



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **8990 HOLDINGS, INC. and SUBSIDIARIES ("the Group")** is responsible for the preparation and fair presentation of consolidated financial statements, including the schedules attached therein, as of and for the years ended December 31, 2023, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

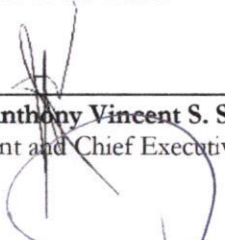
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

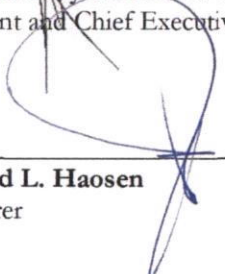
The Board of Directors is responsible for overseeing the Group's financial reporting process.

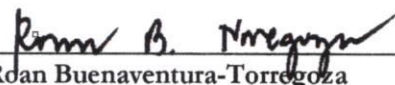
The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

**RAMON F. GARCIA AND CO., CPAs** is the independent auditors appointed by the stockholders, have audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

  
\_\_\_\_\_  
**Mariano D. Martinez Jr.**  
Chairman of the Board

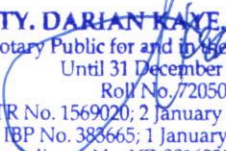
  
\_\_\_\_\_  
**Atty. Anthony Vincent S. Sotto**  
President and Chief Executive Officer

  
\_\_\_\_\_  
**Richard L. Haosen**  
Treasurer

  
\_\_\_\_\_  
**Rodan Buenaventura-Torregosa**  
Chief Financial Officer

Subscribed and Sworn to before me this  
\_\_\_\_\_  
**APR 29 2024** at **PASIG CITY**, affiant  
exhibiting to me his/her ID No. \_\_\_\_\_

Doc No. 122  
Page No. 26  
Book No. 46  
Series of 2024

  
**ATTY. DARIAN KAYE S. AQUINO**  
Notary Public for and in the City of Pasig  
Until 31 December 2025  
Roll No. 72050  
PTR No. 1569020; 2 January 24; Pasig City  
IBP No. 388665; 1 January 24; Isabela  
MCLE Compliance No. VII-0016232 (exp. on 04.14.2025)  
Appointment No. 48 (2024-2025)

Signed this day of: April 24, 2024

**HOUSING THE FILIPINO PEOPLE**

## **SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS**

The Shareholders and Board of Directors  
**8990 Holdings, Inc. and Subsidiaries**  
11th Floor Liberty Center  
104 H.V. Dela Costa, Salcedo Village  
Makati City

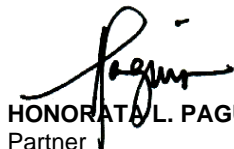
We have examined the consolidated financial statements of **8990 Holdings, Inc. and Subsidiaries** (the Group) for the year ended December 31, 2023, on which we have rendered the attached report dated April 24, 2024.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that **8990 Holdings, Inc.** has a total number of one hundred ninety-five (195) shareholders owning one hundred (100) or more shares each.

Very truly yours,

**RAMON F. GARCIA & COMPANY, CPAs**

By:



**HONORABLE L. PAGUIO**

Partner

CPA Certificate No. 0078850

PTR No. 10109963, January 25, 2024, Makati City

TIN 105-540-683-000

BOA/PRC Accreditation No. 0207 (April 9, 2023 to October 5, 2025)

Partner's BIR Accreditation No. 08-001759-003-2020 (March 13, 2023 to March 12, 2026)

Partner's SEC Accreditation No. 78850, Group A (Valid for the audit of 2019 to 2023 financial statements)

Firm's BIR Accreditation No. 08-001759-000-2020 (March 13, 2023 to March 12, 2026)

Firm's SEC Accreditation No. 0207-SEC-A (Valid for the audit of 2021 to 2025 financial statements)

April 24, 2024  
Makati City

## INDEPENDENT AUDITORS' REPORT

The Shareholders and Board of Directors  
**8990 Holdings, Inc. and Subsidiaries**  
11th Floor Liberty Center  
104 H.V. Dela Costa, Salcedo Village  
Makati City

### *Opinion*

We have audited the consolidated financial statements of **8990 Holdings, Inc. and Subsidiaries** (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of profit and loss, 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, 2023 and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

### *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 in the Philippines that are relevant to our audits of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter*

We draw attention to Note 2 of the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic. The impact of the application of financial reporting reliefs on the 2023 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the consolidated financial statements of the current period. These matters were addressed in the context of our audits 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. For each matter below, our description of how our audits address the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audits included performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the consolidated financial statements.

*a. Revenue Recognition for Real Estate Sales*

The Group's revenue recognition process, policies and procedures are significant to audit because these involve application of significant judgment and estimation.

We considered the Group's recognition of revenue from real estate sales a key audit matter due to the involved significant volume of transactions and amount of revenue from real estate sales. The Group's revenue from real estate sales amounted to Php 22.3 billion, which accounts for 98.56% of total revenues for the year ended December 31, 2023. The Group recognizes revenue from real estate sales at a point in time, i.e., as the control of the completed real estate inventories are transferred to the customers, and over time using the percentage of completion method, which is determined using the input method, i.e., based on efforts or inputs to the satisfaction of a performance obligation. Thus, the complexity of the application of the revenue recognition standard in real estate sales contracts; and the application of significant management judgments in determining when to recognize revenue, particularly on the assessment of the probability of collecting the contract price, and in estimating the stage of project completion were also taken into consideration. An error in the application of the requirements of said standard, and of management judgments and estimates could cause material misstatement in the Group's consolidated financial statements.

The Group's accounting policy on recognition of revenue from real estate sales, and basis of significant judgments and estimates are disclosed in Notes 2 and 3 to the consolidated financial statements, respectively. In addition, details of contract revenues, specifically the disaggregation of revenues, are disclosed in Note 21.

