Raising the Standard of Innovative City Living

ReimAGIne the Future

2022 Annual Sustainability Report

Empire East

ABOUT THE COVER AND TITLE

ReimAGIne the Future:
Raising the Standard of Innovative City Living

Empire East Land Holdings Inc. (EELHI) continues to innovate to better meet the needs of its stakeholders, especially in developing sustainable and resilient communities. Having moved forward from the impacts of the pandemic, Empire East is well underway in its plans for growth. From its properties to customer service, the Company strives to build holistic communities and homes catered to suit Filipino families' lifestyles and raises urban living standards.

About the Report

ReimAGIne the Future: Raising the Standard in Innovative City Living is Empire East Land Holdings Inc.'s financial, social, environmental, and governance performance for the reporting period of January 1 to December 31, 2022. This report has been prepared in accordance with the GRI Standards. It also complies with the Sustainability Reporting Guidelines for Publicly Listed Companies of the Philippine Securities and Exchange Commission (SEC). This report also details the Group's material topics and how EELHI responded to each during the reporting year.

Reporting Frameworks

- Global Reporting Initiative (GRI) Standards
- SEC Sustainability Reporting Guidelines for Publicly Listed Companies

Scope of the Report

This report covers the activities of Empire East Land Holdings, Inc (Parent Company) and Eastwood Property Land Holdings, Inc.

Period Covered 2-3

January 1, 2022 to December 31, 2022

Reporting Cycle

Annual

Coverage of Most Recent Report

January 2021-December 2021

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2022 Highlights

Total permanent employees (full-time)

264 male

305 female

Total contractors

279 male

170 female

Estimated Value of retirement benefits

Php 429,740,305

29

Total Developments

22 Completed

7 Ongoing

2022 Revenue

mPhp 4,707

Corporate Social Responsibility (CSR) investments

Php 108,909

About the Company

Empire East Land Holdings, Inc. builds landmark residential communities that transform urban and suburban landscapes.

Since 1994, and with a first-mover advantage in the middle-income housing segment, the Company has built up a portfolio of successful projects- choice settings that bring the benefits of harmony, well-being, and value to their residents. Today, through a new breed of community developments, Empire East continues to fashion lifestyles that immerse Filipinos in richer and more rewarding experiences right at home.

The Company's Corporate or Business Profile

2-1; 2-6

Empire East Land Holdings, Inc. (the "Company") was incorporated under Philippine law on 15 July 1994. Prior to its incorporation, the Company was a division of Megaworld Corporation (formerly Megaworld Properties & Holdings, Inc.) and was then known as its Community Housing Division. In 1994, Megaworld Corporation decided to spin off its Community Housing Division into what is now EELHI to separate its high-end residential and office business from its lower and middle-income housing business.

Empire East adheres to the statements and strategies implemented by Megaworld Corporation. Its core products are mid-to high-rise condominium towers within Metro Manila up to single-detached homes and house-and-lot packages in progressive suburban areas. The Company is presently engaged in developing and marketing mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. The Company also leases out commercial and industrial properties. As of December 2013, Megaworld holds 81.73% of the Company.

Company address and headquarters

2-1

Empire East Land Holdings, Inc. and subsidiaries
2nd Floor, Tower 2, Kasara Urban Resort Residences, P. Antonio St., Barangay Ugong, Pasig City 1604 Metro Manila

Ownership

2-2

100%	Eastwood Property Holdings, Inc. (EPHI)
100%	Valle Verde Properties, Inc. (VVPI)
100%	Sherman Oak Holdings, Inc. (SOHI)
100%	Empire East Communities, Inc. (EECI)
100%	20th Century Nylon Shirt Co., Inc.
72.5%	Laguna BelAir Science School (LBASS)*
60%	Sonoma Premier Land, Inc. (SPLI)
47%	Gilmore Property Marketing Associates, Inc. (GPMAI)
40%	Pacific Coast Megacity, Inc

**LBASS ceased its business operations effective after the school year 2021-2022.*

Our Vision

Empire East continues to provide excellent and consistent customer service to aspiring Filipino homeowners.

In the next era of development, the Company aims to strengthen stakeholder trust and relationships, build smarter homes and sustainable communities, and continue campaigning for a holistic enjoyment of Filipino families' lifestyles.

Backed by an extensive portfolio of quality and affordable homes, Empire East is renewing its commitment to its partners and end-users to support their dynamic lifestyles continuously.

Message from the President & CEO

2-22

Dear Stakeholders,

Three years into the pandemic, Empire East remained steadfast in our vision of raising the standard of innovative city living in 2022. We have emerged victorious amid countless challenges, and we applaud our workforce who tirelessly uphold excellence that we are known for, even during difficult times.

2022 is the year of accelerated growth for your Company. Recovering from the effects of the pandemic and gradually reopening and returning to normal, we look back to what then seemed insurmountable setbacks, but we triumphantly adapted to the evolving business landscape, setting your Company to grow to new heights.

Empire East focused on driving forward and implementing technological innovations to thrive while considering the fast-changing market behavior, preferences and priorities. We developed digital tools and online platforms in 2022 with our 3Ps - People, Product, and Process – an approach we designed based on our Transmutation Plans from previous years, prioritizing critical touch points in the home buying process. We seamlessly blended offline and online transactions to provide faster and more reliable outcomes, making processes easier for homebuyers and the Empire East team.

Prioritizing People

Empire East's top concern is tailoring its process to its stakeholders' needs. Customer preferences for home buying changed dramatically because of the pandemic. From face-to-face transactions, it pivoted to the digital sphere with lesser physical contact for safety. Leveraging this opportunity, we developed the Empire East Highland City Walkthrough App - an immersive app for our upcoming township in the East of Metro Manila. It offers a fresh perspective on how real estate developers present their Products safely and conveniently. This innovation enabled our stakeholders to experience the township's features while the site is still under development. For those clients who prefer a face-to-face meeting, we have opened our showrooms to bring back the personalized connection of service toward homebuyers.

Innovative Projects

Our portfolio is continuously expanding due to the progressing demands of Filipinos aspiring to own a home. With that, we have launched more fresh inventories for Empire East Highland City, unveiling the second phase called Bellara, after the four towers of the first phase, Arcadia, have been sold out. We have also topped off the Mango Tree Residences, alongside several towers of other Empire East developments that will soon be ready-for-occupancy. We have additionally launched a food park on the Empire East Highland City grounds, where we serve a variety of cuisines to suit the taste preferences of people coming by.

Improving our Processes

This year, we also focused on the efficiency of our processes by creating solutions that improve the convenience of our clients. One of the innovations we developed was Ask About Your Home (AAYH), which enables homeowners and buyers to submit a ticket detailing their queries. A dedicated team responds to each query promptly.

The improvement of our process efficiency is also directly linked to our thrust in prioritizing people. We made sure that our employees were able to work productively as a result of a healthy work-life balance. Despite being amid a global pandemic, we have initiated online gatherings and events to help them form strong ties with their coworkers. As a result, Empire East could work cohesively as a team because we prioritized the people who made these ideas possible.

> As we tread our path to our 30th year in the real estate industry, we shall strive not only in bringing **innovative city living** to raised standards, but also in **redefining authenticity** in home buying and lifestyles.

Embracing Sustainability

Even before the term "sustainability" was coined, your Company has long been a pioneer of promoting sustainable practices in our business. From transit-oriented homes that help lessen the carbon footprint, utilization of renewable energy sources in our communities, waste management and recycling, environment-friendly construction methods, up to being paperless in our transactions that eventually led to the 100% digitalization of our processes, Empire East has been at the forefront of sustainability.

Our corporate social responsibility (CSR) programs under Empire East Cares have been aligned with some of the key Sustainable Development Goals (SDG) of the United Nations. Our CSR initiatives over the past years have aimed to alleviate poverty and hunger, promote good health and well-being, provide sustainable community, among others, are encapsulated in the DNA of Empire East even before our conglomerate, Alliance Global, started embracing sustainability.

As we tread our path to our 30th year in the real estate industry, we shall strive not only in bringing innovative city living to raised standards, but also in redefining authenticity in home buying and lifestyles. We will continue our mission of accentuating cityscapes in and beyond Metro Manila.

For our homebuyers, we aim to build not just a home but a whole community that is not only affordably luxurious but, most importantly, positively impacts health and well-being through sustainable design and management. We have you, first and foremost, in mind as we move forward and design future homes and innovations.

To our stockholders and investors, we ensure that Empire East is backed by a strong team with sustainable plans and programs for the future. We hope for your continued trust that we will deliver quality homes and serve homebuyers efficiently.

To our employees, thank you for investing your knowledge and skills to fuel our innovations and projects to build homes, improve lives, promote green communities, and generate positive impacts across cities. I hope you will continue to be with us as we aim to achieve more towards our third decade in the business.

Let us ReimAGIne the Future together and raise the standard of innovative city living. Thank you for your trust and support to the Group.

Anthony Charlemagne C. Yu
Director/President

Raising the Standard of Innovative City Living

203-1
203-2

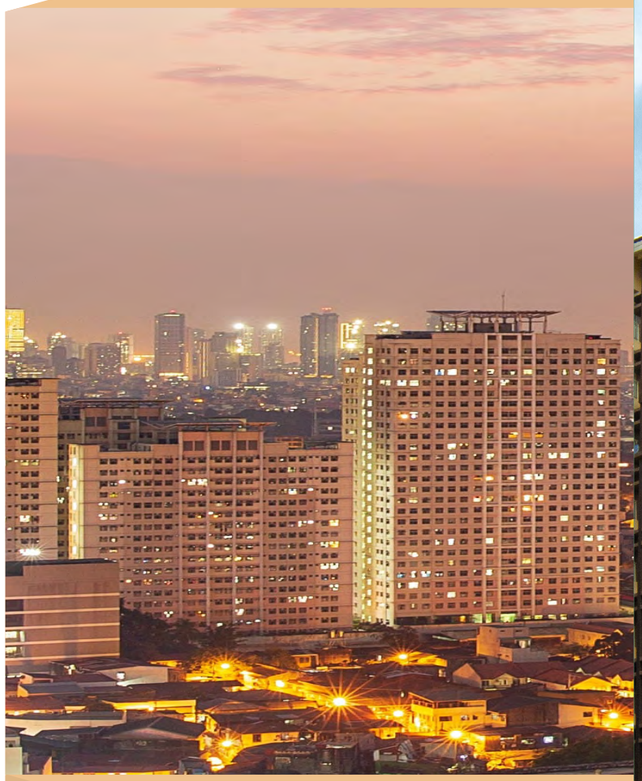
The transport-oriented concept defines all of EELHI's township developments. With this, easy mobility access (especially with public transportation), co-location of markets, care facilities, education, and other commercial spaces catering to the community's needs are within easy reach of homebuyers. Developments also feature and combine leisure, health, and business-related amenities that truly reflect innovative urban living.

Location of Developments

Little Baguio Terraces

Little Baguio Terraces is a four-tower development located in the City of San Juan, Metro Manila. The LRT-2 is easily accessible in this development and schools, shopping centers, leisure hubs, and medical institutions are within its 5-km radius.

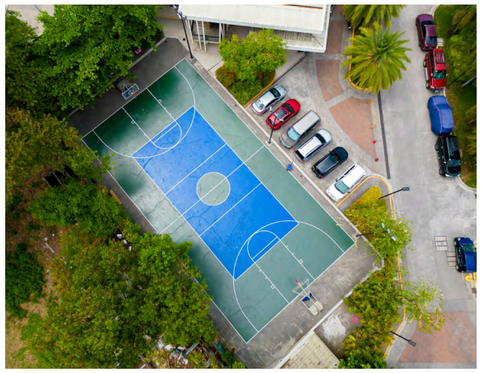
- 25% open space
- 4 towers
- Lap and kiddie pool
- Outdoor spa
- Sunbathing deck
- Playground
- Daycare center
- Fitness gym



The Rochester

The Rochester is a seven mid-to high-rise tower located in Pasig City. It is designed as an urban resort inspired by Asian Modern Design. With widely-cut units, it is a perfect choice for starting families. Bonifacio Global City Central Business District is the closest business and commerce hub, being 3 kilometers away. The closest schools and hospitals are within 5 kilometers.

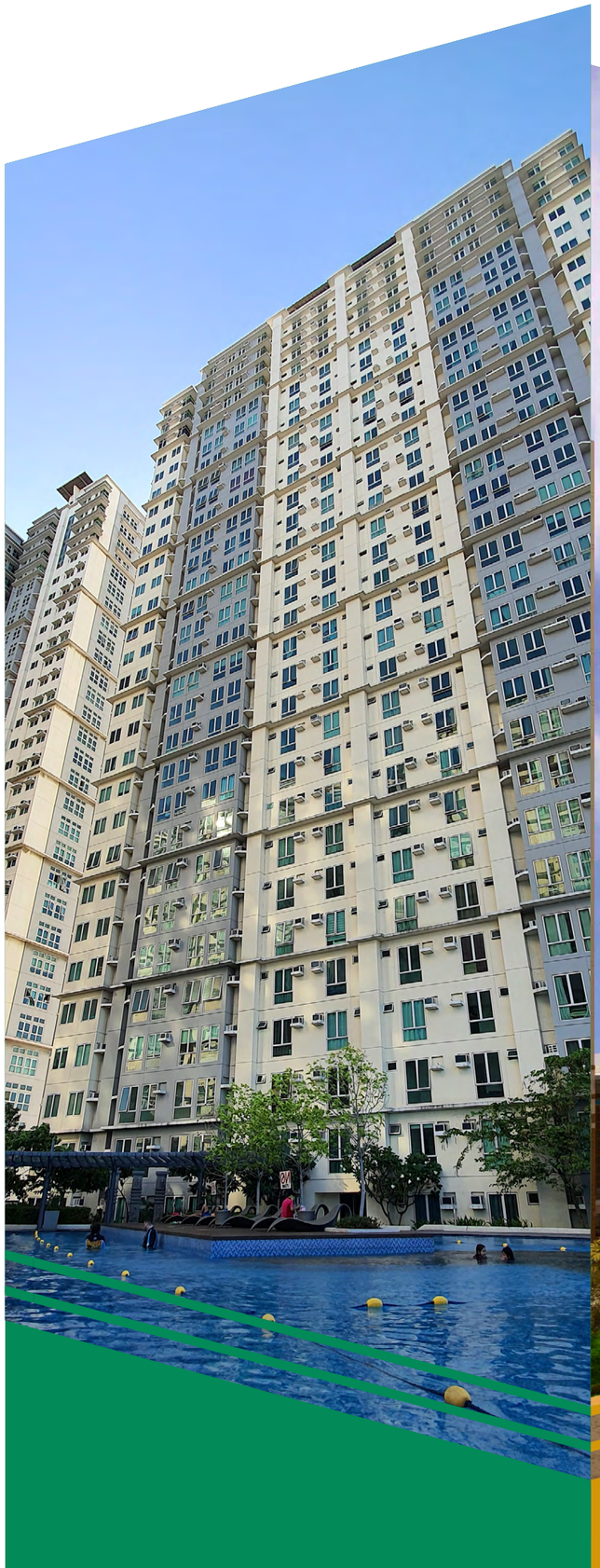
- Wi-Fi enabled Clubhouse
- Swimming pool
- Lounge area with mini-bar
- Outdoor spa
- Sunbathing deck
- Playground and game area
- Basketball/Tennis court
- Fitness gym
- Pocket gardens/park
- Business center
- Multi-purpose hall



SanLorenzoPlace

The high-end San Lorenzo Place is situated within the Makati City Central Business District. The four-tower development is also conveniently linked to the Magallanes station of the MRT3, which offers another transportation option that can bring each resident to the vital hubs in the North in no time.

- 40% Open Space
- Commercial shops at ground and podium levels
- Swimming Pool
- Children's Playground
- Fitness Gym
- Multi-purpose Court
- Function Room
- Paved Sunbathing Deck
- Day Care Center



COVENT GARDEN

Covent Garden in Santa Mesa, Manila offers calm and serenity in the middle of the city with its contemporary modern architectural design, luscious green garden, and first-class amenities. It is a two-tower gated community near the university belt area that offers safe and convenient homes.

- 30% Open Space
- Swimming pool
- Outdoor bar and lounge
- Playground
- Jogging path
- Function room

MANGO TREE RESIDENCES

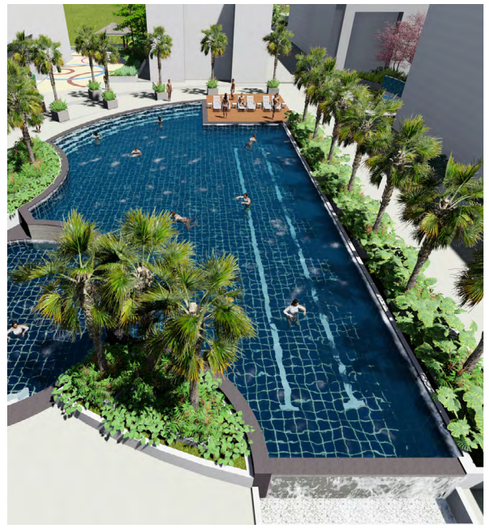
This two-tower development in the City of San Juan is known for its on-stilts architecture surrounded by preserved mango trees, landscaped greenery, and open spaces. Relevant business and commerce hubs, schools, and three major city hospitals are within 3 kilometers of the development.

- 40% Open Space
- Swimming pools
- Garden deck
- Fitness gym
- Al fresco gym
- Function rooms
- Yoga station
- Landscaped garden

THE PADDINGTON PLACE

The Paddington Place, along Shaw Boulevard, Mandaluyong City, is close to the Central Business District. Shopping centers, medical institutions, and schools are nearby the development giving residents a more convenient lifestyle.

- 40% Open Space
- 25-m lap Pool
- Fitness Gym
- Kiddie Pool
- Garden Deck
- Terraced Gardens
- Function Rooms
- Indoor Playrooms



KASARA

Urban Resort Residences

Kasara is an urban resort community in Pasig City. Featuring amenities such as a lake-inspired swimming pool, scenic elevators with a glass-wall feature, a nature-rich setting, and deep earth-tone palettes, it provides residents with a home that has a vacation lifestyle ambiance.

- 60% Open Space
- Lake-inspired Swimming Pool
- Clubhouse with Bar and Multi-purpose Hall
- Jogging Paths
- Activity Area
- Water Features
- Multi-purpose Court
- Daycare Center
- Children's Playground
- Fitness Gym
- Indoor Game Room

Pioneer Woodlands

Pioneer Woodlands features six high-rise towers and a transit-oriented design. Situated near MRT-3 Boni Ave. Station, it is an ideal residence for working professionals and students who wish to be near essential locations.

- 25% Open Space
- Landscaped garden
- Lap swimming pool
- Wading pool
- Function room
- Outdoor fitness station
- Fitness gym
- Children's playground
- Paved sunbathing deck
- Jogging path

EMPIRE EAST
HIGHLAND CITY

Empire East Highland City is a 22-hectare development located in Pasig-Cainta that boasts about open space and efficient road networks as wide as 6-lanes—all serving an integral function of total city-living enjoyment. It also features green architecture components such as drainage systems that follow the natural landscape, rainwater management, efficient waste management, and different transportation options.

- 60% allocated for green and open spaces
- Forest Feature
- Adult and Kiddie Pools
- Fitness Gym
- Cafe and Lounge
- Yoga Station
- Indoor Multi-Purpose Court
- Bike lanes
- Low VOC paint for interiors
- Solar panel installation for daily operations

Empire East's Development Commitments

Commitment to Buyers

Empire East has a well-known track record of project completion and delivery as a testament to its 100% commitment to the vision of creating quality homes for aspiring homeowners.

Home and Family Building

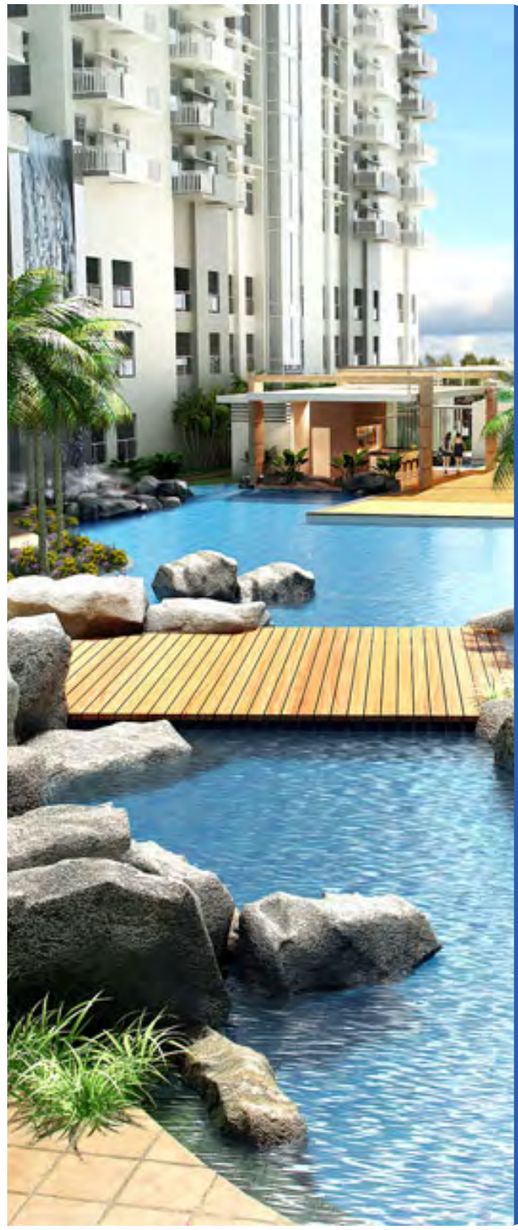
Aiming for better relations and more vital values within this system is crucial in building a community that unites in the common goal of economic, social, and political stride. Through Empire East's integrated township concepts, each person automatically has a healthier ground to plant their roots and progressively grow.

National Progress and Prosperity

A progressive cityscape is a sign of an improving country and urban lifestyle. Empire East is dedicated to uplifting Filipinos' lives by providing a variety of developments located at strategic addresses in Metro Manila.

Expansion of Ideas and Vision

Empire East values the importance of ideas from which more significant concepts come. The company believes that big changes are impossible without that seed of change. Everything starts with a vision, which is slowly manifested into a reality. Empire East is inspired by its Chairman, Dr. Andrew L. Tan, who began his company only with a dream of producing exceptional living spaces for aspiring families. Twenty-eight years later, he was not only able to provide homes but also, he was able to create the best lifestyles that Filipinos deserve.



Materiality: Topics That Matter

3-1; 3-2; 2-25; 413-2

To identify the material topics of Empire East Land Holding Inc. (EELHI), actual and potential positive and negative impacts of the Group were first identified according to the previous year's material topics and other relevant resources such as Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and United Nations Environment Programme (UNEP). The significance of the impacts was then assessed and verified by the sustainability lead/team/representatives of the Group, followed by its top management. Material topics were then extracted from the list of significant impacts and approved and finalized by the top management.

Residential Developments					
	Water	Waste	Climate Change	GHG Emissions	Land Use and Ecological
Actual Negative Impacts of Contribution	Excessive use of water resources during the construction and use/ operational phases, as well as the absence of water conservation policies and programs within the business, pose a threat to hygiene, health, and sustainable development. (water availability, accessibility). Additionally, developments create more non-porous surfaces which leads to an increase in stormwater run-off. Homes built in water-stressed areas may have trouble obtaining licenses and permissions in the future and run the danger of having their land depreciate due to water shortage problems.	Residential construction projects require a significant amount of materials, especially during construction. This generates a lot of waste, while there are wastes that can be recycled, a significant amount of construction waste ends up in a landfill.	The real estate and construction industries have a significant negative impact on the environment and also contribute significantly to global warming and climate change due to their extensive material and energy consumption during different construction stages. Development in areas highly susceptible to climate change impacts (i.e., storm events, flooding, extreme heat): Metro Manila is a city that is very vulnerable to the effects of climate change. Already, storm events are becoming extreme, many areas are affected by flooding, and extreme heat affects the city. Developments in the urban core might exacerbate the effects of climate change, especially contributing to urban heat effect.	The Company produces a significant amount of Scope 1 and 2 greenhouse gas emissions from electricity use for its buildings and the consumption of diesel and gas by its own vehicles. Additionally, there are no restrictions to control emissions, reduce consumption, or otherwise regulate them. Both contribute to global warming and to the worsening climate situation. Diesel equipment used in sites during different construction stages are also a major source of GHG emissions within the organization.	The Company is primarily engaged in construction activities, which have an impact on the management of construction waste, which includes hazardous materials like oil, paints, and other chemicals as well as plastic, metal, wood, and concrete. Soil disturbance and erosion are another impact. Infrastructures also restrict the amount of permeable soil that water can seep into, causing runoff or stormwater to flow over the surface. Additionally, this leads to the formation of sediment that is hazardous to aquatic life and bodies of water, and it also has the potential to contaminate drinking water.
Management approach to actual negative impacts	EELHI Project site teams work with the contractors in the identification of possible water conservation measures which includes regular maintenance of water pipelines, cistern tanks, and regular water potability tests. Furthermore, at present, there are no other water conservation measures being implemented.	The company practices waste segregation for both offices and construction sites. The generated excess scrap from construction materials and office wastes are either sold to third party buyers for recycling and processing or collected as part of the Local Government's program for the community waste management.	The Company has not yet identified their climate-related risks and opportunities.	Empire East keeps track of its energy and GHG emissions. However, no evaluation parameter for energy and GHG emissions management throughout the stages of construction projects exists at this time.	Empire East's developments comply with the Philippine Green Building Code in collaboration with design consultants who ensure the preparation of Green Building-compliant designs. These designs include specification of environment-friendly materials, construction of rainwater collection tanks, and wastewater treatment facility that recycles water to be used for landscape irrigation purposes.
Potential Negative Impacts	Water		Community impact of developments		
	Homes built in water-stressed areas may have trouble obtaining licenses and permissions in the future and run the danger of having their land depreciate due to water shortage problems.		The Company's development project might push the conversion of productive agriculture areas in and near cities in favor of property development.		
Management Approach to potential negative impacts	The Company has yet to use tools for identifying development project locations that are under water stress.		Depending on future Empire East Development plans, the company may someday push for developments outside the city center and use lands that are not agriculturally productive.		

The process employed is a three-step approach developed following the Consolidated Set of the GRI Standards 2022. A limitation to the process is that Empire East did not conduct a survey to assess the significance of impacts as suggested in GRI 2022, as the Company just identified material topics in 2021.

1. Identify positive and negative impacts
2. Assess the significance of impacts
3. Prioritize the most significant impacts for reporting

EELHI's **eighteen (18) material topics** are organized into four (4) categories this year: Economic, Social, Governance, and Environment.

ECONOMIC

- Anti-corruption
- Procurement Practices

GOVERNANCE

- Stakeholder Management
- Strategies and Policies
- Business ethics and integrity

SOCIAL

- Diversity and equal opportunity
- Employee training and education
- Workforce health and safety
- Customer satisfaction
- Human rights (laborers)
- Community impact of developments
- Supplier management

ENVIRONMENT

Design for resource efficiency

- Water
- Waste management
- Energy
- GHG emissions
- Climate change
- Material Consumption

Summary of Disclosures

	2019	2020	2021	2022
ECONOMIC				
Direct economic value generated **(mPhp)**	5,141	5,110	4,535	4,707
Direct economic value distributed **(mPhp)**				
Employee wages and benefits	471	408	410	398
Payments to suppliers, other operating costs	3,671	5,812	7,921	7,073
Dividends given to stockholders and interest payments to loan providers	128	65	54	47
Taxes given to government	460	253	412	333
Investments to community	0	0.1	0.2	0.1
ENVIRONMENT				
Emissions				
Scope 1 **(tCO_2e)**	60.7	24.9	72.35	75.44
Scope 2 **(tCO_2e)**	716.8	343.1	349.72	666.28
Scope 3 **(tCO_2e)**	6.5	2.6	239.37	9,903.28*
Total emissions	784.1	370.6	661.44	10,645
Emissions Intensity **(tCO_2e/mPHP)**	0.17	0.07	0.09	0.10
Water				
Total volume of water withdrawn **(m^3)**	10,900	5,437	1,807	1,299,796**
Water Intensity **(m^3/mPhp)**	2.34	1.06	0.40	0.28
Waste				
Total waste **(tonnes)**	109.4	22.3	19,780.04	18,735

**The Company's Scope 3 emissions have increased significantly, mainly due to the incorporation of a large amount of data. This increase has had a considerable impact on the Company's total greenhouse gas emissions.*

***Water withdrawn for 2022 increased drastically due to addition of PDD data.*

	2019	2020	2021	2022
SOCIAL				
Workforce by Gender (2-4)				
Male (Executive)	10	10	10	9
Female (Executive)	7	5	5	5
Male (Non-Executive)	365	258	262	253
Female (Non-Executive)	320	357	325	302
<30	403	371	316	264
30–50	259	174	260	279
>50	40	85	26	26
Number of hours of training completed	8,325	1,394	2,788	1,270
Total expenditure on employee training programs **(mPHP)**	8.46	8.64	5.18	1.60
Performance Appraisal				
Male	100%	100%	100%	100%
Female	100%	100%	100%	100%
Attrition Percentage***	10.5%	26.2%	24%	27.4%
Data Privacy				
Number of individual clients for whom data was primarily stored	36,029	35,492	43,733	49,393
Number of data security breaches in financial year	None	None	None	None

****Attrition percentage =*
Number of employees left / (Number of employees at the start of the year + Number of employees at year-end) / 2 x 100.

Awards

TOP 2
RCBC 2022 Prime Developer Awards Program

BRONZE STEVIE AWARD FOR TRANSMUTATION

Empire East implemented transmutation for three business facets: **People** (Hybrid Operations), **Product** (sustainable design of new projects, retrofitting, etc), **Process** (digitalization) in 2022. The Company received the award this 2023.

PEOPLE'S CHOICE STEVIE AWARDS FOR FAVORITE COMPANIES

Empire East is voted as the **People's Choice Stevie Awards for Favorite Companies** under the **Consumer Products & Services Category** among nominated companies from different parts of Asia and the Pacific.

Financial and Operational Highlights:

Optimization of Revenue and Operating Costs

3-3; 201-1

For 2022, Empire East's goal is to optimize revenue and operating costs. This was successfully achieved at the end of the year when the Group's total revenue increased by 4% and operating costs decreased by 11% compared to the previous year. This was despite external pressures such as inflation which resulted in higher prices of materials and low demand for real estate due to the prioritization of basic needs.

This year, the Company's better economic performance resulted in a direct positive impact on the economy, the country's development, and nation-building through contributing to growth, sustainability, and employee benefits.

The economic milestone was realized through strategic target setting, ensuring controls are in place and proper communication of targets and plans to employees. To ensure that resources are fully utilized, Empire East conducted periodic monitoring of expenditures and investments and its financial performance to mitigate the risk of potential negative impacts.

Economic value generated and operating costs 2019-2022

	2019	2020	2021	2022
Direct economic value generated **(mPhp)**	5,141	5,110	4,535	4,707
Operating costs **(mPhp)**	3,671	5,812	7,921	7,073

The Group's objectives when managing capital are the following: (1) to safeguard the Company's ability to continue operations in order to provide sustainable returns for shareholders and benefits for other stakeholders and (2) to maintain an optimal capital structure to reduce the cost of capital.

EELHI continuously learns and adapts to changes to initiate process improvements. These are documented on the Group's transmutation plans and goals that are being updated regularly.

Anti-Corruption Provision

3-3; 205-1; 205-2

The Company has a code of conduct communicated to all employees. Those involved in government dealings are closely managed. They are directed to not deal with corrupt practices, and process requirements with due time and diligence.

A Related Party Transaction (RPT) policy is in place to ensure that all RPTs of Empire East Land Holdings, Inc, its subsidiaries, affiliates, and other related entities are conducted fairly in the company's and its shareholders' best interest. A board has been assigned to manage these dealings and ensure that those with significant impact are reported to the public.

Furthermore, the organization does not allow employees to exchange gifts with parties with whom they do business or come in contact through work unless within the bounds of proper and ethical behavior. This is included in the Company's Code of Business Conduct and Ethics.

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%	%
Percentage of directors and management that have received anti-corruption training	100%	%
Percentage of employees that have received anti-corruption training	100%	%

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

Procurement Practices

3-3; 204-1

EELHI procures 100% of its supplies locally and is continuously expanding its pool of suppliers in the country to contribute to the growth of local businesses and the economy. EELHI's suppliers undergo various annual departmental assessments and screening to operate with the group. All suppliers must have proper business permits and submit the necessary documents to assess operational stability, legality, and equitability. Non-compliance may result in being banned from the company.

EELHI's suppliers are constantly informed verbally or in actual formal meetings regarding the organization's policies to ensure that policies are followed.

EELHI does not patronize suppliers that do not pay correct taxes or do not comply with government and environmental policies. The Group also ensures that it does not deal with suppliers that violate human rights.

