	-	-	9,532,005	9,532,005
Individually impaired	-	-	66,072,931	66,072,931
	4,087,405	3,820,559	75,604,936	83,512,900
	<b>P265,261,407</b>	<b>P72,527,882</b>	<b>P112,554,428</b>	<b>P450,343,717</b>
<b>2021</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Trade receivables</b>				

**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

High grade	P243,233,791	P -	P -	P243,233,791
Sub-standard	-	102,963,334	-	102,963,334
Low grade	-	-	125,795,196	125,795,196
Individually impaired	-	-	60,512,101	60,512,101
	243,233,791	102,963,334	186,307,297	P532,504,422
<b>Provision</b>				
High grade	6,759,846	-	-	6,759,846
Sub-standard	-	137,374	-	137,374
Low grade	-	-	20,446,483	20,446,483
Individually impaired	-	-	61,307,001	61,307,001
	6,759,846	137,374	81,753,484	88,650,704
	P236,473,945	P102,825,960	P104,553,813	P443,853,718

High grade exposures are loans that do not have greater-than-normal credit risk. The buyer has the apparent ability and willingness to satisfy his obligation in full and therefore no loss in ultimate collection is anticipated.

Sub-standard grade exposures are receivables that have normal credit risk and have past due above 30 days but below 90 days.

Low grade exposures are receivables that are past due date beyond 90 days and have approached greater-than-normal credit risk.

Individually impaired exposures are receivables that are past due beyond 90 days, have approached greater-than normal credit risk.

For trade receivables on sale of real estate, the Company applies a general approach in calculating ECLs. Under the general approach, ECLs are recognized in three (3) stages as follows:

- Stage 1: For credit exposures for which there has not been a significant increase in credit risk since initial recognition and there is no default that occurred, a 12-month ECL is provided for credit losses that result from default events that are possible within the next 12 months.
- Stage 2: For credit exposures for which there has been a significant increase in credit risk since initial recognition and there is still no default that occurred, a loss allowance equivalent to lifetime ECL is required for credit losses expected over the remaining life of the exposure.
- Stage 3: For credit exposures for which there has been a significant increase in credit risk since initial recognition and for which an actual default has also occurred, a loss allowance equivalent to lifetime ECL is required for credit losses expected over the remaining life of the exposure.

b.2 For trade receivables on lease and other financial assets such as accrued receivable, receivable from related parties and advances to other companies, impairment provisions would be based on the assumption that the receivable is demanded at the reporting date and it would reflect the losses (if any) that would result from this. Since the receivables are collectible on demand, the contractual period is the very short period needed to transfer the cash once demanded. Discounting would have immaterial effect in the balances.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

<b>2022</b>				
	<b>Lease</b>	<b>Advances to subsidiaries and associates</b>	<b>Advances</b>	<b>Other receivables</b>
<b>Gross amount</b>	<b>P24,271,329</b>	<b>P259,366,922</b>	<b>P21,096,626</b>	<b>P100,790,314</b>
<b>Provisions</b>	<b>5,478,810</b>	<b>237,135,099</b>	<b>862,891</b>	<b>48,987,708</b>
<b>Carrying Amount</b>	<b>P18,792,519</b>	<b>P22,231,823</b>	<b>P20,233,735</b>	<b>P51,802,606</b>

<b>2021</b>				
	<b>Lease</b>	<b>Advances to subsidiaries and associates</b>	<b>Advances</b>	<b>Other receivables</b>
<b>Gross amount</b>	<b>P27,651,679</b>	<b>P256,190,669</b>	<b>P27,834,225</b>	<b>P113,249,245</b>
<b>Provisions</b>	<b>7,507,749</b>	<b>237,135,099</b>	<b>862,891</b>	<b>16,820,965</b>
<b>Carrying Amount</b>	<b>P20,143,930</b>	<b>P19,055,570</b>	<b>P26,971,334</b>	<b>P96,428,280</b>

### **32. Capital Management**

The Company manages its capital to ensure that the Company is able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of equity, which comprises of issued capital, reserves and retained earnings.

Management reviews the capital structure on a quarterly basis. As part of this review, management considers the cost of capital and the risks associated with it.

There were no changes in the Company's approach to capital management during the year.

As part of the reforms of the Philippine Stock Exchange (PSE) to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Company has fully complied with this requirement in 2022 and 2021.

### **33. Supplementary Information Required by the Bureau of Internal Revenue (BIR)**

The Bureau of Internal Revenue issued RR15-2010 and RR2-2014 on December 10, 2010 and February 3, 2014, respectively, which requires certain tax information to be disclosed in the notes to the separate financial statements. The Company presented the required supplementary tax information as a separate schedule attached to its annual income tax return.



## **“ANNEX F”**

### **Procedure for Registration, Participation and Voting in the 2023 Annual Stockholders Meeting of PHILIPPINE REALTY AND HOLDINGS CORPORATION**

In view of the continuing threat of COVID 19 and taking into consideration the safety of everyone, Philippine Realty and Holdings Corporation (the **Company**) will be conducting its Annual Stockholder Meeting (**ASM**) scheduled on June 30, 2023, at 3:00 PM, virtually. There will no longer be a physical venue for the ASM.

Only Stockholders of record as of March 31, 2023 are entitled to participate and vote in the 2023 ASM.

#### **I. Registration and Participation/Attendance Procedure:**

1. Stockholders who intend to participate in the virtual ASM may register by sending an email to [asmregistration@philrealty.com.ph](mailto:asmregistration@philrealty.com.ph) of their intention to participate attaching therewith the required document/s below on or before 5:00 PM of June 16, 2023:
  - a. *For individual stockholders:*
    - i. Scanned copy of any valid government-issued ID;
    - ii. Scanned copy of stock certificate in the name of the individual stockholder; and
    - iii. Active contact number, either landline or mobile.
  - b. *For stockholders with joint accounts:*
    - i. Scanned copy of authorization letter signed by other stockholders indicating the person among them authorized to participate and/or vote in the 2023 ASM;
    - ii. Documents required under items 1.a (i) and (iii) for the authorized stockholder;
    - iii. Scanned copy of stock certificate in the name of the joint stockholders.
  - c. *For stockholders under PCD Participant / Brokers Account or “Scripless Shares”:*
    - i. Coordinate with the broker and request for the full account name and reference number or account number;
    - ii. Documents required under items 1.a (i) and (iii).
  - d. *For corporate stockholders:*
    - i. Secretary’s Certificate attesting to the authority of the representative to participate and / or vote in the 2023 ASM;
    - ii. Documents required under items 1.a (i) and (iii) for the authorized representative;
    - iii. Scanned copy of stock certificate in the name of the corporate stockholder.
2. Upon successful registration and validation of the documents submitted through email above, the stockholder will receive an email confirmation containing the the Zoom link and access code to log in and view the 2023 ASM.

3. Only those stockholders who have registered following the procedure above, and stockholders who have voted by providing their executed Proxy Form, shall be included for purposes of determining the existence of a quorum.
4. For purposes of voting during the 2023 ASM please see section on Voting Procedure below.
5. For the Question-and-Answer portion, stockholders may send their questions related to the agenda thru the chat box found in the zoom application. The stockholder must provide complete name, email address and the question prior to clicking "submit" button. Due to limitations on technology and time, not all questions may be responded to during the 2023 ASM but the Company will endeavor to respond to all the questions through email.
6. The proceedings during the 2023 ASM will be recorded as required by the Securities and Exchange Commission.
7. Stockholders intending to register and participate in the 2023 ASM should send their email on or before 5:00 PM on June 16, 2023.

## **II. Voting Procedure:**

Stockholders may vote during the 2023 ASM either (1) by Proxy or (2) by voting *in absentia* through our Online Stockholder Voting System.

1. Voting by Proxy:
  - a. Download and fill up the Proxy Form from [www.philrealty.com.ph/investor-relations/](http://www.philrealty.com.ph/investor-relations/). The Chairman, or in his absence, the Vice-Chairman, is authorized to cast the votes pursuant to the instructions in the Proxy Form.
  - b. Send a scanned copy of the executed proxy Form by email to [asmregistration@philrealty.com.ph](mailto:asmregistration@philrealty.com.ph).
  - c. The scanned copy of the executed Proxy Form should be emailed to above not later than 5:00 PM on or before June 24, 2023.
  - d. The hard copy of the signed Proxy Form should be delivered to the Company's principal office address at One Balete, 1 Balete Drive corner N. Domingo Street, Barangay Kaunlaran, District 4, Quezon City 1111. The office will be open to receive forms from Monday to Friday, 10 AM to 5 PM.
2. Voting in absentia through the Online Stockholder Voting System:
  - a. Follow the Registration and Participation/Attendance Procedure set forth above.
  - b. Upon validation, the Company will send an email to the stockholder containing the link for the Online Stockholder Voting System and the instructions for casting votes in the Online Stockholder Voting System. Registered stockholders shall have until 5:00 PM of June 24, 2023 to cast their votes. The Online Stockholder Voting System will be open starting 8:00 AM and will be closed at 5:00 PM on June 24, 2023.

- c. All agenda items indicated in the Notice of Meeting will be included in the Online Stockholder Voting System and the registered stockholder may vote as follows:
  - i. For items other than election of the Directors, the stockholder may vote: “For”, “Against”, or “Abstain”. The vote shall be considered as cast for all the stockholder’s shares.
  - ii. For the election of Directors, the stockholder may vote for all the nominees, not vote for any of the nominees, or vote for some of the nominees only, in such number of shares as the stockholder may see fit, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of Directors to be elected.
- d. Once voting is completed in the Online Stockholder Voting System, the stockholder shall proceed to click on the “Submit” button which shall complete the process. Once submitted, the stockholder may no longer change the votes cast. The votes cast *in absentia* will have equal effect as votes cast by proxy.