*Audit Response*

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

- obtained an understanding of the Group's revenue recognition policy and the related processes and evaluated whether it is established and implemented consistent with the underlying principles of the applicable revenue recognition standard and is appropriate in the context of the Group's real estate transactions;
- evaluated the design effectiveness of implemented controls relevant to the recognition and measurement of revenues from real estate sales, and tested the operating effectiveness of certain relevant controls, particularly those addressing the existence and occurrence of recognized sales;
- inspected pertinent documents giving rise to contract with identified customers, on a sample basis, which include contracts-to-sell, disclosure statements detailing the terms of the sales contracts, and official receipts to determine whether the related real estate sales transactions occurred and were appropriately recognized based on the Group's revenue recognition policy;
- For selected projects, we performed ocular inspection and obtained the related certifications from project engineers to assess the physical completion of the selected real estate projects to confirm that real estate sales recognized during the reporting period pertains to completed real estate inventories for those recognized in full at a point in time and the percentage of completion of certain projects commensurate with the amount of revenue recognized for those recognized over time.
- tested the progress reported for the year in reference to the actual cost incurred relative to the total budgeted project development costs for real estate sales recognized over time;
- evaluated the assumptions of management in determining the amount of collection at which point the collectability of the receivables from real estate sales is reasonably assured. Evaluation of management's basis was made by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold.
- recalculated the percentage of collection over total contract price of selected sales contract, based on total accumulated principal payments as of the reporting date over the contract price to determine if the Group has appropriately established that the customers have continuing commitment to satisfy their obligations over the sales contract;
- performed substantive analytical procedures on revenues such as, but not limited to, yearly and monthly analyses of real estate sales per project, which include corroborating evidence from other audit procedures, and verifying that the underlying data used in the analyses are complete; and

- for the cost of sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.

*b. Existence and Valuation of Real Estate Inventories*

As at December 31, 2023, the Group has real estate inventories amounting to Php 52.3 billion, which represents about 48.02% of the Group's total assets. Due to the significant volume and carrying amount of real estate inventories and the high level of judgment in estimating its net realizable value, we considered the existence and valuation of real estate inventories as a key audit matter.

The Group's accounting policy on real estate inventories and related information are disclosed in Notes 2 and 9 to the consolidated financial statements.

*Audit Response*

We performed ocular inspection of selected real estate projects near the reporting date to confirm their existence and examined documents such as land titles, progress reports and accomplishment billings, among others, to corroborate with other audit procedures. Moreover, we checked the mathematical accuracy and reasonableness of the Group's schedule of lower of cost and net realizable value of real estate inventories, and tested on a sampling basis the estimated selling price and costs to complete and sell. We tested the assumptions used by management in estimating the selling price; the estimated cost to complete using recent projects of the Group and historical data on restoration costs, among others; and estimated cost to sell by analyzing selling expenses such as commissions and other related expenses.

As part of our audit strategy, we have obtained an understanding and tested the design and operating effectiveness of the Group's internal controls related to inventory existence and valuation.

*c. Consolidation Process*

The consolidated financial statements of the Group represent the consolidation of the financial statements of 8990 Holdings, Inc. and its various subsidiaries with different business portfolios. Consolidation process is considered as key audit matter due to presence of non-controlling interests and voluminous intercompany transactions within the Group that requires eliminations as well as monitoring of any adjustment made arising from business combination. Note 1 to the consolidated financial statements provides relevant information on the Group's subsidiaries.

*Audit Response*

We obtained an understanding of the consolidation process and relevant controls through which the consolidated financial statements are prepared. We also obtained an understanding of the Group's process for identifying related parties and related party transactions and the reconciliation of intercompany transactions and balances. We tested significant consolidation adjustments, including eliminations of intercompany transactions and balances, deferral and realization of intercompany profits, movements in non-controlling interests and other equity adjustments. We evaluated whether the accounting policies of the group has been consistently applied.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, 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, 2023 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 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.



If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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 audits.

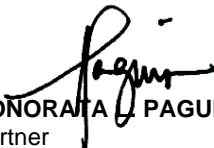
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audits 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 of the consolidated financial statements resulting in this independent auditors' report is Honorata L. Paguio.

**RAMON F. GARCIA & COMPANY, CPAs**

By:



**HONORATA L. PAGUIO**

Partner

CPA Certificate No. 0078850

PTR No. 10109963, January 25, 2024, Makati City

TIN 105-540-683-000

BOA/PRC Accreditation No. 0207 (April 9, 2023 to October 5, 2025)

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Firm's SEC Accreditation No. 0207-SEC-A (Valid for the audit of 2021 to 2025 financial statements)

April 24, 2024

Makati City



**8990 HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2023 and 2022**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	2,453,315,111	1,482,231,058
Trade and other receivables, net	8	8,001,352,477	5,868,736,522
Inventories	9	52,330,267,709	46,721,266,042
Due from related parties	29	3,261,651,942	2,044,601,483
Other current assets	14.1	<u>5,874,365,517</u>	<u>5,532,281,150</u>
Total Current Assets		<u>71,920,952,756</u>	<u>61,649,116,255</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables - net	8	33,163,681,721	38,035,151,992
Investment securities at fair value through other comprehensive income	10	1,363,276,386	1,352,155,027
Investment in associate	11	267,022,982	221,164,876
Property and equipment, net	12	732,460,135	806,045,355
Intangible assets	1,14.3	586,205,325	526,474,833
Investment properties, net	13	526,974,226	321,117,811
Other noncurrent assets	14.2	<u>425,837,287</u>	<u>426,006,786</u>
Total Noncurrent Assets		<u>37,065,458,062</u>	<u>41,688,116,680</u>
<b>TOTAL ASSETS</b>		<u><u>108,986,410,818</u></u>	<u><u>103,337,232,935</u></u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	8,303,455,961	8,786,051,299
Loans payable	17	18,423,483,279	20,654,332,925
Notes payable	18	459,211,387	-
Deposits from customers	16	899,319,514	1,064,929,315
Due to related parties	29	272,567,480	289,460,197
Income tax payable		<u>93,633,513</u>	<u>60,619,149</u>
Total Current Liabilities		<u>28,451,671,134</u>	<u>30,855,392,885</u>

**NON-CURRENT LIABILITIES**

Trade and other payables - net	15	378,949,578	938,614,270
Loans payable	17	17,095,069,286	21,325,019,516
Notes payable	18	6,040,788,613	-
Deferred tax liability	28	<u>1,690,308,640</u>	<u>1,560,759,293</u>