For an equitable process and as stipulated in the Group's anti-corruption provision, EELHI does not allow purchasing staff to accept any form of favors from suppliers; doing so will subject staff to disciplinary actions.

Disclosure	
Percentage of procurement budget used for significant locations of operations that are spent on local suppliers	100%

Sustainability at Empire East

Being in the real estate development sector, Empire East incorporates sustainability mainly in the design and development of its various residences. The Company introduced transit-oriented designs in its developments which aim to make people live closer to essential establishments—reducing their travel time and contributing to traffic decongestion.

The Company has also been investing in open spaces in its developments, with some projects having 30% up to 50% open space. Creating open spaces makes cities more liveable and contributes to a better quality of life.

Key Products and Services

Contribution to UN SDGs

Residential Developments

8 DECENT WORK AND ECONOMIC GROWTH — 8.2 • 8.3

11 SUSTAINABLE CITIES AND COMMUNITIES — 11.2 • 11.3 • 11.7

Incorporation of Transit-oriented designs in developments

The Company integrates transit-oriented designs in its developments which aim to make people live closer to essential establishments—reducing their travel time and contributing to traffic decongestion.

The Company also invests in open spaces in its developments, making cities more liveable and contributing to a better quality of life.

Building a nation, boosting overall growth, and creating structures that will improve the quality of life for Filipinos are all benefits of developments that prioritize the value they can bring to communities. Additionally, this will lay the groundwork for economic growth and enable people to take on greater social responsibility and environmental stewardship.

Fostering Community Growth and Transformation

Building a nation, boosting overall growth, and creating structures that will improve the quality of life for Filipinos are all benefits of developments that prioritize the value they can bring to communities. Additionally, this will lay the groundwork for economic growth and enable people to take on greater social responsibility and environmental stewardship.

Urban regeneration

New developments regenerate urban areas, which might reduce crime rates and increase area security due to continuous development (impact area: Integrity and security of person)

Leasing for local retailers

New developments encourage new retailers near the site to be able to serve the homeowners or residents in the building.

CSR and Sustainability Programs

1 NO POVERTY — 1.1

2 ZERO HUNGER — 2.1

Empire East's Credit and Collection Department organized a feeding program and distributed food packs, rice, toys, and slippers to families, and kids in Capisan, Zamboanga City. In addition, the General Administrative Services Department has also conducted a feeding program in Digdig pre-school in Brgy. Joson, Nueva Ecija City.

Empire East also donated toilets to New Little Baguio Elementary School, Infanta, Quezon. Through this project, Empire East is helping to educate families on hygiene and sanitation and improving sanitation in the local community.

Design for Resource and Efficiency

Compliance with Green Building Code Requirements

Empire East's developments comply with the Philippine Green Building Code in collaboration with design consultants who ensure the preparation of Green Building-compliant designs. These designs include the specification of environment-friendly materials, the construction of rainwater collection tanks, and a wastewater treatment facility that recycles water to be used for landscape irrigation purposes.

Climate Change

201-2

Empire East acknowledges the impact of climate change to every aspect of its business. The Company considers the intense storms that could enter the country, causing flooding, a physical risk that the Company should be prepared for as it could incur business losses from damaged properties and possible legal claims. Additionally, it could drive business disruptions that threaten the safety and security of all of Empire East's stakeholders.

The company aims to conduct a study to develop the system to calculate the financial implications of the risks or opportunities in the identified issue.

Community Impacts of Developments

The EELHI townships benefit not only the homebuyers by strategically placing developments near relevant establishments, but developments also benefit the pre-existing surrounding communities through area revitalization, bringing work opportunities closer, making neighborhoods more vibrant, and accelerating the growth of local businesses.

The Empire East Highland City revitalizes an old, stagnant, and closed factory complex in the middle of Cainta. With the development, 22 hectares of space is now masterfully designed to become a mixed-use residential development. With a project of this scale, the upcoming township community is expected to generate tourism, demand, employment, and business opportunities for the busy Felix Avenue and its locals.

As the project is in its early stages, the company is beginning to introduce the development to the community by creating programs and events such as food parks that enjoin and empower local businesses in the area.

Another EELHI development that revitalized its surrounding neighborhood and made city living easier is the San Lorenzo Place.

San Lorenzo Place transformed an old residential area into a commercial and four high-rise towers.As Makati City is known for being the country's financial hub, building San Lorenzo Place in place of Mantrade at Pasong Tamo brought professionals and aspiring city dwellers closer to their daily destinations by having their homes near offices, national highways, and public transportation.

At the project's base, the San Lorenzo Place Mall has made daily necessities more accessible and given employment and business opportunities for locals in the area.

Building San Lorenzo Place in Makati has increased the value of the life of its residents and surrounding communities.

Transit-oriented townships

Innovative city living means well-planned developments that are not only aesthetically pleasing but respond to the needs of dwellers to be closer to relevant infrastructures. EELHI makes sure that its developments are within close proximity to mass transits such as LRT trains, business and commerce areas, schools, and hospitals.

Each bar in the diagram denotes a landmark within close proximity of the development, its distance represented by its length.

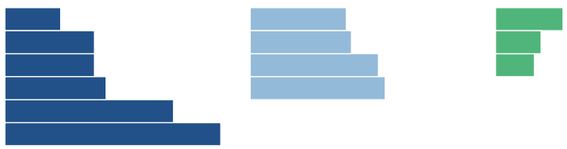
LEGEND

- Business & Commerce
- Schools
- Hospitals

SCALE

- 5km

EMPIRE EAST HIGHLAND CITY



THE PADDINGTON PLACE

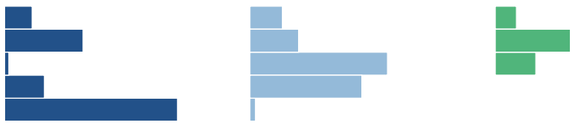
Near 11 Business & Commerce landmarks *Near 4 schools* *Near 2 hospitals*

MANGO TREE RESIDENCES

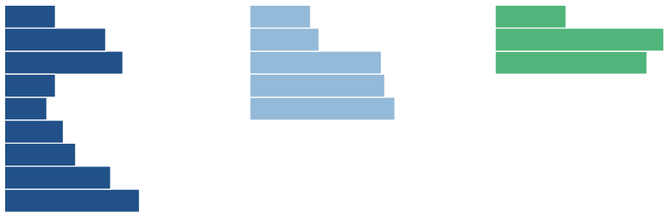
Pioneer Woodlands

COVENT GARDEN

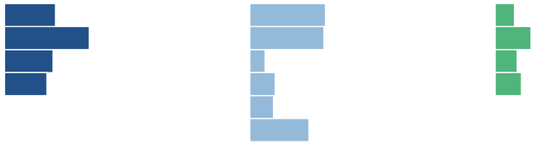
KASARA Urban Resort Residences



The Rochester



LITTLE BAGUIO TERRACES



SanLorenzoPlace Makati CBD Luxury Residences

Near 11 Business & Commerce landmarks *Near 6 schools* *Near 2 hospitals*

Governance

Engagement and Connection with Stakeholders

2-29

Empire East identifies specific concerns of its stakeholders and responds through the proper engagement channels to ensure that issues are managed and acted upon. The top stakeholders of the Company are its customers (composed of homebuyers and homeowners), employees, sellers and brokers, contractors and suppliers, business partners, local community, government and regulatory bodies, and its investors and stockholders.

The Company seeks to understand and address the issues and concerns raised, gather feedback on the timeliness and effectiveness of the solution provided, and build a strong and lasting relationship with the stakeholders. In addition, the company aims to improve satisfaction and ensure the safety of all its stakeholders.

This year, EELHI also added new applicants to the list of its stakeholders as the Company increased its hiring in response to concerns about daily workloads. Also included are employees who have resigned and their concerns about the clearance process and release of last pay.

Covid-related concerns were not on the top list of issues listed by the Group's stakeholders this 2022 as the economy moved toward recovery – an improvement compared to the previous year. Though not a top concern this year, the pandemic instilled a lasting change in systems and company operations.

For employees, the physical return to the office was an issue after working from home in the past year. Understanding this issue, EELHI implemented a hybrid transition to a face-to-face work set-up that allows employees to continue to work from home and travel to the office or onsite if needed. Human resources also created employee engagement activities for a smoother transition back to the workplace.

The company continuously develops programs such as career development training, mental health awareness, team-building activities, and other employee-related gatherings to promote a positive work environment and meaningful employee-employer relationships.

In addition, it ensures competitive commission schemes and incentive payments to sellers and brokers, timely payment for contractors, suppliers, and business partners for their services, and establishes open communication to strengthen business relationships. The company also engages in various CSR activities advocating for social accountability and enhancing the environment and society as a whole.

The pandemic changed customer preferences as more clients now prefer to engage in online transactions. EELHI successfully adapted to this change by creating online client/buyer portals where customers can raise issues directly addressed to the customer relations group for timely resolution.

Moreover, digital payment schemes and marketing strategies that engage clients virtually were developed. EELHI also improved the handling of documents and receipts through automation that reduces processing time.

Clients were also concerned about higher fees, as well as inflation. As a response, the Group offered more flexible payment restructuring schemes and a tie-up with Pag-IBIG fund to avail housing loans. The schemes mentioned made it easier for clients to pay their dues.

For investors and shareholders, EELHI ensures they have access to relevant public financial disclosures they need.

All EELHI departments also implemented digitization and automation of internal and external functions as a response to specific concerns of stakeholders. These new developments expedited processes and resulted in the timely issuance of receipts, increased stakeholder satisfaction, and reduced errors due to less human intervention. Virtual tools developed in 2022 eased clients' concerns regarding Covid-19 transmission in marketing.

The Company continues to promote a collaborative culture where stakeholders can voice inquiries/concerns and focus on building lasting relationships with them.

Complete list of stakeholders, their concerns, and EELHI's response

Customers
Engagement Channels: Call and Email; Customer Feedback

Stakeholder Concerns	Company Response
• Online turnover/acceptance of units • Making available online options for payments, securing of work permits and gate passes • Creating venues to assist small businesses of homeowners. • Increase in government charges and fees for other services (Transfer fee, CGT, and DST). • Delayed Transfer and Release of Titles • Unresponsiveness of Company • Inability to meet payment obligations • Rental discounts and deferral of payments to Lessees • Refund of security deposits from the lease of parking/ commercial units • Timeliness of receipt issuance • Inflation • Pandemic	• Provision of additional and faster internet connection • Property Management Group (PMG) engaged the services of Web and Applications Developers and Manila Express Payments, Inc. for the deployment of Touchpay Automated Payment Machines to 7 managed properties • PMG tapped the services of employees with know-how in creating and developing simple applications such as the Online Palengke/Market Place. • Conducted meetings to discuss the changes in charges so Collector would be aware and explain the changes properly to Customers. • The Company created and/or amended policies to avoid pending processing like the execution of DAS and transfer of title. • Offering of payment restructuring. • Approval of rental concessions, such as escalation freeze and discounts. • Offering a flexible payment scheme to settle outstanding rental dues without penalties. • Streamlining and digitizing processes resulted in reduced turnaround time for refund processing. • Automatic issuance of digital copies of receipts to the buyer upon transaction confirmation of Treasury within 2-3 working days. • Action plans to reduce product prices: promos and discounts and maintain current prices. Investment arc for opportunities. • Offering the lowest monthly payment in the industry: Php6,000 monthly for a studio unit.

Employees

Engagement Channels: Mail, Call, Messengers, Teleconference, and Videoconference; Google Drive; Individual consultations

Stakeholder Concerns	Company Response
• Work-from-home setup of some employees • Hybrid transition to full face-to-face work set-up 3x a week reporting on-site • Digitalization and uploading of files that can be simultaneously visible to all respondents / responsible group • Career growth and employee retention • Face-to-Face training • Pay stagnation • Undermanned/excessive workload • Upskilling • Interdepartmental Coordination **Resigned Employees** • Clearance process and release of last pay	**Work from home/flexible work arrangement** • Provision of work laptops and reimbursement of telecommunication expenses. • Provision of larger Google Drive storage, and business emails. • Continuous checking of WFH setup and accomplishments. • Daily Team Morning Meetings and Weekly Department Meetings. • Setting flexible schedules to consider employees' preferred days to work on-site. • Creation of employee engagement activities to improve communication and collaboration **Career growth** • Continuously seek to create better opportunities for employees • Conducted training for new hires and regular employees for upskilling. • Conducted interdepartmental meetings to streamline and clarify processes and reinforce the execution of accountabilities and responsibilities to avoid repetitive concerns. **Systems Check** • Reorganization to streamline processes. • Improved online systems and infrastructure • Increased salary floor and wage distortion • Increased hiring **Resignation-related concerns** • Daily monitoring of clearance status. • Change of process flow, immediate response to expedite clearance & last pay process.

Applicants

Engagement Channels: Google Meet / Video Interview/Phone calls; Using online job portal messaging functions

Stakeholder Concerns	Company Response
• Preference for work-from-home set-up • Online interview • Increase in manpower needs	• Continues applicant engagement online • Paperless application process • Better recruitment and onboarding experience

Business Partners (contractors, vendors, suppliers)

Stakeholder Concerns	Company Response
Contractors • Virtual Pre-Bid Conferences. • Electronic Submission of Bid Proposals. • Routing of contractors' Requests for Information and Shop drawing & Material Submittals to secure Consultants' approvals • Creation of safe work-home arrangements for construction workers. • Ensuring the timely release of payment. **Suppliers** • Less delivery schedule by the supplier. • Ensure payment is on time.	**Contractors** • Collaborated with Management Information Systems (MIS) in the creation of the Contractor-Consultant Portal (CCP) • With help from contractors, provided the construction of safe temporary site barracks to house contractors' staff and workers • Ensure all documents needed in processing their payment were properly submitted/endorsed to the Accounting Department • Shifted to digital-first paperless processing and availed the online payment transfers from partner banks, enabling more seamless transactions. • CFP Integration on processing payments prevents unaccounted or missed RFP and APV endorsements. • Implementation of E-transfer and checkwriter, which results in the timely release of payments, especially for rush transactions due to the elimination of routing of physical documents for review and approval. All approvals are coursed online. **Suppliers** • Provided vehicle transportation for buying and pickup of items. • Monitoring and religious follow-up of payment processing with the concerned department.

Government/Regulatory Bodies

Stakeholder Concerns	Company Response

• Compliance with the laws, various regulatory directives, and various pronouncements such as but not limited to:
  • Compliance with Green Building Code requirement
  • Compliance with DENR requirements
	• Hired consultants and allowed for a construction budget that will take into account designs compliant with the Green Building Code.
	• Engaged contractors and allowed for a construction budget that will consider designs compliant with DENR requirements.
	• Documentary requirements such as Financial Statements, necessary disclosures, and returns were monitored and filed on or before the stipulated deadlines to ensure that the company fully complies with all government and regulatory bodies and to avoid possible obligations or penalties.

Shareholders

Engagement Channels: Financial Reports, Disclosures, and Meeting

Stakeholder Concerns	Company Response
• Availability of reliable financial information for sound decision-making	• We are transparent and faithfully representing the accuracy of the financial statements in all material respects. All public reports are posted through the PSE and Company website.

Strategies and Policies

2-23

Empire East adheres to Philippine national and local laws and regulations related to the business. This includes compliance with government labor regulations and all the government and regulatory pronouncements of SEC, Bureau of Internal Revenue (BIR), Philippine Stock Exchange (PSE), Banko Sentral ng Pilipinas, Anti-Money Laundering Act, and Local Government Units.

The Company recognizes its role in nation-building and how proper tax payments are vital to rebuilding the economy. The Company ensures the employees preparing and managing taxes are competent, at least certified professionals, and receive appropriate training to perform their work. The executive management team leads the Group's tax strategy; the CFO is the key executive managing compliance. The overall tax strategy of the Group is to faithfully comply with the statutory requirements of the tax laws and undertake a conservative approach to tax management.

The Company also strictly complies with the codes and requirements of all regulatory agencies, both in the design of projects and during construction. The Company works with contractors to ensure full compliance with regulatory bodies' requirements, such as implementing the Environmental Compliance Certificate (ECC) issued by DENR or Laguna Lake Development Authority (LLDA). These are laid out in the contracts of both technical consultants and contractors. Department professionals from the Design, Pre-Construction, and Construction Management Groups, as well as technical consultants and contractors, are in charge of this.

Empire East maintains compliance with the Department of Human Settlements and Urban Development (DHSUD), the Philippine Association of National Advertisers (PANA), and Ad Standards Council (ASC) regulations.

Risk Management

IMPACT

Empire East reshapes the urban landscape in every city where its communities rise. The Company transforms a piece of terrain into a mixed-use micro-city where productive families thrive, and job opportunities sprout. Empire East opens jobs to thousands of Filipinos at various stages of project development, beginning with conceptualization, sourcing and partnerships, construction, selling, and finally, the end-users living within the developments. Empire East's impact goes beyond acquiring a home but indirectly on improving the lives of first-time homebuyers, starting families, and property investors who trust that we can help them achieve the plans they have for themselves.

RISKS

Empire East considers destructive earthquakes, and intense storms that could result in floods, a risk to the business, operations, and homeowners. The Philippines is situated in the Ring of Fire - an area in the Pacific most vulnerable to earthquakes. Metro Manila, in particular, is under constant threat by the movements of the west valley fault. Additionally, the country is located in the Pacific typhoon belt and receives an average of 20 tropical cyclones per year, according to the Department of Science and Technology. These physical risks can cause probable damage to the Company's properties, possible legal claims due to casualties, and business disruptions.

Other risks include the impact of COVID-19 on the company's stakeholders and the regulatory risk, including non-compliance with the laws and regulations that the Company is exposed to.

OPPORTUNITIES

Empire East practices due diligence to regulatory requirements. The Company is vigilant to the regulatory deadlines and new issuances of the regulatory bodies. Empire East also builds sustainable and more resilient communities through the planning and design of the landscape and buildings. Additionally, the Company has been improving its processes and systems through digitization and automation. This makes transactions faster and less prone to human errors. Through the shift to online transactions and marketing, the risk of Covid-19 transmission is also minimized.

Enterprise Risk Management System

2-25

An Enterprise Risk Management System allows an organization to list and assess potential risks and plan for the identified dangers. Having clear policies concerning the identified risks prepares the Company for potential harm or losses that could interfere with operations.

Risk Management Philosophy

The Board, through the Audit Committee, periodically reviews the effectiveness of the Company's risk management systems, emphasizing monitoring existing and emerging risks and risk mitigation measures. A risk management review is conducted annually with the Internal Audit Department. Criteria used for review are in compliance with controls and accuracy of identified risks, and appropriateness of risk treatment plans.

Risk Policy

2-24

Risk Exposure	Company Risk Management Policy	Objective
Company and the Group		
Country Risk relating to the continued performance of the Philippine economy and political stability.	Use of pre-selling as a project financing tool. Entering into joint development agreements from the acquisition of land.	Minimize cash outlays for projects, control development costs, and maintain a new cash position. Maximize cost efficiencies and resources.
Project Cost and Completion Risk	Establish linkages with a broad base of suppliers. Efficient project management and monitoring.	On-time completion of projects and efficient sourcing of construction materials.
Customer Default Risk	Maintaining a diversified earnings base from a product mix of middle-income residential and commercial spaces. Constant product innovation.	Revenue and property diversification.
Control System Set-up		
Country Risk relating to the continued performance of the Philippine economy and political stability.	Institutional reviews of the Philippine economy particularly the real property sector	Minimize each outlay for projects, control development costs, and maintain a new position. Maximize cost efficiencies and resources.
Project Cost and Completion Risk	Project monitoring teams	On-time completion of projects, efficient sourcing of construction materials.
Customer Default Risk	Customer Satisfaction/Default reports	Revenue and property diversification.

Minority Shareholders
Risk to Minority Shareholders
Megaworld's voting power in the Company poses a risk to the ability of minority shareholders to influence corporate strategy.

Committee (2-12)

Committee/Unit	Control Mechanism	Details of its Functions
Board Audit Committee	The mechanism established by the company to safeguard the independence of internal auditors is such that the auditor's report directly to the Board of Directors through the President. It has a duly approved Audit Charter as well as a duly approved Audit Manual of Policies and Procedures. The department annually declares/undertakes a non-conflict of interests by its auditors.	Provides oversight over Management's risk management process, and financial reporting process and reviews internal audit plans.

Social Performance

401-2

Employee Experience, Diversity, and Inclusion

EELHI is committed to providing opportunities and decent work to its growing workforce. EELHI provides a range of benefits to regular employees, training opportunities, and a safe and inclusive workplace that does not discriminate based on gender, culture, or ethnicity.

EELHI <Head Office/ Luzon/ Kasara Urban Resort Residences>

List of Benefits	% of female employees who availed for the year	% of male employees who availed for the year
SSS	4.90%	4.51%
PhilHealth	3.15%	4.92%
Pag-ibig	4.20%	4.10%
Parental leaves	4.90%	1.64%
Vacation leaves	90.21%	85.66%
Sick leaves	38.46%	33.20%
Medical benefits (aside from PhilHealth)	13.99%	10.25%
Housing assistance (aside from Pag-ibig)	0%	0%
Retirement fund (aside from SSS)	0.35%	0.41%
Further education support	0	0
Company stock options	0	0
Telecommuting	78.32%	89.75%
Flexible-working Hours	78.32%	89.75%

Empire East Develops SSS Benefit Claim System Portal

A centralized database for all SSS-related claims of employees was developed to record all requirements that have been submitted, track all relevant information and date of submission of each document, and alert HR of upcoming deadlines for claims.

The new system efficiently and effectively tracks all benefit claims made by employees from filing to successful reimbursement of advances of employees' benefits to the company.

Inclusion of Dependents in HMO Coverage

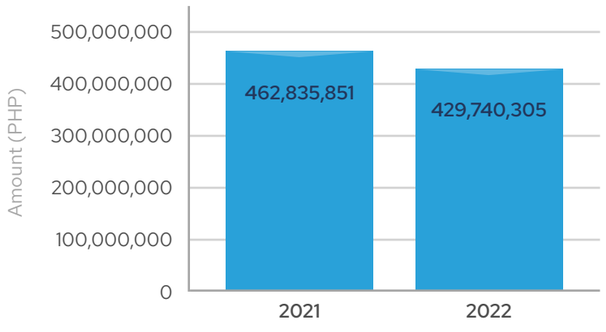
Empire East extended its HMO coverage to include both employee and their loved ones. Covering spouses, children, parents, and common law partners, the inclusion provided employees security and peace of mind regarding the health of their dependents.

Retirement Benefits

201-3

Empire East commits to SDG 8, supporting inclusive and sustainable economic growth, full and productive employment, and decent work for all. With this commitment, the Company also includes a retirement plan in its benefits. The retirement plan is non-contributory and is defined by the employee's final salary. The Plan provides a retirement benefit ranging from sixty percent (60%) to two hundred percent (200%) of Plan Salary for every year of Credited Service, but shall not be less than the regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) or the applicable retirement law at the time of the Members' retirement. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the Plan.

Estimated Value of retirement benefits 2021-2022 (PHP)
(EELHI + EPHI)



The Company employed actuarial services to provide the valuation report on the Company's retirement obligations. The valuation results of the employed third party are based on the employee data as of the valuation date as provided by the Company. The discount rate assumption is based on the Bankers Association of the Philippines (BAP) PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market (previously the PDEx (PDST-R2) market yields on benchmark government bonds) as of November 29, 2022 and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

Hiring New Talents

3-3; 401-1

To weather the pandemic's lasting effects, Empire East made wise hiring and employment decisions that helped the group survive the recession and continue operations smoothly. The Company opened jobs at different levels with more entry-level positions to provide opportunities to fresh graduates. Communications through various online and offline channels were made to reach as many applicants as possible across provinces. The recruitment process was improved on a regular basis to align with new trends and techniques.

Empire East also held more recruitment training and workshops, continued to enhance the Applicant and Employee Information system, and hired more recruiters to fill in and monitor other job openings.

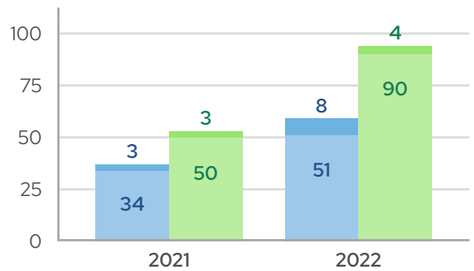
Empire East's approach to hiring stems from its commitment to SDG 8. Moreover, to maintain a healthy balance and support SDG 5 Gender Equality, Empire East employs a healthy mix of male and female staff. The Company's workforce is 54% Female and 46% Male.

Total Workforce 2-7

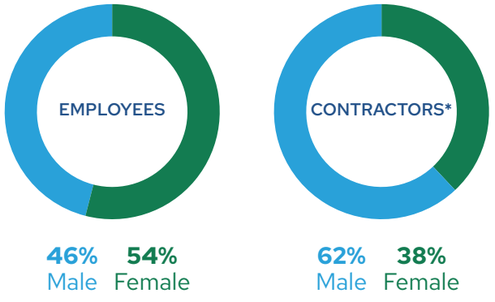
	Male	Female	Total
Employees (EELHI)	262	307	569
Workers who are not employees*	279	170	449

Includes Accredited licensed Sales Agents and Brokers

New employee hires

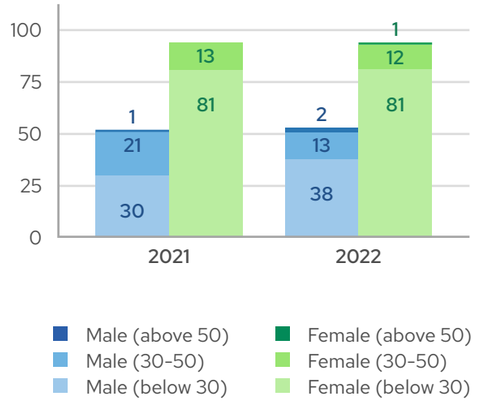


Workforce Diversity



Includes Accredited licensed Sales Agents and Brokers. Contractors play big part in EELHI's operation as a real estate company.

Employee turnover



Welcoming New Employees: Process Orientation and On-boarding

Empire East conducts onboarding training to help new employees adjust to their new environment. Newly hired employees undergo training for one month, where they will learn how the Company operates and its processes. It also prepares them for the actual tasks.

The Training Group discussed the modules while the Supervisor/Team Leaders conducted one-on-one and actual training. The orientation process includes the onboarding process, system navigation, seven (7) modules that focus on the buyer cycle and processes, negotiation skills, business correspondence, and Call Outs.

Accen28: A Celebration of Connections and Milestones

Empire East celebrated its 28th Anniversary month with Accen28. One event highlight was the revived Empire East Social Spaces, which features 13 different spaces representing employees' varied hobbies and passions. The face-to-face event reconnected fellow enthusiasts as they journeyed through the year in a hybrid set-up. Employees were also able to share their talents and skills with other employees in a fun and exciting way during the event. Accen28 promoted employee engagement, commitment, and connectedness despite working in different site offices.

Bible Study Space

Bikers' Space

Photography Enthusiasts' Space

Fitness and Health Space

Food Lovers' Space

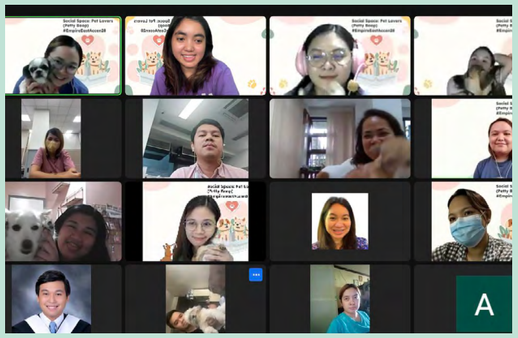
Gaming and Entertainment Space

Home Improvement Space

Music Lovers' Space

Book Lovers' Space

Pet Lovers' Space



Motorbike Lovers' Space

Parents' Space

Camping Enthusiasts' Space

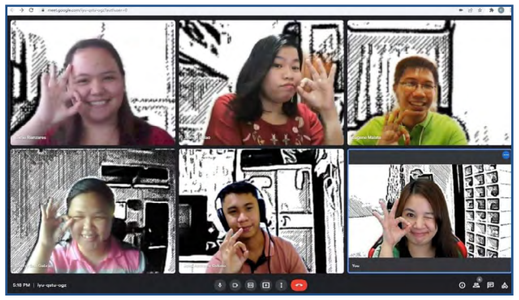
Training & Development

3-3; 404-1; 404-2

Training and development impact employee productivity by providing them, especially Company leaders, with updated knowledge relevant to the business, thus, generating meaningful decisions on operations and stakeholder transactions. As employee skills and performance are enhanced, it also contributes to employee satisfaction and motivation, driving forward their personal and career development.

The Human Resources (HR) department offers knowledge transfer related to employee benefits, including health programs, compensation, and employee rights. Empire East allows each department to assess its personnel training needs in relation to its core competencies. The department then establishes training objectives and conducts any necessary upskilling.

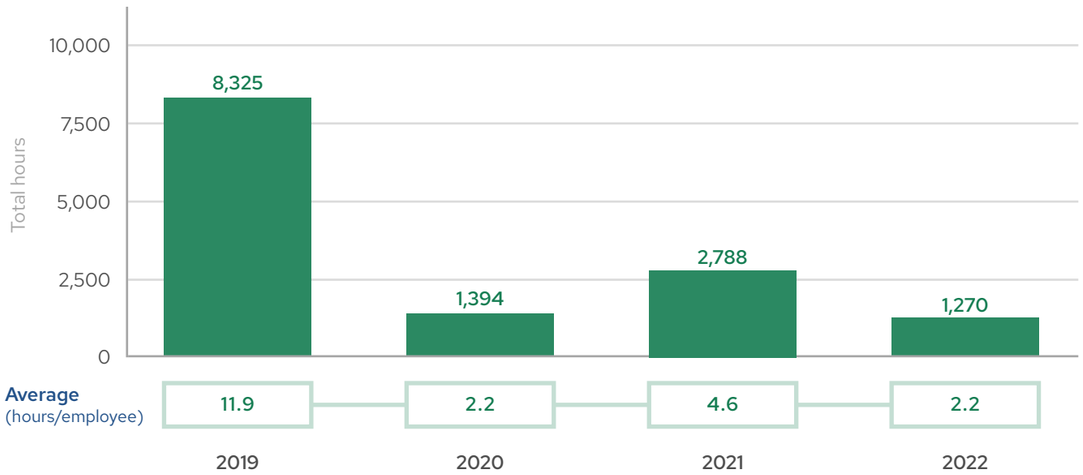
The organization offers evaluation forms following the training and does routine checks on the KPIs pertinent to individual tasks to evaluate the success of the Company's training and development. There is also the conduct of performance appraisal twice a year that measures the effectiveness of training through employees' performance. Employee promotion recognizes high-performing employees and advances them to a position with significantly greater responsibilities within the same grade.



Employee Training and Development

Training hours provided to employees (2019-2022)

Training hours provided to contractors: 3,276
Average training hours: 3.8



Total expenditure on training and development 2019-2022 (mPHP)

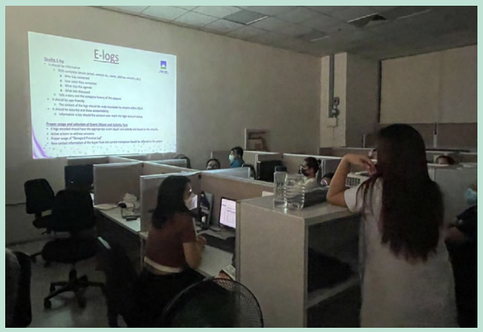
2019	2020	2021	2022
8.46	8.64	5.18	1.60

Empire East offers soft skills and personality development programs such as coaching for peak performance, communication skills training, team building, and mental health programs.

Credit and Collection employees receive training

The Credit and Collection (CNC) department conducted trainings centered on the change of management, personal leadership, and team management. Led by Mr. Vergel Ephraim D. Gealogo of the Office of the President, the training aims to help build confidence and manage challenging situations. It additionally aims to improve leaders in areas such as emotional regulation, colleague and client interaction, and the sustaining quality of work.

The training was attended by Core Groups and selected members of the CNC department.



Representatives from the Audit Management Services and Finance attended the AGI Accountants' Conference in November 2022.

Communication of significant changes

3-3; 402-1

The Company acknowledges that a timely discussion on policy changes and listening to employees' suggestions impact employees, providing a positive working environment, reducing turnover, and minimizing work disruptions.

Labor-Management Relations

The organization's consultation practices are given priority under all circumstances. As a result, the HR department has developed a grievance policy that keeps internal conversations rolling about how to improve and serve the needs of both employers and employees.

Employees are free to approach the HR department to communicate any problem concerning working conditions. A grievance committee is then selected to hear the cases filed and provide the necessary solutions as quickly as possible. As a Group that adheres to labor law and standards, it strives to provide solutions during this process.