For any questions or clarification, you may contact us through [asmregistration@philrealty.com.ph](mailto:asmregistration@philrealty.com.ph) or through telephone number 8631-3179, our stock transfer agent, Stock Transfer Service, Inc., through Michael Capoy at [mccapoy@stocktransfer.com.ph](mailto:mccapoy@stocktransfer.com.ph) or Reynand Malayao at [rcmalayao@stocktransfer.com.ph](mailto:rcmalayao@stocktransfer.com.ph), or their telephone number 8403-3798.

## PROXY

The undersigned stockholder of **PHILIPPINE REALTY AND HOLDINGS CORPORATION** (the "Company") hereby appoints the Chairman of the meeting, as *attorney-in-fact* and *proxy*, to represent and vote all shares registered in his/her/its name at the annual meeting of stockholders of the Company on **June 30, 2023 (Friday) at 3:00 p.m.** by remote communication and at any of the adjournments thereof for the purpose of acting on the matters stated below.

Please place an "X" in the box below how you wish your votes to be cast in respect of the matters to be taken up during the meeting.

If no specific direction as to voting is given, the votes will be cast for the election of all nominees and for the approval of the resolutions on the matters stated below and as set out in the notice, and for such other matters as may properly come before the meeting in the manner described in the Information Statement and as recommended by the Chairman.

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Approval of the minutes of previous meeting.</p> <p style="text-align: center;"><input type="checkbox"/> For      <input type="checkbox"/> Against      <input type="checkbox"/> Abstain</p> <p>2. Annual Report</p> <p style="text-align: center;"><input type="checkbox"/> For      <input type="checkbox"/> Against      <input type="checkbox"/> Abstain</p> <p>3. Ratification of the acts of the Board of Directors and Officers.</p> <p style="text-align: center;"><input type="checkbox"/> For      <input type="checkbox"/> Against      <input type="checkbox"/> Abstain</p> | <p>5. Election of Maceda Valencia &amp; Co. as the External auditor</p> <p style="text-align: center;"><input type="checkbox"/> For      <input type="checkbox"/> Against      <input type="checkbox"/> Abstain</p> <p>6. At his/her discretion, the proxy named above is authorized to vote upon such other matters as may properly come before the meeting.</p> <p style="text-align: center;"><input type="checkbox"/> For      <input type="checkbox"/> Against      <input type="checkbox"/> Abstain</p> <p>7. Amendment to By-laws</p> <p style="text-align: center;"><input type="checkbox"/> For      <input type="checkbox"/> Against      <input type="checkbox"/> Abstain</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

4. Election of Directors	Vote in favor      Do not Vote		No. of Votes	Printed Name of Stockholder
	<input type="checkbox"/>	<input type="checkbox"/>		
Gerardo Domenico Antonio V. Lanuza	<input type="checkbox"/>	<input type="checkbox"/>	_____	<div style="border-top: 1px solid black; text-align: center; padding-top: 10px;"> Signature of Stockholder/Authorized Signatory </div> <div style="border-top: 1px solid black; text-align: center; padding-top: 10px;"> Date </div>
Gerardo O. Lanuza, Jr	<input type="checkbox"/>	<input type="checkbox"/>	_____	
Edmundo C. Medrano	<input type="checkbox"/>	<input type="checkbox"/>	_____	
Gregory G. Yang	<input type="checkbox"/>	<input type="checkbox"/>	_____	
Antonio O. Olbes	<input type="checkbox"/>	<input type="checkbox"/>	_____	
Amador C. Bacani	<input type="checkbox"/>	<input type="checkbox"/>	_____	
Andrew C. Ng	<input type="checkbox"/>	<input type="checkbox"/>	_____	
Renato G. Nuñez	<input type="checkbox"/>	<input type="checkbox"/>	_____	
Jomark O. Arollado	<input type="checkbox"/>	<input type="checkbox"/>	_____	
Alfonso Martin E. Eizmendi	<input type="checkbox"/>	<input type="checkbox"/>	_____	
Chiara Rosario Julia L. Paredes	<input type="checkbox"/>	<input type="checkbox"/>	_____	

A scanned copy of this proxy must be submitted to the corporate secretary at [asmregistration@philrealty.com.ph](mailto:asmregistration@philrealty.com.ph) on or before June 24, 2023, the deadline for submission of proxies. For corporate stockholders, please attach to this proxy form the secretary's certificate on the authority of the signatory to appoint the proxy and sign this form.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder registers on the voting in absentia.

Stockholders participating by remote communication will not be able to vote unless they register or authorize the Chairman to vote as proxy, on or before June 24, 2023.

Notarization of this proxy is not required.

## ANNEX "H"

### CERTIFICATION

I, **ATTY. REX P. BONIFACIO**, of legal age, Filipino, with office address at Pastelero Law Office, Unit E-1503, 15<sup>th</sup> Floor, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, after having been sworn to in accordance with law, does hereby certify that:

I am duly elected and incumbent Corporate Secretary of Philippine Realty and Holdings Corporation (the **Corporation**), a corporation organized and existing under the laws of the Philippines, with principal office at One Balete, 1 Balete Drive corner N. Domingo Street, Barangay Kaunlaran, District 4, Quezon City 1111.

Based on the information provided to the Corporation by the members of its Board of Directors including the new nominee to the Board of Directors Ms. Chiara Rosario Julia L. Paredes and its principal executive officers, none of said members and its new nominee of the Board of Directors and principal executive officers of the Corporation are presently employed by any office or agency of the Philippine Government.

**IN ATTESTATION OF THE ABOVE**, this Certificate was signed this June 02, 2023, at Pasig City

  
**ATTY. REX P. BONIFACIO**  
Corporate Secretary

## **ANNEX “I”**

### **CERTIFICATION OF INDEPENDENT DIRECTOR**

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ALFONSO MARTIN E. EIZMENDI**, Filipino, of legal age and a resident of No. 104 Mango Drive Ayala Alabang Village, Alabang Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Philippine Realty and Holdings Corporation and have been its independent director since June 30, 2017.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/ Relationship	Period of Service
Royal Link Industries Inc.	President / CEO	Present
Yields Financial Corporation	President / CEO	2003 - Present
Park Cent Towers Realty Corp.	President / CEO	Present
WGP Villa6 Realty Corp.	President / CEO	Present
The Icon Plaza Condominium Corp	President and Director	Present
Meridian Assurance Corp.	Director	Present
Secret 6 Inc.	Director	Present
CleanPro	Director	Present
Frimar Realty	Director	Present
Frimar, USA	Director	Present
Vi@je Corp.	Vice Chairman	2000 – 2001
Blue Star Insurance Brokerage	Chairman	1998 – 2001

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philippine Realty & Holdings Corporation, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of Philippine Realty and Holdings Corporation other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
NOT APPLICABLE		

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

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of Philippine Realty and Holdings Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this \_\_\_\_\_ day of \_\_\_\_\_ at QUEZON CITY

**ALFONSO MARTIN E. EIZMENDI**  
Affiant

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of 17 MAY 2023,  
at QUEZON CITY, affiant personally appeared before me and exhibited to me his  
Tax Identification ID with No. 108-170-119.

**NOTARY PUBLIC**

Doc. No. 242 ;  
Page No. 49 ;  
Book No. 96 ;  
Series of 2023.

**ATTY. RUBEN M. AZANES, JR.**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2023  
PTR NO. 4029325D, 01/08/2023-Q.C.  
IBP NO. 293181, 01/10/2023-Quezon City Chapter  
Roll of Attorney's No. 46427  
Admin Matter No. 025(2023-2024)  
MCLE-VII-0018605-05-24-2022  
TIN: 140-394-386-000  
2nd UGF-2 Opulent Bldg. Socorro, Quezon City



## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOMARK ONG AROLLADO**, Filipino, of legal age and a resident of No. 68 Roosevelt St., North Greenhills, San Juan City, NCR, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Philippine Realty and Holdings Corporation and have been its independent director since June 30, 2017.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/ Relationship	Period of Service
Rapid Forming Corporation	Operations Manager	2013 – present
Silangan Philtrade Corporation	Operations Manager	2011 – 2012
Rapid Forming Corporation	Strategic Business Unit Head	2006 – 2010
SGV & Co.	ISO Document Controller	2004

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philippine Realty and Holdings Corporation, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of Philippine Realty and Holdings Corporation other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
NOT APPLICABLE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of Philippine Realty and Holdings Corporation of any changes in the abovementioned information within five days from its occurrence.


Done this \_\_\_\_\_ day of 17 MAY 2023 at QUEZON CITY.

  
**JOMARK ONG AROLLADO**  
Affiant

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of 17 MAY 2023  
at QUEZON CITY, affiant personally appeared before me and exhibited to me his  
Tax Identification ID with No. 243-447-217.

**NOTARY PUBLIC**

Doc. No. 243 ;  
Page No. 49 ;  
Book No. 96 ;  
Series of 2023.

  
**ATTY. RUBEN M. AZANES, JR.**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2023  
PTR NO. 4029325D, 01/08/2023-Q.C.  
BP NO. 293181, 01/10/2023-Quezon City Chapter  
Roll of Attorney's No. 46427  
Admin Matter No. 025(2023-2024)  
MCLE-VII-0019605-05-24-2022  
TIN: 140-394-386-000  
Unit 2 UGF-2 Opulent Bldg. Socorro, Quezon City

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RENATO G. NUÑEZ**, Filipino, of legal age and a resident of #1 Queensville Court, Whiteplains, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Philippine Realty and Holdings Corporation and have been its independent director since August 18, 2015.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/ Relationship	Period of Service
All British Cars, Inc.	Director	2017 – Present
Cambie Property, Inc.	Director	2017 – Present
Coventry Motors Corporation	Director	2017 – Present
CATS Motors, Inc.	President	2015 - Present
Techglobal Data Center, Inc.	President	2012 – Present
Total Consolidated Asset Management, Inc.	Director	2010 - Present
Techzone Philippines, Inc.	President	2010 – Present
Lia Philfoods, Inc.	President	2008 – Present
Everland Estate Dev't. Corp.	President	2002 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philippine Realty and Holdings Corporation, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of Philippine Realty and Holdings Corporation other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
NOT APPLICABLE		

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

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of Philippine Realty and Holdings Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this \_\_\_\_\_ day of 17 MAY 2023 at QUEZON CITY.