Total Noncurrent Liabilities		<u>25,205,116,117</u>	<u>23,824,393,079</u>
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Total Liabilities		<u>53,656,787,251</u>	<u>54,679,785,964</u>
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**EQUITY**

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Capital Stock	5,554,990,720	5,554,990,720
Additional paid-in capital	7,956,748,668	7,956,748,668
Treasury Shares	(1,822,144,768)	(1,806,540,154)
Revaluation reserve	936,192,978	941,630,048
Retained earnings	<u>42,601,141,729</u>	<u>35,920,105,691</u>
	55,226,929,327	48,566,934,973
Non-Controlling Interests	<u>102,694,240</u>	<u>90,511,998</u>
Total Equity	<u>55,329,623,567</u>	<u>48,657,446,971</u>

**TOTAL LIABILITIES AND EQUITY**

	<u>108,986,410,818</u>	<u>103,337,232,935</u>
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*(The notes on pages 1 to 86 are an integral part of these consolidated financial statements)*

**8990 HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>REVENUES</b>	21			
Real estate sales		22,338,303,137	21,412,882,642	20,332,843,842
Hotel operations		273,702,876	148,056,099	11,095,465
Rental income		6,695,405	7,782,638	573,823
Equity share in net profits of associate		45,858,106	67,950,366	13,214,510
		<u>22,664,559,524</u>	<u>21,636,671,745</u>	<u>20,357,727,640</u>
<b>COST OF SALES AND SERVICES</b>	22			
Cost of real estate sales		12,604,416,231	10,827,698,098	10,044,058,513
Hotel Operations		130,674,075	75,472,950	9,743,084
Cost of rental services		-	423,269	13,071
		<u>12,735,090,306</u>	<u>10,903,594,317</u>	<u>10,053,814,668</u>
<b>GROSS PROFIT</b>		<b>9,929,469,218</b>	10,733,077,428	10,303,912,972
<b>OPERATING EXPENSES</b>	23	<b>2,953,822,749</b>	3,197,250,922	2,690,517,914
<b>OTHER OPERATING INCOME, NET</b>	25.1	<b>3,318,451,357</b>	2,757,099,200	1,723,589,375
<b>FINANCE COSTS</b>	24	<b>2,197,244,765</b>	<b>1,912,946,118</b>	<b>1,673,027,902</b>
<b>OPERATING PROFIT</b>		<b>8,096,853,062</b>	8,379,979,588	7,663,956,531
<b>GAIN ON ACQUISITION OF BUSINESS</b>	1	-	66,026,947	-
<b>OTHER EXPENSE</b>	25.2	<b>(243,212,456)</b>	<b>(6,592,275)</b>	-
<b>PROFIT BEFORE INCOME TAX</b>		<b>7,853,640,605</b>	8,439,414,260	7,663,956,531
<b>TAX EXPENSE</b>	28	<b>956,922,325</b>	<b>786,070,961</b>	<b>449,024,324</b>
<b>NET PROFIT</b>		<b>6,896,718,280</b>	<b>7,653,343,299</b>	<b>7,214,932,207</b>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Equity Holders of 8990 Holdings Inc.		6,884,536,038	7,635,444,219	7,214,932,207
Non-controlling Interests		12,182,242	17,899,080	-
		<u>6,896,718,280</u>	<u>7,653,343,299</u>	<u>7,214,932,207</u>
<b>EARNINGS PER SHARE</b>				
Attributable to equity holders of 8990 Holdings, Inc.				
Basic/Diluted	31	<u>1.24</u>	<u>1.32</u>	<u>1.24</u>

*(The notes on pages 1 to 86 are an integral part of these consolidated financial statements)*

**8990 HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>NET PROFIT</b>		<u><b>6,896,718,280</b></u>	<u>7,653,343,299</u>	<u>7,214,932,207</u>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that will not be reclassified</b>				
<b>subsequently to profit or loss</b>				
Fair value gain (loss) on investment securities at fair value				
through other comprehensive income (FVOCI)	10	<b>11,121,359</b>	75,462,180	64,513,867
Actuarial gain (loss) on post-employment benefit plan	26	<b>(15,152,138)</b>	1,995,729	6,572,205
Income tax effect		<u><b>(1,406,291)</b></u>	<u>(273,957)</u>	<u>(400,895)</u>
		<u><b>(5,437,070)</b></u>	<u>77,183,952</u>	<u>70,685,177</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><b>6,891,281,210</b></u>	<u>7,730,527,251</u>	<u>7,285,617,384</u>
<b>Total Comprehensive Income attributable to:</b>				
Equity Holders of 8990 Holdings Inc.		<b>6,879,098,968</b>	7,712,628,171	7,285,617,384
Non-controlling Interests		<u><b>12,182,242</b></u>	<u>17,899,080</u>	<u>-</u>
		<u><b>6,891,281,210</b></u>	<u>7,730,527,251</u>	<u>7,285,617,384</u>

*(The notes on pages 1 to 86 are an integral part of these consolidated financial statements)*