The Company also ensures that the higher management discusses any significant operational changes with Department Heads before implementation. They give employees time prior to the implementation of significant operational changes that could substantially affect them. In Empire East, it usually takes 1-2 weeks. A core group is also created to cascade and immediately disseminate to all departments for significant operational changes.

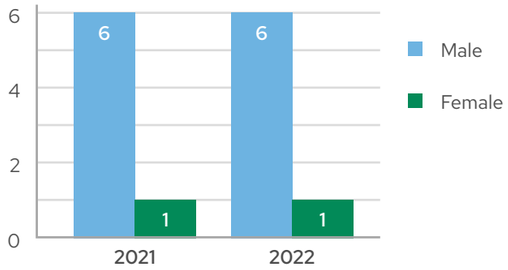
The company has established various employee groups, including email and social media groups, to inform employees of these changes in company policies and other relevant news. Additionally, Empire East conducts regular dialogue, meetings, surveys, and focus group discussions on gathering employee feedback and opinions.

Empire East fosters open communication channels and actively seeks employee feedback to ensure that all employees are involved and informed and their opinions are heard.

Diversity and Equal Opportunity

3-3; 405-1

Board diversity, by gender (2021-2022)

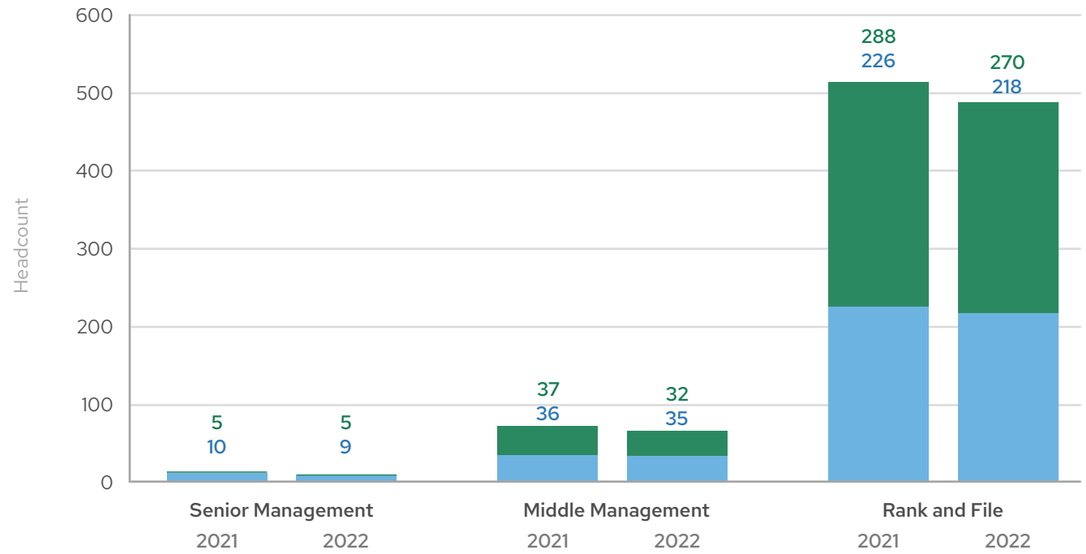


Board diversity, by age (2021-2022)

	Male	Female
Under 30	0	0
30-50	1	0
Over 50	5	1

Board members serving from 2021-2022 predominantly fall within the age range of 50 and above.

Gender diversity across organizational levels (2021-2022)



Age diversity

	Senior Management 2021	Senior Management 2022	Middle Management 2021	Middle Management 2022	Rank and File 2021	Rank and File 2022
Under 30	0	0	15	9	301	255
30-50	10	8	44	44	206	227
Above 50	5	6	14	14	7	6

Empire East is committed to promoting diversity, eliminating gender bias, and supporting equal opportunity by making no distinction between task assignments and remaining open to collaborating with people based on knowledge, experience, personal goals, potential value, and skills. Empire East does not discriminate against any gender and provides equal opportunities for employment, development, and success, reaching more people.

Empire East's policy on diversity and equal opportunity not only converts more potential applicants into productive members of society but also increases innovation, improves decision-making, enhances engagement and productivity, and expands customer reach.

Social Spaces: Recognizing Employee's Passions and Promoting Health and Wellness

403-6

Celebrating diversity, EELHI rolled out the Social Spaces program this 2022. Social Spaces allowed employees from various departments with the same interests to get together to fill the gap caused by social distancing brought on by the pandemic.

Social Spaces are for bike lovers, book lovers, K-pop fans, bible readers, parents, fitness buffs, and those passionate about cooking and baking.

The Social Spaces Program is EELHI's response to employees' need for an inter-departmental health break that facilitates other things they love for a more productive working environment and culture. EELHI will implement the Social Spaces event yearly because of its success this year.

The Company launched the Social Spaces campaign in 2021 as a connected effort to promote a caring workplace culture focused on employee well-being and engagement while working on a hybrid set-up.

Occupational Health and Safety

3-3; 403-1

With building construction as a significant business component, the Company prioritizes overall safety during projects.

On construction sites, the Company conducts weekly safety meetings to discuss compliance with policies and instructions based on Occupational Safety and Health (OSH) standards and other project safety concerns to ensure the quality of these processes. Empire East also ensures sufficient on-site certified safety officers, nurses, and crew, based on the number of personnel.

In any hazardous situation, workers are free to address their respective safety officers in such cases at any given time. Sufficient Personal Protective Equipment (PPE) is prepared and provided on-site for all hazardous and high-risk work.

Empire East has a hazard identification, risk assessment, and incident investigation protocol that starts with establishing a DOLE-approved safety plan to the observation of issuance of infraction notices and emphasizing penalties, correction, and prevention. In work-related incidents, an investigation process is also followed. (403-2)

Occupational Health and Safety Metrics

403-9; 403-10

	2021	2022
Safe Man-Hours	2,612,740	4,857,198
No. of work-related injuries	0	0
No. of work-related fatalities	0	0
No. of work-related ill-health	0	0
No. of safety drills	5	11

Occupational Health Services

403-3; 403-7

The PDD ensures that all parties involved have the awareness and same prioritization on safety during construction. The contractor's duty for this aspect is expressly stated under the terms of his contract with Empire East. Contractors hired must be qualified and capable of implementing a good safety program for the project. They go through pre-qualification inspections and review contractors' track records on the safety aspect.

The safety group conducts daily routine inspections and completes safety checklists to ensure that hazards are eliminated, and risks are minimized. Safety work permits, such as Hot Work permits, are also in place to verify that the correct equipment and area safety is in order. Contractors are required to submit their health and safety plans to ensure that health and safety services are available to all workers. Implementation is regularly checked by our organization.

In construction sites, all contractors are mandated to have their workers covered by Philhealth. In addition, workers are also covered by accident insurance. Empire East direct employees are covered by Philhealth, HMO, and Life Insurance. The Annual Physical Exam also allows employees to check their overall health.

At Empire East, it is imperative to strive every day to create a safe and pleasant workplace environment, ensuring the safety and health of employees in the workplace following the Labor Standards Act, Industrial Safety, and occupational safety and health regulations. With this, the Company has formed a Health & Safety Committee with representatives from different departments.

Worker Participation

403-4

Workers report on work-related hazards and hazardous situations through daily toolbox meetings conducted by the project Health and Safety Committee (HSC). Here, the committee gives out instructions and reminders to all workers and encourages them to speak up about issues they believe should be discussed regarding work execution and overall safety and security. Group (subcontractor) representatives, designated safety officers, project-in-charge, and foremen must attend HSC weekly safety meetings.

The health and safety measures that are being implemented are based on plans that the Department of Labor has approved. Workers' input and concerns at toolbox meetings are also used to improve these plans and programs.

Worker Training

403-5

Construction Safety and Health Seminar (COSH) Training for Safety Officers is a mandatory course designed to impart knowledge & skills on basic concepts & principles of occupational safety and health to enable Safety Officers (SO2-certification) to implement their respective offices' safety and health. Although not fully required, COSH training is also recommended for technical staff.

Promotion of Worker Health

403-6

In 2021, the Company also launched the Social Spaces campaign, a connected effort to promote a caring workplace culture focused on employee well-being and engagement while working on a hybrid set-up.

Employees can freely join and choose a group that interests them through the Social Spaces. Having a strong network of support or strong community relationships encourages both mental and physical wellness among our employees. Additionally, the Company conducts Kumustahan sessions and departmental individual and group consultations on any challenges they commonly encounter at the workplace.

Labor Laws and Human Rights

3-3; 408-1; 409-1

Empire East supports SDG 8, which protects children from abuse and exploitation. It is reflected not only in its social activities but also in its internal policies and practices. For example, the Company assures that any reports on violations across our business are monitored and only eligible applicants are employed. The hiring process defines the eligibility of future employees according to age. The Company ensures that proper personal documents are submitted to verify the age and eligibility of a probable applicant.

Empire East's project leaders choose partners legally bound to labor laws. They are as equally committed to eliminating any form of child labor just as the Company. Empire East ensures that the companies they work with have proper documentation submitted before hiring or working.

Empire East's policies show commitment to preserving labor laws and human rights and protecting children from abuse and exploitation.

Disclosure	
No. of legal actions or employee grievances involving forced or child labor	0
No. of operations and suppliers with significant risk of forced or child labor	0

Disallowing Violation of Human Rights

As listed in Empire East's Employee Code of Discipline, violations such as provoking quarrels, acts of intimidation, and harassment, among others, are classified as severe offenses that can be grounds for suspension and termination. Provisions are mentioned in the EELHI Code of Discipline, Parts II and IV. The Board shall ensure the Company's faithful compliance with all applicable laws, regulations, and best business practices (Section 2.2.6, Code).

Business Innovation: Digitalization of Systems and Processes

All EELHI departments implemented digitization and automation of internal and external functions in response to stakeholders' specific concerns.

Audit Management Services (AMS) created a system for automating payment verification. Automation of payment verification integrated into the Proof of Payment Module using Payment Monitoring and Online Bank Access eliminated manual errors and ensured payment verification efficiency. Additionally, the AMS introduced several automation and process improvements in title processing. CNR is now used to aid in the verification of accounts, automation of reminders and notices, including document monitoring, and streamlining all processes involved in the processing of titles.

The Document Management Group (DMG) started the digital documents rehabilitation project to make digital records and documents more accessible, accurate, and complete. Included in their process is identifying and resolving various pain points experienced by internal users and improving digital infrastructure for stability, speed, and ease of use of various digital records. DMG's efforts lessened requests for physical documents. This reduced turnaround times for various internal processes, increased the stability of online documents, and made files more secure.

The General Administrative Services Department (GAS) digitized all department reference materials. The department included company and department manuals, forms, and asset lists per employee in the Centralized Form Program, making references more accessible to all employees.

The Legal Department is continuously digitizing the major process flow of the Legal Documentation Group and Property Registration Group. This provides the beneficiaries with a readily accessible systems database that will monitor the status of buyers' accounts after full payment.

The Management Information System department expanded the Group's Central Form Processor (CFP), as well as other applications that make processes easier for employees, for contractors, and suppliers to perform. Internally, the Central Form Processor (CFP) portal allows employees to submit various online forms handled and processed by the concerned department. The Accreditation Portal (ACP), one of the improved applications this year, enables contractors to submit proposals and communicate succeeding actions with the company upon its approval. MIS also developed the Contract Event Tracker (CET). Internal stakeholders can also monitor and collect client information through the CET while generating automated emails or text messages, depending on the client's history regarding payments and documents. Lastly, the Help Desk allows employees to submit a ticket to a concerned department directly.

These new developments expedited and streamlined processes, increased accessibility, and made inter-departmental collaboration easier within the Company.

Customer Care

3-3; 416-2

Customer preferences were changed by the pandemic as more clients now prefer to engage in online transactions. EELHI successfully adapted to this change by creating online client/buyer portals where they can raise issues directly addressed to the customer relations group for timely resolution.

Improving Customer Satisfaction

Empire East created a central customer grievance bank where complaints may be formally filed, evaluated, and acted upon. The Company also launched digital tools that aimed to optimize tasks and support a more connected and concerned brand of service to all stakeholders.

Moreover, Empire East prioritized the health of their homebuyers by campaigning for herd immunity to ensure that any client who wishes to conduct business personally will not be compromised in health. In addition, the Company implemented virtual walkthroughs and digital project presentations to engage homebuyers effectively should they also choose to learn more about our products without needing to leave their homes. Digital payment schemes and marketing strategies that can engage clients virtually were developed. EELHI also improved the handling of documents and receipts through automation that reduces processing time.

Disclosure	
Incidents of non-compliance resulting in fine or penalty	0
Incidents of non-compliance resulting in a warning	0
Incidents of non-compliance with voluntary codes	0

Expediting Title Transfers: A Response to Homebuyers

One of the issues of Empire East's homebuyers is the long time it takes to transfer property titles. To improve the services of the Company and respond to the needs of customers, Empire East revamped its title transfer process: this included clearing out all pending title transfers and reducing the average title transfer times.

Title transfers involve various stages internally. Of the three major stages, the teams involved have successfully cleared the backlogs from the first 2 stages and significantly reduced the time it takes in the last stage to process titles from a 2-year backlog average to just a 4-month average.

Empire East and Pag-IBIG tie-up opens new opportunities for Homebuyers

Clients were concerned about higher fees, as well as inflation this 2022. As a Company response to this pressing issue that was affecting homebuyers, the Group offered a more flexible payment restructuring scheme and a tie-up with Pag-IBIG fund for availing of housing loans for the Cambridge Village and Little Baguio Garden projects. The scheme mentioned made it easier for clients to pay their dues as customers that are Pag-Ibig members can pay turnover or external financing balance with lower interest rates and longer payment terms.

Data Privacy and Security

Empire East gathers client data, including name, birth date, marital status, and taxpayer identification number (TIN) to facilitate the transfer of property titles to the respective clients. The Company stores 49,393 individual client data on in-house servers, which are only accessible to the Company's internal applications and enterprise accounting systems. Authorized personnel from the Empire East's MIS department also have direct access to the client database when on the local network.

Any electronic component that may or had ever contained data, whether the Company's or clients', is removed and kept secure before disposal. For instance, Empire East's standard operating procedure is that before a computer is disposed of, the hard disk drive platter and the magnetic read heads are removed from the drives. Empire East's MIS department stores them for safekeeping and properly discards them. Furthermore, the Company is committed to resolving customer issues through the Credit and Collections department and Customer Relations department.

Disclosure	
No. of data breaches, including leaks, thefts, and losses of data	0

Digitalization and Customer Privacy

3-3; 418-1

Another side of Empire East's digitalization scheme is geared towards making processes easier for homebuyers through online transactions. Digitalization efforts specifically implemented for customers included creating an e-receipt system, issuing digital turnover kits to new owners, online turnover of parking slots, residential units, and lots, and launching EELHI's BDO Bills Payment facilities.

Empire East's e-receipt system makes for the timely issuance of receipts, increased customer satisfaction, and reduced errors due to less human intervention. The digital turnover kits communicate the House Rules and Guidelines, which are issued to owners upon turnover of the property.

Disclosure	
No. of substantiated complaints on customer privacy* from outside parties	0
No. of complaints from regulatory bodies	0

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Through the online turnover of parking slots, residential units, and lots, homeowners do not need to travel outside to send signed documents. This reduces their carbon footprint and provides hassle-free transactions. For Empire East, this reduces the Group's ecological footprint thru paperless transactions and carbon reduction due to reduced fuel for transportation.

Empire East complies with the Data Privacy Act and the regulations of the National Privacy Commission. As such, it is required to keep confidential the personal data of its customers, contractors, and employees, and the process only for purposes stated in its privacy policy, to which the customers, contractors, and employees consented.

Empire East has a privacy policy that can be accessed on its website. All customers, contractors, and employees are asked to give their consent to the same before obtaining their personal data. Furthermore, MIS implements different policies, such as data encryption using ReCaptcha and two-way authentication (password and daily portal key).

The customer Relations Team coordinates closely with the Management and Information Systems Team to ensure proper encryption and use of data for its intended purpose. Homebuyers must opt-in and sign up for the data to be stored accordingly. It is closely monitored, and a grievance committee and legal team are in place to address potential issues.

Customer Engagement Innovations

3-3; 417-1; 417-2; 417-3

Empire East upholds truth in advertising through its membership with the Philippine Association of National Advertisers (PANA), a self-regulating community of national advertisers that provides standards for advertising to the public. The Company maintains compliance with the Department of Human Settlements and Urban Development (DHSUD) regulation, which requires the disclosure of pertinent details on design, construction, and turnover commitments. Furthermore, all promotional materials undergo an internal rigorous review process before submission for review and compliance to DHSUD, PANA, and ASC (Ad Standards Council).

The company has a comprehensive plan to effectively manage and improve the individual marketing efforts of its independent contractors while maintaining zero claims of false advertising. This includes seamless coordination, a reliable ticketing system, and a faster and 100% response rate to customer inquiries.

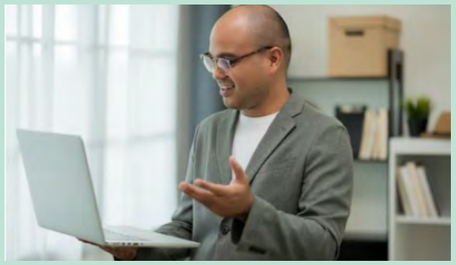
In line with this, independent contractors—brokers, and sales agents undergo regular retraining to stay up-to-date with trends and best practices and consistently perform their roles more efficiently. Additionally, in the event of any complaint, a grievance committee is assigned to address the issue in close coordination with relevant regulatory groups. Empire East also created various communication channels, such as the Ask About Your Home portal and social media, to keep all stakeholders connected and informed.

Disclosure	2021	2022
No. of substantiated complaints on marketing and labeling*	12	0
No. of complaints addressed	5	N/A

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Reaching out to Customers in the New Normal

In **hybrid product touring**, Empire East is giving the option to meet the clients face-to-face or to meet them and present to them online. This is in response to the changes in customer preferences due to the pandemic.



Inquiries and generated tickets (April 2022 to December 2022)	1,522 received
Inquiries attended to	100%

Marketing and labeling provide the avenue to deliver truthful and meaningful communications about Empire East's new products to its target audience. Producing marketing materials for announcements or advertisements allows new customers to discover its brand and connect with sales agents to facilitate their buying journey. In addition, Empire East assures the consistency of its condominiums' concepts, including information on the neighborhood and payment terms.

Supplier Management

3-3; 308-1; 308-2 ; 414-1; 414-2

Empire East has made significant efforts to ensure that the Company's suppliers adhere to social and environmental criteria. Currently, 61% of Property Development Division (PDD) new suppliers are screened using social criteria, and 100% are screened using environmental criteria. Additionally, the Purchasing Department requires a government permit for assessment with one new supplier screened using environmental criteria only.

PDD's background investigations require suppliers to create an account and login in to the Company's accreditation website, wherein the supplier policy is already embedded for easy access. On the other hand, GAS requires suppliers to submit government permits. The issued Mayor's/Sanitary Permit and PCAB license provides assessment relative to environmental performance.

The Company has not encountered suppliers engaged in illegal practices with its current processes to date.

In terms of social assessment, the EELHI Pre-Construction Group's (PrCG) Pre-Qualification criterion for social assessment primarily evaluates the technical competence of personnel through training certificates and overall satisfaction ratings based on a background investigation. While the technical assessment only accounts for a small part of the entire evaluation system, it helps with the Company's qualification assessment and ensures the proper completion of documents.

PrCG conducts background investigations to verify social commitments and whether the vendor has zero cases of serious legal actions before granting accreditation. Additionally, to promote trust and mutual respect with vendors, EELHI-PrCG accepts Vendors' Product Presentations and Training invitations, which may benefit the team's knowledge enhancement.

EELHI-PrCG constantly ensures social compliance and relations using the systematic evaluation process. The collected data is being used as a basis for further improvements on current accreditation questionnaires being used.

Additionally, in line with its ongoing improvement efforts, the Company plans to improve its assessment of vendors' credentials based on environmental compliance in the following year, as explicitly stated in the Environmental Compliance section of the report.

Supplier Sustainability Assessment and Related Policies

	Property Development Division	General Administrative Services
Environmental Performance	N/A	The Company requires suppliers to submit government permits. The issued Mayor's/Sanitary Permit and PCAB license provides assessment relative to Environmental performance.
Forced labor	As part of Empire East PDD background investigations, they require suppliers to create an account and sign into the company's Accreditation Portal, wherein the supplier policy is already embedded for easy access. The Accreditation Portal (ACP) enables contractors to submit proposals and communicate succeeding actions with the company upon its approval.	N/A
Child labor		Included in the Vendors Info File to be filled out by the supplier.
Human rights		N/A
Bribery and corruption	N/A	Included in Letter 101. The Company bans suppliers engaging in bribery and corruption.

Environmental Impact Management

2-27

Empire East constructs and designs its integrated townships and pioneering lifestyle concepts with the goal of sustainability in mind. Besides transport-oriented planning, buildings also comply with the requirements of the Philippine Green Building Code, which promotes resource management efficiency and site sustainability.

The Company maintains strict compliance with the codes and requirements of all regulatory agencies, both in the design of projects and during their construction. The Company works with contractors to ensure full compliance with the regulatory body's requirements, such as the Environmental Compliance Certificate (ECC) issued by DENR or Laguna Lake Development Authority (LLDA), is implemented. These are laid out in the contracts of their technical consultants and contractors. Department professionals from the Design, Pre-Construction, and Construction Management Groups, as well as technical consultants and contractors, are in charge of this. There were no environment-related infractions this 2022.

Environmental compliance

Disclosure	Quantity
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0
No. of cases resolved through dispute resolution mechanism	0

Materials

3-3; 301-1

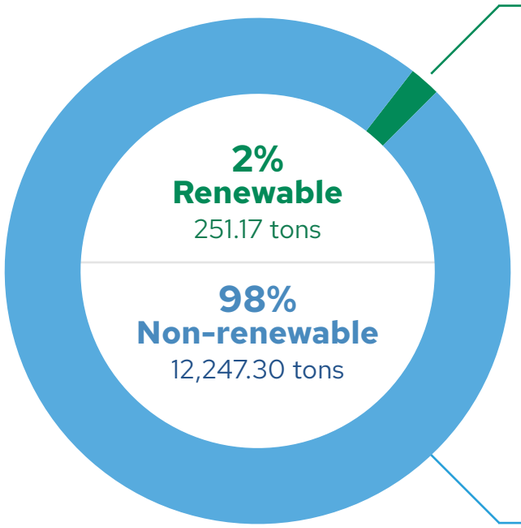
This 2022, Empire East improved its materials management through the monitoring of additional items. This includes paper, folders, and those used during the property operation stage like lights, paint, magnetic contactors, fuel, and ink.

The materials that EELHI uses are monitored and managed by department staff from the Design and Construction Management Group, as well as third-party technical consultants, as part of the Company's commitment to design for resource efficiency. Empire East also provides Design Terms of Reference, which guides ensuring that all designs comply with sustainability goals.

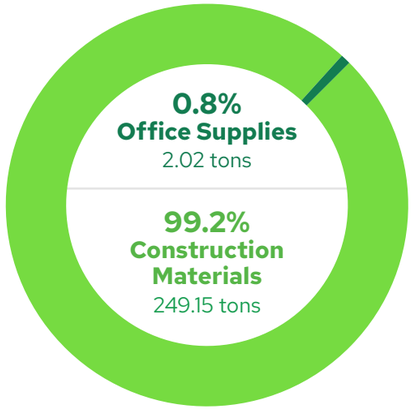
For resource efficiency to be practiced in Empire East developments, the Property Management Group (PMG) developed a mobile and web application for paperless transactions this 2022 for its homeowners. This digitalization move targets current homeowners but will be rolled out to tower representatives and new unit owners in the future.

For internal company transactions, the PMG aims to sustain the usage of IPASWEB at 100% for paperless routing of CVs and VPs.

Materials used by the organization*



Components of EELHI's renewable materials



Components of EELHI's non-renewable materials

Note: The quantities of materials listed are approximate estimates.

Material	Amount (tons)
Construction materials and building systems	12,243.81
Office supplies	0.05
Others (fuel)	3.44

Sustainability Highlights from the Property Management Group

A highlight of resource efficiency this year is the Property Management Group's (PMG) effort to decrease paper usage by implementing online transactions for form applications and payments. PMG rolled out the PMG mobile and web applications (E-PrOS) to all managed properties and has started promoting the application to the residents to convert the majority of administrative-related transactions, which use physical forms, to digital. PMG aims to roll out E-PrOS initially to tower representatives and then to new unit owners.

PMG learned the profile of the residents first before implementing the transition from physical transactions to digital transactions. Once developed, the mobile application was promoted to the residents through circulars and email blasts. It is also being promoted during new unit owner orientations to notify new homeowners of the new system.

Recognizing sustainable products

The PMG started promoting eco-board use this 2022 as a substitute for the standard phenolic boards as a formwork material for concrete casting. With the use of eco-board, a board made up of recycled plastic materials, material reusability has increased, decreasing the quantity of debris disposed of.

Energy Use

3-3; 302-1

Empire East ensures the implementation of policies and energy usage recommendations that meet local regulations. Empire East's project operations adhere to comply with the requirements of the Philippine Green Building Code, which promotes resource management efficiency and site sustainability. The Design and Construction Management Group is responsible for ensuring compliance with the Philippine Green Building Code requirements in collaboration with third-party technical consultants and contractors. Contractors identify and implement energy conservation measures in their projects, while the design team works with the technical consultants in identifying energy-efficient designs.

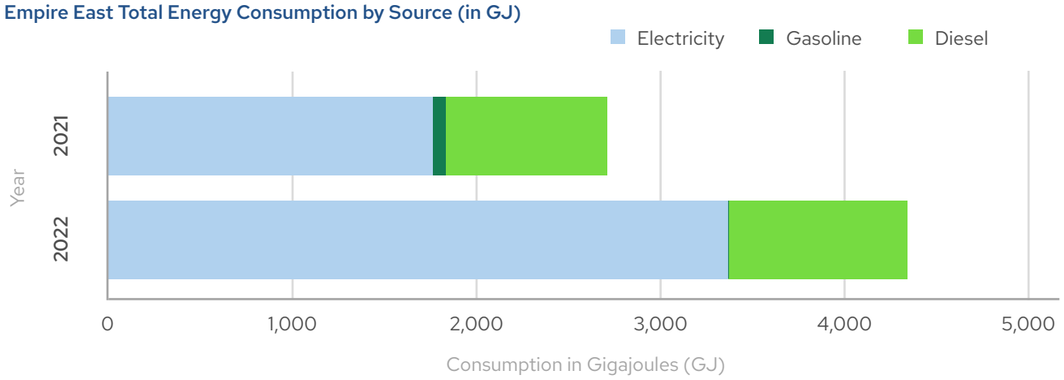
While the Group practices energy efficiency, it has identified the frequent usage of diesel generators that generate exhaust containing toxic air contaminants as a potential negative impact. To resolve the issue, Empire East has engineers who conduct regular no-load and with-load testing of generator sets as part of maintenance activities while ensuring the emissions are within acceptable values. The use of diesel generators is also regularly reported to the DENR through Self-Monitoring Reports (SMR).

Empire East Total Energy Consumption (in GJ)

Department/ Facility	2021			2022		
	Electricity	Gasoline	Diesel	Electricity	Gasoline	Diesel
EPHI	832.15	-		891.57	-	
GAS	750.69	61.83	841.39	908.67	10.36	955.81
LBASS	184.92	11.9	35.36	*LBASS ceased its operations in 2022*		
PDD	*No data for 2021*			1,487.50	0	15.41
Additional showrooms	-			80.14	-	
Subtotal	**1,767.76**	**73.73**	**876.75**	**3,367.88**	**10.36**	**971.22**
Total	**2,718.24**			**4,349.46**		

Empire East's energy consumption was reduced from 2,928.21 to 2,718.24 by updating calculation methods.

Empire East Total Energy Consumption by Source (in GJ)



In 2022, Empire East experienced a significant decrease in gasoline consumption, which can be attributed to various initiatives implemented by the department, as well as the cessation of the business operations of Laguna BelAir Science School (LBASS).

On the other hand, its energy consumption increased despite the closure of LBASS, which consumed 70,363 kWh of electricity for classroom operations and other school activities in 2021. The 2022 increase is attributed to the department introducing three new data points from EELHI's showrooms this year.

Additionally, Empire East introduced data from the Property Development Division comprising the Company's seven properties in this year's sustainability report. This information will be included in future reports.

Overall, there has been a significant increase in Empire East energy consumption. However, it should be noted that with the introduction of the PDD's data this year, it is impossible to make a valid comparison between the energy consumption total for EELHI in 2021 and 2022.

Energy Consumption Reduction

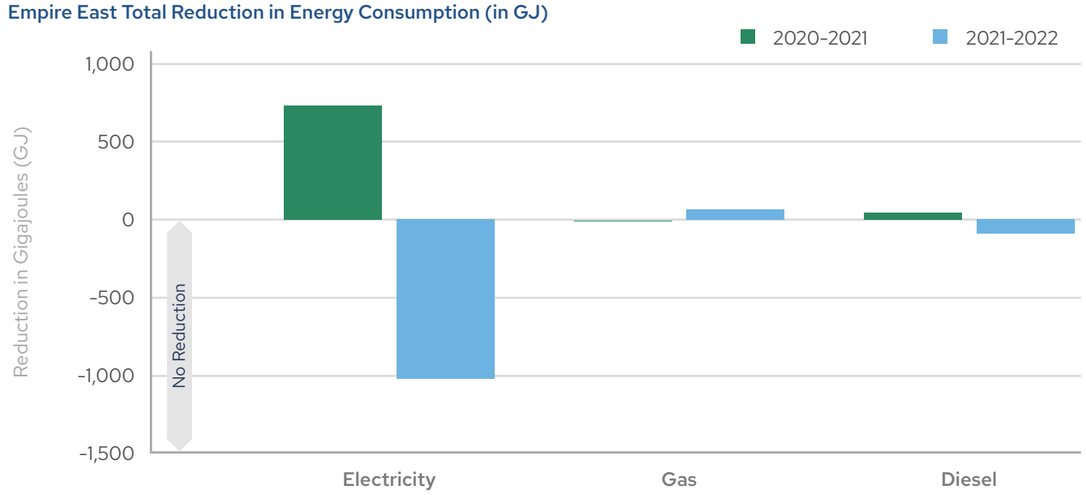
302-4

Empire East continues to seek ways to reduce its energy consumption through various efficiency initiatives such as the usage of energy-efficient equipment in its operations. In 2022, PDD engineers have converted the lighting system of common areas to LED, enhancing the building's energy efficiency. Currently, 57% of lighting systems in streets, hallways, lobbies, clubhouses, parking, perimeter garden, roof decks, and machine rooms are already converted to LED lighting.

The Company is committed to complying with the Department of Environment and Natural Resources (DENR) and other regulatory bodies' requirements by providing engineers with training by the company's Property Management Group (PMG) to become Pollution Control Officers (PCOs). Additionally, sites work with service providers in maintaining the operation of generator sets.

Lighting systems in streets, hallways, lobbies, clubhouses, parking, perimeter garden, roof decks, and machine rooms are already converted to LED. To keep the board members informed on one of the company's most significant energy efficiency initiatives up to date, Empire East reports the progress of LED lighting conversion every quarter.

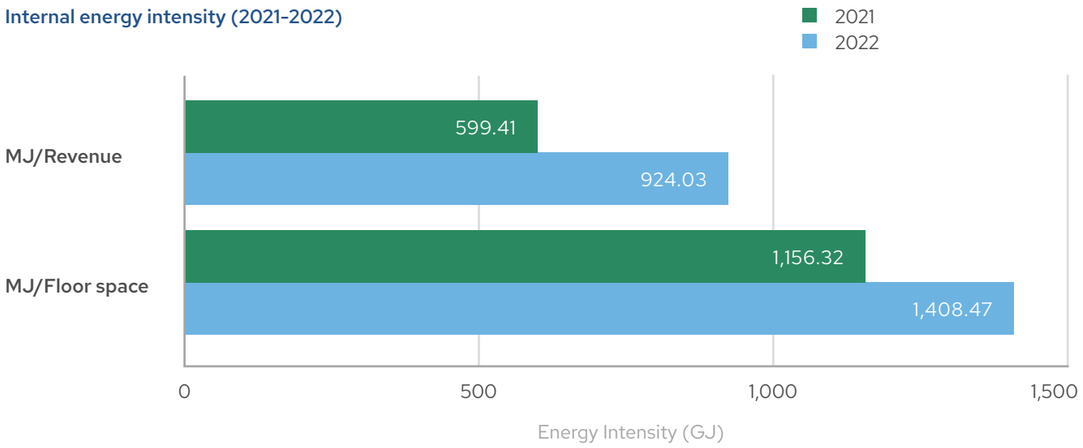
Empire East Total Reduction in Energy Consumption (in GJ)



Energy Intensity

302-3

Internal energy intensity (2021-2022)



Empire East's energy intensity increased in 2022 compared to 2021 due to addition of new data from the Empire east showrooms. Additionally, the Company's upstream and downstream operations' energy intensity has increased significantly as well which is due to the inclusion of energy consumption from the Company's building tenants.