  
**RENATO G. NUÑEZ**  
Affiant

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of 17 MAY 2023  
at QUEZON CITY, affiant personally appeared before me and exhibited to me his  
Tax Identification ID with No. 110-182-328.

**NOTARY PUBLIC**

Doc. No. 24 ;  
Page No. 49 ;  
Book No. ON ;  
Series of 2023.

  
**ATTY. RUBEN M. AZANES, JR.**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2023  
PTR NO. 4029325D, 01/08/2023-Q.C.  
IBP NO. 293181, 01/10/2023- Quezon City Chapter  
Roll of Attorney's No. 46427  
Admin Matter No. 025(2023-2024)  
MCLE-VII-0018605-05-24-2022  
TIN: 140-394-386-000  
Unit 2 UGF-2 Opulent Bldg. Socorro, Quezon City

**ANNEX “J”**

**FIRST QUARTER REPORT SEC FORM 17-Q**

## COVER SHEET

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S.E.C. Registration Number

[illegible][illegible]

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[illegible]

(Company's Full Name)

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N		D	O	M	I	N	G	O		S	T		B	R	G	Y		K	A	U	N	L	A	R	A	N				
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(Business Address : No. Street Company / Town / Province)

Mr. Mark Anthony M. Ramos

Contact Person

Number

0	3
---	---

Month

3	1
---	---

Day

	1	7	Q	
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FORM TYPE

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Month

Day

Annual Meeting

N/A
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N/A

Secondary License Type, If Applicable

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Dept. Requiring this Doc.  
Number/Section

--

Amended Articles

### Total Amount of Borrowings

\_\_\_\_\_

Total No. of Stockholders  
Foreign

--	--	--	--	--	--	--

Domestic

--	--	--	--	--	--	--

To be accomplished by SEC Personnel concerned

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2023
2. Commission identification number 99905
3. BIR Tax Identification No. 000-188-233
4. Exact name of issuer as specified in its charter

PHILIPPINE REALTY AND HOLDINGS CORPORATION

5. Province, country or other jurisdiction of incorporation or organization PHILIPPINES

6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer's principal office Postal Code

One Balete, 1 Balete Drive cor. N. Domingo St., Brgy Kaunlaran, District 4, Quezon City 1111  
Satellite Office: E-1609 16<sup>th</sup> Floor East Tower, PSE Center, Exchange Rd., Ortigas Center, Pasig

8. Issuer's telephone number, including area code

(632) 8631-3179

9. The Registrant has not changed its corporate name and fiscal year. Prior to its transfer to the above satellite office address the registrant held its satellite office at E-512/513 East Tower, PSE Center, Exchange Rd., Ortigas Center, Pasig City.

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	9,100,102,685 shares

11. Are any or all of the securities listed on a Stock Exchange?

Yes ☒ No ☐

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:  
Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ No ☐



## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

A copy of the comparative statements as of and for the quarters ended March 31, 2023 and 2022, is submitted as part of this report. The financial statements were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computations followed in the interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2022.

Changes affecting balance sheet and income statement items are further disclosed in the Management Discussion and Analysis. There are no material events after the end of the interim period that have not been reflected in the financial statements for the interim period. The company had reclassified accounts such as dividends, capital and foreign exchange gains, interest, and equity earnings to investment income during the period.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Refer to the three months ended March 31, 2023, Analysis of Unaudited Consolidated Financial Statement attached as Exhibit I, Comparative Financial Soundness Indicators as Exhibit II, and Business Segments as Exhibit III.

### SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.



**GERARDO DOMENICO ANTONIO V. LANUZA**  
Chairman and President



**EDMUNDO C. MEDRANO**  
Executive Vice President and Chief  
Operating Officer and Treasurer

April 28 , 2023

April 28 , 2023



**MARK ANTHONY M. RAMOS**  
Vice President for Accounting,  
Compliance Officer and Data Protection Officer

April 28 , 2023



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2023 AND DECEMBER 31, 2022**

	Unaudited Mar 31 2023	Audited December 31 2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	56,734,500	163,886,734
Financial assets at fair value through profit or loss (FVPL)	6,750,000	6,750,000
Trade and other receivables-current portion	141,826,395	177,461,738
Real estate inventories	2,103,018,314	2,086,122,188
Prepayments and other assets-net	439,943,109	413,430,156
Investment in finance lease - current portion	14,099,813	14,099,824
<b>Total Current Assets</b>	<b>2,762,372,132</b>	<b>2,861,750,640</b>
<b>Non-current Assets</b>		
Financial assets at fair value through other comprehensive income (FVOCI)	37,621,027	36,076,106
Trade and other receivables-non current portion	379,424,626	365,017,469
Investments in and advances to associates-net	56,459,821	58,236,132
Investment properties-net	4,868,287,988	4,926,465,273
Property and equipment - net	57,672,892	60,321,966
Right-of-Use Asset - net	95,223,636	97,414,601
Investment in finance Lease - net of current portion	184,217,197	187,577,451
Other non-current assets	53,386	53,386
<b>Total Non-current Assets</b>	<b>5,678,960,573</b>	<b>5,731,162,384</b>
	<b>8,441,332,705</b>	<b>8,592,913,024</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables - current portion	55,425,814	110,354,183
Lease Liability-current	11,842,973	14,841,458
<b>Total Current Liabilities</b>	<b>793,856,234</b>	<b>791,918,635</b>
<b>Non-current Liabilities</b>		
Trade and other payables-net of current portion	99,381,994	84,852,490
Loans and note payable-net of current portion	89,297,429	227,700,370
Retirement benefit obligation	65,415,703	66,953,485
Deferred tax liabilities-net	700,127,880	696,703,231
Other non-current liabilities	39,998,091	40,425,411
Lease Liability-noncurrent	158,167,532	158,661,703
<b>Total Non-current Liabilities</b>	<b>1,152,388,630</b>	<b>1,275,296,690</b>
	<b>1,946,244,864</b>	<b>2,067,215,325</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock	4,433,211,671	4,433,211,671
Additional paid-in capital	623,139,806	623,139,806
Reserves	67,075,582	65,530,662
Retained earnings	1,504,441,922	1,536,606,331
Treasury stock	(110,049,632)	(110,049,632)
	<b>6,517,819,349</b>	<b>6,548,438,837</b>
Equity Attributable to Non-Controlling Interest	(22,731,508)	(22,741,138)
	<b>6,495,087,842</b>	<b>6,525,697,699</b>
	<b>8,441,332,705</b>	<b>8,592,913,024</b>

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**

	2023	2022
<b>INCOME</b>		
Sales of real estate	54,087,390	54,516,094
Rent	16,366,623	13,793,830
Management fees	9,616,957	9,020,271
Interest income	6,819,092	1,520,584
Commission income	1,505,293	2,546,037
Other income	-	481,455
	<b>88,395,356</b>	<b>81,878,271</b>
<b>COSTS AND EXPENSES</b>		
Cost of real estate sold	22,540,777	23,356,969
Cost of services	16,940,429	15,815,969
General and administrative expenses	33,565,961	59,872,796
Finance Cost	12,909,440	3,827,877
Other expenses	31,661,474	-
Equity in net loss of associate	776,311	561,573
	<b>118,394,393</b>	<b>103,435,183</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>(29,999,038)</b>	<b>(21,556,912)</b>
<b>INCOME TAX EXPENSE</b>	<b>743,260</b>	<b>766,699</b>
<b>NET LOSS</b>	<b>(30,742,297)</b>	<b>(22,323,611)</b>
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the parent	(30,739,692)	(22,321,006)
Non-controlling interest	(2,606)	(2,606)
	<b>(30,742,297)</b>	<b>(22,323,612)</b>
<b>OTHER COMPREHENSIVE INCOME:</b>		
Unrealized holding (loss) income on AFS investments	1,544,921	5,217,124
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(29,197,377)</b>	<b>(17,106,488)</b>
<b>Loss per share</b>		
Basic	(0.003378)	(0.002453)
Diluted	(0.003378)	(0.002453)
<b>Number of shares outstanding</b>		
Basic	9,099,309,288	9,099,309,288
Diluted	9,099,309,288	9,099,309,288

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**

	2023	2022
<b>Capital Stock</b>		
Authorized 8,000,000,000 common shares		
Issued and outstanding 7,866,647,523 shares in 2023; 7,866,647,523 shares in 2022		
Capital stock	3,933,323,762	3,933,323,762
Subscribed capital stock 1,314,711,262 shares in 2023; 1,314,711,262 shares in 2022	657,355,631	657,355,631
Less: Subscription receivable	157,467,722	157,490,221
	499,887,909	499,865,410
Additional paid-in capital	623,139,806	623,139,806
Capital stock	5,056,351,479	5,056,328,977
<b>Reserves</b>		
Appropriated retained earnings for Treasury stock acquisition	109,712,439	109,712,439
Revaluation on FVOCI		
Balance, beginning	(25,606,702)	(24,038,272)
Unrealized holding gain (loss) on financial assets at FVOCI	1,725,815	5,388,497
Balance, end	(23,880,886)	(18,649,773)
Accumulated Remeasurement Losses	(18,755,971)	(33,644,428)
	67,075,583	57,418,239
<b>Retained earnings</b>		
Balance, beginning	1,535,184,216	1,349,807,235
Net loss	(30,742,297)	(22,323,611)
Balance, end	1,504,441,919	1,327,483,624
Treasury Stock	(110,049,632)	(110,049,633)
	6,517,819,350	6,331,181,207
<b>Minority Interest</b>		
Balance, beginning	(22,741,138)	(20,042,311)
Adjustment	9,630	-
	(22,731,508)	(20,042,311)
	6,495,087,842	6,311,138,895