**8990 HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021**  
*(Amounts in Philippine Pesos)*

	Attributable to equity holders of 8990 Holdings, Inc.									
	<u>Capital Stock</u> <u>(see Note 20)</u>	<u>Additional Paid in</u> <u>Capital</u> <u>(see Note 20)</u>	<u>Treasury Shares</u> <u>(see Note 20)</u>	<u>Actuarial Gain on</u> <u>Post-employment</u> <u>Benefit Plan</u> <u>(see Note 26)</u>	<u>Fair Value Gain on</u> <u>Investment Securities</u> <u>through FVOCI</u> <u>(see Note 10)</u>	<u>Revaluation</u> <u>Reserves</u>  <u>Subtotal</u>	<u>Retained Earnings</u> <u>(see Note 20)</u>  <u>Total</u>	<u>Non-Controlling</u> <u>Interests</u> <u>(see Note 13)</u>	<u>Total Equity</u>	
Balances at January 1, 2023	5,554,990,720	7,956,748,668	(1,806,540,154)	1,094,965	940,535,083	941,630,048	35,920,105,691	48,566,934,973	90,511,998	48,657,446,971
Cash dividends declared by the Parent Company	-	-	-	-	-	-	(203,500,000)	(203,500,000)	-	(203,500,000)
Reacquisition of Preferred Shares	-	-	(15,604,614)	-	-	-	(15,604,614)	(15,604,614)	-	(15,604,614)
Other Comprehensive Income	-	-	-	(16,558,429)	11,121,359	(5,437,070)	-	(5,437,070)	-	(5,437,070)
Net profit for the year	-	-	-	-	-	-	6,884,536,038	6,884,536,038	12,182,242	6,896,718,280
Balance at December 31, 2023	<u>5,554,990,720</u>	<u>7,956,748,668</u>	<u>(1,822,144,768)</u>	<u>(15,463,464)</u>	<u>951,656,442</u>	<u>936,192,978</u>	<u>42,601,141,729</u>	<u>55,226,929,327</u>	<u>102,694,240</u>	<u>55,329,623,567</u>
Balances at January 1, 2022	5,604,990,720	12,906,748,668	(1,806,540,154)	(626,807)	865,072,903	864,446,096	28,789,476,472	46,359,121,802	-	46,359,121,802
Cash dividends declared by the Parent Company	-	-	-	-	-	-	(504,815,000)	(504,815,000)	-	(504,815,000)
Redemption of Preferred Shares	(50,000,000)	(4,950,000,000)	-	-	-	-	(5,000,000,000)	-	-	(5,000,000,000)
Non-controlling interest	-	-	-	-	-	-	-	-	72,612,918	72,612,918
Other Comprehensive Income	-	-	-	1,721,772	75,462,180	77,183,952	77,183,952	-	-	77,183,952
Net profit for the year	-	-	-	-	-	-	7,635,444,219	7,635,444,219	17,899,080	7,653,343,299
Balance at December 31, 2022	<u>5,554,990,720</u>	<u>7,956,748,668</u>	<u>(1,806,540,154)</u>	<u>1,094,965</u>	<u>940,535,083</u>	<u>941,630,048</u>	<u>35,920,105,691</u>	<u>48,566,934,973</u>	<u>90,511,998</u>	<u>48,657,446,971</u>
Balances at January 1, 2021	5,567,990,720	9,303,641,204	(1,806,540,154)	(6,798,117)	800,559,036	793,760,919	23,182,957,409	37,041,810,098	-	37,041,810,098
Cash dividends declared by the Parent Company	-	-	-	-	-	-	(1,608,413,144)	(1,608,413,144)	-	(1,608,413,144)
Other Comprehensive Income	-	-	-	6,171,310	64,513,867	70,685,177	70,685,177	-	-	70,685,177
Net profit for the year	-	-	-	-	-	-	7,214,932,207	7,214,932,207	-	7,214,932,207
Balance at December 31, 2021	<u>5,604,990,720</u>	<u>12,906,748,668</u>	<u>(1,806,540,154)</u>	<u>(626,807)</u>	<u>865,072,903</u>	<u>864,446,096</u>	<u>28,789,476,472</u>	<u>46,359,121,802</u>	<u>-</u>	<u>46,359,121,802</u>

*(The notes on pages 1 to 86 are an integral part of these consolidated financial statements)*

**8990 HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before income tax		7,853,640,605	8,439,414,260	7,663,956,531
Adjustments for:				
Interest income	25	(2,914,452,993)	(1,811,254,938)	(1,296,434,917)
Interest expense	24	2,194,363,343	1,909,513,201	1,671,222,849
Allowance for (reversal of) credit and impairment losses, net	14, 23, 29	470,905,069	413,300,244	379,690,694
Depreciation and amortization	12, 13, 14, 27	109,045,748	106,202,854	96,794,315
Gain on sale of PPE	1.3	(225,000)	(66,026,947)	-
Loss on early redemption of bonds	19, 32	-	6,592,275	-
Amortization of bond issue costs	19, 32	-	658,476	1,156,954
Loss (gain) on repossession - net	9,25	243,212,456	(520,391,151)	(121,459,771)
Equity in net earnings of associate	11	(45,858,106)	(67,950,366)	(13,214,510)
Gain on sale of investment securities at fair value through OCI	25	-	-	-
Post-employment benefits	26	2,547,059	2,648,376	3,465,015
Operating income before changes in working capital		7,913,178,181	8,412,706,284	8,385,177,160
Changes in operating assets and liabilities				
Decrease (increase) in:				
Trade and other receivables		3,629,057,873	(7,852,911,968)	(7,701,615,560)
Inventories		(5,852,214,123)	(4,481,977,797)	(1,771,341,943)
Other assets		(656,642,145)	(127,707,148)	(1,101,649,829)
Increase (decrease) in:				
Trade and other payables		(915,817,364)	(222,185,551)	3,780,022,658
Deposits from customers		(165,609,802)	193,420,418	16,954,715
Net cash provided by (used in) operations		3,951,952,620	(4,078,655,762)	1,607,547,201
Interest received		1,666,188,124	1,747,742,388	1,232,922,366
Taxes paid		(923,907,961)	(775,873,643)	(473,101,985)
Net cash from (used in) operating activities		4,694,232,783	(3,106,787,017)	2,367,367,582
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of business	1	-	(88,275,504)	-
Cash advances to related parties	29	(1,276,352,378)	(900,335,484)	(307,115,403)
Collections of advances to related parties	29	-	35,342	129,262,088
Acquisitions of:				
Property and equipment	12	(65,090,165)	(159,505,120)	(69,820,197)
Intangible asset	14.3	(14,175,758)	-	-
Investment properties	13	-	-	(16,360)
Investment in associates	11	-	(60,000,000)	(80,000,000)
Interest received from loans to a third party	8, 25	39,403,926	59,874,503	59,000,495
Proceeds from:				
Disposal of property and equipment		225,000	-	-
Net cash used in investing activities		(1,315,989,375)	(1,148,206,263)	(268,689,377)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Availment of loans payable	17, 32	17,297,675,121	17,726,550,164	18,728,439,481
Repayment of loans payable	17, 32	(23,758,474,997)	(5,616,372,449)	(20,072,170,010)
Repayment of leasing liabilities	27.4	(16,910,203)	(15,781,559)	(13,094,103)
Interest paid on loans, bonds and lease	14, 17, 18, 19	(2,193,451,945)	(1,670,883,669)	(1,426,393,988)
Issuance (payment) of notes	18, 32	6,500,000,000	(500,000,000)	(800,000,000)
Payment of bonds	19, 32	-	(599,882,750)	-
Acquisition of treasury shares	20	(15,604,614)	-	-
Payment of cash dividends to equity holders of 8990 Holdings Inc.	20	(203,500,000)	(504,815,000)	(1,557,538,144)
Cash advances from related parties	32	511,975	207,726,125	1,554,822
Issuance/(Redemption) of preferred shares	20	-	(5,000,000,000)	3,640,107,464
Repayments of advances from related parties	32	(17,404,692)	(123,780)	(153,182,981)
Net cash provided by (used in) financing activities		(2,407,159,355)	4,026,417,082	(1,652,277,459)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	971,084,053	(228,576,198)	446,400,746
Cash and Cash Equivalents of Newly Acquired Subsidiary	-	55,071,183	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,482,231,058</u>	<u>1,655,736,073</u>	<u>1,209,335,327</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>2,453,315,111</u>	<u>1,482,231,058</u>	<u>1,655,736,073</u>