Empire East also added the MJ/floor space as a new data point to measure for measuring energy efficiency.

Water Use and Discharge

3-3; 303-1; 303-2; 303-3; 303-4; 303-5

Construction and real estate developments have strong demand for water resources starting from the development phase to operation. Developments also produce effluents that pose a threat to water bodies. With this, it is imperative that those in the business employ water conservation measures, as well as effective effluent management policies.

Empire East withdraws water from a deep well and third-party sources like Maynilad and Manila Water for its project construction, fire water reserve, recreational water facilities such as pools and fountains, office and household use, cleaning, and maintenance. The organization has cistern tank storage and elevated water tanks for water storage.

Water from the cistern and elevated water tanks is safe for use in condominium units. To ensure safety, all sites conduct monthly water potability testing. The third-party pool maintenance contractor regularly maintains pool water to ensure safe water quality for swimming.

For its effluents, all sites engage with a third-party contractor to monitor the operations of sewage treatment

plants and the submission of reportorial requirements. This ensures that effluents are within the parameters before discharge. However, uninformed unit owners may dispose of tissues and other materials through toilets and sinks, which combine with the wastewater processed in STPs. Empire East resolves the issue by releasing a circular to remind unit owners to dispose of materials properly.

The Company's design stage takes into account relevant sanitary and plumbing codes, as well as the Department of Environment and Natural Resources (DENR) environmental guidelines. Empire East complies with regulations set in DAO 34 and 35, DAO 2016-08. Wastewater is siphoned and processed by a third-party Company before its discharge to surface water in Laguna Lake, Manila Bay, and the Pasig River.

Developments may also experience water leakage in their common area pipes and equipment. Engineers and in-house technicians monitor major equipment daily to ensure leakages are avoided. Additionally, Empire East's project site teams work with the contractors in the identification of possible water conservation measures which includes regular maintenance of water pipelines, cistern tanks, and regular water potability tests.

Water consumption within the organization

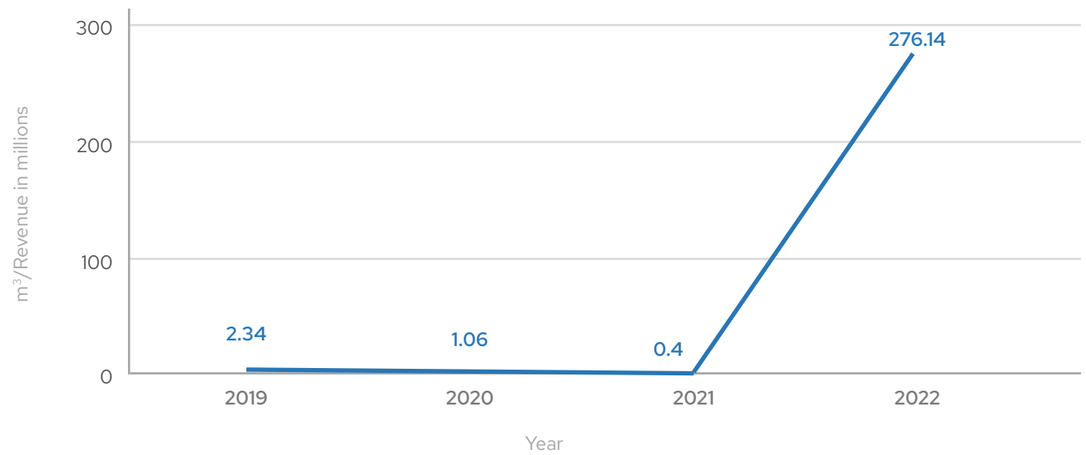
Empire East Water Consumption (in cubic meters)

Disclosure	Quantity	
	2021 *(Restated)*	2022
Water withdrawal	1,807*	1,299,796
Water discharge**	1,786	692,526
Water consumption**	21	607,270

**Includes data from GAS offices + EPHI = 1,774,690 liters; Projects/Site = 32,110 liters*
***Empire East's water discharge 2021 data was adjusted to 1,785.84 m³ from 11.15 m³ and water consumption 2021 data were reduced to 20.96 m³ from 1,795.65 m³ through recalculating values. (2-4)*

For 2022, GAS offices and EPHI have drastically reduced their water withdrawal. This can be attributed to these departments' adoption of hybrid work arrangements. However, there is an increase in water consumption due to the introduction of data from the PDD. The Company continues to monitor its water usage and implementation of sustainable water management practices across all its offices and project sites.

Water Intensity



Greenhouse Gas (GHG) Emissions

3-3; 305-1; 305-2; 305-3

Empire East's greenhouse gas emissions are derived from two components. The first component is the consumption of energy derived from non-renewable resources such as diesel and gas for diesel generator sets and owned transportation The second component is organizational operations from the consumption of purchased electricity. 100% of the electricity was purchased from the grid. PDD engineers and PCOs run a five-minute no-load test on each generator set each week to reduce emissions and their potential negative impacts. Additionally, they deploy monitoring sheets for generator set operations to track their performance.

This year, there is a significant increase in GHG emissions due to the addition of the PDD and the Company's showrooms activity data, which cannot be compared with the Company's 2021 GHG emissions data.

Empire East Direct (Scope 1) emissions were reevaluated using updated calculation methods this year, significantly reducing 85.67 tCO_2e to just 71.49 tCO_2e. By routinely examining and upgrading its computation techniques, Empire East can accurately track and report its emissions, identify areas for improvement, and get closer to a Net Zero future.

GAS Scope 1 emissions and Scope 2 emissions 2021-22 (in tCO_2e)

Disclosure	Amount	
	2021 *(Restated)*	2022
Direct (Scope 1) GHG Emissions	72.35*	74.29
Energy indirect (Scope 2) GHG Emissions	349.72	372.00**

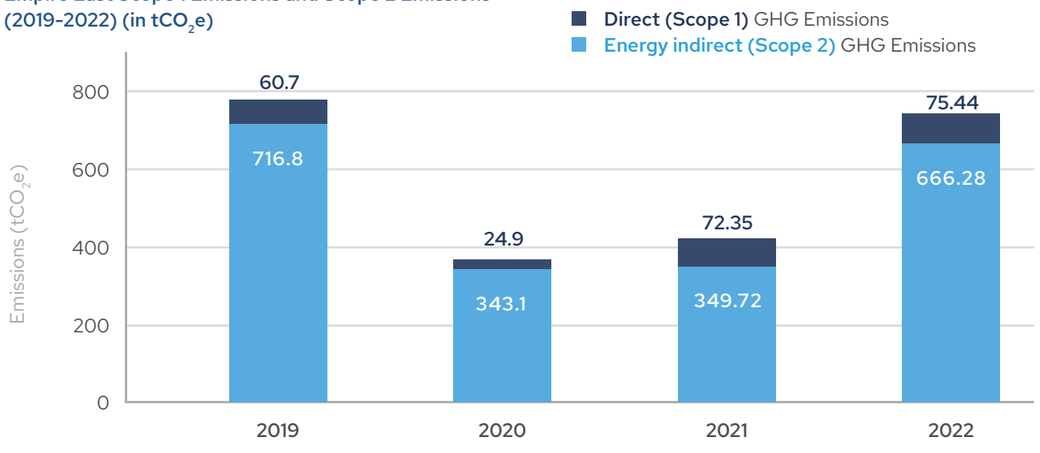
**Empire East's Direct (Scope 1) emissions were reduced to 72.35 tCO_2e from 85.67 tCO_2e by updating calculation methods.*
***Multiplied consumption of each project by the percentage of unsold saleable area to account*

PDD Scope 1 emissions and Scope 2 emissions 2022 (in tCO_2e)

Disclosure	Amount
	2022
Direct (Scope 1) GHG Emissions	1.15
Energy indirect (Scope 2) GHG Emissions	294.28*

**Multiplied consumption of each project by the percentage of unsold saleable area to account*

Empire East Scope 1 Emissions and Scope 2 Emissions (2019-2022) (in tCO_2e)



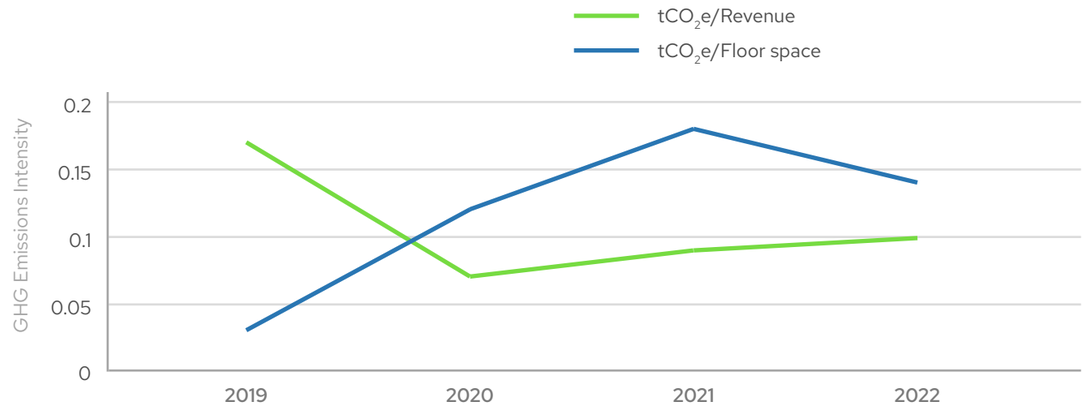
Empire East Scope 3 Emissions (2019-2022)

Disclosure	Quantity			
	2019	2020	2021	2022
Energy indirect (Scope 3) GHG Emissions	6.5	2.6	239.37	9,903.28

To enhance the Company's transparency and reporting practices on GHG emissions, the Company had taken the significant step of incorporating Scope 3 emissions from building tenants into the overall GHG emissions data for this year. As a result, compared to 2021, there has been a substantial increase in the Company's total GHG emissions. Future reports will include this information, demonstrating the Company's dedication to accurate and comprehensive reporting of its carbon footprint. It's also important to remember that the data for 2019–2020 includes fewer sources than the data for 2021–2022, which provides a more comprehensive understanding of the Company's greenhouse gas emissions.

GHG Emissions Intensity (Scope 1 and 2)

305-4



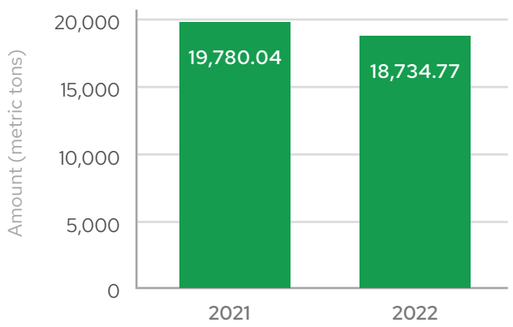
Solid and Hazardous Wastes

3-3; 306-1; 306-2; 306-3; 306-4; 306-5

In the operation of condominiums and subdivisions, paper used for administrative functions is the usual waste, as well as engineering materials for maintaining the properties' equipment and other facilities.

Hazardous materials include busted lights installed in common areas. Broken fluorescent lights are considered hazardous waste, as it may release a small percentage of mercury. For this, EELHI employs Pollution Control Officers who ensure that temporary storage facilities for busted lights and garbage rooms are always in order. PCOs also monitor garbage cans and hazardous wastes. They also present recommendations for the pickup of hazardous wastes in board meetings.

Total Waste Generated (in metric tons)



Disclosure	Quantity	
	2021	2022*
WASTE GENERATED (306-3)		
Total waste generated	**19,780.04**	**18,734.77**
Non-hazardous	19,780.04	18,733.15
Hazardous	0	1.62
WASTE DIVERTED/WASTE PREVENTED (306-4)		
Total waste diverted from disposal	**21.03**	**1.37**
Hazardous	0	0
Non-hazardous**	21.03	1.37
WASTE DIRECTED TO DISPOSAL (306-5)		
Total waste directed to disposal	**19,759**	**18,733.4**
Hazardous	-	1.62
Non-hazardous***	-	18,731.78

**Property Operation and Construction Stage*
***Other recovery operations*
****Other disposal operations*

Wastes are generated both by the Company's activities and from its upstream value chain. These are food wastes, discarded construction material packaging, and damaged materials, which include cartons, plastics, debris, plywood, and other scrapped materials generated during construction.

Sites segregate trash as biodegradable, non-biodegradable, and recyclable for pickup by the Local Government Unit or third-party garbage collectors/ contractors. Other construction and office wastes are sold to third-party buyers for recycling and processing such as excess metals, and PVC pipes, which amounted to 1,370 kg in 2022. The purchasing department also contracts third-party services to sell or dispose of scrap metals.

Wastes generated by unit owners and residents are put in the MRFs and are segregated and collected daily by garbage collectors. Third-party collectors keep individual records of waste collection in the properties as the information may be requested by the associations for monitoring and recording purposes.

Empire East Cares: Local Community Connections

3-3; 413-1

The Company's community engagement practices are voluntary and responsive. It transcends the areas where Empire East's developments are located to reach more people and touch lives. This 2022, Empire East's engagements reached children, preschool students, families, and employees of the Company.

CNC
Zamboanga City

The Corporate Social Responsibility program of the CNC department organized an event at Capisan, Zamboanga City, where they reached out to families and children. During the event, a feeding program was conducted, as well as the distribution of food packs and rice to selected families. Kids received toys and slippers as part of the gift-giving activity. 150 families attended the event. Families, especially the children, were very happy with their gifts.

GAS
Brgy. Joson, Nueva Ecija

The General and Administrative Services department, to give a simple joy to kids, and let them enjoy a few moments of their time with their classmates after homeschooling, had a feeding program in Digdig Pre School, Brgy Joson, Nueva Ecija. A CSR program of the department, it connected the General and Admin Services employees towards a common goal: sharing your blessings. The event, which reached out to 54 children, was a simple way of giving back what was received throughout the year.

DMG
Pasig City

The Documentations Management Group conducted a CSR initiative to reach the special-needs students of Kalawaan Elementary School in Pasig City. Through a feeding program in partnership with the local municipality officials, the participants were able to connect with 85 students and share their experiences.

DMG
Tabaco City, Albay

In February of 2023, the department also held a donation drive for the elderly in San Lorenzo, Tabaco City in the province of Albay. During the event, the employees donated groceries and had fun and games with over xx elderlies.

MKTG
Infanta, Quezon

Through Empire East Cares, the Marketing department, under its Information drive on hygiene, donated toilets to New Little Baguio Elementary School, Infanta, Quezon. The group also had a learning and education session about proper hygiene and sanitation. Additionally, through the Marketing group, Empire East opened a food park for public use in Cainta, Rizal. Many Cainta community members can come to the park anytime with the project.

Corporate Governance

Corporate Governance Structure

2-9

Management and Executive Officers

Andrew L. Tan
Chairman of the Board

Empire East

Giovanni C. Ng
Treasurer

Anthony Charlemagne C. Yu
President and Chief Executive Officer

Kim Camille B. Manansala
Senior Assistant Vice President
for Audit & Management Services

Evelyn G. Cacho
Senior Vice President

Jhoanna Lyndelou T. Llaga
Senior Vice President
for Marketing

Dennis E. Edaño
First Vice President for
Legal and Corporate
Affairs/Corporate
Secretary

Celeste Z. Sioson-Bumatay
First Vice President for
Credit and Collection/
Assistant Corporate
Secretary

Franemil T. Ramos
First Vice President for
Management Information
System

Arminius M. Madridejos
First Vice President
and Head for Property
Development Division

Amiel Victor A. Asuncion
Senior Assistant Vice President
for Human Resources

Board of Directors

Dr. Andrew L. Tan

Atty. Anthony Charlemagne C. Yu

Kevin Andrew L. Tan

Evelyn G. Cacho

Enrique Santos L. Sy

Cresencio P. Aquino

Sergio R. Ortiz-Luis, Jr.

The following were likewise elected to the various Board committees:

EXECUTIVE COMMITTEE

Andrew L. Tan – *Chairman*
Anthony Charlemagne C. Yu - *Member*
Evelyn G. Cacho – *Member*

AUDIT COMMITTEE

Cresencio P. Aquino (Independent Director) - *Chairman*
Sergio R. Ortiz-Luis, Jr. (Independent Director) – *Member*
Evelyn G. Cacho– *Member*

CORPORATE GOVERNANCE COMMITTEE

Cresencio P. Aquino (Independent Director) - *Chairman*
Sergio R. Ortiz-Luis, Jr. (Independent Director) – *Member*
Enrique Santos L. Sy – *Member*

BOARD RISK OVERSIGHT COMMITTEE

Sergio R. Ortiz-Luis, Jr. (Independent Director) – *Chairman*
Cresencio P. Aquino (Independent Director) - *Member*
Enrique Santos L. Sy – *Member*

RELATED PARTY TRANSACTION COMMITTEE

Cresencio P. Aquino (Independent Director) - *Chairman*
Sergio R. Ortiz-Luis, Jr. (Independent Director) – *Member*
Enrique Santos L. Sy – *Member*

Conflict of Interest

2-15

All directors should conduct themselves with honesty and integrity in the performance of their duties and functions to ensure a high standard of best practices for the Company (Section 2.2.6, Code). A director should conduct a fair business transaction with the Company and ensure that his personal interest does not conflict with the company's interests [Section 2.2.7 (i), Code].

The internal control system includes a mechanism for monitoring and managing potential conflicts of interest of the Management, members, and shareholders

As a listed Company, the Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications and assess any potential conflicts of interest that might affect their judgment. The company is transparent and fully discloses material information to the stakeholders.

Evaluation of Performance

2-18

The Corporate Governance Committee;

a. Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance; &

b. Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement.

Communication of Critical Concerns

2-16

The Board shall establish clear policies and programs to provide a mechanism for the fair treatment and protection of stakeholders which include, but are not limited to customers, employees, suppliers, shareholders, investors, creditors, the community the Corporation operates in, society, the government, regulators, competitors, external auditors, and maintain open and easy communication through the Investor Relations Office and the Office of the Corporate Secretary.

Remuneration Policies

2-19; 2-20

All Departments are required to prepare a Manpower Plan, subject to annual review, revision, and approval, as part of the Budget Preparation Process. Following the Salary Structure with salary grade & level per rank prepared by the HR & Finance Department.

Manpower Plan is submitted to the Human Resource Department yearly at the start of the Budgeting Process that includes the projected salary of the employees for the year. Performance-based pay and other bonuses are subject to approval by the Management.

Sign-on bonuses or recruitment incentive payments

EELHI doesn't provide a sign-on bonus or recruitment incentive.

Termination payments

All resigned employees receive their Last Pay within 30 days. A person who resigns from their position in employment is not, by law, entitled to separation benefits unless it is Company initiated.

Any outstanding accountability of the resigning employee or an employee being separated from the Company is settled immediately.

Clawbacks

Clawbacks only if needed under exceptional circumstances or in the event that salary had been released in advance or in excess.

Financial Statements

P&A
Grant Thornton

Consolidated Financial Statements and Independent Auditors' Report

Empire East Land Holdings, Inc. and Subsidiaries

December 31, 2022, 2021 and 2020

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

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35 YEARS
Shaping a Vibrant Tomorrow
#BoldPerspectives #DivergentThinking #ForgingPaths

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1200 Makati City
Philippines

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Report of Independent Auditors

The Board of Directors and Stockholders
Empire East Land Holdings, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)
2nd Floor, Kasara Urban Resort Residences Tower 2
P. Antonio St., Barangay Ugong
Pasig City 1604, Metro Manila

Opinion

We have audited the consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the consolidated financial statements are disclosed in Note 2 to the consolidated financial statements.

Our opinion is not modified in respect of this matter.

Key Audit Matters

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

(a) Revenue Recognition on Real Estate Sales and Determination of Related Costs of Real Estate Sales

Description of the Matter

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 amounted to P3.8 billion or 80.7% of consolidated Revenues and Income while costs of real estate sales amounted to P2.2 billion or 55.8% of consolidated Cost and Expenses for the year ended December 31, 2022, and costs of real estate inventories amounted to P21.1 billion or 44.6% of consolidated Total Assets as of 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, and measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized, while areas affected by the determination of related costs, which also require significant judgement and estimates, include 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 consolidated financial statements.

The Group's policies for revenue recognition on real estate sales and determination of costs of real estate sales are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied, and estimates used by management related to revenue recognition and cost determination are more fully described in Note 3 to the consolidated financial statements. The breakdown of real estate sales and costs of real estate sales are also disclosed in Notes 19 and 20, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

We obtained an understanding of the revenue recognition policy regarding real estate sales transactions, and an understanding of the cost determination policy regarding the real estate inventories and expenditures, together with the significant business processes of the Group related to these policies.

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Our procedures in testing the appropriateness and proper application of the Group's revenue recognition and cost determination policies and processes include understanding the policies and procedures applied to revenue recognition and cost determination, as well as compliance therewith, and assessment of the design and operating effectiveness of controls related to revenue recognition and cost determination processes, such as allocation of cost per project and direct examination of supporting documents, employed by the Group, including relevant information technology (IT) general and application controls. We also performed tests of details to ascertain accuracy and occurrence of revenue recognized through examination of real estate sales contracts and other relevant supporting documents of the samples selected and performed overall analytical review of actual results.

As part of our review of compliance with revenue recognition criteria, we tested the reasonableness of management's judgment in determining the probability of collection of the consideration in a contract which involves a historical analysis of customer payment pattern and behaviour.

Relative to the Group's measurement of progress towards complete satisfaction of performance obligation using the input method, we have tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs. We have also performed physical inspection of selected projects under development to assess if the completion based on costs is not inconsistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualification of projects engineers who prepared the budgets and reviewed the actual performance of completed projects with reference to their budgeted costs.

On a sampling basis, we traced costs accumulated to supporting documents such as invoices and accomplishment reports from the contractors and official receipts. We have also recomputed for the reasonableness of capitalized borrowing costs of the Group that formed part of the real estate inventories.

(b) Net Realizable Value of Real Estate Inventories

Description of the Matter

Real estate inventories consist of raw land and residential real estate projects under development or construction. As of December 31, 2022, real estate inventories amount to P21.1 billion, which accounts for 44.6% of total consolidated assets of the Group. Inventory is measured at the lower of cost and net realizable value. The cost of inventory includes, among others, land, engineering and construction fees, professional fees directly attributable to the project, construction overheads and other directly related costs.

The Group assessed internally the net realizable value of the inventory and reduced the carrying amount when the net realizable value was lower than the cost. The net realizable value calculation is highly dependent on estimates like, among others, the estimated sales prices per square meter, the estimated remaining construction costs and the expected timing of sale of the units. The Group's management performed the valuation and assessed any possible write-downs on inventory for each project separately.

The net realizable value of real estate inventories was considered as a key audit matter due to the significance of the balance of inventories over the total consolidated assets of the Group and the involvement of significant estimates and management judgment in determining the net realizable value of inventories.

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The Group's policy on accounting for real estate inventories is disclosed in Notes 2 and 3 to the consolidated financial statements and an analysis of the assets' components is presented in Note 7.

How the Matter was Addressed in the Audit

We have obtained an understanding and evaluated the net realizable value assessment process, performed a walkthrough of the process and evaluated the design of the controls over the process. We also examined whether real estate inventories are periodically assessed by the Group's management and the net realizable values are estimated based on appropriate data. Additionally, we performed substantive audit procedures and tested in detail with the Group's management the net realizable value method applied, the key assumptions used, including comparing these assumptions to similar projects on the market and actually realized results of the net realizable value calculations on individual projects. Moreover, we performed test of reasonableness on the assumption used and obtained supporting documents on the samples selected for the data inputs.

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC, 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.

Certified Public Accountants
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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 9566641, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 27, 2023

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 3,437,787,004**	P 3,389,416,319
Trade and other receivables - net	6	**8,920,677,740**	8,369,704,280
Contract assets	19	**2,565,004,858**	1,758,022,623
Advances to related parties	25	**5,084,657,859**	4,747,775,842
Real estate inventories	7	**21,105,557,021**	21,711,433,906
Prepayments and other current assets		**944,433,438**	806,697,644
Total Current Assets		**42,058,117,920**	40,783,050,614
NON-CURRENT ASSETS			
Trade and other receivables	6	**2,472,501,559**	2,371,548,731
Contract assets	19	**18,108,521**	294,925,623
Financial asset at fair value through other comprehensive income (FVOCI)	8	**1,339,940,000**	1,328,680,000
Advances to landowners and joint ventures	9	**241,655,890**	237,419,388
Investment in an associate	10	**279,750,572**	279,556,412
Property and equipment - net	11	**132,144,169**	144,934,008
Intangible asset - net	12	**117,822,235**	116,628,807
Investment properties - net	13	**615,100,960**	643,119,509
Other non-current assets		**5,190,893**	5,190,893
Total Non-current Assets		**5,222,214,799**	5,422,003,371
TOTAL ASSETS		**P 47,280,332,719**	P 46,205,053,985

	Notes	2022	2021
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**P 150,000,000**	P 250,000,000
Trade and other payables	15	**2,013,715,199**	1,821,485,322
Customers' deposits	16	**4,485,704,498**	4,460,628,774
Advances from related parties	25	**5,764,677,182**	5,495,817,845
Contract liabilities	19	**206,007,855**	128,793,174
Other current liabilities	18	**891,723,295**	888,812,921
Total Current Liabilities		**13,511,828,029**	13,045,538,036
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**850,000,000**	1,000,000,000
Contract liabilities	19	**102,847,590**	151,776,866
Retirement benefit obligation	23	**67,720,502**	136,639,807
Deferred tax liabilities - net	24	**1,988,251,361**	1,877,969,161
Total Non-current Liabilities		**3,008,819,453**	3,166,385,834
Total Liabilities		**16,520,647,482**	16,211,923,870
EQUITY			
Attributable to the Parent Company's stockholders			
Capital stock	26	**14,803,455,238**	14,803,455,238
Additional paid-in capital	26	**4,307,887,996**	4,307,887,996
Treasury stock - at cost	26	**(102,106,658)**	(102,106,658)
Revaluation reserves	8, 23, 26	**701,654,277**	650,475,278
Other reserves	2	**(292,118,243)**	(292,118,243)
Retained earnings	26	**8,548,796,655**	7,828,581,967
Total equity attributable to the Parent Company's stockholders		**27,967,569,265**	27,196,175,578
Non-controlling interests		**2,792,115,972**	2,796,954,537
Total Equity		**30,759,685,237**	29,993,130,115
TOTAL LIABILITIES AND EQUITY		**P 47,280,332,719**	P 46,205,053,985

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
REVENUES AND INCOME				
Real estate sales	19	**P 3,799,965,640**	P 3,622,807,512	P 4,262,092,080
Finance income	22	**491,376,516**	409,859,311	340,546,947
Rental income	13, 28	**89,620,201**	82,369,787	78,556,703
Commission income	25	**29,635,160**	45,075,231	90,004,074
Equity share in net earnings of an associate	10	**194,160**	4,074,172	-
Other income	21	**296,275,168**	370,652,690	339,155,656
		4,707,066,845	4,534,838,703	5,110,355,460
COSTS AND EXPENSES				
Cost of real estate sales	20	**2,228,021,015**	2,228,701,691	2,537,176,895
Finance costs	22	**398,806,384**	367,358,500	338,334,620
Salaries and employee benefits	23	**398,502,593**	410,112,022	407,950,300
Commissions	19	**237,653,397**	237,184,791	321,160,515
Advertising and promotion		**112,144,138**	186,757,740	198,647,114
Association dues		**72,107,916**	62,223,314	110,962,722
Taxes and licenses	13	**68,696,660**	142,700,549	74,549,635
Travel and transportation		**65,475,732**	43,151,070	41,795,214
Depreciation and amortization	11, 12, 13	**46,836,096**	69,477,080	109,957,448
Equity share in net losses of an associate		**-**	-	6,592,537
Other expenses	21	**122,241,931**	169,794,068	184,321,786
Tax expense (income)	24	**241,204,860**	(179,711,192)	253,964,347
		3,991,690,722	3,737,749,633	4,585,413,133
NET PROFIT		**715,376,123**	797,089,070	524,942,327
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently through profit or loss:				
Remeasurements on retirement benefit	23	**53,225,333**	42,317,621	16,956,951
Tax expense	24	**(13,306,334)**	(2,347,227)	(5,317,683)
Fair value gains (losses) on financial assets at FVOCI	8	**11,260,000**	135,120,000	(119,356,000)
		51,178,999	175,090,394	(107,716,732)
TOTAL COMPREHENSIVE INCOME		**P 766,555,122**	P 972,179,464	P 417,225,595
Net profit (loss) attributable to:				
Parent company's shareholders		**P 720,214,688**	P 805,765,516	P 531,433,225
Non-controlling interest		**(4,838,565)**	(8,676,446)	(6,490,898)
		P 715,376,123	P 797,089,070	P 524,942,327
Total comprehensive income (loss) attributable to:				
Parent company's shareholders		**P 771,393,687**	P 980,855,910	P 423,927,873
Non-controlling interest		**(4,838,565)**	(8,676,446)	(6,702,278)
		P 766,555,122	P 972,179,464	P 417,225,595
EARNINGS PER SHARE - Basic and Diluted	27	**P 0.049**	P 0.055	P 0.036

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020
(Amounts in Philippine Pesos)

	Attributable to Parent Company's Shareholders							
	Capital Stock (see Note 26)	Additional Paid-in Capital (see Note 26)	Treasury Stock (see Note 26)	Revaluation Reserves (see Notes 8, 23 and 26)	Other Reserves (see Notes 2 and 26)	Retained Earnings (see Note 26)	Total	Non-controlling Interests	Total
Balance at January 1, 2022	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 650,475,278	(P 292,118,243)	P 7,828,581,967	P 27,196,175,578	P 2,796,954,537	P 29,993,130,115
Total comprehensive income (loss) for the year	-	-	-	51,178,999	-	720,214,688	771,393,687	(4,838,565)	766,555,122
Balance at December 31, 2022	**P 14,803,455,238**	**P 4,307,887,996**	**(P 102,106,658)**	**P 701,654,277**	**(P 292,118,243)**	**P 8,548,796,655**	**P 27,967,569,265**	**P 2,792,115,972**	**P 30,759,685,237**
Balance at January 1, 2021	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 475,160,800	(P 292,118,243)	P 7,023,040,535	P 26,215,319,668	P 2,805,630,983	P 29,020,950,651
Total comprehensive income (loss) for the year	-	-	-	175,090,394	-	805,765,516	980,855,910	(8,676,446)	972,179,464
Transfer of reserves to earnings	-	-	-	224,084	-	224,084	-	-	-
Balance at December 31, 2021	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 650,475,278	(P 292,118,243)	P 7,828,581,967	P 27,196,175,578	P 2,796,954,537	P 29,993,130,115
Balance at January 1, 2020	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 582,666,152	(P 292,118,243)	P 6,491,607,310	P 25,791,391,795	P 2,812,333,261	P 28,603,725,056
Total comprehensive income (loss) for the year	-	-	-	(107,505,352)	-	531,433,225	423,927,873	(6,702,278)	417,225,595
Balance at December 31, 2020	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 475,160,800	(P 292,118,243)	P 7,023,040,535	P 26,215,319,668	P 2,805,630,983	P 29,020,950,651

See Notes to Consolidated Financial Statements

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 956,580,983**	P 617,377,878	P 778,906,674
Adjustments for:				
Finance income	22	**(491,376,516)**	(409,859,311)	(340,546,947)
Finance costs	22	**398,806,384**	367,358,500	338,334,620
Depreciation and amortization	11, 12, 13	**46,836,096**	69,477,080	109,957,448
Gain on sale of property and equipment	11	**(2,990,545)**	(66,002)	(171,628)
Equity share in net losses (income) of an associate	10	**(194,160)**	(4,074,172)	6,592,537
Loss on retirement of property and equipment	11	**-**	47,388,165	-
Gain on write-off of retirement benefits	23	**-**	(7,781,159)	-
Gain on derecognition of lease liabilities	17	**-**	(4,119,620)	(9,005,501)
Operating profit before working capital changes		**907,662,242**	675,701,359	884,067,203
Increase in trade and other receivables		**(533,075,583)**	(1,065,070,492)	(871,260,896)
Decrease (increase) in contract assets		**(530,165,133)**	335,827,434	(436,897,101)
Increase in advances to related parties	25	**(34,422,761)**	(50,764,690)	(68,039,439)
Decrease in real estate inventories		**605,876,885**	1,722,349,155	1,846,866,138
Increase in prepayments and other current assets		**(137,735,794)**	(91,853,560)	(28,435,202)
Increase in advances to landowners and joint ventures		**(4,236,502)**	(10,990,858)	(124,505)
Increase (decrease) in trade and other payables		**186,803,887**	594,682,786	(501,170,674)
Increase in contract liabilities		**28,285,405**	62,901,603	89,348,296
Increase (decrease) in customers' deposits		**25,075,724**	(686,323,234)	378,472,259
Increase (decrease) in other current liabilities		**2,910,374**	(41,840,217)	(9,075,646)
Decrease in retirement benefit obligation		**(21,688,699)**	(21,058,093)	(141,858,528)
Cash generated from operations		**495,290,045**	1,423,561,193	1,141,891,905
Interest received from receivables		**39,312,613**	28,313,297	59,822,685
Cash paid for income taxes		**(144,228,994)**	(156,881,044)	(75,928,181)
Net Cash From Operating Activities		**390,373,664**	1,294,993,446	1,125,786,409
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received from short-term placements	22	**30,753,942**	12,170,714	6,166,800
Acquisition of intangible assets	12	**(7,405,722)**	-	-
Proceeds from the sale of property and equipment	11	**4,554,889**	66,002	242,064
Acquisitions of property and equipment	11	**(1,379,758)**	(6,536,694)	(8,968,709)
Net Cash From (Used in) Investing Activities		**26,523,351**	5,700,022	(2,559,845)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of interest-bearing loans and borrowings	14, 33	**(250,000,000)**	(933,333,352)	(733,333,333)
Repayments of advances from related parties	25, 33	**(71,474,023)**	(62,633,982)	(76,990,281)
Interest paid	15, 33	**(47,052,307)**	(53,555,195)	(64,977,678)
Proceeds from interest-bearing loans and borrowings	14, 33	**-**	1,000,000,000	500,000,000
Proceeds from additional advances from related parties	25, 33	**-**	8,524,628	250,329,321
Repayments of lease liabilities	17	**-**	-	(13,866,415)
Net Cash Used in Financing Activities		**(368,526,330)**	(40,997,901)	(138,838,386)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**48,370,685**	1,259,695,567	984,388,178
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**3,389,416,319**	2,129,720,752	1,145,332,574
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 3,437,787,004**	P 3,389,416,319	P 2,129,720,752

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Empire East Land Holdings, Inc. (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 15, 1994, primarily to engage in the business of real estate development, mass community housing, townhouses, and row houses development. The Company is presently engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. The Company also leases out commercial and industrial properties.