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**

	2023	2022
<b>Cash flows from Operating Activities</b>		
Net Loss	(30,739,692)	(22,321,006)
Adjustments for:		
Financial assets at fair value through other comprehensive income (FVOCI)	1,725,815	5,388,497
Accumulated remeasurement loss	(180,896)	(171,374)
Decrease in minority interest	9,630	(2,605)
Depreciation and amortization	2,649,074	3,346,130
Loss from operations before working capital changes	(26,536,063)	(13,760,358)
Decrease (Increase) in:		
Real estate inventories	(16,896,126)	5,931,603
Trade and other receivables - net	21,228,186	37,941,694
Prepayments and other current assets	(26,512,953)	(1,984,027)
Increase (Decrease) in:		
Trade and other payables	(42,038,628)	21,662,199
Deferred Tax Liability	3,424,649	3,863,747
Retirement Benefit Obligation	(1,537,782)	(1,421,875)
Other non-current liabilities	(427,320)	
Net cash provided by (used in) operating activities	(89,296,038)	51,483,332
<b>Cash Flows from Investing Activities</b>		
Decrease (Increase) in:		
Right of Use Asset	2,190,965	2,063,885
Investment in Finance Lease	3,360,265	3,285,696
Lease Liability	(3,492,656)	(3,397,146)
Investments in and advances to associates - net	1,776,311	6,284,369
Financial assets at fair value through other comprehensive income (FVOCI)	(1,544,921)	(5,217,123)
Investment Property	58,177,285	(12,323,624)
Net additions to property and equipment	-	(355,555)
Net cash provided by (used in) investing activities	60,467,249	(9,659,498)
<b>Cash Flows from Financing Activities</b>		
Availment of loans payable	200,000,000	100,000,000
Payment of Bank Loans and notes	(278,323,445)	(252,507,194)
Net cash used in financing activities	(78,323,445)	(152,507,194)
<b>Net decrease in Cash and Cash Equivalents</b>	<b>(107,152,234)</b>	<b>(110,683,360)</b>
<b>Cash and Cash Equivalents, Beginning</b>	<b>163,886,734</b>	<b>202,643,198</b>
<b>Cash and Cash Equivalents, End</b>	<b>56,734,500</b>	<b>91,959,835</b>

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**AGING OF ACCOUNTS RECEIVABLE-TRADE**  
**AS OF MARCH 31, 2023**

PARTICULARS	CURRENT	OVER DUE			TOTAL
		31-60 DAYS	61-90 DAYS	OVER 91 DAYS	
PRHC	387,841,448	1,079,186	1,105,342	17,167,063	407,193,039
PPMI	826,390	1,118,653	315,122	2,744,097	5,004,262
TIBI	3,090,157	-	-	-	3,090,157
UTC	-	-	-	-	-
GRAND TOTAL	391,757,995	2,197,839	1,420,464	19,911,160	415,287,458

Accounts Receivable - Trade	415,287,458
Accounts Receivable - Others	105,963,563
Total	<u>521,251,021</u>

## FINANCIAL INFORMATION

### Management's Discussion and Analysis of Financial Condition or Results of Operation

The financial results for the first three months of 2023 of Philippine Realty and Holdings Corporation (interchangeably referred to by its PSE trading symbol “**RLT**” or “**Parent Company**” or as the “**RLT Group**” or “**Group**”) reflected a consolidated net loss after tax of ₱30.7 Million. But in spite of this, the Group was able to maintain healthy and very conservative liquidity and solvency ratios.

The Philippine economy continues to encounter headwinds in attaining economic recovery.

The National Government (**NG**) debt stood at a fresh record high of ₱13.9 Trillion as of end-March this year, higher than the ₱13.8 Trillion in February, and ₱13.7 Trillion in January. Of the total debt stock, 68.7%, was sourced domestically, while 31.3% came from external borrowings.

Meanwhile, the Philippine economy as measured by Gross Domestic Product (**GDP**) – the total value of goods and services produced in a specific period - grew slower at 6.4% in the first three months of 2023 as elevated inflation, which stood at 8.3% in the same period, dampened consumer spending. This is also the Philippine economy’s slowest GDP growth since the country graduated from the pandemic-induced recession in the second quarter of 2021 when it booked a growth rate of 12%.

However, in spite of the increase in the NG’s debt and slower GDP growth as presented above, records show that the amount of the country’s debt relative to the size of the economy shrunk as of the first quarter of 2023. The debt-to-GDP ratio represents the amount of the government’s debt stock relative to the size of the economy.

For the January to March 2023 period, the Philippines' debt-to-GDP ratio stood at 61%, down from 63.5% in the first quarter of 2022.

Finance Secretary Diokno said that the government’s Medium-Term Fiscal Framework (**MTFF**) aims to bring down the debt-to-GDP ratio to less than 60% by 2025 then further down to 51.1 percent in 2028, and reduce the budget deficit to 3.0% of GDP by 2028. “The MTFF is our blueprint to reduce fiscal deficit, promote fiscal sustainability and enable robust economic growth,” he added.

The Finance Secretary also said that the budget deficit-to-GDP ratio stood at 4.84% in the first quarter of 2023, down from 6.41% in the first quarter of 2022.

Overall inflation in the Philippines slowed further to 7.6% in March 2023 from 8.6% in February 2023 and from a 14-year high of 8.7% in January. The inflation rate in March 2022 was lower at 4.0%. The average inflation for the first quarter of 2023 stood at 8.3%, still well above the Bangko Sentral ng Pilipinas’ (**BSP**) 2 to 4% target range and 6% full-year forecast. Since May 2022, the BSP has raised rates by 425 basis points to combat inflation. This brought the key policy rate to a near 16-year high of 6.25%.

NEDA secretary Balisacan said that “High inflation remains a challenge, and the BSP’s move to raise its key policy rates to anchor inflation expectations and ensure price stability, may dampen future growth. But the improvement in the business climate can counter this unintended effect,” he added.

The NEDA secretary also said that expectations that inflation will return to the 2 to 4% target band by the end of the year could rebuild consumer and business confidence, which would boost spending and investments.

**I. Review of Consolidated Statement of Income for the Period Ending 31 March 2023 vs. 31 March 2022**

For the period ended March 31 (In millions)				
	2023 (Unaudited)	2022 (Unaudited)	Change in Peso	Change in Percentage
<b>REVENUES</b>				
Sales of real estate	₱54	₱55	₱1	(2%)
Rent	16	14	2	14%
Management fees	10	9	1	11%
Interest income	7	2	5	250%
Commission	2	3	(1)	(33%)
Other income	-	-	-	-
<b>TOTAL</b>	<b>88</b>	<b>82</b>	<b>6</b>	<b>7%</b>
<b>COSTS AND EXPENSES</b>				
Cost of real estate sold	23	23	-	-
Cost of services	17	16	1	6%
General and administrative	34	60	(26)	(43%)
Finance cost	13	4	9	225%
Equity in net loss of associates	1	1	-	-
<b>TOTAL</b>	<b>118</b>	<b>103</b>	<b>15</b>	<b>15%</b>
LOSS BEFORE INCOME TAX	(30)	(21)	(9)	43%
INCOME TAX EXPENSE	1	1	-	-
<b>NET LOSS</b>	<b>(₱31)</b>	<b>(₱22)</b>	<b>(₱9)</b>	<b>41%</b>
OTHER COMPREHENSIVE INCOME (LOSS)	2	5	(3)	(60%)
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(₱29)</b>	<b>(₱17)</b>	<b>(₱12)</b>	<b>71%</b>

- 1. Consolidated net loss after tax.** The RLT Group posted a net loss after tax of **₱31 Million** for the three (3) months ended 31 March 2023.

The increase in the RLT Group's net loss is largely attributable to the increase in finance costs and tax expense payments in the first three months of 2023 compared to the same period last year.

**a. Income**

- 1) Sales of real estate.** Sales of Real Estate at ₱54 Million decreased by ₱1 Million or by 2% for the three (3) months of 2023 compared to the sales of real estate for the same period last year.

Sales of real estate pertains to units sold by the Parent Company at Skyline and SkyVillas Towers located in Quezon City, and at the Icon Plaza located in Bonifacio Global City (BGC).

- 2) Rent.** Rental income increased by ₱2 Million or by 14% due to the origination of new lease contracts.
- 3) Management fee.** This account increased by ₱1 Million due to the generation of an additional client.
- 4) Interest income.** Interest income increased by 225% due to higher interest income collected from buyers arising from late payments.

**b. Costs and Expenses**

- 1) **Cost of real estate sold.** Cost of Real Estate Sold for the three months ended 31 March 2023 was the same at ₱23 Million as the Cost of Real Estate Sold recorded for the same period in 2022.

However, the percentage of Cost of Real Estate Sold to Sales of Real Estate in 2023 at 25% is lower than the percentage of Cost of Real Estate Sold to Sales of Real Estate in 2022 which was at 29%. The reduction is explained by the fact that more Skyline units vis-à-vis SkyVillas units were sold in 2023 relative to 2022. Skyline units have lower standard costs compared to SkyVillas units.

- 2) **Cost of service.** The Cost of service slightly increased by ₱1 Million or by 6% due to higher expenses incurred by the Parent Company and its property management subsidiary for the three months ended March 31, 2023 compared to the same period last year.
- 3) **General and administrative expenses.** General and administrative expenses decreased by ₱26.0 Million or by 43% due to the reversal in the first quarter of 2023, of excess Provision for Impairment of Receivables booked in 2022.
- 4) **Finance cost.** The increase in Interest expenses to ₱13 Million from ₱4 Million last year, or an increase of 225%, was due to the full charging in 2023 of Interest expenses to operations, compared to the previous year where portions of Interest expenses were capitalized into real estate projects considered as qualifying assets.
- 5) **Other Comprehensive income.** This account decreased to ₱2 Million from ₱5 Million or a 60% decrease because of mark-to-market unrealized losses attributable to the Parent Company's stock investments.