*(The notes on pages 1 to 86 are an integral part of these consolidated financial statements)*



**8990 HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION**

**1.1 Operations and Composition of the Group**

8990 Holdings, Inc. (8990 Holdings or the Parent Company) was incorporated in the Philippines, registered with the Securities and Exchange Commission (SEC) on July 8, 2005 and was listed in the Philippine Stock Exchange (PSE) on October 20, 2010.

The Parent Company is a holding company. It is presently engaged in various activities of an investment holding company without engaging in dealership in securities, or in brokerage business.

8990 Holdings is 45.75% owned by iHoldings, Inc., as of December 31, 2023 and 2022 and 39.21% as of December 31, 2021, which is a holding company that was incorporated and domiciled in the Philippines.

The Parent Company and the following wholly-owned subsidiaries at the end of the reporting periods are referred to herein as the Group:

- a) 8990 Housing Development Corporation (8990 HDC)
- b) Euson Realty and Dev't. Corp. (ERDC)\*
- c) Tondo Holdings Corporation (THC)\*
- d) 8990 Coastal Estates, Inc (RLC)\*
- e) Primex Land, Inc. (PLI)\*
- f) Fog Horn, Inc. (FHI)
- g) 8990 Luzon Housing Development Corporation (8990 LHDC)
- h) 8990 Davao Housing Development Corporation (8990 DHDC)
- i) 8990 Leisure and Resorts Corporation (8990 LRC)
- j) 8990 Mindanao Housing Development Corporation (8990 MHDC)
- k) 8990 Monterrazas Corporation formerly known as Genvi Development Corporation [Genvi (see Note 1.2)]\*

*\*Wholly owned subsidiary of 8990 HDC*

The above subsidiaries are all incorporated and operating in the Philippines, and except for 8990 LRC and FHI, are engaged in real estate development. 8990 LRC is engaged in hotel and resorts business while FHI is engaged both in both real estate development and hotels and resorts.

The Company has acquired a subsidiary with 68% of ownership of Piccadilly Premier Land Inc. The Company was incorporated and operating in the Philippines. The Company is also engaged in real estate development.

The Parent Company also obtained 20% of shares of Scheirman Construction Consolidated Incorporated (SCCI) making it as associate of the said company. SCCI was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 16, 2016. The Associate is primarily engaged in general building construction as contractor and builder of residential homes, commercial and industrial buildings, barracks, piers and other edifications needed and necessary in the ordinary course of business. Refer to Note 11.

The registered office address of the Parent Company is at 11<sup>th</sup> Floor Liberty Center, 104 H.V. Dela Costa, Salcedo Village, Makati City. iHoldings, Inc.'s registered office address is Unit 1503, 15<sup>th</sup> Floor China Bank Corporate Center, Lot 2, Samar Loop corner Road 5, Cebu Business Park, Cebu City.

## 1.2 Acquisition of 8990 Monterrazas (Genvi)

On October 30, 2018, the Group, through HDC, entered into a Share Purchase Agreement with the previous stockholders of Genvi to acquire all its issued and outstanding shares for a total consideration of P2.3 billion. Pursuant to the agreement and actions taken by the parties such as takeover of the management, the Group assumed full control of Genvi, as a wholly owned subsidiary, on January 1, 2019, which is also the acquisition date. As the acquisition date coincides with the beginning of the Group's reporting period, the revenues and net profit earned by Genvi were recognized in full as part of the 2019 consolidated statement of profit or loss. In 2018, HDC has made an advance payment of P566.7 million for the acquisition and presented as part of Inventories account in the 2018 consolidated statement of financial position. In 2019, the Company further paid amounting to P1.36 billion and fully paid the consideration in 2020 amounting to P 410.0 million

The acquisition of Genvi is to strengthen the position of the Group in the real estate industry, particularly, in the southern region of the country. The acquisition includes real estate inventories, which are developed subdivision lots, amounting to P3.3 billion.

The fair values of the acquired identifiable assets and liabilities assumed as at the date of acquisition are presented below.

Consideration	
Cash	P <u>2,337,427,291</u>
Recognized amounts of identifiable assets acquired:	
Real estate inventories	3,984,499,251
Other tangible assets	431,427,886
Liabilities	( <u>2,604,974,679</u> )
Net identifiable assets	<u>1,810,952,458</u>
Goodwill	<b><u>P 526,474,833</u></b>

The excess of acquisition costs over the fair value of net identifiable assets of Genvi amounting to P526.5 million is presented as Intangible Assets in the consolidated statement of financial position as of December 31, 2023 and 2022.

There were no specific acquisition related costs incurred or contingent consideration arrangements and indemnification assets arising from the business combination.

## 1.3 Acquisition of Picadilly Premier Land, Inc.

On March 15, 2022, the Parent Company entered into agreement with RDAK Land Inc, Acrissor Development Corporation and its existing stockholders into an investment agreement wherein Picadilly Premier Land Inc sold its 68% stake to the Parent making it a subsidiary.

The fair values of the acquired identifiable assets and liabilities assumed as at the date of acquisition are presented below.