The shares of common stock of the Company are listed at the Philippine Stock Exchange (PSE).

1.1 Composition of the Group

As of December 31, the Company holds ownership interests in the following entities:

Subsidiaries / Associates	Explanatory Notes	Percentage of Ownership 2022	2021	2020
Subsidiaries:				
Eastwood Property Holdings, Inc. (EPHI)	(a)	**100.00%**	100.00%	100.00%
Valle Verde Properties, Inc. (VVPI)	(b)	**100.00%**	100.00%	100.00%
Sherman Oak Holdings, Inc. (SOHI)	(b)	**100.00%**	100.00%	100.00%
Empire East Communities, Inc. (EECI)	(c)	**100.00%**	100.00%	100.00%
20th Century Nylon Shirt Co., Inc. (20th Century)	(d)	**100.00%**	100.00%	100.00%
Laguna BelAir Science School, Inc. (LBASSI)	(e)	**72.50%**	72.50%	72.50%
Sonoma Premier Land, Inc. (SPLI)	(b)	**60.00%**	60.00%	60.00%
Pacific Coast Megacity, Inc. (PCMI)	(f)	**40.00%**	40.00%	40.00%
Associate –				
Gilmore Property Marketing Associate, Inc. (GPMAI)	(b)	**47.00%**	47.00%	47.00%

Explanatory Notes:

(a) Subsidiary incorporated to market real estate properties of the Group and other related parties.
(b) Subsidiaries/associate incorporated in prior years but have not yet started commercial operations as of December 31, 2022.
(c) Subsidiary incorporated in 2008 but ceased its operations as a marketing arm of real estate properties in 2014.
(d) Subsidiary acquired in 2015 which is yet to resume its operations, which is primarily to manufacture, distribute, and buy and sell wearing apparel and its accessories such as zipper, buttons, etc.
(e) Subsidiary primarily engaged in operating a school for primary and secondary education. In 2022, the subsidiary ceased its operations.
(f) Subsidiary of the Company starting 2018 when the Company obtained de facto control over the entity and was accounted for under the pooling-of-interest method [see Note 3.1 (h)].

The registered office address, which is also the place of operations, of the Company's subsidiaries and associates, except for EPHI, LBASSI, 20th Century and PCMI, is located at 2nd Floor Tower 2, Kasara Urban Resort Residences P. Antonio St., Brgy. Ugong, Pasig City. Below is the summary of the registered office address of the other subsidiaries, which is also the place of their operation.

(a) EPHI – #188 EC Information Center, E. Rodriguez Jr. Ave., Eastwood CyberPark City, Bagumbayan, Quezon City
(b) LBASSI – Brgy. Don Jose, Sta. Rosa, Laguna
(c) 20th Century – 632 Shaw Blvd. Highway Hills, Mandaluyong City
(d) PCMI – 7th Floor, 1880 Building Eastwood City E. Rodriguez Jr. Ave. Bagumbayan, Quezon City

In prior years, the Company increased its ownership interest in VVPI and LBASSI, resulting in 100.00% and 72.50% ownership interest, respectively, over the respective subsidiaries. This resulted in the recognition of goodwill which amounted to P78.3 million as of December 31, 2022 and 2021 are shown as part of Intangible Assets – net account in the consolidated statements of financial position (see Note 12).

Megaworld Corporation (Megaworld or Parent company) is the parent company of Empire East Land Holdings, Inc. and subsidiaries (the Group). Megaworld is presently engaged in property-related activities, such as, project design, construction and property management. Megaworld is 54.06% owned by Alliance Global Group, Inc. (AGI), the Company's Ultimate Parent company. AGI is a holding company with diversified investments in food and beverage, real estate, tourism-entertainment and gaming and quick service restaurant businesses. The shares of common stock of both Megaworld and AGI are also listed at the PSE.

On April 26, 2021, the Board of Directors (BOD) had approved the change of the Company's registered office and principal place of business from 12th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City to 2nd Floor of Kasara Urban Resort Residences Tower 2, P. Antonio St., Barangay Ugong, Pasig City. The amendment was approved by the SEC on September 6, 2021. The related approval from the Bureau of Internal Revenue was obtained on November 10, 2021.

Megaworld's registered office address is located on 30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. AGI's registered office is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriquez Jr. Avenue, Bagumbayan, Quezon City. These entities' registered office addresses are also their respective principal places of business.

1.2 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2022 (including the comparative consolidated financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Group's BOD on February 27, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and on the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The financial reporting reliefs availed of by the Group are disclosed in detail below and on the succeeding pages. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy (BOA).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic, for each type of asset, liability, income, and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) SEC Financial Reporting Reliefs Availed by the Group

The Group has availed of several financial reporting reliefs granted by the SEC relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers,* affecting the real estate industry under following Memorandum Circular (MC):

- MC No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*
- MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*
- MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*
- MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*

MC No. 08-2021, A*mendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 to Clarify Transitory Provision,* provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement.

Discussed on the succeeding pages are the financial reporting reliefs availed of by the Group, including the descriptions of the implementation issues and their qualitative impacts to the consolidated financial statements. The Group opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

(i) IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry (deferred until December 31, 2023)

The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, in signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.

Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements:

- interest expense would have been higher;
- cost of real estate inventories would have been lower;
- total comprehensive income would have been lower;
- retained earnings would have been lower; and,
- the carrying amount of real estate inventories would have been lower.

(ii) PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments* (deferred until December 31, 2023)

PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.

Had the Group elected not to defer this provision of the standard, it would have an impact in the consolidated financial statements as there would have been a significant financing component when there is a difference between the percentage of completion (POC) of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method

This will impact the retained earnings, real estate sales, and profit or loss in the year of adoption and in comparative periods presented. Should the Group elect to apply the modified retrospective approach as allowed by MC No. 2021-08, this will impact the opening retained earnings in the year of adoption.

(c) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income, expenses, and other comprehensive income or loss in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that have material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(d) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the functional and presentation currency of the Group, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2022 that are Relevant to the Group

The Group adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2022.

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements.

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use.* The amendments 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 management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Group's consolidated financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract.* The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Group's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Group's consolidated financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Group's consolidated financial statements:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities.* The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective in 2022 but not Relevant to the Group

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Group's consolidated financial statements:

(i) PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework*

(ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are not relevant to the Group:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1.1, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses, and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Group is, using consistent accounting principles.

The Group accounts for its investments in subsidiaries, associates, non-controlling interests and interests in joint ventures as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when (a) it has power over the entity, (b) it is exposed, or has rights to, variable returns from its involvement with the entity, and (c) it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.10).

(b) Investment in an Associate

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint arrangement. Investments in an associate are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in associates. All subsequent changes to the ownership interest in the equity of the associate are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Earnings (Losses) of an Associate account in the Group's consolidated statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.17).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable.

When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Transactions with Non-controlling Interests

The Group's 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 of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity (i.e., revaluation reserves and other reserves). Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Group holds interests in various subsidiaries with non-controlling interests as presented in Note 10.

(d) Interests in Jointly Controlled Operations

For interests in jointly controlled operations, the Group recognizes in its consolidated financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expenses account of the Group.

No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the joint operators.

2.4 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Disclosure and Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(i) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets are driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Currently, the classification and measurement of financial assets applicable to the Group are financial assets at amortized cost and financial assets at fair value through other comprehensive income (FVOCI).

Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit losses (ECL).

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to suppliers and contractors and Advances to condominium associations included therein), Contract Assets and Advances to Related Parties in the consolidated statements of financial position.

Financial assets measured at amortized cost are included in current assets, except those with maturities greater than 12 months after the end of reporting period, which are classified as noncurrent assets.

For purposes of cash flows reporting and presentation, Cash and Cash Equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income on financial assets measured at amortized cost is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

Interest income earned is recognized in the consolidated statement of comprehensive income as part of Finance Income.

Financial Assets at FVOCI

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL).

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in the consolidated statements of income as part of Finance Income, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(ii) Impairment of Financial Assets

At the end of the reporting period, the Group assesses and recognizes allowance for ECL on its financial assets measured at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcomes.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for Trade and Other Receivables and Contract Assets. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The Group also assesses the impairment of Trade Receivables and Contract Assets as they possess shared credit risk characteristics and have been group based on the days past due [see Note 29.2(b)].

The Group applies a general approach specifically, in relation to receivables from related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date, taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

For other financial assets at amortized cost, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For Cash and 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. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group determines 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 of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial instruments subject to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(iii) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities, which include Interest-bearing Loans and Borrowings, Trade and Other Payables (except tax-related liabilities), Lease liabilities, Advances from Related Parties and Other Current Liabilities (excluding Refund liability and Miscellaneous) are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges, except for capitalized borrowing costs, are recognized as an expense in profit or loss as part of Finance Costs account in the consolidated statement of comprehensive income.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs and excluding capitalized borrowing costs, are charged to profit or loss and/or capitalized on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and Other Payables, Advances from Related Parties and other financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments. The measurement for lease liabilities is disclosed in Note 2.14(a).

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.5 Real Estate Inventories

Cost of real estate inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and borrowing costs on certain loans incurred during the development of the real estate properties (see Note 2.19). All costs relating to the real estate property sold under development are recognized as expense as the work to which they relate is performed. Meanwhile, all costs relating to completed real estate property sold are recognized once control of the property was transferred to the buyer.

Costs of real estate inventories are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate inventory is charged to operations during the period in which the loss is determined.

Repossessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or contract asset to be derecognized and the cost of the repossessed property is recognized in the consolidated statement of comprehensive income.

2.6 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as other non-current assets.

2.7 Property and Equipment

Property and equipment, except for land, are stated cost less accumulated depreciation, amortization and any impairment in value. Land is stated at cost less any impairment in value. As the land has no finite useful life, it's related carrying amount is not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as presented below. Leasehold improvements are amortized over the lease term or the estimated useful lives of the improvements, whichever is shorter.

Building and other improvements	5 to 25 years
Office furniture and equipment	3 to 5 years
Transportation equipment	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

2.8 Intangible Assets

Intangible assets include goodwill and acquired computer software license, which is capitalized on the basis of the costs incurred to acquire, install and service the specific software. Costs associated with maintaining computer software are expensed as incurred.

Capitalized costs of intangible assets are amortized on a straight-line basis over the estimated useful life (10 years) as the lives of these intangible assets are considered finite. Goodwill is classified as intangible asset with infinite life and, thus, not subject to amortization but requires an annual test for impairment. Goodwill is subsequently carried at cost less accumulated impairment losses. In addition, intangible assets are subject to impairment testing as described in Note 2.17.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.9 Investment Properties

Investment properties consists of building and office and commercial units held for lease and a parcel of land held for capital appreciation. Land held for capital appreciation is measured at cost less any impairment while building and office and commercial units held for lease are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation for building and office and commercial units classified as investment property is computed on a straight-line basis over the estimated useful life of 20 to 50 years.

Transfers to, or from, investment properties shall be made when and only when there is a change in use or purpose for such property.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in the consolidated statement of income in the year of retirement or disposal.

2.10 Business Combination

(a) Accounting for Business Combination using the Acquisition Method

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.17).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized in accordance with PAS 37, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(b) Accounting of Business Combination using the Pooling-of-interests Method

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognized any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under PIC Q&A No. 2012-01, PFRS 3.2; *Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements, (Amended by PIC Q&A No. 2015-01and PIC Q&A No. 2018-13)*; hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as "equity reserves" (presented as Other Reserves in the equity section of the consolidated statement of financial position), which will eventually be closed to additional paid-in capital. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements.

2.11 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that does not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.12 Revenue and Expense Recognition

Revenue comprises revenue from sale of real properties, leasing activities and rendering of services.

To determine whether to recognize revenue, the Group follows a five-step process:

(a) Identifying the contract with a customer;
(b) Identifying the performance obligation;
(c) Determining the transaction price;
(d) Allocating the transaction price to the performance obligations; and,
(e) Recognizing revenue when/as performance obligations are satisfied.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The Group develops real properties such as house and lot and condominium units. The Group often enters into contracts to sell real properties as they are being developed. The significant judgment used in determining the timing of satisfaction of the Group's performance obligation with respect to its contracts to sell pre-completed real properties is disclosed in Note 3.1(b). Sales cancellations, which are accounted for as modification of contracts, are charged to profit or loss on the year of forfeiture.

The specific recognition criteria of various revenue streams of the Group are as follows:

(a) *Real estate sales on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized from real estate sales is presented as part of Real Estate Sales account in the consolidated statement of comprehensive income.

(b) *Real estate sales on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer. Revenue recognized from real estate sales is presented as part of Real Estate Sales account in the consolidated statement of comprehensive income.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by the Group.

(c) *Marketing and management fees* – Revenue is recognized over time in the same amount to which the entity has the right of invoice to the customer. Any amounts remaining unbilled at the end of the reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

(d) *Commission* – Revenue is recognized by the amount in which the Group has a right to invoice that corresponds directly with the value of services rendered to customers that are completed over time (i.e., end of each month).

(e) *Tuition and miscellaneous fees* – Revenue is recognized over time over the corresponding school term.

Incremental costs of obtaining a contract to sell real property to customers are recognized as an asset and are subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized (see Note 2.13). Other costs and expenses are recognized in profit or loss upon utilization of services or receipt of goods or at the date they are incurred. Finance costs are reported on an accrual basis except for capitalized borrowing costs (see Note 2.19).

The costs of real estate sales include the acquisition cost of the land and development costs incurred for the project (see Note 2.5).

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets [see Note 2.4(a)(ii)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Groups obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on sale of real estate, consideration received from buyers is presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position.

2.13 Direct Contract Cost

Commissions represent a certain percentage of contract price given to the real estate brokers and/or agents who handle the sales and marketing of the Group's residential and high-rise projects. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission presented under Prepayments and Other Current Assets in the consolidated statement of financial position (see Note 19.3). Commissions are charged to profit or loss proportionate to the progress of the project development and are presented as Commissions under Costs and Expenses section in the consolidated statement of comprehensive income.

2.14 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured as if the new standard had been applied since commencement date but discounted using the lessee's incremental borrowing rate as at the date of initial application. Subsequently, the Group amortizes the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.17).

On the other hand, the Group measures the lease liability at the present value of the fixed lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented as part of Property and Equipment account and as a separate line item, respectively.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

2.15 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments,* are the same as those used in its consolidated financial statements, except that post-employment benefit expense is not included in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.16 Foreign Currency Transactions and Translation

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the consolidated statement of comprehensive income.

2.17 Impairment of Non-financial Assets

The Group's Investment in an Associate, Property and Equipment, Intangible Assets, Investment Properties, goodwill and other non-financial assets are tested for impairment. Goodwill is tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested for impairment either individually or at cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for goodwill, all non-financial assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.18 Employee Benefits

The Group provides short-term benefits, post-employment benefits to employees through a defined benefit plan and certain defined contribution plans and other employee benefits which are recognized as follows:

(a) Short-term benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees which are expected to be settled before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Salaries and Employee Benefits under Cost and Expenses section in the consolidated statement of comprehensive income.

(b) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory, and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on the market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(c) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.19 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. For financial reporting purposes, interest and other costs on certain borrowings that are attributable to the acquisition, construction, or development of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of Real Estate Inventories account in the consolidated statement of financial position and consolidated statement of comprehensive income, respectively. The capitalization of borrowing costs commences when expenditures for the asset are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.20 Income Taxes

Tax expense recognized in consolidated profit or loss comprises the sum of current tax and deferred tax not recognized in consolidated other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in consolidated profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.21 Related Party Transactions and Relationships

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

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

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

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies*, transactions amounting to 10% or more of the total consolidated assets based on its latest consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Group's BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Group's consolidated total assets based on the latest consolidated financial statements, the same board approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

2.22 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Group by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. For the years ended December 31, 2022, 2021 and 2020, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

2.23 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury stocks are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves consist of:

(a) Accumulated actuarial gains and losses arising from remeasurements of retirements benefit obligation, net of tax;

(b) Net fair value gains or losses recognized due to changes in fair values of financial assets recognized through other comprehensive income; and,

(c) Cumulative share in other comprehensive income of associates attributable to the Group.

Other reserves pertain to the difference between the fair value of any consideration paid and the relevant share in the carrying value of a new subsidiary that was accounted for under the pooling-of-interest method.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income.

2.24 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the judgments mentioned below and on the succeeding pages, apart from those involving estimation, which has the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Determination of Lease Term of Contracts with Renewal and Termination Option

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

The renewal and termination option for the lease of office space was not included as part of the lease term due to the provisions in its contract that require mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Evaluation of Timing of Satisfaction of Performance Obligations

(i) Real Estate Sales

The Group exercises significant judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Group considers the factors enumerated below.

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determines that its performance obligation for pre-completed real estate inventories is satisfied over time, while its performance obligation for completed real estate inventories is satisfied at a point in time, since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.

(ii) Marketing, Management Fees and Commission

The Group determines that its revenue from marketing, management fees and commission shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date i.e., generally when the customer has acknowledged the Group's right to invoice.

(iii) Tuition Fees

The Group determines that its revenue from tuition fees shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the counterparties. The Group renders services without the need for reperformance of other companies. This demonstrates that the counterparties simultaneously receive and consume the benefits of the Group's rendering of services as it performs.

(c) Estimation of Collection Threshold for Revenue Recognition

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(d) Determination of ECL on Trade and Other Receivables, Contract Assets and Advances to Related Parties

The Group uses a provision matrix to calculate ECL for Trade Receivables, Contract Assets and other receivables. The provision rates are based on days past due for groups of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

With respect to Advances to Related Parties and other related party receivables, the Group uses the liquidity approach as the receivables are collectible on demand.

Details about the ECL on the Group's Trade and Other Receivables, Contract Assets and Advances to Related Parties are disclosed in Notes 2.4(a)(ii) and 29.2.

(e) Distinction Among Investment Property and Owner-managed Properties

The Group determines whether a property qualifies as investment property or property and equipment. In making its 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 the property but also to other assets used in the production or supply process while land held for future development are properties intended solely for future development and sale.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held 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.

Based on management's assessment, properties held for lease and for capital appreciation qualifies as investment property.

(f) Distinction Between Real Estate Inventories and Investment Property

Inventories comprise properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprise of land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Group considers management's use over these assets in making its judgment.

(g) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's assessment, all of the Group's lease agreements are classified as operating leases.

Distinction between operating and finance leases is applicable only to lease agreements as a lessor. All leases entered into as a lessee, except for those qualified under the optional exemptions as provided by the standard, are required to be recognized on-balance sheet.

(h) Consolidation of Entities in which the Group Holds 50% or Less

Management considers that the Group has de facto control over PCMI even though it holds less than 50% of the ordinary shares and voting rights in that subsidiary. The Group considers its ability to exercise control over these entities through voting rights held by its subsidiaries or through interlocking directors.

(i) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant contingencies are presented in Note 28.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Revenue Recognition for Performance Obligation Satisfied Over Time

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligations. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and applies changes as necessary. A significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change.

(c) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behaviour (e.g., likelihood of counterparties defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 2.4(a)(ii).

(d) Determination of Net Realizable Value of Real Estate Inventories

In determining the net realizable value of real estate inventories, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next reporting period.

Considering the Group's pricing policy, the net realizable value of the Real Estate Inventories is higher than their related carrying values as of the end of the reporting periods.

(e) Estimation of Useful Lives of Property and Equipment, Intangible Assets, and Investment Properties

The Group estimates the useful lives of Property and Equipment, Intangible Assets, and Investment Properties based on the period over which the assets are expected to be available for use. The estimated useful lives of these 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 assets.

The carrying amounts of Property and Equipment, Intangible Assets, and Investment Properties are analysed in Notes 11, 12 and 13, respectively. Based on management's assessment as at December 31, 2022 and 2021, there is no change in estimated useful lives of Property and Equipment, Intangible Assets and Investment Properties during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(f) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of deferred tax assets recognized as at December 31, 2022 and 2021 will be utilized in the succeeding years.

The carrying values of the Group's deferred tax assets as of December 31, 2022 and 2021 are disclosed in Note 24.

(g) Impairment of Goodwill and Other Non-financial Assets

Goodwill is reviewed annually for impairment while other non-financial assets are tested whenever certain impairment indicators become present. In assessing impairment, the management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Also, the Group's policy on estimating the impairment of goodwill and other non-financial assets is discussed in detail in Note 2.17.

Significant portion of goodwill amounting to P77.3 million arising from the acquisition of LBASSI has been tested for impairment. The recoverable amount of cash generating units amounted to P394.8 million and P386.1 million in 2022 and 2021, respectively.

For 2022 and 2021, due to the planned cessation of operations of LBASSI, the management determined the recoverable amount of LBASSI's CGU using the fair market value of its net assets less related costs to sell. The Group assessed that only LBASSI's capital assets would have a significant difference between its carrying amount and its fair market value. All other net assets' carrying amounts approximates their fair market values.

The Group determines the fair value using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property. Management considered the market prices of similar assets within the location of LBASSI as the key assumptions in determining the recoverable amount of CGU as the recoverability of the CGU now entirely depend on how the market perceives and prices such units upon selling. Management believes that the key assumptions used are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse effect on the results of operations. Management has also determined that the market values used would not cause the carrying amount of the cash generating unit to exceed their respective recoverable amounts. As at December 31, 2022 and 2021, the fair value of the CGU is classified under Level 3 of the fair value hierarchy.

On March 17, 2021, the Group submitted a letter to the Department of Education Sta. Rosa City Division Office regarding the cessation of the operations of LBASSI taking effect after school year 2021-2022. On October 20, 2022, LBASSI filed for the certificate of clearance with the BIR Revenue District Office No. 057, Biñan, West Laguna. Currently, the BIR is reviewing the application.

Based on management's assessment, no impairment loss needs to be recognized on goodwill since the recoverable amount of the cash generating units is greater than their carrying amount in both years presented (see Note 1.1).

No impairment losses were recognized on Advances to Landowners and Joint Ventures, Investment in an Associate, Property and Equipment, Intangible Assets, Investment Properties, and other non-financial assets in 2022, 2021 and 2020 (see Notes 9, 10, 11, 12 and 13).

(h) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the Retirement Benefit Obligation in the next reporting period.

The amounts of Retirement Benefit Obligation and expense and an analysis of the movements in the estimated present value of post-employment benefits, as well as the significant assumptions used in estimating such obligation are presented in Note 23.2.

(i) Determination of Fair Value of Investment Properties

Investment properties are measured using the cost model. The Group determines the fair values of building and building improvements using either thru the discounted cash flows valuation technique (income approach) or market-based valuation technique (market approach). The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

For land, the Group determines the fair value using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Note 31.4.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. It classifies and monitors its projects into high-rise and horizontal. High-rise projects refer to condominiums and other medium scale properties while the horizontal projects refer to house and lot packages, and subdivision lots. Both are intended for middle income market. Segment accounting policies are the same as the policies described in Note 2.15.

4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating receivables, contract assets and real estate inventories. Excluded from segment assets are Cash and Cash Equivalents, Advances to Related Parties, Prepayments, Advances to Landowners and Joint Ventures, Investments in an Associate, Property and Equipment, Intangible Assets, Investment Properties and other assets which are considered corporate assets and are not allocated to any segment's assets.

Segment liabilities include all operating liabilities incurred by management in each particular segment and consist principally of Contract Liabilities and Customers' Deposits. Excluded from segment liabilities are Interest-bearing Loans and Borrowings, Trade and Other Payables, Advances from Related Parties, Deferred Tax Liabilities and Retirement Benefit Obligation as the Group's management determined that these accounts are not directly related to the Group's segment.

4.3 Intersegment Transactions

There are no intersegment transactions. In case of inter-segment sales and transfers, the Group generally accounts for them as if the sales or transfers were made to third parties at current market prices. Intersegment sales and transfers, if any, are eliminated in the preparation of the consolidated financial statements.

4.4 Analysis of Segment Information

The tables presented in the succeeding pages present the revenue and profit information for the years ended December 31, 2022, 2021 and 2020 and certain asset and liability information regarding segments as at December 31, 2022, 2021 and 2020.

	High Rise Projects			Horizontal Projects			Total		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020
REVENUES									
Real estate sales	**P 3,566,584,650**	P 3,383,909,085	P 4,121,674,336	**P 233,380,990**	P 238,898,427	P 140,417,744	**P 3,799,965,640**	P 3,622,807,512	P 4,262,092,080
Finance income	**135,808,063**	115,749,633	75,709,547	**8,450,490**	5,092,961	14,205,713	**144,258,553**	120,842,594	89,915,260
Rental income	**17,189,304**	17,431,216	11,994,865	**-**	-	-	**17,189,304**	17,431,216	11,994,865
Other income	**155,670,753**	157,184,641	111,344,448	**10,842,543**	4,685,048	12,288,871	**166,513,296**	161,869,689	123,633,319
	3,875,252,770	3,674,274,575	4,320,723,196	**252,674,023**	248,676,436	166,912,328	**4,127,926,793**	3,922,951,011	4,487,635,524
COSTS AND OTHER OPERATING EXPENSES									
Cost of real estate sales	**2,096,109,839**	2,083,592,091	2,473,145,096	**131,911,176**	145,109,600	64,031,799	**2,228,021,015**	2,228,701,691	2,537,176,895
Commissions	**199,731,748**	195,115,595	275,131,527	**18,641,320**	18,570,947	9,080,480	**218,373,068**	213,686,542	284,212,007
Advertising and promotion	**90,405,992**	158,959,027	185,121,584	**12,595,558**	23,329,042	7,369,175	**103,001,550**	182,288,069	192,490,759
Association dues	**61,985,205**	50,765,686	95,156,461	**7,761,307**	5,729,143	7,134,462	**69,746,512**	56,494,829	102,290,923
Taxes and licenses	**32,620,734**	48,973,052	22,517,959	**8,774,720**	8,641,254	11,051,762	**41,395,454**	57,614,306	33,569,721
Rentals	**6,108,597**	6,498,758	3,493,877	**388,488**	-	3,759	**6,497,085**	6,498,758	3,497,636
Salaries and employee benefits	**1,132,027**	865,327	1,353,073	**-**	128,141	34,870	**1,132,027**	993,468	1,387,943
Travel and transportation	**90,277**	48,826	3,092	**26,536**	4,049	67,464	**116,813**	52,875	70,556
Other expenses	**50,939,530**	49,916,296	59,383,830	**4,416,464**	5,071,813	7,762,734	**55,355,994**	54,988,109	67,146,564
Cost and other operating expenses excluding depreciation and amortization	**2,539,123,949**	2,594,734,658	3,115,306,499	**184,515,569**	206,583,989	106,536,505	**2,723,639,518**	2,801,318,647	3,221,843,004
Depreciation and amortization	**-**	-	225,558	**-**	-	-	**-**	-	225,558
	2,539,123,949	2,594,734,658	3,115,532,057	**184,515,569**	206,583,989	106,536,505	**2,723,639,518**	2,801,318,647	3,222,068,562
SEGMENT OPERATING PROFIT	**P 1,336,128,821**	P 1,079,539,917	P 1,205,191,139	**P 68,158,454**	P 42,092,447	P 60,375,823	**P 1,404,287,275**	P 1,121,632,364	P 1,265,566,962
SEGMENT ASSETS AND LIABILITIES									
Segment assets	**P 22,786,828,361**	P 22,576,593,688	P 23,889,201,226	**P 7,086,399,603**	P 7,087,914,726	P 7,188,329,385	**P 29,873,227,964**	P 29,664,508,414	P 31,077,530,611
Segment liabilities	**4,401,292,829**	4,226,231,265	4,892,259,636	**311,445,220**	290,631,100	303,766,808	**4,712,738,049**	4,516,862,365	5,196,026,444

4.5 Reconciliations

Presented below and on the succeeding page is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2022	2021	2020
Revenues			
Total segment revenues	**P 4,127,926,793**	P 3,922,951,011	P 4,487,635,524
Unallocated revenues:			
Finance income	**347,117,963**	289,016,717	250,631,687
Rental income from investment property	**72,430,897**	64,938,571	66,561,838
Commission income	**29,635,160**	45,075,231	90,004,074
Other income	**129,956,032**	212,857,173	215,522,337
	579,140,052	611,887,692	622,719,936
Revenues as reported in the consolidated statements of comprehensive income	**P 4,707,066,845**	P 4,534,838,703	P 5,110,355,460
Profit or loss			
Segment operating profit	**P 1,404,287,275**	P 1,121,632,364	P 1,265,566,962
Other unallocated income	**579,140,052**	611,887,692	622,719,936
Other unallocated expenses	**(1,268,051,204)**	(936,430,986)	(1,363,344,571)
Net profit as reported in the consolidated statements of comprehensive income	**P 715,376,123**	P 797,089,070	P 524,942,327
Assets			
Segment assets	**P29,873,227,964**	P29,664,508,414	
Unallocated assets:			
Cash and cash equivalents	**3,437,787,004**	3,389,416,319	
Trade and other receivables-net	**5,208,621,735**	4,841,126,749	
Advances to related parties	**5,084,657,859**	4,747,775,842	
Prepayments and other current assets	**944,433,438**	806,697,644	
Financial asset at FVOCI	**1,339,940,000**	1,328,680,000	
Advances to landowners and joint ventures	**241,655,890**	237,419,388	
Investment in associate	**279,750,572**	279,556,412	
Property and equipment - net	**132,144,169**	144,934,008	
Investment property - net	**615,100,960**	643,119,509	
Intangible assets - net	**117,822,235**	116,628,807	
Other non-current assets	**5,190,893**	5,190,893	
	17,407,104,755	16,540,545,571	
Total assets as reported in the consolidated statements of financial position	**P47,280,332,719**	P46,205,053,985	

	2022	2021
Liabilities		
Segment liabilities	**P 4,712,738,049**	P 4,516,862,365
Unallocated liabilities:		
Interest-bearing loans and borrowings	**1,000,000,000**	1,250,000,000
Trade and other payables	**2,013,715,199**	1,821,485,322
Customers' deposits	**313,526,406**	414,620,297
Advances from related parties	**5,764,677,182**	5,495,817,845
Other current liabilities	**660,018,783**	698,529,073
Retirement benefit obligation	**67,720,502**	136,639,807
Deferred tax liabilities - net	**1,988,251,361**	1,877,969,161
	11,807,909,433	11,695,061,505
Total liabilities as reported in the consolidated statements of financial position	**P16,520,647,482**	P16,211,923,870

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following deferred components as of December 31:

	2022	2021
Cash on hand and in banks	**P 2,011,906,440**	P 1,990,639,917
Short-term placements	**1,425,880,564**	1,398,776,402
	P 3,437,787,004	P 3,389,416,319

Cash in banks generally earns interest based on the daily bank deposit rates.