**c. Subsidiaries.**

The contributions of the Company's subsidiaries to revenues and net income are shown below.

- 1) **PRHC Property Managers, Inc. (PPMI).** The RLT Group's property management company, PPMI, registered a Net income of ₱0.4 Million for the three months ended 31 March 2023.

It is lower compared to the Net income that the company registered for the same period last year.

- 2) **Tektite Insurance Brokers, Inc. (TIBI).** The RLT Group's insurance brokerage firm posted a net income of ₱0.4 Million for the three months ended 31 March 2023 which is lower by ₱1 Million compared to the ₱1.4 Million net income that TIBI registered for the same period last year.



**II. Review of Consolidated Statement of Financial Position for the Period Ending 31 March 2023 vs. 31 December 2022**

As of 31 March 2023 vs. 31 December 2022				
	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	Change in Peso	Change in Percentage
<b>Assets</b>				
Cash and cash equivalents	₱57	₱164	(₱107)	(65%)
Financial assets	44	43	1	2%
Trade and other receivables – net	521	542	(21)	(4%)
Real estate inventories	2,103	2,086	17	1%
Prepayments and other assets – net	440	413	27	6%
Investments in and advances to associates - net	56	58	(2)	(3%)
Property and equipment – net	58	60	(2)	(4%)
Investment properties – net	4,868	4,926	(58)	(1%)
Other Assets	294	299	(5)	(2%)
<b>TOTAL</b>	<b>₱8,441</b>	<b>₱8,593</b>	<b>(₱152)</b>	<b>(2%)</b>
<b>Liabilities</b>				
Trade and other payables	₱155	₱195	(₱40)	(21%)
Loans and Notes Payable	816	894	(79)	(9%)
Retirement benefit obligation	65	67	(2)	(3%)
Other liabilities	910	911	(1)	(0%)
<b>Total Liabilities</b>	<b>1,946</b>	<b>2,067</b>	<b>(121)</b>	<b>(6%)</b>
<b>Equity</b>				
Capital stock	5,056	5,056	-	-
Reserves	67	66	1	2%
Retained earnings	1,504	1,537	(32)	(2%)
Treasury stock	(110)	(110)	-	-
Equity attributable to non-controlling interest	(23)	(23)	-	-
<b>Total Equity</b>	<b>₱6,495</b>	<b>₱6,526</b>	<b>(₱31)</b>	<b>(1%)</b>
<b>TOTAL</b>	<b>₱8,441</b>	<b>₱8,593</b>	<b>(₱152)</b>	<b>(2%)</b>

- 1. Total assets.** The RLT Group's Total assets stood at ₱8.44 Billion as of 31 March 2023, lower by ₱152 Million compared to the ₱8.59 Billion Total Assets reported by the Group as of 31 December 2022. The RLT Group's Real Estate Assets accounted for 83% of the Total Assets of the Group as of 31 March 2023.

**Cash and cash equivalents** decreased by 65% due to the settlement of Loans and Notes payable and Trade payables.

- 2. Total liabilities.** Total liabilities as of 31 March 2023 decreased by ₱121 Million compared to 31 December 2022. The decrease came largely from the repayment of Bank loans/Notes payable, and Trade payables by the Parent Company.

**Trade and other payables** decreased in the first quarter of 2023 to ₱155 Million from ₱195 Million due to the payments of suppliers and contractors

**Loans and notes payable** decreased by ₱79 Million or by 9% due to net payments by the Parent Company of Bank loans/Notes payable in the first quarter of 2023.

3. **Total Equity.** Total Equity as of 31 March 2023 decreased by ₱31 Million compared to 31 December 2022 due to the Net loss recorded by the Group in the first quarter of 2023 amounting to ₱31 Million.

### III. Performance Indicators

The table below presents the comparative performance indicators of the RLT Group as of 31 March 2023 compared to 31 December 2022.

Performance Indicators	31 March 2023 Unaudited	31 December 2022 Audited
Current ratio <sup>1</sup>	3.48:1	3.61:1
Debt-to-equity ratio <sup>2</sup>	0.30:1	0.32:1
Asset-to-equity ratio <sup>3</sup>	1.30:1	1.32:1
Book value per share <sup>4</sup>	₱0.73	₱0.73
Earnings per share <sup>5</sup>	(₱0.01)	₱0.02

<sup>1</sup> *Current assets / current liabilities*

<sup>2</sup> *Total debt / consolidated stockholders' equity*

<sup>3</sup> *Total assets / Total stockholders' equity*

<sup>4</sup> *Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding*

<sup>5</sup> *Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding*

The table above reflects the conservative stance of the RLT Group in terms of the Group's liquidity and solvency positions.

1. **Current ratio.** The Group's Current ratio remained at a very conservative level at 3.48:1 despite a slight decrease from 3.61:1 as of 31 December 2022.
2. **Debt-to-equity ratio.** Similarly, the RLT Group's Debt-to-Equity Ratio remained very conservative at 0.30:1 for the periods under review.
3. **Asset-to-equity ratio.** The Asset-to-Equity Ratio reflected a very slight decrease at 1.30:1 compared to 1.32:1 recorded by the Group as of December 31, 2022.

The steady performance of the Debt-to-Equity and Asset-to-Equity Ratios of the Group for the periods under review clearly demonstrate that the Group's real estate business is being financed substantially by funds provided by its shareholders and by internally-generated funds with a small amount of debt.

4. **Book value per share.** The performance of the Company's Book Value per share has also been very encouraging. It has been steady at ₱0.73 per share.

### TOP CONTRIBUTORS TO REVENUE

The table below presents the top contributors to revenue (before elimination of intercompany transactions) for the three months ended 31 March 2023 and for the years ended 31 December 2022, and 31 December 2021.

(In millions)

SUBSIDIARIES	Mar 2023 Unaudited	Dec 2022 Audited	Dec 2021 Audited
PRHC Property Managers, Inc. (PPMI)	₱10	₱35	₱37
Tektite Insurance Brokers, Inc. (TIBI)	₱2	₱6	₱5

## Key Financial Ratios of the Top Majority-Owned Subsidiaries

### PRHC Property Managers, Inc. (PPMI)

Performance Indicators	31 March 2023 Unaudited	31 December 2022 Audited	31 December 2021 Audited
Current ratio <sup>1</sup>	2.75:1	2.82:1	2.94:1
Debt-to-equity ratio <sup>2</sup>	0.49:1	0.46:1	0.58:1
Asset-to-equity ratio <sup>3</sup>	1.49:1	1.46:1	1.58:1
Book value per share <sup>4</sup>	₱12.64	₱12.58	₱10.69
Earnings per share <sup>5</sup>	₱0.06	₱0.04	(₱1.32)

<sup>1</sup> Current assets / current liabilities

<sup>2</sup> Total debt / consolidated stockholders' equity

<sup>3</sup> Total assets / Total stockholders' equity

<sup>4</sup> Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding

<sup>5</sup> Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding

### Tektite Insurance Brokers, Inc. (TIBI)

Performance Indicators	31 March 2023 Unaudited	31 December 2022 Audited	31 December 2021 Audited
Current ratio <sup>1</sup>	25.93:1	35.90:1	2.74:1
Debt-to-equity ratio <sup>2</sup>	0.76:1	0.88:1	2.71:1
Asset-to-equity ratio <sup>3</sup>	1.76:1	1.88:1	3.71:1
Book value per share <sup>4</sup>	₱0.40	₱0.36	₱0.20
Earnings per share <sup>5</sup>	₱0.03	₱0.05	(₱0.60)

<sup>1</sup> Current assets / current liabilities

<sup>2</sup> Total debt / consolidated stockholders' equity

<sup>3</sup> Total assets / Total stockholders' equity

<sup>4</sup> Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding

<sup>5</sup> Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding

There was no issuance, repurchase or payment of equity securities or dividends during the first three months of 2023.

As of this report, there is no other known event that will trigger direct or contingent financial obligation that is material to the Company. Moreover, there is no material off-balance sheet transaction, arrangement, obligation, and other relationship of the Company with unconsolidated entities or other persons created during this period.

#### IV. **Financial Risk Management**

The Company's activities expose it to a variety of financial risks. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below:

1. **Foreign currency risk.** The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US Dollars. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

Foreign exchange risk exposure of the Group is limited to its cash and cash equivalents. Currently, the Group has a policy not to incur liabilities in foreign currency. Construction and supply contracts, which may have import components, are normally denominated in Philippine peso.

2. **Credit risk.** Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted stringent procedures in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Group has policies in place to ensure that sales are made to customers with an appropriate and acceptable credit history.

With respect to installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Company also undertakes supplemental credit review procedures for certain installment payment structures. The Company's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which help reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, financial assets at Fair Value through Profit and Loss (**FVPL**), financial assets at Fair Value through Other Comprehensive Income (**FVOCI**) and advances to subsidiaries and associates. The Company adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank investment limits are established on the basis of an internal rating system that principally covers the areas

of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Company closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

3. **Interest rate risk.** Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to its cash and cash equivalents and loans payable.

Cash and cash equivalents are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit or loss of the Group.

Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

4. **Price risk.** Price risk is the risk that the fair value of the financial investments particularly debt and equity instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Group's Board of Directors reviews and approves all equity investment decisions.

5. **Liquidity Risk.** The Group maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity. Free cash flows have been restricted primarily for the settlement of the Parent's Company's debt obligations.

The Company manages liquidity risk by maintaining adequate reserves, establishing banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

6. **Risks Related to COVID-19.** Many countries, including the Philippines, suffered from the scourge on health and livelihood caused by the COVID-19 global pandemic. While it has somehow abated, we still consider this to be a key risk element as this has adversely affected our Company's business.