Fair value of identifiable net assets	226,915,369
Fair value of non-controlling interest	72,612,918
Consideration transferred	88,275,504
Gain on Bargain Purchase	<b>66,026,947</b>

The business combinations resulted in a bargain purchase transaction because the fair value of assets acquired and liabilities assumed exceeded the total of the fair value of consideration paid and the fair value of non-controlling interest. The gain on bargain purchase is presented as a separate line item in the consolidated statement of profit or loss as "Gain on acquisition of business".

Since there is urgency of the sale to cater the upcoming payment of matured loans and liquidity issues, the price of acquiring the business is at a discounted rate. There were no specific acquisition related costs incurred or contingent consideration arrangements and indemnification assets arising from the business combination.

#### **1.4 Approval of the Consolidated Financial Statements**

The consolidated financial statements of the Group as of and for the year ended December 31, 2023 (including the comparative consolidated financial statements as of and for the years ended December 31, 2022 and 2021) were authorized for issue by the Parent Company's Board of Directors (BOD) on April 24, 2024.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

The material accounting policies that have been used in the preparation of these consolidated financial statements are summarized in the succeeding page. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **2.1 Basis of Preparation of Consolidated Financial Statements**

#### *(a) Basis of Preparation*

The consolidated financial statements are prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI).

The consolidated financial statements provide comparative information in respect of the previous period.

#### *(b) 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 (PFRSs), as modified by the application of the financial reporting relief on the accounting for significant financing components as issued and approved by the SEC in response to the COVID-19 pandemic. The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The group has availed the relief granted by the SEC under Memorandum Circular (MC) no. 34-2020 which further extend the deferral of PIC Q&A 2018-12-D, assessment if the transaction price includes a significant component, PIC Q&A No. 20180-12-E, treatment of land in the determination of percentage of completion (POC) and SEC MC No.4-2020 deferring the adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods under PAS 23, *Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost until December 31, 2023).

The details of and the impact of the adoption of the above financial reporting reliefs are discussed in the section under Changes in Accounting Policies and Disclosures and Material Accounting Information.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### *(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 the consolidated statement of comprehensive income separate from the consolidated statement of profit or loss.

The Group presents a third statement of consolidated 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 has a 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 but opted by the Group to be disclosed for certain accounts.

(d) *Functional and Presentation Currency*

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

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

## **2.2 Changes in Accounting Policies and Procedures**

### **Standards issued and effective for the current year**

The accounting policies adopted are consistent with those of the previous financial year except for the changes in accounting policies as explained below. The Group has adopted the following new standard, amendments to standard and interpretation starting January 1, 2023 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these new and amended standards and interpretation did not have any impact on the Group's financial statements:

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

The adoption of these amendments has a significant impact on the Group's notes disclosures from "significant" to "material" accounting policies. Although amendments did not result in any changes to the accounting policies, it impacted the accounting policy information disclosed in the notes disclosures. Management reviewed all accounting policies and made updates in the information disclosed in Note 2 (Summary of Material Accounting Policy Information).

- Q&A No. 2022-02, *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*

This Q & A discusses how does a Philippine entity apply the amendments to IAS 1 and IFRS Practice Statement 2 with regards to disclosure of accounting policies. It also discusses other examples of disclosures of material accounting policies that illustrate the application of the amendments to IAS 1 and the four-step materiality process to accounting policy information, in addition to the examples (Examples S and T) provided in IFRS Practice Statement 2, Making Materiality Judgements.

The above Q & A was issued by PIC in February 18, 2022 and approved by FSRSC in March 11, 2022.

The adoption of this PIC Q&A has a significant impact on the Group's notes disclosures from "significant" to "material" accounting policies. Although amendments did not result in any changes to the accounting policies, it impacted the accounting policy information disclosed in the notes disclosures. Management reviewed all accounting policies and made updates in the information disclosed in Note 2 (Summary of Material Accounting Policies).

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

#### **Standards issued but not yet effective**

The Group will adopt the following new pronouncements when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new pronouncements to have a significant impact on the financial statements.

*Effective beginning on or after January 1, 2024*

- *Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the SEC issued MC No. 14-2018 and MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the SEC issued MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023

After the deferral period, real estate companies have an accounting policy option of applying either the full retrospective approach or modified retrospective approach as provided under SEC MC 8-2021. The Group's Real Estate Segment availed of the SEC relief to defer the above specific provision of PIC Q&A No. 2018-12 on determining whether the transaction price includes a significant financing component. Had this provision been adopted, the mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component.

The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. Had this provision been adopted, it would have affected the pre-selling scheme for a certain project in 2019, wherein revenue recognition was over time and POC based on actual costs incurred relative to the total expected costs to complete. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements in case a full retrospective approach applied. Depending on the approach of adoption, the adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, contract assets or liability, provision for deferred income tax, deferred tax asset or liability for all years presented. The Group has yet to assess if the mismatch constitutes a significant financing component for its contract to sell. The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented in case of a full retrospective approach.

The exclusion of land in determination of POC would have reduced the percentage of completion of real estate projects. Adoption of this guidance would have reduced revenue from real estate sales, cost of sales and installment contract receivables; increased real estate inventories and would have impacted deferred tax asset or liability and provision for deferred income tax for all years presented, and the opening balance of retained earnings.

- Deferment of Implementation of *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods* (IAS 23, *Borrowing Cost*) for the Real Estate Industry

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities. On February 21, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

The Group's Real Estate Segment opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred. This adjustment should have been applied retrospectively and would have resulted to restatement of prior year financial statements. A restatement would have impacted interest expense, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liability and opening balance of retained earnings. The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented in case of a full retrospective approach. The Group has yet to decide on whether the adoption will be using a full retrospective or modified retrospective approach.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

#### **Deferred Effectivity**

Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

### **2.3 Basis of Consolidation**

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 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.

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, 2022 and 2021. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles. Adjustments are made to align any dissimilar accounting policies that may exist.

The Parent Company accounts for its investments in subsidiaries and interests in jointly-controlled operations as discussed in the succeeding page.

#### **(a) Investments in Subsidiaries**

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

The Parent 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 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 the 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.