Peso-denominated short-term placements are made for varying periods of up to 76 days in 2022, 51 days in 2021 and 36 days in 2020, and earn annual effective interest ranging from 0.38% to 5.75% in 2022, 0.25% to 1.25% in 2021, and 0.13% to 3.30% in 2020. Dollar-denominated short-term placements are made for varying periods of up to 90 days in 2022 and 2021 and 34 days in 2020 and earn annual effective interest ranging from 0.05% to 4.0% in 2022, 0.05% to 0.15% in 2021, and 0.05% to 1.44% in 2020 (see Note 22.1).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2022	2021
Current:			
Trade receivables	25.2	**P 4,551,528,008**	P 4,289,839,206
Advances to suppliers and contractors		**3,061,729,762**	2,869,679,015
Rent receivable	25.2	**386,207,124**	390,510,409
Advances to condominium associations		**361,678,095**	288,792,728
Interest receivable		**75,025,195**	74,092,660
Management fee receivable	25.2	**44,119**	44,119
Others		**484,651,639**	456,932,345
		8,920,863,942	8,369,890,482
Allowance for impairment		**(186,202)**	(186,202)
		8,920,677,740	8,369,704,280
Non-current:			
Trade receivables		**2,348,771,102**	2,257,475,440
Refundable security deposits		**123,730,457**	114,073,291
		2,472,501,559	2,371,548,731
		P11,393,179,299	P10,741,253,011

The Group's trade and other receivables are subjected to credit risk. These receivables are evaluated by the Group for impairment and assessed that no additional ECL should be provided for the periods presented.

A reconciliation of the allowance for impairment on current trade and other receivables at the beginning and end of 2022 and 2021 is shown below.

	2022	2021
Balance at beginning of year	**P 186,202**	P 203,622
Recovery of accounts previously provided with allowance	**-**	(17,420)
Balance at end of year	**P 186,202**	P 186,202

Trade receivables of the Group are either interest-bearing or noninterest-bearing. The installment period of interest-bearing sales contracts ranges from 2 to 15 years while interest ranges from 8% to 22%. The related interest earned on these sales contracts amounting to P26.5 million, P18.8 million, and P13.5 million in 2022, 2021 and 2020, respectively, are reported as part of Finance Income account in the consolidated statements of comprehensive income (see Note 22.1).

The installment period of noninterest-bearing sales contracts ranges from two to five years with imputed interest of 5.75% in 2022, 5.78% in 2021 and 4.75% in 2020. Noninterest-bearing trade receivables are measured at amortized cost using the effective interest method based on the interest rate of similar financial instruments in the market. Day-one loss amounting to P121.3 million, P117.8 million and P102.1 million in 2022, 2021 and 2020, respectively, are presented as a deduction against the Real Estate Sales account in the consolidated statements of comprehensive income. Amortization of day one loss amounting to P117.8 million, P102.1 million and P76.4 million in 2022, 2021 and 2020, respectively, are presented as Amortization of day-one loss on noninterest-bearing financial instruments under Finance Income account in the consolidated statements of comprehensive income (see Note 22.1).

Advances to suppliers and contractors represent down payments made by the Group to the suppliers and contractors based on a certain percentage of the contract price, construction materials purchased by the Group that is used by the contractors, and utility consumption that are chargeable to contractors. The initial payment will eventually be recouped or deducted from the amount payable of the Group either on a pro-rated basis or in full once billed by the suppliers and contractors.

Advances to condominium associations represent the Group's payment for the initial operations of the start-up association of a completed project. The purpose of these advances is mainly for the charges of utilities, real property taxes, licenses, and management fee.

Refundable security deposits include various deposits to third parties for electrical, internet subscription, exhibits and other utilities, and equipment needed in the development of the projects. All deposits, except for deposits to an electric Group, do not earn interest. Such deposits are only refundable upon completion of the projects or upon return of the equipment used. However, the exact date or period of completion of projects or return of equipment is indeterminable. Accordingly, refundable deposits are accounted for at cost.

Other receivables, both current and non-current, include advances to joint ventures for processing of business permits and licenses, and unliquidated advances to employees and real estate consultants.

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to trade receivables from real estate sales as the amounts recognized consist of a large number of receivables from various customers. The Group considers the market value of properties sold held as collateral in assessing the expected credit loss on trade receivables and contract assets from real estate sales [see Note 29.2(b)].

7. REAL ESTATE INVENTORIES

The Group's real estate inventories at the end of 2022 and 2021 were stated at cost. The composition of this account as at December 31 is shown below (see Note 20).

	2022	2021
Residential and condominium units for sale	**P 14,793,544,954**	P14,688,573,284
Raw land inventory	**4,424,215,132**	5,135,063,687
Property development costs	**1,887,796,935**	1,887,796,935
	P 21,105,557,021	P21,711,433,906

7.1 Residential and Condominium Units for Sale

This account represents the accumulated costs incurred, net of recognized Cost of Real Estate Sales in the consolidated statements of comprehensive income (see Note 20), on house and lots and condominium units available for sale. The subdivision houses include houses that are ready for occupancy, house models and units under construction.

No property is used as a security for the Group's interest-bearing loans and borrowings for the years ended December 31, 2022 and 2021.

7.2 Property Development Costs

This account pertains to accumulated costs incurred on projects which are not yet offered for sale as of the end of the reporting periods.

7.3 Net Realizable Value

Based on management assessment the net carrying amounts of these assets are lower than their net realizable values considering the present market rates; hence, no provisions for write-down of Real Estate Inventories have been recognized in the consolidated financial statements.

8. FINANCIAL ASSETS AT FVOCI

The movements in the carrying amounts of financial assets at FVOCI as of December 31 are as follows:

	2022	2021
Balance at beginning of year	**P 1,328,680,000**	P 1,193,560,000
Fair value gains	**11,260,000**	135,120,000
Balance at end of year	**P 1,339,940,000**	P 1,328,680,000

Financial assets at FVOCI pertain to investments held by EPHI in equity securities of the Ultimate Parent Company, whose shares are listed in the PSE. The fair value of these securities has been determined directly by reference to published prices in an active market. The fair value of these investments as of December 31, 2022 and 2021, is categorized as Level 1 in the fair value hierarchy (see Note 31.2).

The net accumulated fair value gains or losses in financial assets at FVOCI are shown as part of Revaluation Reserves account in the equity section of the consolidated statements of financial position (see Note 26.4).

Dividend income earned amounted to P13.5 million, P7.9 million, and P5.6 million in 2022, 2021, and 2020, respectively, and is presented as Dividend income under Finance Income in the consolidated statements of comprehensive income (see Note 22.1).

9. ADVANCES TO LANDOWNERS AND JOINT VENTURES

The cash advances made by the Group relate to a number of joint venture agreements entered into with landowners covering the development of certain parcels of land. The joint venture agreements stipulate that the Group's joint venture partners shall contribute parcels of land and the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of condominium units to be constructed on the properties. Costs incurred by the Group for these projects are recognized as part of Real Estate Inventories account in the consolidated statements of financial position (see Note 7).

In addition to providing specified portion of the total project development costs, the Group also commits to advance mutually agreed-upon amounts to the landowners which will then be used for purposes such as reconsolidation/separation/subdivision of mother titles and relocation of existing occupants. Repayments of these advances may be made upon completion of the project development either in the form of residential condominium, commercial units or developed lots corresponding to the landowners' share in the projects or in the form of cash to be derived from the sales of the landowners' share in the saleable lots and residential condominium units.

The reconciliation of this account as of December 31 are as follows:

	2022	2021
Advances to landowners:		
Balance at beginning of year	**P 132,887,049**	P 121,909,391
Additional advances	**3,674,027**	10,977,658
Balance at end of year	**136,561,076**	132,887,049
Advances to joint ventures:		
Balance at beginning of year	**104,532,339**	104,519,139
Additional advances	**562,475**	13,200
Balance at end of year	**105,094,814**	104,532,339
	P 241,655,890	P 237,419,388

The Group commits to developing the properties based on the terms agreed with the joint venture partners. The Group has no existing commitment for cash advances under the joint venture agreements as this commitment has been fully complied with by the Group as of December 31, 2022 and 2021.

The net commitment for construction expenditures amounts to:

	2022	2021
Total commitment for construction expenditures	**P 11,205,054,936**	P 11,205,054,936
Total expenditures incurred	**(9,040,058,953)**	(8,980,771,947)
Net commitment	**P 2,164,995,983**	P 2,224,282,989

The Group's interest in jointly controlled operations and projects ranges from 55% to 82% in 2022 and 2021. The Group's jointly controlled projects are as follows:

- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and CALABARZON projects

The Group accounts for its 82% interest in Pioneer Woodlands as jointly controlled operations since the property where the project is situated is fully owned by the co-joint operator and the Group was engaged in the agreement for the purposes of providing financing, planning, designing, marketing, construction, monitoring, and supervision of all facets of the work on the project.

Administrative and operational functions of the project are provided by the Group and bills the co-joint operator for related fees. Decisions related to the operations of the project are defined under an agreement between the Group and the co-joint operator.

As of December 31, 2022 and 2021, the Group has neither other material contingent liabilities with regard to these joint ventures.

10. INVESTMENT IN AN ASSOCIATE AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The components of investment in an associate as of December 31 are as follows:

	2022	2021
Investments in associate – at equity	**P 293,960,618**	P 293,960,618
Accumulated equity in net losses:		
Balance at beginning of year	**(14,404,206)**	(18,478,378)
Equity shares in net income for the year	**194,160**	4,074,172
Balance at end of year	**(14,210,046)**	(14,404,206)
	P 279,750,572	P 279,556,412

10.1 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues, and net loss of GPMAI as of December 31 are as follows:

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Loss
2022	**P 571,330,279**	**P 16,546,323**	**P 12,166,291**	**P -**	**P 3,496,283**	**(P 2,283,127)**
2021	P 573,690,897	P 16,353,588	P 12,051,047	P -	P 806,380	(P 3,643,001)
2020					P 2,752,167	(P 3,819,796)

The reconciliation of the above summarized information to the carrying amount of the interest in GPMAI is as follows:

	2022	2021
Net assets at end of year	**P 575,710,311**	P 577,993,438
Share of GPMAI in net asset of MCPI	**(52,650,014)**	(55,343,022)
	523,060,297	522,650,416
Equity ownership interest	**47.37%**	47.37%
	247,773,662	247,579,502
Nominal goodwill	**31,976,910**	31,976,910
Balance at end of year	**P 279,750,572**	P 279,556,412

As of December 31, 2022 and 2021, there are no available fair values for this investment in an associate as this is not listed in stock markets.

Based on the assessment of the management, the investment in an associate is not impaired due to the active efforts of the Group to raise funds to push through with the associate's projects.

10.2 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material non-controlling interest (NCI) are shown below.

	Proportion of Ownership Interest and Voting Rights Held by NCI		Subsidiary's Consolidated Loss Allocated to NCI		Accumulated Equity of NCI	
Name	2022	2021	2022	2021	December 31, 2022	December 31, 2021
LBASSI	**27.50%**	27.50%	**P 229,467**	(P 2,625,636)	**P 77,907,876**	P 77,678,409
SPLI	**40.00%**	40.00%	**(80,282)**	(78,421)	**542,298,830**	542,379,112
PCMI	**60.00%**	60.00%	**(4,987,750)**	(5,972,389)	**2,171,909,266**	2,176,897,016

The summarized financial information of LBASSI, SPLI, and PCMI before intragroup eliminations is shown below.

	LBASSI		SPLI		PCMI	
	2022	2021	2022	2021	2022	2021
Current assets	**P 1,546,237**	P 17,406,556	**P 512,066,542**	P 512,052,697	**P2,812,042,580**	P 2,820,355,496
Non-current assets	**119,105,455**	124,538,565	**-**	-	**816,261,150**	816,261,150
Total assets	**P 120,651,692**	P 141,945,121	**P 512,066,542**	P 512,052,697	**P3,628,303,730**	P 3,636,616,646
Current liabilities	**P 7,927,356**	P 23,970,755	**P 23,017,676**	P 22,803,125	**P 8,454,960**	P 8,454,960
Non-current liabilities	**-**	5,739,497	**-**	-	**-**	-
Total liabilities	**P 7,927,356**	P 29,710,252	**P 23,017,676**	P 22,803,125	**P 8,454,960**	P 8,454,960
Equity	**P 112,724,336**	P 112,234,869	**P 489,048,866**	P 489,249,572	**P3,619,848,770**	P 3,628,161,686

	2022	2021	2020	2022	2021	2020	2022	2021	2020
Revenues	**P13,637,376**	P 30,718,352	P37,289,624	**P -**	P -	P -	**P 1,090**	P 6,961	P -
Net profit (loss)	**P 489,467**	(P10,008,978)	(P 1,680,171)	**(P 200,706)**	(P 196,053)	(P 180,097)	**(P 8,312,916)**	(P 9,953,981)	(P 9,928,022)
Other comprehensive income (loss)	**P -**	P -	(P 768,655)	**P -**	P -	P -	**P -**	P -	P -
Net cash from (used) in operating activities	**(P19,217,505)**	(P 1,670,637)	P 8,444,094	**(P 220,770)**	(P 215,905)	(P 200,246)	**(P 186,473)**	(P 168,113)	(P 177,591)
Net cash from (used) in investing activities	**4,420,960**	35,640	(1,682,868)	**-**	-	-	**-**	-	-
Net cash from (used) in financing activities	**1,182,098**	(6,769,053)	(1,681,119)	**214,551**	215,830	204,858	**-**	-	-
Net cash inflow(outflow)	**(P13,614,447)**	(P 8,404,050)	P 5,080,107	**(P 6,219)**	(P 75)	P 4,612	**(P 186,473)**	(P 168,113)	(P 177,591)

In 2022, 2021, and 2020, LBASSI, SPLI, and PCMI have not declared nor paid any dividends.

10.3 Contingent Liabilities

As of December 31, 2022 and 2021, the Group has no contingent liabilities for subsidiaries and associate which were incurred jointly with other investors and the Group is not severally liable for all or part of the contingent liabilities of the subsidiaries and associate.

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of items of property and equipment at the beginning and end of 2022 and 2021 are shown below.

	Land	Building and Other Improvements	Leasehold Improvements	Transportation Equipment	Office Furniture and Equipment	Right-of-use Asset	Total
December 31, 2022							
Cost	P 81,095,000	P 92,376,453	P 92,141,300	P 54,852,804	P 137,284,205	P -	P 457,749,762
Accumulated depreciation and amortization	-	(55,060,371)	(82,370,476)	(53,109,590)	(135,065,156)	-	(325,605,593)
Net carrying amount	**P 81,095,000**	**P 37,316,082**	**P 9,770,824**	**P 1,743,214**	**P 2,219,049**	**P -**	**P 132,144,169**
December 31, 2021							
Cost	P 81,095,000	P 92,464,582	P 92,141,300	P 75,801,561	P 168,164,268	P -	P 509,666,711
Accumulated depreciation and amortization	-	(52,425,906)	(78,394,715)	(71,677,802)	(162,234,280)	-	(364,732,703)
Net carrying amount	P 81,095,000	P 40,038,676	P 13,746,585	P 4,123,759	P 5,929,988	P -	P 144,934,008
January 1, 2021							
Cost	P 81,095,000	P 92,464,582	P 165,678,198	P 76,269,063	P 167,597,918	P 78,213,619	P 661,318,380
Accumulated depreciation and amortization	-	(48,226,018)	(98,006,043)	(67,946,917)	(156,930,197)	(39,106,808)	(410,215,983)
Net carrying amount	P 81,095,000	P 44,238,564	P 67,672,155	P 8,322,146	P 10,667,721	P 39,106,811	P 251,102,397

A reconciliation of the carrying amounts at the beginning and end of 2022, 2021 and 2020 is shown as follows:

	Land	Building Other and Improvements	Leasehold Improvements	Transportation Equipment	Office Furniture and Equipment	Right-of-use Asset	Total
Balance at January 1, 2022, net of accumulated depreciation, amortization, and impairment	P 81,095,000	P 40,038,676	P 13,746,585	P 4,123,759	P 5,929,988	P -	P 144,934,008
Additions	-	-	-	378,570	1,001,188	-	1,379,758
Disposal	-	(88,129)	-	(141,283)	(1,334,932)	-	(1,564,344)
Depreciation and amortization charges for the year	-	(2,634,465)	(3,975,761)	(2,617,832)	(3,377,195)	-	(12,605,253)
Net carrying amount at December 31, 2022	**P 81,095,000**	**P 37,316,082**	**P 9,770,824**	**P 1,743,214**	**P 2,219,049**	**P -**	**P 132,144,169**
Balance at January 1, 2021, net of accumulated depreciation, amortization, and impairment	P 81,095,000	P 44,238,564	P 67,672,155	P 8,322,146	P 10,667,721	P 39,106,811	P 251,102,397
Additions	-	-	4,981,649	45,893	1,509,152	-	6,536,694
Write-off	-	-	(47,388,165)	-	-	-	(47,388,165)
Depreciation and amortization charges for the year	-	(4,199,888)	(11,519,054)	(4,244,280)	(6,246,885)	(9,776,703)	(35,986,810)
Derecognition of right-of-use asset	-	-	-	-	-	(29,330,108)	(29,330,108)
Net carrying amount at December 31, 2021	P 81,095,000	P 40,038,676	P 13,746,585	P 4,123,759	P 5,929,988	P -	P 144,934,008

	Land	Building Other and Improvements	Leasehold Improvements	Transportation Equipment	Office Furniture and Equipment	Right-of-use Asset	Total
Balance at January 1, 2020, net of accumulated depreciation, amortization, and impairment	P 81,095,000	P 46,975,217	P 73,064,341	P 13,251,826	P 19,209,239	P 145,110,823	P 378,706,446
Additions	-	1,480,000	5,323,689	793,750	1,371,270	-	8,968,709
Disposal	-	-	-	(70,436)	-	-	(70,436)
Depreciation and amortization charges for the year	-	(4,216,653)	(10,715,875)	(5,652,994)	(9,912,788)	(45,968,868)	(76,467,178)
Derecognition of Right-of-use asset	-	-	-	-	-	(60,035,144)	(60,035,144)
Net carrying amount at December 31, 2020	P 81,095,000	P 44,238,564	P 67,672,155	P 8,322,146	P 10,667,721	P 39,106,811	P 251,102,397

The amount of depreciation and amortization of property and equipment is presented as part of Depreciation and Amortization account under Costs and Expenses section of the consolidated statements of comprehensive income.

In 2021, certain leasehold improvements amounting to P78.5 million were derecognized due to termination of related lease. This resulted in a loss amounting to P47.4 million in 2021 which is presented as Loss on write-off of property and equipment under Other Expenses account in the 2021 consolidated statement of comprehensive income (see Note 21.2). There was no similar transaction in 2022 and 2020.

The Group sold various fixed assets with total carrying value of P1.6 million and fully depreciated transportation equipment for P4.6 million in 2022, fully depreciated office furniture and equipment for P66,002 in 2021, and transportation equipment with total carrying value of P70,436 for P242,064 in 2020. The Group recognized gain on sale of property and equipment amounting to P3.0 million, P0.1 million and P0.2 million in 2022, 2021 and 2020, respectively, and is presented as part of Miscellaneous under Other Income in the Revenue and Income section of the consolidated statements of comprehensive income (see Note 21.1).

Property and equipment are subject to impairment testing whenever there is an indication that the carrying amount may not be recoverable. No impairment loss was recognized in 2022, 2021 and 2020 as the recoverable amount of these assets determined by management is higher than its carrying value.

The cost of fully depreciated assets still used in business amounted to P218.7 million and P275.3 million as of December 31, 2022 and 2021, respectively.

12. INTANGIBLE ASSETS

This account is composed of the following:

	Notes	2022	2021
Goodwill	1.1, 2.8	**P 78,326,757**	P 78,326,757
Software licenses		**39,495,478**	38,302,050
		P 117,822,235	P 116,628,807

Goodwill arose from the acquisition of LBASSI and VVPI.

Goodwill arising from the acquisition of subsidiaries mentioned above were recognized based on management's expected future economic benefit and synergies that will result from combining the operation of the acquired subsidiaries.

The gross carrying amounts and accumulated amortization of software licenses at the beginning and end of 2022 and 2021 are shown below.

	2022	2021
Cost	**P 62,122,935**	P 54,717,213
Accumulated amortization	**(22,627,457)**	(16,415,163)
Net carrying amount	**P 39,495,478**	P 38,302,050

A reconciliation of the carrying amounts of intangible assets for the beginning and end of 2022, 2021 and 2020 is shown below.

	2022	2021	2020
Balance at beginning of year	**P 116,628,807**	P 122,100,528	P 127,572,249
Additions	**7,405,722**	-	-
Amortization expense for the year	**(6,212,294)**	(5,471,721)	(5,471,721)
Balance at end of year	**P 117,822,235**	P 116,628,807	P 122,100,528

The amount of amortization charges is presented as part of Depreciation and Amortization account under Costs and Expenses section of the consolidated statements of comprehensive income.

Intangible assets are subject to impairment testing whenever there is an indication that the carrying amount may not be recoverable. No impairment loss was recognized in 2022, 2021 and 2020 as the recoverable amount of intangible assets determined by management is higher than its carrying value.

13. INVESTMENT PROPERTIES

The Group's investment properties pertain to building and office and commercial units held for lease and a parcel of land held for capital appreciation. Rental income recognized for the years ended December 31, 2022, 2021 and 2020 amounted to P72.4 million, P64.9 million and P66.6 million, respectively, and are presented as part of Rental Income in the consolidated statements of comprehensive income. Real estate taxes and depreciation substantially represent direct costs incurred related to these properties. Since all recorded investment properties earned rental income during the year, there were no direct operating expenses pertaining to investment properties not generating rental income. Real estate tax amounting to P1.5 million, P1.1 million and P1.5 million in 2022, 2021 and 2020, respectively, and repairs and maintenance amounting to P1.8 million, P1.3 million, and P3.1 million in 2022, 2021, and 2020, respectively, were recognized as related expense in those years, and were presented as part of Taxes and Licenses, and Repairs and maintenance under Other Expenses account in the consolidated statements of comprehensive income (see Note 21.2).

The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of 2022 and 2021 are shown below.

		Held for Lease		
	Land	Building	Other Properties	Total
December 31, 2022				
Cost	P 1,040,000	P 47,274,140	P 925,460,396	P 973,774,536
Accumulated depreciation	-	(36,637,457)	(322,036,119)	(358,673,576)
Net carrying value	**P 1,040,000**	**P 10,636,680**	**P 603,424,277**	**P 615,100,960**
December 31, 2021				
Cost	P 1,040,000	P 47,274,140	P 925,460,396	P 973,774,536
Accumulated depreciation	-	(34,510,121)	(296,144,906)	(330,655,027)
Net carrying value	P 1,040,000	P 12,764,019	P 629,315,490	P 643,119,509
January 1, 2021				
Cost	P 1,040,000	P 47,274,140	P 925,460,396	P 973,774,536
Accumulated depreciation	-	(32,382,785)	(270,253,693)	(302,636,478)
Net carrying value	P 1,040,000	P 14,891,355	P 655,206,703	P 671,138,058

A reconciliation of the carrying amount of investment properties at the beginning and end of 2022, 2021, and 2020 is shown below.

		Held for Lease		
	Land	Building	Other Properties	Total
Balance at January 1, 2022, net of accumulated depreciation	P 1,040,000	P 12,764,019	P 629,315,490	P 643,119,509
Depreciation charges for the year	-	(2,127,336)	(25,891,213)	(28,018,549)
Balance at December 31, 2022, net of accumulated depreciation	**P 1,040,000**	**P 10,636,683**	**P 603,424,277**	**P 615,100,960**
Balance at January 1, 2021, net of accumulated depreciation	P 1,040,000	P 14,891,355	P 655,206,703	P 671,138,058
Depreciation charges for the year	-	(2,127,336)	(25,891,213)	(28,018,549)
Balance at December 31, 2021, net of accumulated depreciation	P 1,040,000	P 12,764,019	P 629,315,490	P 643,119,509
Balance at January 1, 2020, net of accumulated depreciation	P 1,040,000	P 17,018,691	P 681,097,916	P 699,156,607
Depreciation charges for the year	-	(2,127,336)	(25,891,213)	(28,018,549)
Balance at December 31, 2020, net of accumulated depreciation	P 1,040,000	P 14,891,355	P 655,206,703	P 671,138,058

The amount of depreciation on investment properties is presented as part of Depreciation and Amortization account under Costs and Expenses section in the consolidated statements of comprehensive income.

Investment properties are subject to impairment testing whenever there is an indication that the carrying amount may not be recoverable. No impairment loss was recognized in 2022, 2021 and 2020 as the recoverable amount of these assets determined by management is higher than its carrying value.

Other information relating to fair value measurements and disclosures of investment properties are disclosed in Note 31.4.

14. INTEREST-BEARING LOANS AND BORROWINGS

The details of interest-bearing loans and borrowings from local banks are discussed below.

2022	2021	Explanatory Notes	Interest Rate	Security	Maturity
P 1,000,000,000	P 1,000,000,000	*(a)*	Floating rate at 7.0% subject to quarterly repricing	Unsecured	Up to 2028
-	250,000,000	*(b)*	Fixed at 5.6% for 1st and 2nd tranches and 4.8% for the 3rd tranche	Unsecured	Up to 2022
P 1,000,000,000	P 1,250,000,000				

(a) Philippine Peso, unsecured seven-year loan due in 2028

In 2021, the Group obtained an interest-bearing seven-year P1.0 billion loan from a local bank. The loan was released in full in February 2021 and bears a floating interest rate of 7.0% per annum. The proceeds of the loan were used to fund the development of the Group's various real estate projects. The principal of the loan is payable in 20 equal quarterly payments starting on May 5, 2023, with two-year grace period and interest is payable quarterly in arrears.

(b) Philippine Peso, unsecured seven-year loan due in 2022

In 2015, the Group obtained an interest-bearing seven-year P2.0 billion loan from a local bank. The loan was released in three tranches from 2015 to 2017 and bears fixed interest rate of 5.6% per annum for the first and second tranches and fixed interest of 4.8% for the third tranche. The proceeds of the loan were used to fund the development of the Group's various real estate projects. This has been fully paid as of December 31, 2022.

Certain bank loans require the Group to maintain a debt-to-equity ratio of not more than 1:1, a debt service coverage ratio of not less than 1.25:1, and a current ratio of not less than 2:1. As of December 31, 2022 and 2021, the Group is in compliance with such financial covenant obligations.

The total interest on these interest-bearing loans and borrowings in 2022, 2021, and 2020 amounted to P52.5 million, P57.6 million and P63.7 million, respectively. The loans are directly attributable to the construction of the Company's projects; hence, the related interest amounting to P8.9 million, and P35.1 million in 2021 and 2020, respectively, is capitalized as part of Real Estate Inventories account in the consolidated statements of financial position. There was no similar transaction in 2022. However, certain interests were expensed out since the projects related to certain loans are already completed. Unpaid interest as of December 31, 2022 and 2021 amounted to P10.9 million and P5.6 million, respectively, and is presented as Interest payable under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

Capitalization rate used in determining the amount of interest charges qualified for capitalization is 2.64% and 2.97% in 2021 and 2020, respectively (see Note 7). There was no similar transaction in 2022.

There were no loan issuance costs incurred as all loans are directly availed from banks.

Interest-bearing loans and borrowings are presented in the consolidated statements of financial position as follows:

	2022	2021
Current	**P 150,000,000**	P 250,000,000
Non-current	**850,000,000**	1,000,000,000
	P 1,000,000,000	P 1,250,000,000

15. TRADE AND OTHER PAYABLES

This account consists of:

	Note	2022	2021
Trade payable		**P 1,857,373,548**	P 1,685,516,558
Taxes payable		**111,962,682**	97,359,150
Accrued expenses		**33,230,969**	32,653,228
Interest payable	14	**10,948,000**	5,565,312
Miscellaneous		**200,000**	391,074
		P 2,013,715,199	P 1,821,485,322

Taxes payable pertains to withholding taxes payable and other statutory payables such as SSS, Philippine Health Insurance Corporation and Home Development Mutual Fund contribution.

Accrued expenses include the Group's obligations to its suppliers that are expected to be settled within 12 months from the end of the reporting period. These liabilities arise mainly from accrual of construction expenditures incurred during the year.

16. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

	2022	2021
Advances from customers	**P3,248,279,156**	P3,335,069,482
Other deposits	**1,237,425,342**	1,125,559,292
	P4,485,704,498	P4,460,628,774

Advances from customers represent cash received from customers for real estate property purchases which have not yet complied with the sales recognition criteria of the Group. The advances are deducted from the contract price once the related real estate sales are recognized by the Group.

Other deposits mainly pertain to cash received from customers for miscellaneous fees and other related expenses to process the transfer of title to customers.

17. LEASES

In 2021 and 2020, the Group pre-terminated the contract with its lessor for its leased asset located in Taguig. The lease term of this asset, based on the original contract, is for five years from January 1, 2018 to December 31, 2022. The Group has fully vacated the 10th and 11th floors of the leased premises in December 2020 and the 12th floor in June 2021. Accordingly, the related lease liabilities and right-of-use assets were derecognized as of December 1, 2020 and June 30, 2021. The gain on lease modification amounting to P4.1 million and P9.0 million in 2021 and 2020, respectively, is presented as part of Miscellaneous under Other Income in the consolidated statements of comprehensive income (see Note 21.1). There was no similar transaction in 2022.

17.1 Lease Liabilities

The Group has no lease liabilities as of December 31, 2022 and 2021.

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's business strategy and the economic benefit of exercising such option exceeds the expected overall cost. As of December 31, 2021 and 2020, the Group has exercised its termination option for its existing lease agreement.

17.2 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis.

The December 31, 2022, 2021, and 2020 expenses relating short-term leases amounted to P13.5 million, P11.1 million and P10.2 million, respectively, are presented as Rentals under Other Expenses account in the consolidated statements of comprehensive income (see Notes 21.2).

17.3 Additional Profit or Loss and Cash Flow Information

The total cash outflow in 2020 in respect of leases recognized as liabilities amounted to P13.9 million. Interest expense relating to lease liabilities amounts to P7.9 million in 2020 and is presented as part of Finance Costs account under Costs and Expenses section of the 2020 consolidated statement of comprehensive income (see Note 22.2). There was no similar transaction in 2022 and 2021.

18. OTHER CURRENT LIABILITIES

As of December 31, other current liabilities include the following:

	Notes	2022	2021
Retention payable		**P 596,550,002**	P 613,922,575
Refund liability	21.2	**231,704,512**	190,283,848
Refundable deposits	28.1	**51,921,936**	52,839,763
Miscellaneous		**11,546,845**	31,766,735
		P 891,723,295	P 888,812,921

Retention payable pertains to amounts withheld from payments made to contractors to ensure compliance and completion of contracted projects, which ranges from 5% to 10% of every billing made by the contractor. Upon completion of the contracted projects, submission of required bonds and final acceptance of works, the amounts are returned to contractors.

Refund liability pertains to the amount due to buyers of real estate properties which is the cash surrender value of the payments made by them on the cancelled real estate contracts as required by Republic Act (R.A.) 6552, *Realty Installment Buyer Act*. The amount of provision for the years ended 2022, 2021, and 2020 amounted to P44.2 million, P34.1 million and P31.0 million, respectively, and is presented as Provision for refund liability under Other Expenses account in the consolidated statements of comprehensive income (see Note 21.2).

19. REAL ESTATE SALES

19.1 Disaggregation of Revenues

The Group derives revenues from sale of real properties and other income. An analysis of the Group's real estate sales is presented below.

	2022	2021	2020
Geographical areas			
Within Metro Manila	**P 3,130,268,670**	P 2,740,174,242	P 3,878,197,366
Outside Metro Manila	**669,696,970**	882,633,270	383,894,714
	P 3,799,965,640	P 3,622,807,512	P 4,262,092,080
Types of product or services			
Residential condominium	**P 3,566,584,650**	P 3,383,909,085	P 4,121,674,336
Residential lots and house and lots	**233,380,990**	238,898,427	140,417,744
	P 3,799,965,640	P 3,622,807,512	P 4,262,092,080

19.2 Contract Accounts

a. Contract Assets

The Group's contract assets are classified as follows:

	2022	2021
Current	**P 2,565,004,858**	P 1,758,022,623
Non-current	**18,108,521**	294,925,623
	P 2,583,113,379	P 2,052,948,246

The significant changes in the contract assets balance as of December 31 are as follows:

	2022	2021
Balance at beginning of year	**P2,052,948,246**	P2,388,775,680
Transfers from contract assets recognized at the beginning of year to trade receivables	**(406,301,982)**	(600,098,033)
Increase as a result of changes in measurement of progress	**936,467,115**	264,270,599
Balance at end of year	**P2,583,113,379**	P2,052,948,246

b. Contract Liabilities

The Group's contract liabilities are classified as follows:

	2022	2021
Current	**P 206,007,855**	P 128,793,174
Non-current	**102,847,590**	151,776,866
	P 308,855,445	P 280,570,040

The significant changes in the contract liabilities balance as of December 31 are as follows:

	2022	2021
Balance at beginning of year	**P 280,570,040**	P 217,668,437
Revenue recognized that was included in contract liabilities at the beginning of year	**(43,760,416)**	(26,693,792)
Increase due to cash received excluding amount recognized as revenue during the year	**72,045,821**	89,595,395
Balance at end of year	**P 308,855,445**	P 280,570,040

19.3 Direct Contract Costs

The Group incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and are presented as part of Prepayments and Other Current Assets in the consolidated statements of financial position. These are amortized over the expected construction period on the same basis as how the Group measures progress towards complete satisfaction of its performance obligation in its revenue contracts. The total amount of amortization for 2022, 2021, and 2020 is presented as part of Commissions account under Cost and Expenses section of the consolidated statements of comprehensive income.