The RLT Group continues to keenly monitor the situation as COVID-19 has been identified as a genuine risk and game changer. The RLT Group has put together its business continuity plan (**BCP**) to mitigate the risk impact to operations and to its personnel in case the pandemic surges again. The Group subscribes to, adheres to and follows national and local government directives and guidelines as well as the best practices being promoted by the Department of Health (**DOH**), the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (**IATF**), Department of Trade and Industry (**DTI**), Department of Public Works and Highways (**DPWH**), Department of Labor and Employment (**DOLE**), and the local government units (**LGUs**) where the Group operates in, etc.

Experience gained from this pandemic will be used to improve the Group's handling of similar emergencies moving forward.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**FINANCIAL SOUNDNESS INDICATORS**

**Exhibit II**

			2023		2022
<b>Net Profit Margin:</b>					
<i>Shows how much profit is made for every peso of revenue</i>	Net Income(Loss)/ Total Revenues	<u>(30,742,297)</u> <b>88,395,356</b>	-34.78%	<u>(22,323,611)</u> 81,878,271	-27.26%
<b>Asset Turnover:</b>					
<i>Shows efficiency of asset used in operations</i>	Total Revenues/ Ave. Total Assets	<u>88,395,356</u> <b>8,517,122,865</b>	0.01	<u>81,878,271</u> 8,156,149,739	0.01
<b>Interest Rate Coverage Ratio:</b>					
<i>Determine how easily a company can pay interest on outstanding debt</i>	EBITDA/ Interest Expense	<u>(14,440,523)</u> <b>12,909,440.35</b>	-1.12	<u>(17,729,035)</u> 3,827,876.72	-4.63

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES  
BUSINESS SEGMENTS  
AS OF MARCH 31, 2023

Exhibit III

	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Travel Services	Other Income	Elimination	Consolidated
Revenue	70,409,013	10,350,792	1,550,293	-			82,310,098
Segment Result	(23,878,235)	411,544	364,027	(14,107)	(15,608)	-	(23,132,378)
Interest expense/Bank charges	(12,909,440)						(12,909,440)
Interest income	6,818,128	328	636				6,819,092
Dividend income							-
Gain on sale of PPE							-
Equity in net loss of associate						(776,311)	(776,311)
Income taxes	(546,864)	(123,463)	(72,933)				(743,260)
Income before minority interest	(30,516,411)	288,409	291,731	(14,107)	(15,608)	(776,311)	(30,742,297)
Minority interest							
Net Income	(30,516,411)	288,409	291,731	(14,107)	(15,608)	(776,311)	(30,742,297)
Other Information							
Segment assets	8,398,640,039	98,102,438	9,845,798	1,270,628	366,817	(66,893,014)	8,441,332,706
Investment at equity method							-
Unallocated corporate assets							-
Consolidated Total Assets	8,398,640,039	98,102,438	9,845,798	1,270,628	366,817	(66,893,014)	8,441,332,706
Segment liabilities	1,898,394,575	32,376,019	4,236,763	30,129,877	79,782,219	(98,674,589)	1,946,244,864
Unallocated corporate liabilities							-
Consolidated Total Liabilities	1,898,394,575	32,376,019	4,236,763	30,129,877	79,782,219	(98,674,589)	1,946,244,864
Capital expenditure	-	-		-			-
Depreciation	2,627,675		21,400	-			2,649,074
Non-cash expenses other than depreciation							-



**ANNEX “K”**

**MINUTES OF THE 2022 ANNUAL STOCKHOLDERS MEETING**

**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF  
PHILIPPINE REALTY AND HOLDINGS CORPORATION<sup>1</sup>  
conducted virtually through video conference facility  
at [www.philrealtyasm.com](http://www.philrealtyasm.com) on  
June 30, 2022, at 3:00 p.m.**

**Stockholders present:**

Total Number of Shares Outstanding (Net of Treasury Shares)	9,100,102,685
Treasury Shares	81,256,100
Total Number of Shares Participating remotely or <i>in absentia</i>	220,353,758
Percentage of Shares Participating remotely or <i>in absentia</i>	2.42%
Total Number of Shares Represented by <i>Proxy</i>	7,602,179,068
Percentage of Shares Represented by <i>Proxy</i>	83.54%
Total Number of Shares Participating remotely or <i>in absentia</i> & Represented by <i>Proxy</i>	7,822,532,826
Percentage of Shares Participating remotely or <i>in absentia</i> & Represented by <i>Proxy</i>	85.96%
Total Number of Shares Not Represented	1,277,569,859
Percentage of Shares Not Represented	14.04%

**Directors Present:**

Mr. Antonio O. Olbes  
Mr. Renato Nuñez  
MR. Alfredo S. Del Rosario, Jr.  
Mr. Edmundo C. Medrano  
Mr. Amador C. Bacani  
Mr. Jomark O. Arollado  
Mr. Alfonso Martin E. Eizmendi  
Mr. Andrew Ng

**I. Call to Order**

---

The Vice Chairman of the Board and Independent Director, Mr. Renato G. Nuñez, called the Stockholders' Meeting ("Meeting") to order at 3:10 p.m. and presided over the same. The Corporate Secretary, Atty. Rex P. Bonifacio, recorded the minutes of the Meeting.

At the request of the Chairman, the Corporate Secretary introduced the members of the Board of Directors to the stockholders.

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<sup>1</sup> The "Company".

MINUTES OF THE ANNUAL STOCKHOLDERS’ MEETING OF  
PHILIPPINE REALTY AND HOLDINGS CORPORATION<sup>1</sup>  
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Directors Present:

Mr. Antonio O. Olbes  
Mr. Renato Nuñez  
MR. Alfredo S. Del Rosario, Jr.  
Mr. Edmundo C. Medrano  
Mr. Amador C. Bacani  
Mr. Jomark O. Arollado  
Mr. Alfonso Martin E. Eizmendi  
Mr. Andrew Ng

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At the request of the Chairman, the Corporate Secretary introduced the members of the Board of Directors to the stockholders.

---

<sup>1</sup> The “Company”.

<b><u>Name</u></b>	<b><u>Designation</u></b>
Mr. Gerardo Domenico Antonio V. Lanuza	Chairman of the Board/ Chairman, Executive Committee/ Member, Corporate Governance and Nominations Committee, Procurement Committee & Retirement Plan Committee
Mr. Renato G. Nunez	Vice Chairman of the Board/ Independent Director/ Chairman, Audit Committee & Corporate Governance and Nominations Committee/ Member, Executive Committee, Board Risk Oversight Committee & Related Party Transactions Committee
Mr. Gerardo O. Lanuza Jr.	Chairman Emeritus/ Member, Executive Committee & Procurement Committee
Mr. Antonio O. Olbes	Vice Chairman Emeritus
Mr. Alfredo S. Del Rosario, Jr.	President and Chief Executive Officer/ Chairman, Retirement Plan Committee, Management Committee & Project Committee/ Member, Executive Committee, Board Risk Oversight Committee & Related Party Transactions Committee
Mr. Edmundo C. Medrano	Executive Vice President and Chief Operating Officer and Treasurer/ Member, Board Risk Oversight Committee, Retirement Plan Committee, Management Committee & Project Committee.
Mr. Amador C. Bacani	Member, Executive Committee, Audit Committee, Procurement Committee & Retirement Plan Committee
Mr. Andrew C. Ng	Member, Procurement Committee
Mr. Alfonso Martin E. Eizmendi	Independent Director/ Chairman, Board Risk Oversight Committee & Related Party Transactions Committee/ Member, Audit Committee & Corporate Governance and Nominations Committee
Mr. Jomark O. Arollado	Independent Director/ Chairman, Procurement Committee/ Member, Corporate Governance and Nominations Committee, Board Risk Oversight Committee Related Party Transactions Committee.

He also acknowledged the presence of the key officers of the Company and guests.

## **II. Certification of Service of Notice**

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The Corporate Secretary certified that a copy of the Notice of Meeting was published in print and online format in *BusinessMirror* and *BusinessWorld*, both newspaper of general circulation, on June 9 and 10, 2022, in accordance with the requirements of the Securities and Exchange Commission ("SEC"). The Affidavits of Publication issued by *BusinessMirror* and *BusinessWorld* are hereto attached as Annexes "A" and "B" and made part of the Minutes.

## **III. Certification of the Presence of Quorum**

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The Corporate Secretary reported that Seven Billion Eight Hundred Twenty Two Million Five Hundred Thirty Two Thousand Eight Hundred Twenty Six (7,822,532,826) shares or Eighty Five and 96/100 Percent (85.96%) of the Company's Nine Billion One Hundred Million One Hundred Two Thousand Six Hundred Eighty Five (9,100,102,685) total outstanding shares<sup>2</sup> entitled to vote were represented at the meeting *in absentia* and by proxy.<sup>3</sup> Based on the recorded attendance, the Corporate Secretary certified that there was a quorum and that the Meeting could proceed.

At the request of the Chairman, the Corporate Secretary read the rules of conduct and procedures of the Meeting.

1. Stockholders who have registered and voted on or before the deadline as provided in the Definitive Information Statement and Notice of Stockholders' Meeting shall be considered for purposes of determining the quorum.
2. All questions, comments, or clarifications shall be addressed to the Chairman of the Meeting and shall be entertained, read, and responded to during the Question and Answer or after the Other Matter.
3. The Moderator of the Meeting shall read the questions which shall be responded to by whoever the Chairman of the Meeting may appoint or designate from the members of the Board or officers of the Corporation.
4. Stockholders may send their questions, comments, or clarifications on matters related to the items in the agenda through the comment box found below the link [www.philrealtyasm.com](http://www.philrealtyasm.com).
5. The Company will endeavor to answer all questions. All queries not answered during the Question and Answer for whatever reason will be responded to via email.
6. The meeting is being recorded in compliance with the guidelines for online meetings issued by the SEC and by joining our live webcast stockholders are deemed to have given their consent thereto.