The Group holds interests in various subsidiaries as presented in Note 1.

(b) *Interests in Jointly-controlled Operations*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. The Group recognizes in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and, its expenses, including its share of any expenses incurred jointly. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts 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 venturers.

(c) *Investments in Associates*

Investments in associates are initially recognized at cost and subsequently accounted for in the consolidated financial statements using the equity method.

Acquired investment in 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 an associate.

All subsequent changes to the ownership interest in the equity of the associates 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 of Associates account in the consolidated statement of income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.16).

## 2.4 Business Combination

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

After the 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 2.16).

Negative goodwill or gain on bargain purchase 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 the 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 is recognized in accordance with PAS 37, *Provisions and Contingent Liabilities and Contingent Assets*, 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.

Acquisition of interest in an entity that holds investment property which does not constitute a business is accounted for as an asset acquisition. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participant.

While a business usually has outputs, outputs are not required for an integrated set of assets to qualify as a business.

Under the asset purchased accounting, the purchase costs are allocated to identifiable assets and liabilities based on relative fair values of individual items; goodwill or gain on bargain purchase is not recognized; and, transaction costs are capitalized.

## 2.5 Financial Assets

### (a) *Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets is driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### (i) *Financial Assets at Amortized Cost*

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 any impairment in value.

The Group's consolidated financial assets measured at amortized cost include those presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding receivables from officers and employees), Due from Related Parties, and as part of Other Non-current Assets with respect to Deposits.

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

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

Interest income is calculated 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. For credit-impaired financial assets at amortized cost, the effective interest rate is applied 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. The interest earned on installment contract receivables and finance lease receivables, and cash and cash equivalents are recognized and presented in the consolidated statement of profit or loss as part of Other Operating Income.

*(ii) Financial Assets at Fair Value Through Other Comprehensive Income*

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). The Group has designated its equity investment as at FVOCI on initial application of PFRS 9 (see Note 10).

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 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, except for debt securities classified as FVOCI, if any, wherein cumulative fair value gains or losses are reclassified to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Dividend 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.

*(b) Impairment of Financial Assets*

At the end of the reporting period, the Group assesses and recognizes an allowance for ECL on its financial assets measured at amortized cost and investment securities measured at FVOCI. The measurement of the ECL involves consideration of broader range of information in assessing credit risk, including past events (e.g., historical credit loss experience) and current conditions, adjusted for forward-looking factors specific to the counterparty or debtor and the economic environment that affect the collectability of the future cash flows of the financial assets. ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial assets.

The Group assesses impairment of trade receivables on a collective basis based on shared credit risk characteristics of financial assets. The Group determines the ECL for trade receivables by applying a method that evaluates the credit quality of a portfolio of trade receivables and the cumulative loss rates by analyzing historical net charge-offs arising from cancellations and back-out sale for homogenous accounts that share the same origination period.

For investment securities measured at amortized cost and at FVOCI, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period.

For other credit exposures such as receivables and advances to related parties and other companies, ECLs are recognized in two stages. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within the next 12-months (12-month ECL). When there has been a significant increase in credit risk on a financial asset 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 (lifetime ECL). For deposits in banks, the Group applies the low credit risk simplification and measures the ECL on the financial assets based on a 12-month basis unless there has been a significant increase in credit risk since origination, in that case, the loss allowance will be based on the lifetime ECL.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for investment securities measured at FVOCI, for which the loss allowance is recognizes in other comprehensive income and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(c) *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.

## 2.6 Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as inventories.

Inventories include subdivision lots, houses and lots, land developments, medium-rise and high-rise condominium units, and parking spaces. Land acquired by the Group and are held for future development and sale in the ordinary course of business is also accounted for as inventories. Inventories are measured at the lower of cost and net realizable value (NRV).

Cost of inventories includes:

- land cost;
- amounts paid to contractors for the construction; planning and design costs; costs of site preparation; professional fees directly attributable to construction/development of the property, property transfer taxes; construction overheads and other related costs; and,
- any borrowing costs to the projects which were capitalized during construction [Notes 2.18].

Repossessed property arising from sales cancellation is recognized at NRV.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated cost to sale. The amount of any write-down of inventories to NRV and all losses of inventories are recognized in the consolidated statement of profit or loss in the year of the write-down or loss occurs.

The cost of inventories recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

## 2.7 Property and Equipment

Property and equipment, except for land and construction-in-progress, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land and construction-in-progress are carried at cost less any impairment value.

Depreciation and amortization of property and equipment commences once the item of property and equipment is put into operational use and is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 years
Land improvements	3-5 years
Leasehold improvements	3-5 years or the term of the lease whichever shorter
Furniture and fixtures	3-5 years
Machineries and equipment	3-5 years
Transportation vehicles	1-5 years
Licenses	1-5 years

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 2.16).

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 to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated property and equipment and fully amortized leasehold improvements are retained in the accounts until they are no longer in use.

An item of property and equipment, including the related accumulated depreciation, amortization and 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 on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

## **2.8 Investment Properties**

Investment properties, which include land, building and improvements are initially recognized at cost. The initial cost of investment property consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent to initial recognition, investment properties, except for land, are stated at cost less accumulated depreciation, amortization and any impairment in value. Land is carried at cost less any impairment in value (see Note 2.16).

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are charged against current operations in the year in which the costs are incurred.

Depreciation and amortization of investment properties commences from the time of acquisition and is computed on a straight-line basis over the estimated useful lives of the investments properties as follows:

Building	20 years
Improvements	20 years

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (Note 2.16).

Investment properties, including the related accumulated depreciation and amortization, are derecognized upon disposal or when permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties (calculated as the difference between the net disposal proceeds and the carrying amount of the item) are recognized in profit or loss in the year of retirement or disposal.

## **2.9 Investment in Associates**

An associate is an entity over which the Group has significant influence but not control and which is neither a subsidiary nor a joint venture.

Investment in an associate is accounted for by the equity method of accounting. Under this method, the investment is initially recognized at cost and adjusted thereafter by post-acquisition changes in the Group's share in the net assets of the associate and any impairment losses. The Group's share of its associate's post-acquisition profits or losses is recognized in profit or loss. Share in post-acquisition change in the associate's net assets not recognized in profit or loss is directly recognized in the Group's equity. Dividends received from the associates are deducted from the carrying amount of the investment.