The movements in balances of deferred commission in 2022 and 2021 are presented below.

	2022	2021
Balance at beginning of year	**P 258,991,994**	P 192,031,164
Additional capitalized cost	**68,774,109**	79,836,049
Amortization for the year	**(41,027,978)**	(12,875,219)
Balance at end of year	**P 286,738,125**	P 258,991,994

19.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts as of December 31, 2022 and 2021 is P4.8 billion and P3.9 billion, respectively. As of December 31, 2022 and 2021, the Group expects to recognize revenue from unsatisfied contracts as presented below.

	2022	2021
Within a year	**P 2,155,660,579**	P 1,558,231,805
More than one year to three years	**1,926,874,236**	2,104,137,917
More than three years to five years	**706,888,474**	283,673,954
Balance at end of year	**P 4,789,423,289**	P 3,946,043,676

20. COST OF REAL ESTATE SALES

The total cost of real estate sales for the years ended December 31 is as follows:

	Note	2022	2021	2020
Actual costs		**P 1,746,663,193**	P 1,995,213,030	P 1,838,819,898
Estimated costs	2.5	**481,357,822**	233,488,661	698,356,997
		P 2,228,021,015	P 2,228,701,691	P 2,537,176,895

The breakdown of the cost of real estate sales are as follows (see Note 7):

	2022	2021	2020
Contracted services	**P 1,902,020,736**	P 1,999,791,892	P 2,300,577,406
Land cost	**234,409,831**	141,689,559	161,300,849
Borrowing cost	**40,525,285**	64,641,192	49,594,420
Other costs	**51,065,163**	22,579,048	25,704,220
	P 2,228,021,015	P 2,228,701,691	P 2,537,176,895

21. OTHER INCOME AND EXPENSES

21.1 Other Income

The details of this account are shown below.

	Notes	2022	2021	2020
Marketing and management fees	25.2	**P 145,106,942**	P217,030,237	P 192,637,740
Forfeited collections and deposits		**131,996,577**	108,278,701	99,942,494
Tuition and miscellaneous fees		**13,637,376**	30,718,352	37,289,624
Miscellaneous	11, 17	**5,534,273**	14,625,400	9,285,798
		P 296,275,168	P370,652,690	P 339,155,656

Forfeited collections and deposits include reservation fees and all payments made by delinquent buyers, net of any loss on cancellations. This also includes portion of payments received by the Group upon approval of buyer's request to transfer to other units.

Miscellaneous fees include manning charges, gain on lease modification, registration fees, medical and dental fees, laboratory fees, energy fees, and other fees charged to students upon enrollment.

21.2 Other Expenses

The breakdown of this account is shown below.

	Notes	2022	2021	2020
Provision for refund liability	18	**P 44,213,877**	P 34,146,764	P 30,960,582
Utilities		**14,893,935**	16,547,622	13,822,704
Rentals	17.2	**13,487,284**	11,063,149	10,205,625
Janitorial services		**10,916,172**	4,644,068	8,425,595
Security services		**7,201,534**	12,612,638	10,795,393
Repairs and maintenance	13	**6,431,019**	7,319,177	13,491,348
Professional fees	25.4	**5,400,740**	7,828,036	5,842,003
Computer license subscription		**5,303,189**	3,509,699	7,916,242
Insurance		**4,279,546**	5,244,089	6,538,057
Marketing events and awards		**2,124,595**	248,865	2,843,230
Office supplies		**1,920,155**	4,441,652	10,095,362
Training, seminars and other benefits		**1,598,349**	5,181,104	8,643,959
Documentation		**1,080,904**	1,087,533	4,219,034
Representation		**298,346**	76,844	538,787
Loss on write-off of property and equipment	11	**-**	47,388,165	-
Outside services		**-**	132,855	1,535,472
Loss on write-off of receivables	25.3	**-**	-	40,643,067
Miscellaneous		**3,092,286**	8,321,808	7,805,326
		P 122,241,931	P 169,794,068	P 184,321,786

Miscellaneous expenses include bank charges, motor vehicle registration and others.

Loss on write-off of property and equipment pertains to the loss on derecognized leasehold improvements in 2021. There was no similar transaction in 2022 and 2020 (see Note 11).

Loss on write-off of receivables pertains to forgone collection of interest due from Megaworld Daewoo Corporation in 2020. There was no similar transaction in 2022 and 2021 (see Note 25.3).

22. FINANCE INCOME AND FINANCE COSTS

22.1 Finance Income

The breakdown of this account is shown below.

	Notes	2022	2021	2020
Interest income:				
Advances to related parties	25.1	**P 302,459,256**	P 268,277,015	P 238,584,906
Cash and cash equivalents	5	**30,753,942**	12,170,714	6,166,800
Trade and other receivables	6	**26,482,239**	18,790,091	13,476,523
Tuition fees		**223,759**	659,838	835,724
Amortization of day-one loss on noninterest-bearing financial instruments	6	**117,776,313**	102,052,503	76,438,736
Dividend income	8	**13,512,000**	7,882,000	5,630,000
Foreign currency gain (loss) - net		**169,007**	27,150	(585,742)
		P 491,376,516	P 409,859,311	P 340,546,947

22.2 Finance Costs

The breakdown of finance costs is shown below.

	Notes	2022	2021	2020
Interest expense on advances from related parties	25.1	**P 340,333,360**	P 312,167,217	P 287,547,306
Bank loans	14	**52,478,297**	48,647,239	28,626,652
Net interest expense on post-employment defined benefit obligation	23.2	**5,994,727**	6,544,044	14,285,788
Lease liabilities	17.1	**-**	-	7,874,874
		P 398,806,384	P 367,358,500	P 338,334,620

23. SALARIES AND EMPLOYEE BENEFITS

23.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Note	2022	2021	2020
Short-term benefits		**P 369,691,292**	P 378,170,113	P 377,070,446
Post-employment benefits	23.2	**28,811,301**	31,941,909	30,879,854
		P 398,502,593	P 410,112,022	P 407,950,300

23.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Group maintains a partially funded, tax qualified, non-contributory, post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The post-employment defined benefit plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The post-employment defined benefit plan provides for retirement ranging from 60% to 200% of final monthly salary for every year of credited service but shall not be less than the regulatory benefit under the R.A. 7641, *The Retirement Pay Law*, or the applicable retirement law at the time of the member's retirement.

(b) Explanation of the Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made regularly to update the retirement benefit costs and the amount of contributions. All amounts presented below and on the succeeding pages are based on the latest actuarial valuation reports obtained from independent actuaries.

The amounts of post-employment benefit recognized in the consolidated statements of financial position are determined as follow:

	2022	2021
Present value of the obligation	**P 429,740,305**	P 462,835,851
Fair value of the assets	**(362,019,803)**	(326,196,044)
	P 67,720,502	P 136,639,807

The movements in the present value of the post-employment defined benefit obligation (DBO) recognized in the books are as follows:

	2022	2021
Balance at beginning of year	**P 462,835,851**	P 473,563,902
Current service cost	**28,811,301**	31,941,909
Interest expense	**23,427,638**	18,232,840
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**(81,517,258)**	(49,530,354)
Experience adjustments	**34,571,389**	(2,837,531)
Changes in demographic assumptions	**(21,939,946)**	(183,196)
Benefits paid	**(16,448,670)**	(570,560)
Derecognition of RBO	**-**	(7,781,159)
Balance at end of year	**P 429,740,305**	P 462,835,851

In 2021, the Group did not engage the services of an actuary for RBO valuation for LBASSI and has derecognized its related RBO as the Group is not expecting anymore to pay the retirement obligation of the employees due to the management's decision to cease the operations of Laguna Bel Air Science School taking effect after school year 2021-2022. Instead, the Group has accrued the severance pay as of December 31, 2021 amounting to P14.1 million and is presented as part of Other Current Liabilities in the 2021 consolidated statement of financial position, and as part of Salaries and Employee Benefits under Costs and Expenses section in the 2021 consolidated statements of comprehensive income. This was settled in 2022.

The movements in the fair value of plan assets are presented below.

	2022	2021
Balance at beginning of year	**P 326,196,044**	P 272,311,268
Interest income	**17,432,911**	11,688,796
Loss on plan assets (excluding amounts included in net interest)	**(15,660,482)**	(10,233,460)
Actual contribution	**50,500,000**	53,000,000
Benefits paid	**(16,448,670)**	(570,560)
Balance at end of year	**P 362,019,803**	P 326,196,044

The fair value of plan assets is composed of the following (in millions):

	2022	2021
Cash and cash equivalents	**P 206.3**	P 149.8
Investment in government issued debt securities	**155.7**	176.4
	P 362.0	P 326.2

The plan assets earned a return of P1.8 million and P1.5 million in 2022 and 2021, respectively.

The components of amounts recognized in the consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Notes	2022	2021	2020
Reported in profit or loss:				
Current service cost	23.1	**P 28,811,301**	P 31,941,909	P 30,879,854
Net interest expense	22.2	**5,994,727**	6,544,044	14,285,788
		P 34,806,028	P 38,485,953	P 45,165,642
Reported in other comprehensive income (loss):				
Actuarial gains (losses) arising from:				
- changes in financial assumptions		**P 81,517,258**	P 49,530,354	P 19,824,305
- experience adjustments		**(34,571,389)**	2,837,531	2,747,653
- demographic assumption		**21,939,946**	183,196	-
Loss on plan assets (excluding amounts included in net interest)		**(15,660,482)**	(10,233,460)	(5,615,007)
		P 53,225,333	P 42,317,621	P 16,956,951

Current service cost is presented as part of Salaries and Employee Benefits under Costs and Expenses section in the consolidated statements of comprehensive income (see Note 23.1) while the amounts of net interest expense are included under Finance Costs under Costs and Expenses section in the consolidated statements of comprehensive income (see Note 22.2).

The amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2022	2021	2020
EELHI:			
Discount rates	**7.54%**	5.08%	3.95%
Expected rate of salary increases	**4.00%**	4.00%	4.00%
EPHI:			
Discount rates	**7.10%**	4.98%	3.77%
Expected rate of salary increases	**6.16%**	6.72%	6.72%
LBASSI:			
Discount rate	**-**	-	3.96%
Expected rate of salary increases	**-**	-	2.00%

The other subsidiaries currently do not have employees and their accounting and other administrative functions are being handled by the Company; hence, there was no cost of retirement benefits recognized.

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 to 65 for both males and females is shown on the succeeding page.

	Retirement Age	Average Remaining Working Life
EELHI	60	28
LBASSI	60	30
EPHI	65	18

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment and interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Rate Risks

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described on the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the DBO as of December 31:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2022			
EELHI			
Discount rate	**+5.7%/6.5%**	**(P 20,280,395)**	**P 23,196,685**
Salary increase rate	**+6.7%/-6.0%**	**23,798,351**	**(21,114,661)**
EPHI			
Discount rate	**+/-0.5%**	**(2,649,516)**	**2,854,747**
Salary increase rate	**+/-1.0%**	**5,688,030**	**(4,997,622)**
2021			
EELHI			
Discount rate	+7.6%/-8.9%	(P 28,718,983)	P 33,829,326
Salary increase rate	+8.9%/-7.7%	33,857,333	(29,253,033)
EPHI			
Discount rate	+/-0.5%	(3,870,616)	4,215,130
Salary increase rate	+/-1.0%	8,266,998	(7,142,239)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the DBO as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the DBO recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve those long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in debt securities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration, and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The plans are currently underfunded by P67.7 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 10 to 20 years' time when a significant number of employees is expected to retire.

The Group expects to make a contribution of at least P53 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan for the next 20 years follows:

	2022	2021
Within one year	**P 190,032,920**	P 177,518,738
More than one year to five years	**94,477,223**	84,888,374
More than five years to 10 years	**149,769,754**	136,185,152
More than 10 years to 15 years	**62,012,644**	50,055,889
More than 15 years to 20 years	**78,962,537**	86,665,860
More than 20 years	**157,270,110**	205,030,055
	P 732,525,188	P 740,344,068

The weighted average duration of the DBO at the end of the reporting period is 6.10 to 16 years.

24. TAX EXPENSE

The components of tax expense reported in the consolidated statements of comprehensive income for the years ended December 31 are presented below.

	2022	2021	2020
Reported in profit or loss:			
Current tax expense:			
RCIT at 25%, 20% and 1% in 2022 and 2021 and 30% and 10% in 2020	**P 138,094,908**	P 166,838,539	P 37,661,816
Final tax at 20%, 15% and 7.5%	**6,134,086**	2,430,078	1,224,081
MCIT at 2% in 2020	**-**	-	36,996,350
	144,228,994	169,268,617	75,882,247
Effect of the change in income tax rate	**-**	(12,387,572)	-
	144,228,994	156,881,045	75,882,247
Deferred tax expense (income) relating to:			
Origination and reversal of temporary differences	**96,975,866**	23,877,945	178,082,100
Effect of the change in income tax rate	**-**	(360,470,182)	-
	96,975,866	(336,592,237)	178,082,100
	P 241,204,860	(P 179,711,192)	P 253,964,347

	2022	2021	2020
Reported in other comprehensive income or loss –			
Deferred tax expense relating to:			
Origination and reversal of temporary differences	**P 13,306,334**	P 10,579,405	P 5,317,683
Effect of the change in income tax rate	**-**	(8,232,178)	-
	P 13,306,334	P 2,347,227	P 5,317,683

LBASSI, as an educational institution, is subject to 1% tax rate on its taxable income as defined under the tax regulations of the National Internal Revenue Code Section 27(B).

The reconciliation of tax on pre-tax profit computed at the applicable statutory rates to tax expense as reported in the profit or loss section of the consolidated statements of comprehensive income is as follows:

	2022	2021	2020
Tax on pre-tax profit at 25%, 20% and 1% in 2022 and 2021 and 30% and 10% in 2020	**P 239,018,108**	P 155,763,572	P 239,223,270
Adjustment for income subjected to lower income tax rates	**(1,553,446)**	(609,822)	(610,671)
Tax effects of:			
Non-deductible taxes and licenses	**2,710,567**	12,959,407	4,229,546
Non-deductible interest expense	**1,536,540**	606,888	607,894
Non-taxable income on forfeited collections	**(285,708)**	(979,719)	-
Changes in tax rates due to CREATE Law	**-**	(372,857,754)	-
Non-deductible loss on derecognition of property and equipment	**-**	11,847,041	-
Write-off of net deferred tax assets related to lease pre-termination	**-**	9,829,898	-
Excess of MCIT over RCIT	**-**	-	7,220,828
Non-taxable income	**-**	-	(1,689,000)
Others - net	**(221,201)**	3,729,297	4,982,480
	P 241,204,860	(P 179,711,192)	P 253,964,347

The net deferred tax liabilities as of December 31 relate to the following:

	Consolidated Statements of Financial Position		Consolidated Statement of Profit or Loss		
	2022	2021	2022	2021	2020
Deferred tax assets:					
Provision for refund liability	**P 57,926,128**	P 47,570,962	**(P 10,355,166)**	(P 441,182)	(P 9,145,341)
Retirement benefit obligation	**16,930,126**	34,159,952	**3,923,492**	21,534,264	38,521,228
Lease liability	**-**	-	**-**	17,893,260	29,836,403
Unamortized past service cost	**-**	-	**-**	-	15,120
	74,856,254	81,730,914	**(6,431,674)**	38,986,342	59,227,410
Deferred tax liabilities:					
Uncollected realized gross profit	**(1,906,236,495)**	(1,783,290,828)	**122,945,667**	(292,847,817)	183,388,050
Capitalized borrowing cost	**(85,144,335)**	(111,654,460)	**(26,510,125)**	(81,021,530)	(36,935,632)
Deferred commission	**(71,684,532)**	(64,747,999)	**6,936,533**	7,138,650	7,182,121
Unrealized foreign exchange gains (loss) - net	**(42,253)**	(6,788)	**35,465**	182,511	(276,995)
Right of use asset – net	**-**	-	**-**	(9,030,393)	(34,502,854)
	(2,063,107,615)	(1,959,700,075)	**103,407,540**	(375,578,579)	118,854,690
Net Deferred Tax Expense (Income)			**P 96,975,866**	(P 336,592,237)	P 178,082,100
Net Deferred Tax Liabilities - net	**(P 1,988,251,361)**	(P 1,877,969,161)			

The deferred tax expense (income) presented in Other Comprehensive Income section in the consolidated statements of comprehensive income pertains to the tax effect of remeasurements of retirement benefit obligation and change in income tax rates due to CREATE Law in 2021 which resulted to a tax expense amounting to P13.3 million, P2.3 million, and P5.3 million in 2022, 2021, and 2020, respectively.

The Group is subject to the MCIT which is computed at 1% of gross income in 2022 and 2021, as defined under the tax regulations, or RCIT, whichever is higher. The Group earned MCIT amounting to P37.0 million during 2020 which is valid until 2023.

The details of the Group's NOLCO that are valid and deductible from future taxable income are presented below.

Year	Original Amount	Expired Amount	Remaining Balance	Valid Until
2022	P 9,319,501	P -	P 9,319,501	2025
2021	28,708,937	-	28,708,937	2026
2020	11,885,277	-	11,885,277	2025
2019	13,826,773	(13,826,773)	-	
	P 63,740,488	**(P 13,826,773)**	**P 49,913,715**	

PCMI, LBASSI, EECI, SPLI, SOHI, VVPI and 20th Century did not recognize deferred tax assets on their respective NOLCO as management believes that the related deferred tax assets may not be recovered within the prescriptive period. The amount of NOLCO for the year ended 2022 for which the related deferred tax asset has not been recognized amounted to a total of P9.3 million with a total tax effect of P2.3 million.

Pursuant to issuance of Revenue Regulations No. 25-2020 to implement Section 4(bbbb) of R.A. 11494, *Bayanihan to Recover as One (Bayanihan II)*, the net operating loss incurred for the taxable year 2021 and 2020 amounting to P28.7 million and P11.9 million, respectively, can be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss. Accordingly, the total amount of NOLCO for the taxable years 2021 and 2020 can be claimed as a deduction from the future taxable income until 2026 and 2025, respectively.

In 2022, 2021 and 2020, the Group opted to claim itemized deductions in computing for its income tax due.

25. RELATED PARTY TRANSACTIONS

The Group's related parties include the Ultimate Parent Company, the Parent Company, related parties under common ownership, associate, key management personnel, and the Group's retirement plan as described on the succeeding pages.

The summary of the Group's significant transactions and outstanding balances with its related parties are as follows:

Related Party Category	Notes	Amount of Transactions 2022	2021	2020	Outstanding Balance 2022	2021
Ultimate Parent:						
Financial assets at FVOCI	8	**P 11,260,000**	P 135,120,000	(P 119,356,000)	**P1,339,940,000**	P1,328,680,000
Dividend income	8, 22.1	**13,512,000**	7,882,000	5,630,000	**13,512,000**	7,882,000
Parent:						
Availment of advances	25.1, 25.5	**(311,070,804)**	(294,516,893)	(498,326,915)	**(5,010,016,537)**	(4,698,945,733)
Rendering of services	25.2	**29,635,160**	45,075,231	90,004,074	**659,753,900**	666,798,357
Obtaining of services	25.4	**1,037,400**	1,781,940	1,452,360	**-**	-
Associate –						
Availment of advances	25.1	**2,211,467**	1,459,030	1,588,529	**(381,678,955)**	(383,890,422)
Under common ownership:						
Repayment of advances - net	25.1	**40,000,000**	35,000,000	35,852,041	**(372,981,690)**	(412,981,690)
Granting of advances	25.1	**336,882,017**	319,041,705	306,624,345	**5,084,657,859**	4,747,775,842
Rendering of services	25.2	**145,222,308**	196,108,971	198,241,879	**44,119**	5,261,796
Sale of land	25.3	**-**	-	(40,643,067)	**-**	-
Key management personnel –						
Compensation	25.6	**83,854,398**	76,187,205	74,927,456	**-**	-

Unless otherwise stated, the Group's outstanding receivables from and payables to related parties arising from interest-bearing and noninterest-bearing advances, joint venture agreements, lease of property and cash advances to related party are unsecured, collectible, or payable on demand, and are generally settled in cash or through offsetting arrangements with the related parties (see Note 30.2).

There were no impairment losses recognized on the outstanding receivables from related parties in 2022, 2021 and 2020 based on management's ECL assessment.

25.1 Advances to and from Related Parties

The Group grants to and obtains unsecured advances from its Parent company, associate and other related parties for working capital purposes.

The Advances to Related Parties account represents the outstanding balances arising from cash advances granted by the Group to certain related parties under common ownership. Some of the advances to related parties are interest-bearing with interest rates ranging from 12.00% to 15.00% both in 2022 and 2021. The interest income arising from these interest-bearing advances is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 22.1). The change in the Advances to Related Parties account are shown below.

	Note	2022	2021
Balance at beginning of year		**P 4,747,775,842**	P 4,428,734,137
Interest income	22.1	**302,459,256**	268,277,015
Additional advances		**49,432,432**	52,397,867
Collections		**(15,000,000)**	-
Offset against advances		**(9,671)**	(1,633,177)
Balance at end of year		**P 5,084,657,859**	P 4,747,775,842

The Advances from Related Parties account represents the outstanding balances arising from cash advances obtained by the Group from its Parent Company, associate, and certain related parties under common ownership. Some of the advances from related parties are interest-bearing with interest rates ranging from 7.00% to 12.00% both in 2022 and 2021. The details as of December 31 are as follow:

	2022	2021
Parent	**P 5,010,016,537**	P 4,698,945,733
Associate	**381,678,955**	383,890,422
Related parties under common ownership	**372,981,690**	412,981,690
	P 5,764,677,182	P 5,495,817,845

The movements in the Advances from Related Parties account is shown below.

	2022	2021
Parent:		
Balance at beginning of year	**P 4,698,945,733**	P 4,404,428,840
Accrued interests	**316,098,291**	286,146,177
Additions	**-**	8,524,628
Repayments	**(5,027,487)**	(153,912)
Balance at end of year	**P 5,010,016,537**	P 4,698,945,733
Associate:		
Balance at beginning of year	**P 383,890,422**	P 385,349,452
Repayments	**(2,211,467)**	(1,459,030)
Balance at end of year	**P 381,678,955**	P 383,890,422
Other related parties under common ownership:		
Balance at beginning of year	**P 412,981,690**	P 447,981,690
Repayments	**(64,235,069)**	(61,021,040)
Accrued interests	**24,235,069**	26,021,040
Balance at end of year	**P 372,981,690**	P 412,981,690

Cash advances from Parent company and other related parties under common ownership bear fixed interest rate ranging between 7% and 12% per annum in 2022, 2021 and 2020. Interest expense is presented as part of Finance Costs account in the consolidated statements of comprehensive income (see Note 22.2).

25.2 Rendering of Services

The summary of services offered by the Group is presented below.

	Amount of Transactions		
	2022	2021	2020
Management services	**P 113,133,951**	P 165,548,490	P 169,000,227
Lease of property	**32,088,357**	30,560,481	29,241,652
Commission income	**29,635,160**	45,075,231	90,004,074
	P 174,857,468	P 241,184,202	P 288,245,953

The Group handled the administrative functions of certain related parties under common ownership for the latter's ongoing construction and development activities. The amount of revenue earned from such transaction is recognized as part of Marketing and management fees under Other Income account in the consolidated statements of comprehensive income (see Note 21.1) while the outstanding balances are presented as Management fee receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Group earns marketing fees from the sale of Megaworld's real estate properties. The marketing fee recognized is presented as Commission Income under Revenues and Income section in the consolidated statements of comprehensive income. The outstanding receivables related to these transactions are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Group leases certain investment property to a related party under common ownership in 2022, 2021, and 2020. The revenues earned from the lease are included as part of Rental Income account under Revenues and Income section in the consolidated statements of comprehensive income (see Note 28.1). The related outstanding receivables from these transactions are presented as part of Rent receivable under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

25.3 Sale of Land

In prior years, the Group sold on account, to a related party under common ownership, a parcel of land which was used as site of the related party's project. The outstanding receivable, which pertains to the remaining unpaid interest from this sale was derecognized in 2020, and the related expense is presented as Loss on write-off of receivables under Other Expenses account in the 2020 consolidated statement of comprehensive income (see Note 21.2).

25.4 Obtaining of Services

The Group incurred management fees for accounting and marketing services obtained from its Parent Company amounting to P1.0 million, P1.8 million and P1.5 million in 2022, 2021, and 2020, respectively, and is presented as part of Professional fee under Other Expenses in the consolidated statements of comprehensive income (see Note 21.2). There was no outstanding payable from this transaction as of December 31, 2022 and 2021.

25.5 Joint Development Agreement with Parent Company

The Group, together with Megaworld, executed a joint development agreement for the development of a mixed-use condominium project; whereby the Group shall contribute land and the Parent company shall develop and sell the property. The entities shall be entitled to a certain percentage of the total saleable area based on the agreed sharing. The land contributed to the joint venture is presented as part of the Real Estate Inventories under Property development cost in the consolidated statements of financial position (see Note 7). As of the end of the reporting period, the property is still being developed and there are no profits received yet from this agreement.

25.6 Key Management Personnel Compensation

The compensation of the Group's key management personnel are as follows:

	2022	2021	2020
Short-term benefits	**P 59,695,978**	P 52,003,759	P 45,886,016
Post-employment benefits	**24,158,420**	24,183,446	29,041,440
	P 83,854,398	P 76,187,205	P 74,927,456

These are presented as part of Salaries and Employee Benefits account under Cost and Expenses section in the consolidated statements of comprehensive income for the years ended December 31, 2022, 2021, and 2020 (see Note 23.1).

25.7 Retirement Plan

The Group has a formal retirement plan established separately for the Company and EPHI. The Group's retirement fund for its post-employment defined benefit plan is administered and managed by trustee banks. The fair value and the composition of the plan assets as of December 31, 2022 and 2021 are presented in Note 23.2. As of December 31, 2022 and 2021, the Group's retirement fund does not include any investments in any equity securities issued by the Group or any of its related parties.

The Group's transactions with the fund mainly pertain to contributions, benefit payments and interest income.

The retirement fund neither provides any guarantees or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

26. EQUITY

26.1 Capital Stock

Capital stock as of December 31, 2022 and 2021 consists of:

	No. of Shares	Amount
Common shares – P1 par value		
Authorized	31,495,200,000	P31,495,200,000
Issued	14,803,455,238	P14,803,455,238
Treasury shares – at cost	(127,256,071)	(102,106,658)
Total outstanding	14,676,199,167	P14,701,348,580
Preferred shares – P1 par value		
Authorized	2,000,000,000	P 2,000,000,000

Megaworld has 81.73% ownership interest in the Group as of December 31, 2022 and 2021.

The Series B preferred shares are nonredeemable, convertible into common shares and are nonvoting. The shares have zero coupon rates and shall not be entitled to dividends. The Series B preferred shares shall be convertible to common shares any time after the end of the 18 months from the implementation date, May 29, 1998, as defined in the subscription agreements. There are no subscribed and issued preferred shares as of December 31, 2022 and 2021.

On April 24, 1996, the SEC approved the listing of the Group's shares totaling 425,000,000. The shares were issued at an offer price of P12.90 per share. As of December 31, 2022, 2021, and 2020, there are 12,336, 12,360 and 12,402 holders of the listed shares, respectively. The shares were listed and closed at a price of P0.19, P0.25 and P0.31 per share as of December 29, 2022, December 31, 2021 and December 29, 2020, respectively.

26.2 Additional Paid-in Capital

The additional paid-in capital (APIC) pertains to the excess of the total proceeds received from the Group's shareholders over the total par value of the common shares. There were no movements in the Group's APIC accounts in 2022 and 2021.

26.3 Treasury Stock

On March 23, 2006, the Company's BOD authorized the buy-back of up to P1.0 billion worth of Group's shares of common stock within a 24-month period under certain terms and conditions as the Group's senior management may deem beneficial to the Group and its stockholders.

As of December 31, 2022 and 2021, the Group's treasury shares amounted to P102.1 million, representing the cost of 127,256,071 shares reacquired by the Group.

26.4 Revaluation Reserves

Revaluation reserves of the Group are composed of remeasurements on its retirement benefit obligation and fair value movements of the Group's financial assets at FVOCI (see Notes 8 and 23.2).

The components and reconciliation of items of other comprehensive income presented in the consolidated statement of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	Financial Assets at FVOCI (see Note 8)	Retirement Benefit Obligation (see Note 23.2)	Total
Balance as of January 1, 2022	(P 99,980,031)	P 750,455,309	P 650,475,278
Remeasurement of retirement benefit obligation	-	53,225,333	53,225,333
Fair value gains on FVOCI	11,260,000	-	11,260,000
Other comprehensive income before tax for the year	11,260,000	53,225,333	64,485,333
Tax expense	-	(13,306,334)	(13,306,334)
Other comprehensive income after tax for the year	11,260,000	39,918,999	51,178,999
Balance as of December 31, 2022	**(P 88,720,031)**	**P 790,374,308**	**P 701,654,277**
Balance as of January 1, 2021	(P 235,100,031)	P 710,260,831	P 475,160,800
Remeasurement of retirement benefit obligation	-	42,317,621	42,317,621
Fair value gains on FVOCI	135,120,000	-	135,120,000
Other comprehensive income before tax	135,120,000	42,317,621	177,437,621
Tax expense	-	(2,347,227)	(2,347,227)
Other comprehensive income after tax	135,120,000	39,970,394	175,090,394
Losses transferred to retained earnings	-	224,084	224,084
Balance as of December 31, 2021	(P 99,980,031)	P 750,455,309	P 650,475,278
Balance as of January 1, 2020	(P 115,744,031)	P 698,410,183	P 582,666,152
Remeasurement of retirement benefit obligation	-	17,168,331	17,168,331
Fair value losses on FVOCI	(119,356,000)	-	(119,356,000)
Other comprehensive income (loss) before tax	(119,356,000)	17,168,331	(102,187,669)
Tax expense	-	(5,317,683)	(5,317,683)
Other comprehensive income (loss) after tax	(119,356,000)	11,850,648	(107,505,352)
Balance as of December 31, 2020	(P 235,100,031)	P 710,260,831	P 475,160,800

26.5 Other Reserves

Other reserves of the Group pertains to the difference between the fair value of consideration paid and the relevant share in the carrying value of the net assets of PCMI as a result of obtaining de facto control over PCMI in 2018 and any subsequent change in ownership interest in the subsidiary (see Notes 1.1 and 2.10).

26.6 Retained Earnings

Retained earnings are restricted in the amount of P102.1 million representing the cost of 127,256,071 shares held in treasury as of the end of the reporting periods.

27. EARNINGS PER SHARE

Basic and diluted earnings per share amounts were computed as follows:

	2022	2021	2020
Net profit attributable to parent Group's shareholders	**P 720,214,688**	P 805,765,516	P 531,433,225
Number of issued and outstanding common shares	**14,676,199,167**	14,676,199,167	14,676,199,167
Basic and diluted earnings per share	**P 0.049**	P 0.055	P 0.036

Diluted earnings per share equal the basic earnings per share since the Group does not have dilutive shares as of December 31, 2022, 2021 and 2020.

28. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

28.1 Operating Lease Commitments – Group as Lessor

The Group is subject to risk incidental to the operation of its office and commercial properties, which include, among others, changes in market rental rates, inability to renew leases upon lease expiration, and inability to collect rent from tenants due to bankruptcy or insolvency of tenants. Majority of the Group's revenue from rental properties are derived from commercial and parking spaces. If more stringent health measures are imposed resulting to further temporary or permanent closures of commercial establishments, the Group may not be able to lease their properties in a timely manner or collect rent at profitable rates.