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<sup>2</sup> Net of Treasury Shares of 81,256,100

<sup>3</sup> A copy of the Attendance Report submitted by the Company's stock and transfer agent, Stock Transfer Service, Inc., to the Corporate Secretary is herewith attached as Annex "C".

7. In compliance with the Revised Corporation Code of the Philippines, I will be reporting the voting results after the discussion of each agenda item, and the same shall be reflected in the minutes of this meeting.

**IV. Reading and Approval of the Minutes of the last Annual Stockholders Meeting**

The Chairman proceeded to the next order of business which was the reading and approval of the minutes of the annual meeting of the stockholders held on June 30, 2021. A copy of the minutes was made available at the Office of the Corporate Secretary and posted in the Company’s website.

Ms. Margie Taborlupa (“MS. TABORLUPA”), a proxy holder, made the following motion:

*“Mr. Chairman, I respectfully move that the reading of the minutes of the Annual Stockholders’ Meeting held on June 30, 2021 be dispensed with, and that the same be approved and ratified as recorded.”*

The motion was seconded by Mr. Joey Jimena (“MR. JIMENA”), a proxy holder.

At the request of the Chairman and there being no objection, the Corporate Secretary presented the voting results for this item. Below is the tabulation of votes:<sup>4</sup>

Vote	Number of Votes	Percentage of Shares Represented
In Favor	7,822,532,826	100%
Against	0	0
Abstain	0	0
Total	7,822,532,826	100%

With the above votes in favor of approval, the Chairman declared the motion carried and the agenda item approved.

**V. Approval of the Annual Report and Audited Financial Statements for the Year 2021**

The Chairman proceeded to the next item in the agenda which was the approval of the Annual Report and the Audited Financial Statements for the year 2021.

After a short speech, the Chairman gave the floor to the Company’s President and Chief Executive Officer, Mr. Alfredo S. Del Rosario, Jr., for his report on the state of the Company in 2021, as well as present and future ventures. The President delivered his report, as follows:

<sup>4</sup> The tabulation of votes for each agenda item was validated by Michael C. Capoy, representative of Stock Transfer Services, Inc.

“Our Stockholders, Members of the Board of Directors, my colleagues at PhilRealty, guests, ladies and gentlemen, good afternoon!

Today, we are happy to share with you the results that your Company has achieved during the last year, as well as our plans in the coming years.

But before I proceed to report to you those results, allow me to first provide you with an overview of the Philippine real estate landscape in 2021, as it affected our performance outcome.

It has been reported that the real estate industry was one of the key drivers of the country’s economy during the second quarter of last year, generating gross value added of nearly 528 billion pesos.<sup>5</sup>

In fact, according to Leechiu Property Consultants, a real estate brokerage company specializing in Data Analytics and Property Valuation among others, prices of luxury residential spaces continued to appreciate in 2021 despite the 19 months of coronavirus lockdowns, and this is primarily because luxury products have the ability to weather downturns. As a case in point, luxury condominiums such as those located in Makati City and Bonifacio Global City (BGC) continued to gain value amid the pandemic. The boom started in 2004, from then it has had a steady climb and despite politics, natural disasters, and elections, it was able to weather significantly adverse volatility.<sup>6</sup>

Another study from another property consultant, Colliers International Philippines, advised that residential projects in the luxury and mid-income segments are regarded as bright spots for the industry, and developers are lining up projects to capture recovery. They noted that one reason behind the resurgence in demand for residential sales is the accelerated pace of the government’s vaccination rollout and the “subsequent reabsorption of office space,” which would play an important role in the sectoral recovery. The government’s vaccine rollout and the subsequent reabsorption of office spaces are expected to help prop up residential demand. Of the 2021 first-quarter data, mid-income-to-luxury projects continued to dominate, accounting for 97 percent of launches and 98 percent of take-up.<sup>7</sup>

This upward trend in the luxury segment of the real estate industry was reflective of your Company’s performance last year. And with that, I will now present PhilRealty’s financial results.

In 2021, your Company posted a consolidated net income, after tax, of more than ₱192 million. This is almost five times our income last year, which was ₱39 million, and this is the result of the following:

Firstly, our total revenues for the last year improved to ₱905 million, compared to the ₱705.3 million of 2020.

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<sup>5</sup> <https://www.statista.com/statistics/1265322/philippines-gross-value-added-from-real-estate/>

<sup>6</sup> <https://www.philstar.com/business/2021/12/15/2148177/unfazed-lockdowns-luxury-land-and-condos-just-got-pricier-year>

<sup>7</sup> <https://www.manilatimes.net/2021/11/02/business/real-estate-and-property/real-estate-prospects-look-bright-in-2022/1820599>

₱153.8 million, or 17% of total revenues came from the sale of real estate, which was lower by ₱ 111 million than the previous year. However, while there was a decline in our sale of real estate, we made up for it with revenue generated from rent, management fees, interests gain and revaluation of investment properties, which composed 83% of our total revenues. From ₱440.6 million, we managed to increase our other revenues by ₱310.6 million, bringing the total amount to ₱751.2 million by the end of December 31, 2021.

Total assets also increased from 2020 to 2021, jumping from ₱6.10 billion to ₱ 8.23 billion. The significant increase in assets was brought about by an increase in real estate inventories and investment properties.

Your Company's Debt-to-Equity ratio remained good and conservative as the Company's financial leverage slightly decreased, closing at 0.30 to 1. Meanwhile, PhilRealty's current ratio conversely took a hike from 3.84 to 1 to 5.31 to 1, mainly due to a combined decrease in current liabilities and an increase in current assets. This current ratio of 5.31 to 1 is considered quite healthy.

Similarly, the Asset-to-Equity ratio of the Company also showed steadiness over time, as it only slightly adjusted from 1.54 in 2020 to 1.30 in 2021.

The steady performance of Debt-to-Equity, and Asset-to-Equity ratios of the Company clearly demonstrates that our real estate business continues to be financed primarily by funds provided by shareholders and a relatively small amount of debt.

The performance of the Company's book value per share amid the challenges of 2021 remained stable, even if it had declined marginally, from ₱0.84 per share down to ₱0.71.

Nevertheless, our net worth still grew by 59.3% with an increase of more than ₱2.35 billion.

Turning to the highpoints of our operations in 2021, the year saw your Company working on the redevelopment of a former condominium project showroom structure constructed on its leased commercial space in BGC, into a retail and mixed-use building with spaces eventually leased out to a universal bank branch, a specialty restaurant and cigar bar, a healthy food outlet. This was in addition to the previous sub-lease of an adjacent lot to a luxury car brand showroom. We also completed the renovation of office spaces in Tektite Towers, the former Philippine Stock Exchange Centre, to expand our property portfolio for both leasing and for sale in this central business district.

Your Company has also sustained its focus, attention and efforts to the planning and design of an ultra luxe residential project in one of the prime locations of Bonifacio Global City. This tower will occupy one of the 2 lots in BGC that your Company has acquired, by way of an asset exchange, from Greenhills Properties, Inc. or GPI, our principal shareholder. This property is set to be the site of a signature and distinguished vertical home in the area, promising unparalleled lifestyle complement.

Moreover, we are likewise keen on starting the planning and development of the remaining towers in the One Balete compound, in New Manila, Quezon City. Staying true to our legacy, these future towers will be of the same luxury quality as their predecessors, SkyVillas and Skyline Premiere. As has always been our inclination, we will design these buildings to be elegant and to feature upscale architecture and interior design, and



include amenities and services that are meant to embody the lifestyle of our distinct clients.

The opening up of the economy while quickly moving towards the post-pandemic present has caused several trends to emerge from inactivity, including in the tourism industry. Hence, it's quite timely that PhilRealty launched El Retiro, a premier luxury vacation home set on a lush 1.6-hectare property in Baguio. El Retiro is conveniently located near Baguio's top-rated landmarks and is ready to welcome staycationers. Moreover, your Company envisions expanding its footprint in the North, where we currently own good-sized properties. We believe venturing into the development of these assets would strengthen and make your Company more profitable.

We recognize the need for significant financial resources to be able to successfully accomplish these future plans. In this regard, we are grateful for the trust and confidence of our principal shareholders and the continuous support of our bank partners.

As the post-pandemic world starts to take hold and advance, your Company will move in step with our stakeholders and consumers at the forefront, providing better service and efficiency. With the recovery of the Philippine economy on the horizon, trust that your Company will continue to be on the look-out for and take advantage of opportunities to enhance its profitability and financial strength.

We will endeavor to generate more sales and leasing revenues, but always grounded in our core values and unique proposition. As more banking and other investment partnerships are forged and strengthened, we are convinced that we will be able to acquire the needed resources to bring our plans to fruition. It is also our hope that by doing so, it will further reinforce the trust of our clients and stakeholders in our commitment to produce the best results and to increase values for them.

With the guidance of our esteemed board of directors, your Company is optimistic and confident that with a clear business vision, strategic planning, thoughtful resource acquisition, and a competent organization, we will be able to continue to grow the business, thrive, and transform landscapes into the PhilRealty brand.

Thank you and have a good afternoon!"

The Chairman thanked the President for his report and entertained the following motion from Ms. Jineca Dumayas ("MS. DUMAYAS"), a proxy holder:

*"Mr. Chairman, I move that the Annual Report and the Audited Financial Statements for the year ended 2021 be approved, ratified and confirmed."*

The motion was seconded by Ms. Eliz Hernani ("MS. HERNANI"), a proxy holder.

At the request of the Chairman and there being no objection, the Corporate Secretary presented the voting results for this item. Below is the tabulation of votes:

Vote	Number of Votes	Percentage of Shares Represented
In Favor	7,822,532,826	100%

Against	0	0
Abstain	0	0
<b>Total</b>	<b>7,822,532,826</b>	<b>100%</b>

With the above votes in favor of approval, the Chairman declared the motion carried and the agenda item approved.