To mitigate these risks, tenants pay security deposits and advance rent equal to three to six months' rent, which are forfeited in case a tenant pre-terminates without prior notice or before the expiry of lease term without cause. In addition, tenants are usually required to pay the monthly rent in advance on a monthly basis, without need of further demand. Security deposits and advance rent are presented as part of Refundable deposits under Other Current Liabilities in the consolidated statements of financial position (see Note 18).

The Group is a lessor under various non-cancellable operating lease agreements covering real estate properties for commercial use. This consists of fixed lease payments with terms ranging from one to 10 years, with renewal options, and include annual escalation rates of 3% to 10%.

The future minimum rental receivable under these non-cancellable operating leases are as follows as of December 31:

	2022	2021	2020
Within one year	**P 60,486,736**	P 66,308,551	P 73,179,235
After one year but not more than two years	**30,607,954**	41,452,326	67,771,176
After two years but not more than three years	**19,311,320**	17,646,880	36,987,651
After three years but not more than four years	**15,485,223**	16,162,471	17,281,540
After four years but not more than five years	**6,566,925**	16,407,851	14,626,756
More than five years	**1,004,708**	7,881,318	25,824,885
	P 133,462,866	P 165,859,397	P 235,671,243

The total rentals from these operating leases amount to about P89.6 million, P82.4 million and P78.6 million in 2022, 2021, and 2020, respectively, which are recognized as Rental Income account under Revenues and Income section in the consolidated statements of comprehensive income.

28.2 Legal Claims

As of December 31, 2022, and 2021, the Group does not have any litigations within and outside the normal course of its business.

28.3 Credit Lines

The Group has existing credit lines with local banks for a maximum amount of P3,020 million and P5,120 million as of December 31, 2022 and 2021, respectively. The Group has unused lines of credit amounting to P2,020 million and P2,120 million as of December 31, 2022 and 2021, respectively.

28.4 Capital Commitments

As of December 31, 2022, and 2021, the Company has commitments amounting to P2.2 billion for the construction expenditures in relation to the Company's joint venture (see Note 9).

28.5 Continuing Impact of COVID-19 Pandemic on the Group's Business

The COVID-19 pandemic began to spread in the Philippines in early March 2020, and its impact has continued until the date of the approval of these consolidated financial statements. In 2022, the country's economic condition improved because of resumption of local and international travels as well as the easing of health restrictions brought about by the pandemic. Demand and supply have gradually returned to pre-pandemic levels. As a result, the impact of the COVID-19 pandemic to the Group has been lessened, and the Group's operations are already nearing the pre-pandemic levels.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management expects that the Group will continue to report positive results of operations and will remain liquid to meet current obligations as they near maturity. Moreover, management is taking an optimistic stance in the Group's ability to sustain its growth momentum even amid concerns on the effects of the pandemic.

28.6 Others

There are other commitments and contingent liabilities that may arise in the normal course of operations of the Group which is not reflected in the consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements, taken as a whole.

29. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from its operating, investing, and financing activities. Risk management is carried out by a central treasury department under policies approved by the BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The Group does not engage in the trading of financial assets for speculative purposes, nor does it write options. The financial risks to which the Group is exposed to are described below and on the succeeding pages.

29.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, and interest rate risk which results from both its operating, investing and financing activities.

(a) Foreign Currency Risk

There is no significant exposure to foreign currency risks since most of the Group's transactions are denominated in Philippine peso, which is its functional currency. The Group's financial asset denominated in foreign currency only pertains to cash and cash equivalents. However, the amount is insignificant to the consolidated financial statements as of December 31, 2022 and 2021 (see Note 22.1). The Group has no financial liabilities denominated in foreign currency.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually obtained and negotiated at fixed rates. However, as of December 31, 2022 and 2021, the Group has an outstanding long-term loan with a variable interest rate (see Note 14).

The Group's ratio of fixed to floating rate debt stood at 0.25:1.00 as of December 31, 2021. There is no fixed rate debt in 2022.

The sensitivity of the consolidated net results and consolidated equity in 2021 to a reasonably possible change of 1.6% in floating rates is P16.2 million and P12.1 million, respectively. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

At December 31, 2022 and 2021, the Group is exposed to other changes in market interest through its cash and cash equivalents and other fixed rate long-term borrowings, which are deemed by management to be not significant.

All other financial assets and liabilities have either short-term maturity, noninterest-bearing or are subject to fixed rates (e.g., related party advances).

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value (classified as financial assets at FVOCI). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investment held at fair value is determined based on the average market volatility in quoted prices, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. An average volatility of 4.4% and 6.0% has been observed during 2022 and 2021, respectively. The impact on the Group's consolidated other comprehensive income and consolidated equity would have increased or decreased by P59.0 million and P79.4 million in 2022 and 2021, respectively.

The investments in quoted equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor. The Group is not subject to commodity price risk.

29.2 Credit Risk

The maximum credit risk exposure of the Group is the carrying amount of the financial assets and contract assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below.

	Notes	**2022**	2021
Cash and cash equivalents	5	**P 3,437,787,004**	P 3,389,416,319
Trade and other receivables - net (excluding advances to suppliers and contractors and advances to condominium associations)	6	**7,969,771,442**	7,582,781,268
Contract assets	19.2	**2,583,113,379**	2,052,948,246
Advances to related parties	25.1	**5,084,657,859**	4,747,775,842
		P 19,075,329,684	P 17,772,921,675

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents, and trade receivables, as described below and on the succeeding pages.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables and Contract Assets

Trade and other receivables (excluding advances to suppliers and contractors and advances to condominium associations) and contract assets are subject to credit risk exposure. The Group, however, does not identify specific concentrations of credit risk with regard to trade receivables and contract assets, as the amounts recognized resemble a large number of receivables from various customers. The Group also retains the titles to the property until such time that the trade receivables are fully collected. Repossessed properties are offered for sale to other customers.

Credit risk of receivables from sale of real estate properties is managed primarily through credit reviews and analyses of receivables on a regular basis. The Group undertakes credit review procedures for all installment payment terms. Customer payments are facilitated through the use of post-dated checks. Exposure to doubtful accounts is not substantial as title to real estate properties are not transferred to the buyers until full payment of the amortization has been made and the requirement for remedial procedures is negligible considering the Group's buyers' profile.

The Group has used the simplified approach in measuring ECL and has calculated ECL based on lifetime ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rate is based on days past due of all customers as they have similar loss patterns. The credit enhancements such as advance payment and value of the real estate for sale are considered in the calculation of impairment as recoveries.

The Group considers trade receivables in default when contractual payments 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. Furthermore, 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.

The management determined that there is no required ECL to be recognized since the real estate sold is collateralized to the related receivable arising from real estate sales. Therefore, expected loss given default is nil as the recoverable amount from subsequent resale of the real estate is sufficient.

The estimated fair value of the security enhancements held against contract receivables and contract assets arising from real estate sales are presented in the below.

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2022				
Contract assets	P 2,583,113,379	P 14,261,081,200	P -	P 2,583,113,379
Contract receivables	5,984,020,386	20,269,299,296	-	5,984,020,386
	P 8,567,133,765	**P 34,530,380,496**	**P -**	**P 8,567,133,765**
2021				
Contract assets	P 2,052,948,246	P 7,639,424,547	P -	P 2,052,948,246
Contract receivables	5,705,934,513	17,174,345,997	-	5,705,934,513
	P 7,758,882,759	P 24,813,770,544	P -	P 7,758,882,759

Other components of receivables such as rental receivables and others are also evaluated by the Group for impairment and assessed that no ECL should be provided. A significant portion of the Group's rental receivables are from Megaworld, wherein the impairment of receivables is assessed using the latter's ability to pay [see Note 29.2(c)]. The remaining rental receivables are secured to the extent of advance rental and rental deposit received from the lessees, which are on average equivalent to six months.

Some of the unimpaired trade receivables and other receivables, which are mostly related to real estate sales, are past due as at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

	2022	2021
Not more than three months	**P 158,304,820**	P 132,646,317
More than three months but not more than six months	**263,658,359**	222,165,204
More than six months but Not more than one year	**294,647,279**	248,768,915
More than one year	**105,050,474**	89,088,754
	P 821,660,932	P 692,669,190

(c) Advances to Related Parties and Rent Receivable and Management Fee Receivable from Related Parties

ECL for receivables from related parties, including advances, rent and management fee receivables, are measured and recognized using the liquidity approach. Management determines possible impairment based on the related parties' ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

The Group does not consider any significant risks in the advances to other related parties with financial difficulty since Megaworld, whose credit risk for liquid funds is considered negligible, have committed to financially support these related parties as part of AGI and its long-term corporate strategy. As of December 31, 2022 and 2021, the aggregate impairment allowance on balances from Megaworld and other related parties is identified to be not material.

The table below shows the credit quality by class of financial assets and contract assets as of December 31, 2022 and 2021.

	Neither Past Due nor Specifically Impaired			Past Due but Not Impaired	
	High Grade	Standard Grade	Substandard Grade		Total
2022					
Cash and cash equivalents	P 3,437,787,004	P -	P -	P -	P 3,437,787,004
Trade and other receivables	-	7,148,110,510	-	821,660,932	7,969,771,442
Contract assets	-	2,583,113,379	-	-	2,583,113,379
Advances to related parties	-	5,084,657,859	-	-	5,084,657,859
	P 3,437,787,004	**P 14,815,881,748**	**P -**	**P 821,660,932**	**P 19,075,329,684**
2021					
Cash and cash equivalents	P 3,389,416,319	P -	P -	P -	P 3,389,416,319
Trade and other receivables	-	6,890,112,078	-	692,669,190	7,582,781,268
Contract assets	-	2,052,948,246	-	-	2,052,948,246
Advances to related parties	-	4,747,775,842	-	-	4,747,775,842
	P 3,389,416,319	P 13,690,836,166	P -	P 692,669,190	P 17,772,921,675

The Group uses an internal credit rating concept based on the counterparties' overall credit worthiness as follows:

High Grade – Rating given to counterparties who have very strong capacity to meet their obligations.

Standard Grade – Rating given to counterparties whose outstanding obligation is within the acceptable age of group.

Substandard Grade – Rating given counterparties whose outstanding obligation is nearing to be past due or impaired.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates are of good credit quality, including those that are past due.

29.3 Liquidity Risk

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

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2022, the Group's financial liabilities have contractual maturities which are presented below.

	Within One Year	**One to Five Years**	**More than Five Years**
Interest-bearing loans and borrowings	P 216,098,550	P 924,963,600	P 50,332,350
Trade and other payables	1,901,752,517	-	-
Advances from related parties	5,764,677,182	-	-
Other current liabilities	660,018,783	-	-
	P8,542,547,032	**P 924,963,600**	**P 50,332,350**

As at December 31,2021, the Group's financial liabilities have contractual maturities which are presented below.

	Within One Year	One to Five Years	More than Five Years
Interest-bearing loans and borrowings	P 292,268,240	P 841,071,250	P 255,182,917
Trade and other payables	1,724,126,172	-	-
Advances from related parties	5,495,817,845	-	-
Other current liabilities	680,911,623	-	-
	P8,193,123,880	P 841,071,250	P 255,182,917

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of each reporting period.

30. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

30.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	Notes	**2022**		2021	
		Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial assets					
Financial assets at amortized cost					
Cash and cash equivalents	5	**P 3,437,787,004**	**P 3,437,787,004**	P 3,389,416,319	P 3,389,416,319
Trade and other receivables - net	6	**7,969,771,442**	**8,091,030,668**	7,582,781,268	7,700,557,581
Contract assets	19.2	**2,583,113,379**	**2,583,113,379**	2,052,948,246	2,052,948,246
Advances to related parties	25.1	**5,084,657,859**	**5,084,657,859**	4,747,775,842	4,747,775,842
		19,075,329,684	**19,196,588,910**	17,772,921,674	17,890,697,988
Financial assets at FVOCI	8	**1,339,940,000**	**1,339,940,000**	1,328,680,000	1,328,680,000
		P 20,415,269,684	**P 20,536,528,910**	P 19,101,601,674	P 19,219,377,988
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings	14	**P 1,000,000,000**	**P 1,000,000,000**	P 1,250,000,000	P 1,253,074,917
Trade and other payables	15	**1,901,752,517**	**1,901,752,517**	1,724,126,172	1,724,126,172
Advances from related parties	25.1	**5,764,677,182**	**5,764,677,182**	5,495,817,845	5,495,817,845
Other current liabilities	18	**660,018,783**	**660,018,783**	680,911,623	680,911,623
		P 9,326,448,482	**P 9,326,448,482**	P 9,150,855,640	P 9,153,930,557

Management considers that the fair values of the above enumerated financial assets and financial liabilities measured at amortized costs approximate their carrying values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material (except for interest-bearing loans and borrowings).

See Note 2.4 for the description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 29.

30.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set-off		Financial instruments	Collateral received	Net amount
December 31, 2022						
Advances to related parties	**P 5,084,667,530**	**(P 9,671)**	**P 5,084,657,859**	**P -**	**P -**	**P 5,084,657,859**
December 31, 2021						
Advances to related parties	P 4,749,409,019	(P 1,633,177)	P 4,747,775,842	P -	P -	P 4,747,775,842

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set-off		Financial instruments	Collateral provided	Net amount
December 31, 2022						
Interest-bearing loans and borrowings	P 1,000,000,000	P -	P 1,000,000,000	(P 124,599,560)	P -	P 875,400,440
Advances from related parties	5,764,677,182	-	5,764,677,182	-	(60,402)	5,764,616,780
	P 6,764,677,182	**P -**	**P 6,764,677,182**	**(P 124,599,560)**	**(P 60,402)**	**P 6,640,017,220**
December 31, 2021						
Interest-bearing loans and borrowings	P 1,250,000,000	P -	P 1,250,000,000	(P 313,298,522	P -	P 936,701,478
Advances from related parties	5,495,817,845	-	5,495,817,845	-	(77,966)	5,495,739,879
	P 6,745,817,845	P -	P 6,745,817,845	(P 313,298,522)	(P 77,966)	P 6,432,441,357

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, each agreement between the Group and counterparties (i.e., related parties including subsidiaries and associates) allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

31. FAIR VALUE MEASUREMENT AND DISCLOSURES

31.1 Fair Value Hierarchy

In accordance with PFRS 13*, Fair Value Measurement,* the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy is shown on the succeeding page.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

31.2 Financial Instruments Measured at Fair Value

As of December 31, 2022 and 2021, only the equity securities classified as financial assets at FVOCI in the consolidated statements of financial position is classified as Level 1. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period (see Note 8). There were no other financial assets measured at fair value on these dates. Further, the Group has no financial liabilities measured at fair value as of December 31, 2022 and 2021. There were no transfers between Levels 1 and 2 in both years.

31.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

Management considers that due to the short duration of these financial assets (except long-term receivables) and financial liabilities (except long-term interest-bearing loans) measured at amortized cost, their carrying amounts as of December 31, 2022 and 2021 approximate their fair value. Except for cash and cash equivalents which are classified under Level 1, all other financial instruments are classified under Level 3 wherein inputs are not based on observable data.

The fair values of the financial assets and financial liabilities included in Level 3 which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

31.4 Fair Value Measurement of Non-Financial Assets

The table below shows the Levels within the hierarchy of investment properties for which fair value is disclosed as of December 31, 2022 and 2021.

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Land	P -	P -	P 40,828,183	P 40,828,183
Buildings and office/commercial units	-	-	4,198,115,016	4,198,115,016
	P -	**P -**	**P 4,238,943,199**	**P 4,238,943,199**
December 31, 2021				
Land	P -	P -	P 40,370,000	P 40,370,000
Buildings and office/commercial units	-	-	3,515,200,585	3,515,200,585
	P -	P -	P 3,555,570,585	P 3,555,570,585

The fair value of the Group's investment properties earning rental income was determined through discounted cash flows valuation technique done by a professionally qualified independent appraiser for one of the properties, and by management for the rest of the other investment properties. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are based on current market rentals for similar properties in the same location and condition.

As at December 31, 2022 and 2021, the fair values of the Group's investment properties, and CGU attributable to LBASSI are classified within Level 3 of the fair value hierarchy. The Group determines the fair values using market-based approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property. On the other hand, if the observable recent prices of the reference properties were not adjusted, the fair value is included in Level 2. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2022 and 2021.

32. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Capital components for cost of capital purposes include loans and borrowings, preferred stock, common equity and retained earnings. The Group may issue new shares and may prepay some of its interest-bearing loans. Further, it intends to allocate its earnings and available cash in the acquisition and development of new/existing properties to ensure continuous business activities.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loans and borrowings to total capital. As of December 31, the Group's ratio of interest-bearing loans and borrowings to equity is as follows:

	2022	2021
Interest-bearing loans and borrowings	**P 1,000,000,000**	P 1,250,000,000
Total equity	**30,759,685,237**	29,993,130,115
Debt-to-equity ratio	**0.03 : 1.00**	0.04 : 1.00

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years (see Note 14).

33. RECONCILATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Interest-bearing Loans and Borrowings (See Note 14)	Advances from Related Parties (See Note 25.1)	Lease Liabilities (See Note 17.1)	Interest Payable (See Note 15)	Total
Balance as at January 1, 2022	P 1,250,000,000	P 5,495,817,845	P -	P 5,565,312	P 6,751,383,157
Cash flows from financing activities –					
Repayment of loans and borrowings	(250,000,000)	(71,474,023)	-	(47,052,307)	(368,526,330)
Non-cash financing activities –					
Accrual of interest	-	340,333,360	-	52,434,995	392,768,355
Balance as of December 31, 2022	**P 1,000,000,000**	**P 5,764,677,182**	**P -**	**P 10,948,000**	**P 6,755,625,182**
Balance as at January 1, 2021	P 1,183,333,352	P 5,237,759,982	P 59,644,201	P 1,535,405	P 6,482,272,940
Cash flows from financing activities:					
Additional loans and borrowings	1,000,000,000	8,524,628	-	-	1,008,524,628
Repayment of loans and borrowings	(933,333,352)	(62,633,982)	-	(53,555,195)	(1,049,522,529)
Non-cash financing activities:					
Effect of derecognition of PFRS 16	-	-	(59,644,201)	-	(59,644,201)
Accrual of interest	-	312,167,217	-	57,585,102	369,752,319
Balance as of December 31, 2021	P 1,250,000,000	P 5,495,817,845	P -	P 5,565,312	P 6,751,383,157

In 2021, the Group derecognized portion of its lease liabilities amounting to P59.6 million (see Note 17.1) and a right-of-use asset amounting to P29.3 million (see Note 11). This resulted in gains amounting to P4.1 million in 2021 and are presented as part of Miscellaneous under Other Income account in the consolidated statements of comprehensive income (see Note 21.1). No similar transaction in 2022.

GRI Index

102-55

Statement of use	Empire East Land Holdings, Inc. has reported in accordance with the GRI Standards for the period January 2022 to December 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	None

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 2: General Disclosures 2021	2-1 Organizational details	3	*A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.*			
	2-2 Entities included in the organization's sustainability reporting	3				
	2-3 Reporting period, frequency and contact point	i				
	2-4 Restatements of information	24, 58, 61, 62				
	2-5 External assurance	This report has not been externally assured.				
	2-6 Activities, value chain and other business relationships	3				
	2-7 Employees	2, 41				
	2-8 Workers who are not employees	41				
	2-9 Governance structure and composition	72				
	2-10 Nomination and selection of the highest governance body		2-10 a-b	Information unavailable	The company has not yet gathered the required information.	
	2-11 Chair of the highest governance body	No				
GRI 2: General Disclosures 2021	2-12 Role of the highest governance body in overseeing the management of impacts		2-12 a-c	Information unavailable	The company has not yet gathered the required information.	
	2-13 Delegation of responsibility for managing impacts		2-13 a-b	Information unavailable	The company has not yet gathered the required information.	
	2-14 Role of the highest governance body in sustainability reporting	The organization's material topics are reviewed by all the executives of the company up to the President and CEO.				
	2-15 Conflicts of interest	74				
	2-16 Communication of critical concerns	74				
	2-17 Collective knowledge of the highest governance body		2-17 a	Information unavailable	The company has not yet gathered the required information.	
	2-18 Evaluation of the performance of the highest governance body	74				
	2-19 Remuneration policies	74				
	2-20 Process to determine remuneration	74				
	2-21 Annual total compensation ratio		2-21 a-c	Information unavailable	The company has not yet gathered the required information.	
	2-22 Statement on sustainable development strategy	4-7				
	2-23 Policy commitments	36-37				
	2-24 Embedding policy commitments	38				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 2: General Disclosures 2021	2-25 Processes to remediate negative impacts	37				
	2-26 Mechanisms for seeking advice and raising concerns		2-26 a	Information unavailable	The company has not yet gathered the required information.	
	2-27 Compliance with laws and regulations	56				
	2-28 Membership associations		2-28 a	Information unavailable	The company has not yet gathered the required information.	
	2-29 Approach to stakeholder engagement	32-35				
	2-30 Collective bargaining agreements		2-30 a-b	Not applicable	The Company is non-unionized.	
MATERIAL TOPICS						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	23	*A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.*			
	3-2 List of material topics	22-24				
ECONOMIC PERFORMANCE						
GRI 3: Material Topics 2021	3-3 Management of material topics	26				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	26				
	201-2 Financial implications and other risks and opportunities due to climate change	29				
	201-3 Defined benefit plan obligations and other retirement plans	40				
	201-4 Financial assistance received from government		201-4 a-c	Not applicable		

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
MARKET PRESENCE						
GRI 3: Material Topics 2021	3-3 Management of material topics		3-3 a-f	Information unavailable	The Company encountered limitations in collecting the required information.	
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage		202-1 a-d	Information unavailable		
	202-2 Proportion of senior management hired from the local community		202-2 a-d	Information unavailable		
INDIRECT ECONOMIC IMPACTS						
GRI 3: Material Topics 2021	3-3 Management of material topics	8				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	8-19				
	203-2 Significant indirect economic impacts	19				
PROCUREMENT PRACTICES						
GRI 3: Material Topics 2021	3-3 Management of material topics	27				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	27				
ANTI-CORRUPTION						
GRI 3: Material Topics 2021	3-3 Management of material topics	27				
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	0				
	205-2 Communication and training about anti-corruption policies and procedures	27				
	205-3 Confirmed incidents of corruption and actions taken	0				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
MATERIALS						
GRI 3: Material Topics 2021	3-3 Management of material topics	56				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	57				
	301-2 Recycled input materials used		301-2 a	Information unavailable	The organization has not yet implemented a recycling program.	
	301-3 Reclaimed products and their packaging materials		301-3	Information unavailable	The organization has not yet implemented a recycling program.	
ENERGY						
GRI 3: Material Topics 2021	3-3 Management of material topics	58				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	58				
	302-2 Energy consumption outside of the organization	21,116.47 GJ				
	302-3 Energy intensity	60				
	302-4 Reduction of energy consumption	59				
	302-5 Reductions in energy requirements of products and services		302-5 a-c	Information unavailable	The organization has yet to establish systems to track/ record this data.	
WATER AND EFFLUENTS						
GRI 3: Material Topics 2021	3-3 Management of material topics	60-61				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	60-61				
	303-2 Management of water discharge-related impacts	60-61				
	303-3 Water withdrawal	61				
	303-4 Water discharge	61				
	303-5 Water consumption	61				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
EMISSIONS						
GRI 3: Material Topics 2021	3-3 Management of material topics	62				
GRI 301: Materials 2016	305-1 Direct (Scope 1) GHG emissions	62				
	305-2 Energy indirect (Scope 2) GHG emissions	62				
	305-3 Other indirect (Scope 3) GHG emissions	63				
	305-4 GHG emissions intensity	63				
	305-5 Reduction of GHG emissions	The organization did not achieve reduction in GHG emissions in 2022.				
	305-6 Emissions of ozone-depleting substances (ODS)		305-6 a-d	Information unavailable	The organization has yet to establish systems to track/ record this data.	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		305-7 a-c	Information unavailable	The organization has yet to establish systems to track/ record this data.	
WASTE						
GRI 3: Material Topics 2021	3-3 Management of material topics	64				
GRI 302: Energy 2016	306-1 Waste generation and significant waste-related impacts	64				
	306-2 Management of significant waste-related impacts	64				
	306-3 Waste generated	64				
	306-4 Waste diverted from disposal	64				
	306-5 Waste directed to disposal	64				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
SUPPLIER ENVIRONMENTAL ASSESSMENT						
GRI 3: Material Topics 2021	3-3 Management of material topics	55				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	55				
	308-2 Negative environmental impacts in the supply chain and actions taken	55				
EMPLOYMENT						
GRI 3: Material Topics 2021	3-3 Management of material topics	40				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	41				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	39				
	401-3 Parental leave	100% Return to Work Rate 88.24% Retention Rate				
LABOR/MANAGEMENT RELATIONS						
GRI 3: Material Topics 2021	3-3 Management of material topics	48				
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	48				
OCCUPATIONAL HEALTH AND SAFETY						
GRI 3: Material Topics 2021	3-3 Management of material topics	48				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	48				
	403-2 Hazard identification, risk assessment, and incident investigation	48				
	403-3 Occupational health services	49				
	403-4 Worker participation, consultation, and communication on occupational health and safety	49				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 403: Occupational Health and Safety 2018	403-5 Worker training on occupational health and safety	49				
	403-6 Promotion of worker health	50				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	49				
	403-8 Workers covered by an occupational health and safety management system	100%				
	403-9 Work-related injuries	48				
	403-10 Work-related ill health	48				
TRAINING AND EDUCATION						
GRI 3: Material Topics 2021	3-3 Management of material topics	44				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	44				
	404-2 Programs for upgrading employee skills and transition assistance programs	44				
	404-3 Percentage of employees receiving regular performance and career development reviews	100%				
DIVERSITY AND EQUAL OPPORTUNITY						
GRI 3: Material Topics 2021	3-3 Management of material topics	47				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	47				
	405-2 Ratio of basic salary and remuneration of women to men		405-2 a-b	Information unavailable	The Company encountered limitations in collecting the required information.	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING						
GRI 3: Material Topics 2021	3-3 Management of material topics		3-3	Not applicable	The Company is non-unionized.	
	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		407-1 a-b	Not applicable		
CHILD LABOR						
GRI 3: Material Topics 2021	3-3 Management of material topics	50				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	None				
FORCED OR COMPULSORY LABOR						
GRI 3: Material Topics 2021	3-3 Management of material topics	50				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	None				
LOCAL COMMUNITIES						
GRI 3: Material Topics 2021	3-3 Management of material topics	65				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	65-70				
	413-2 Operations with significant actual and potential negative impacts on local communities	20, 65-70				
SUPPLIER SOCIAL ASSESSMENT						
GRI 3: Material Topics 2021	3-3 Management of material topics	55				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	55				
	414-2 Negative social impacts in the supply chain and actions taken	55				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
CUSTOMER HEALTH AND SAFETY						
GRI 3: Material Topics 2021	3-3 Management of material topics	52				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	100%				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	52				
MARKETING AND LABELING						
GRI 3: Material Topics 2021	3-3 Management of material topics	54				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	54				
	417-2 Incidents of non-compliance concerning product and service information and labeling	54				
	417-3 Incidents of non-compliance concerning marketing communications	54				
CUSTOMER PRIVACY						
GRI 3: Material Topics 2021	3-3 Management of material topics	53				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	53				

Annex

Materials

Disclosure	Quantity	Units	Amount (kg)
Materials used by weight or volume			
Renewable			
Paper	750	reams	1,868
Folders	6,000	pcs	150
Non-renewable*			
Construction stage			
Cement	5,707,905.8	kgs	5,707,905.8
Ceramic tiles	460,807.7	pcs	169,577
Paint	125,270.99	sqm	31,317.75
Gypsum Board	31,673.42	sqm	3,959.18
PVC Pipes	121,391.34	m	71,406
Reinforcing steel bars	5,858,120.91	kgs	5,858,120.91
Wood (doors and cabinets)	249,145	kgs	249,145
Glass	66,114	kgs	66,114
Wires	319,666.8	kgs	319,666.8
Steel pipes	19,020	m	4,755
Property Operation Stage			
Fluorescent Lights	1,200	pcs	396
LED Lights	7,000	pcs	238
Paint	2,731	gls	10,338
Magnetic Contactors	100	pcs	15
Fuel	4,000	L	3,440
Ink	782	bot	55
		TOTAL	12,498,466
Percentage of recycled input materials used to manufacture the organization's primary products and services	0	%	

Note: The quantities of non-renewable materials listed above are estimated only.

Energy Consumption

General Administrative Services (GAS) Energy Consumption (in GJ)

Source	2021 *(Restated)*		2022	
	Department	Amount	Department	Amount
Gasoline	GAS, LBASS	73.73	GAS	10.36
Diesel	GAS, LBASS	876.75	GAS	955.81
Electricity	GAS, EPHI, LBASS	1,767.76	GAS, EPHI	1,880.38*
Total	GAS, EPHI electricity, LBASS electricity	2,718.24**	GAS, EPHI	2,846.55

**Includes GAS Department + EPHI only as LBASS ceased its operations in 2022.*
***Empire East's energy consumption was reduced from 2,928.21 to 2,718.24 by updating calculation methods. (2-4)*

Property Development Division (PDD) Energy Consumption (in GJ)

Source	2022
	Amount
Gasoline	0
Diesel	15.41
Electricity	1,487.50
Total	1,502.92

GAS Reduction in Energy Consumption (in GJ)

Disclosure	Reduction of energy	
	2020-2021	2021-2022
Energy reduction (gasoline)	-11.11 (no reduction)	63.37
Energy reduction (diesel)	42.08	-79.06 (no reduction)
Energy reduction (electricity)	204,424.95	-31,283.11 (no reduction)
	735.93	-112.62 (no reduction)

PDD Reduction in Energy Consumption (in GJ)

Disclosure	Reduction of energy	
	2020-2021	2021-2022
Energy reduction (gasoline)	No data	0
Energy reduction (diesel)	No data	-11.10 (no reduction)
Energy reduction (electricity)	No data	-253,382 (no reduction)
		-912.18 (no reduction)

Empire East Total Reduction in Energy Consumption (in GJ)

Disclosure	Reduction of energy		
	2020-2021	2021-2022	Units
Energy reduction (gasoline)	-11.11	63.37	GJ
Energy reduction (diesel)	42.08	-90.16 (no reduction)	GJ
Energy reduction (electricity)	204,424.95	-284,665.82 (no reduction)	kWh
	735.93	-1,024.80 (no reduction)	GJ
Total energy reduction	766.89	-1,051.59 (no reduction)	GJ

Waste

Disclosure	Quantity				Units
	2021	2022			
		Property Operation	Construction Stage	Total*	
WASTE GENERATED (306-3)					
Total waste generated	**19,780,035**	**2,067,968**	**16,666,800**	**18,734,768**	**kg**
Non-hazardous	19,780,035	2,066,350	16,666,800	18,733,150	kg
Hazardous	0	1,618	0	1,618	kg
WASTE DIVERTED/WASTE PREVENTED (306-4)					
Total waste diverted from disposal	**21,027**	**1,370**	**0**	**1,370**	**kg**
Hazardous (TOTAL)	0	0	0	0	kg
Reusable / Preparation for reuse	0	0	0	0	kg
Recyclable / Recycling	0	0	0	0	kg
Composted	0	0	0	0	kg
Incinerated	0	0	0	0	kg
Non-hazardous (TOTAL)	**21,027**	**1,370**	**0**	**1,370**	kg
Preparation for reuse	0	1,370	0	1,370	kg
Recycling	0	0	0	0	kg
Other recovery operations	21,027	0	0	0	kg

Disclosure	Quantity				Units
	2021	2022			
		Property Operation	Construction Stage	Total*	
WASTE DIRECTED TO DISPOSAL (306-5) / (Residuals/Landfilled)					
Total waste directed to disposal	**19,759,008**	**2,066,598**	**16,666,800**	**18,733,398**	**kg**
Hazardous (TOTAL)	-	1,618	0	1,618	kg
Other disposal operations	-	1,618	0	1,618	kg
Non-hazardous (TOTAL)	**-**	**2,064,980**	**16,666,800**	**18,731,780**	kg
Other disposal operations	-	2,064,980	16,666,040	18,731,780	kg
Plastic	-	-	70	70	kg
Paper	-	-	690	690	kg

Water

Empire East Water Consumption (in cubic meters)

Disclosure	Quantity				Units
	2021	2022			
	GAS	GAS	PDD	TOTAL	
Water withdrawal	1,807*	1,525.71	1,298,270	1,299,795.71	m^3
Water discharge**	1,786	1,525.71	691,000	692,525.71	m^3
Water consumption**	21	0	607,270	607,270	m^3

**Includes data from GAS offices + EPHI = 1,775 m^3; Projects/Site = 32.11 m^3*

***Empire East's water discharge 2021 data was adjusted to 1,785.84 m^3 from 11.15 m^3 and water consumption 2021 data were reduced to 20.96 m^3 from 1,795.65 m^3 through recalculating values. (2-4)*

EMPIRE EAST LAND HOLDINGS, INC.
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