**VI. Ratification of corporate acts, resolutions and proceedings of the Board of Directors, Board Committees and Corporate Officers since the last Annual Stockholders’ Meeting**

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The Chairman then proceeded to the next item in the agenda which was the ratification of corporate acts, resolutions and proceedings of the Board of Directors, Board Committees, and officers of the Company since the last annual stockholders’ meeting.

MR. JIMENA made the following motion:

*“Mr. Chairman, I move that all acts, resolutions, contracts, deeds and proceedings of the Board of Directors, Board committees and officers of the Corporation since the last Annual Stockholders’ Meeting held on June 30, 2021 and up to today’s meeting, as set forth or reported in the Minutes of the meetings of the Board of Directors and its Committees and in the reports submitted by the Corporation to the SEC, PSE and other regulatory bodies, and all acts and proceedings performed or taken pursuant thereto, be approved, ratified and confirmed.”*

MS. DUMAYAS seconded the motion.

At the request of the Chairman and there being no objection, the Corporate Secretary presented the voting results for this item. Below is the tabulation of votes:

Vote	Number of Votes	Percentage of Shares Represented
In Favor	7,822,532,826	100%
Against	0	0
Abstain	0	0
<b>Total</b>	<b>7,822,532,826</b>	<b>100%</b>

With the above votes in favor of approval, the Chairman declared the motion carried and the agenda item approved.

**VII. Election of Board of Directors**

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The Chairman then proceeded to the election of members of the Board of Directors of the Company. He inquired from the Corporate Secretary the names of the qualified nominees for election as members of the Board of Directors for 2022-2023 term.

The Corporate Secretary reported that after proper screening and approval by the Corporate Governance and Nomination Committee the following persons were determined to be qualified for nomination as members of the Board of Directors of the Company:

- Mr. Gerardo O. Lanuza, Jr.
- Mr. Antonio O. Olbes
- Mr. Gerardo Domenico Antonio V. Lanuza
- Mr. Alfredo S. Del Rosario, Jr.
- Mr. Edmundo C. Medrano
- Mr. Gregory G. Yang
- Mr. Andrew Ng
- Mr. Amador C. Bacani

For Independent Director:

- Mr. Renato G. Nuñez
- Mr. Jomark O. Arollado
- Mr. Alfonso Martin E. Eizmendi

The Corporate Secretary advised the stockholders that the profiles of the nominees to the Board of Directors were part of the Definitive Information Statement submitted by the Company to the SEC.

Thereafter, the Chairman entertained the following motion from MS. HERNANI:

*“Mr. Chairman, I respectfully move that all the nominees for the members of the Board of Directors be declared as duly elected directors of the Corporation to serve as such for one (1) year, beginning today, until their successors are duly elected and qualified.”*

The motion was seconded by MS. TABORLUPA.

Considering that there were only eleven (11) persons nominated to, and qualified for, the eleven (11) seats in the Board, the Corporate Secretary was directed to apply all the votes received in favor of those nominated.

Below is the tabulation of votes:

Nominee	Vote	Number of Votes	Percentage of Shares Represented
Gerardo Domenico Antonio V. Lanuza	In Favor	7,822,532,826	100%
	Against	0	0
	Abstain	0	0
	Total	7,822,532,826	100%
Gerardo O. Lanuza, Jr.	In Favor	7,822,532,826	100%
	Against	0	0
	Abstain	0	0
	Total	7,822,532,826	100%

Antonio O. Olbes	In Favor	7,822,532,826	100%
	Against	0	0
	Abstain	0	0
	<b>Total</b>	<b>7,822,532,826</b>	<b>100%</b>
Alfredo S. Del Rosario, Jr.	In Favor	7,822,532,826	100%
	Against	0	0
	Abstain	0	0
	<b>Total</b>	<b>7,822,532,826</b>	<b>100%</b>
Edmundo C. Medrano	In Favor	7,822,532,826	100%
	Against	0	0
	Abstain	0	0
	<b>Total</b>	<b>7,822,532,826</b>	<b>100%</b>
Gregory G. Yang	In Favor	7,822,532,826	100%
	Against	0	0
	Abstain	0	0
	<b>Total</b>	<b>7,822,532,826</b>	<b>100%</b>
Andrew C. Ng	In Favor	7,822,532,826	100%
	Against	0	0
	Abstain	0	0
	<b>Total</b>	<b>7,822,532,826</b>	<b>100%</b>
Amador C. Bacani	In Favor	7,822,532,826	100%
	Against	0	0
	Abstain	0	0
	<b>Total</b>	<b>7,822,532,826</b>	<b>100%</b>
Renato G. Nuñez (Independent Director)	In Favor	7,822,532,826	100%
	Against	0	0
	Abstain	0	0
	<b>Total</b>	<b>7,822,532,826</b>	<b>100%</b>
Jomark O. Arollado (Independent Director)	In Favor	7,822,532,826	100%
	Against	0	0
	Abstain	0	0
	<b>Total</b>	<b>7,822,532,826</b>	<b>100%</b>
Alfonso Martin E. Eizmendi (Independent Director)	In Favor	7,822,532,826	100%
	Against	0	0
	Abstain	0	0
	<b>Total</b>	<b>7,822,532,826</b>	<b>100%</b>

With the above votes, and there being no objection, the Chairman declared the following persons as duly elected members of the Board of Directors of the Company to serve for one (1) year, beginning June 30, 2022, until their successors are duly elected and qualified.

- Mr. Gerardo O. Lanuza, Jr.
- Mr. Antonio O. Olbes
- Mr. Gerardo Domenico Antonio V. Lanuza
- Mr. Alfredo S. Del Rosario, Jr.
- Mr. Edmundo C. Medrano
- Mr. Gregory G. Yang
- Mr. Andrew C. Ng
- Mr. Amador C. Bacani

And Independent Directors, namely:  
Mr. Renato G. Nuñez

Mr. Jomark O. Arollado  
Mr. Alfonso Martin E. Eizmendi

On behalf of the newly elected directors the Chairman expressed his thanks and appreciation to the stockholders for their trust and continued support.

**VIII. Appointment of Independent Auditor**

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The Chairman proceeded to the next item in the agenda which was the appointment of independent auditor for the ensuing year.

MS. TABORLUPA made the following motion:

*“Mr. Chairman, I respectfully move that MACEDA VALENCIA & CO. be appointed as the external auditor of the Corporation for the year 2022, subject to such terms and conditions as may be imposed subsequently by the Board of Directors.”*

MR. JIMENA seconded the motion.

At the request of the Chairman and there being no objection, the Corporate Secretary presented the voting results for this item. Below is the tabulation of votes:

Vote	Number of Votes	Percentage of Shares Represented
In Favor	7,822,532,826	100%
Against		0
Abstain		0
Total	7,822,532,826	100%

With the above votes in favor, the Chairman declared the motion carried and the agenda item approved.

**IX. Other Matter**

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At the request of the Chairman, the Corporate Secretary reported that there were no other matters that require consideration by the stockholders.

**X. Question and Answer**

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The Chairman then proceeded to the question and answer portion of the Meeting. He requested Mr. Rozano L. Santos (“MR. SANTOS”), the Company’s Senior Manager and Development Officer, to read the questions, comments and clarifications submitted by the stockholders. Below are the questions asked and the responses given:

**"MR. SANTOS:** *Mr. Chairman, we have a question from Mr. Jonathan Sandejas' proxy. The question reads: What can we expect from PhilRealty as we now enter a post-pandemic world?"*

**"CHAIRMAN:** *May I request our President and C.E.O., Mr. Alfredo S. Del Rosario, Jr., to respond to the question."*

**"MR. DEL ROSARIO:** *The global pandemic may be temporary, but its impact on the real estate industry will continue to be felt for the next couple of years. In hindsight, your Company continues to anticipate growth through 2022 with the economic recovery well underway. PhilRealty will continue to build high-quality developments such as luxury residential condominiums, offices, and commercial spaces, staying true to the Company's core vision.*

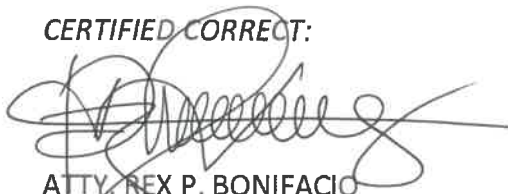
*As real estate investments are picking up in 2022, we are certain that our initiatives will drive us to succeed in growing our business. Following the redevelopment of commercial space in BGC into a mixed-use development and the refurbishment of office space in Tektite Towers for lease, your Company has set its sights on the construction of an ultra-luxury condominium in the heart of BGC. Your Company looks forward to building more innovative projects to meet the distinctive needs of property seekers in the post-pandemic world."*

**"MR. SANTOS:** *Thank you, Mr. Del Rosario, for bringing light to the matter. Mr. Chairman we have no more questions."*

There being no other questions from stockholders, the Chairman thanked MR. SANTOS and entertained a motion for adjournment from MS. DUMAYAS. The motion was seconded by MS. HERNANI. There being no objection, the Chairman declared the motion carried and the Meeting adjourned.<sup>8</sup>

The Chairman expressed his thanks to all the stockholders who joined the Meeting and invited them to raise any issues, clarifications and concerns regarding the Meeting by sending an email to the Office of the Corporate Secretary at [corporatesecretary@philrealty.com.ph](mailto:corporatesecretary@philrealty.com.ph).

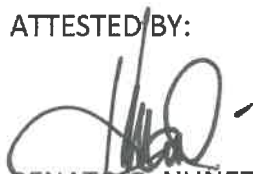
**CERTIFIED CORRECT:**



ATTY. REX P. BONIFACIO  
Corporate Secretary

<sup>8</sup> The meeting was adjourned at 3:50 p.m.

ATTESTED BY:



RENATO G. NUNEZ

Vice Chairman of the Board and  
Independent Director/Chairman of the Meeting