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

The reporting date of the associate and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

## **2.10 Intangible Assets**

Intangible assets of the Group pertain to goodwill and software license. Goodwill is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Goodwill is not amortized because it is considered to have indefinite useful life.

Capitalized costs on software license are amortized on a straight-line basis over the estimated useful life of five years, as the lives of these intangibles assets are considered finite. These are capitalized on the basis of the costs incurred to acquire and install the specific software. Cost associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

In addition, intangible assets are subject to impairment testing as described in Note 2.16.

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.

## **2.11 Financial Liabilities at Amortized Cost**

Financial liabilities, which include trade and other payables (excluding tax-related liabilities, deferred rent and retirement benefit obligation), loans payable and amounts due to related parties, are recognized when the Group becomes a party to the contractual terms of the instrument. These 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. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of profit or loss.

Loans payable are raised for support of long-term funding of operations. Finance charges, including direct issue costs, are charged to profit or loss on an accrual basis [except for capitalizable borrowing costs which are added to the cost of qualifying assets (see Note 2.18)] 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.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Parent Company.



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 twelve 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. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and a recognition of new liability, and the difference between the carrying amount of the financial liability derecognized and the consideration paid or payable or the carrying amount of the new liability is recognized in profit or loss.

## **2.12 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 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 consolidated financial instruments.

## **2.13 Provisions and Contingencies**

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 pretax 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 resource 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 do 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.

## **2.14 Revenue and Expense Recognition**

### **(a) Revenue, Other Operating Income and Gains**

The Group derives revenue primarily from sale of houses and lots, subdivision lots, medium-rise and high-rise condominium units and parking spaces. The Group also enters into transactions involving hotel accommodations, food and beverage operations, and other incidental activities.

In addition to the above considerations, the Group's revenue and other operating income and gains are recognized and measured based on the following specific criteria:

*(i) Real estate sales*

*(a) On pre-completed real estate projects*

Revenue from pre-completed real estate projects are recognized over time proportionate to 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 under the Revenues section in the consolidated statement of profit or loss.

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 under the Trade and Other Receivables account of 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 2.5(b)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract liabilities under the Trade and Other Payables account of 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 contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on real estate sale, consideration received from buyers are presented under the Deposits from Customers account in the liabilities section of the consolidated statement of financial position.

*(b) On completed real estate projects*

Revenue from completed real estate sales are recognized as the control transfer to the customer at the point in time and upon reaching the collection threshold set by management, i.e., income from sale is considered fully earned at the time the collection from customer has reached the desired percentage requirement of the total contract price.

Collections from buyers which are not yet qualified for revenue recognition are treated as deposits and presented as Deposits from Customers in the consolidated statement of financial position.

*(ii) Hotel operations*

Revenues from hotel operations which include occupancy and sale of ancillary services are recognized over time during the occupancy of hotel guest and ends when the scheduled hotel room accommodation has lapsed (i.e., the related room services and goods have been rendered or served). Revenue from banquets and other special events are recognized when the events take place, hence, over time.

(iii) *Gain or loss on repossession and cancellation*

Gain or loss on repossession is recognized at a point in time (i.e., at the date of repossession) and measured based on the difference between the fair value less cost to restore and sell repossessed inventories and the carrying value of the installment contract receivables out of amount refundable to the buyer as required by RA 6552, or Maceda Law, at the time of repossession. This is presented in the consolidated statement of profit and loss as Other Operating Income or Other expense.

(iv) *Other operating income and gains*

Other income arising from other customer-related fees such as collection services fees, penalties, retrieval fees, transfer and other fees are recognized over time in the same amount to which the entity has the right of invoice to the customer (i.e., when the Group has rendered the related services which coincides to the time when the customer obtains the benefits thereon). 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.

(b) *Costs and Expenses*

Costs of real estate sales, including costs of land, land development costs, building costs, professional fees, permits and licences and capitalized borrowing costs (see Notes 2.6 and 2.18) are recognized as these as incurred. These costs are allocated to the saleable area based on relative size, with the portion allocable to the sold area being recognized as costs of sales in profit or loss upon disposal, while the portion allocable to the unsold area being recognized as part of real estate inventories.

Costs of hotel operations and operating expenses are recognized upon utilization of the goods or services or at the date the costs are incurred (i.e., when a decrease in future economic benefits related to a decreased in an asset or an increase of a liability has arisen that can be measured reliably). These are measured at the amount paid or payable.

Incremental costs of obtaining a contract to sell real property to customers (i.e., commissions and documentation) are recognized as part of Operating Expenses on the same basis as revenue from such contract is recognized.

## **2.15 Leases**

The Group accounts for its leases as follows:

(a) *Group as Lessee*

The Group recognizes a right-of-use assets and a lease liability at the lease commencement date. The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site in which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use assets reflect that the Group will exercise a purchase option. In that case, the right-of-use assets will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.16).

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

On the consolidated statement of financial position, right-of-use assets are presented as part of other non-current assets. Meanwhile, lease liabilities are presented as part of trade and other payables.

*(b) Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short term leases are recognized as expense on a straight-line basis over the lease term.

*(c) 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.

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

## **2.16 Impairment of Non-Financial Assets**

The Group's property and equipment, investment properties, goodwill and other non-financial assets are subject to impairment testing. 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 of those assets 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, assets are tested for impairment either individually or at the 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 amount, 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.

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

### **2.17 Employee Benefits**

The Group provides post-employment benefits to employees through a defined benefit plan, defined benefit contribution plans, and other employee benefits.

The Group's defined benefit post-employment benefits plans cover all regular full-time employees.

The defined obligation is calculated annually by independent actuaries using the projected unit credit method.

### **2.18 Borrowing Costs**

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production 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 the cost of such asset. The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted.

Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress. Capitalization ceases when substantially all such activities are complete.

### **2.19 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 consolidated profit or loss, except to the extent that it relates to items recognized in consolidated 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.

## **2.20 Equity**

Capital stock represents the nominal value of the Parent Company's shares that have been issued. When the Parent Company issues more than one class of stock a separate account is maintained for each class of stock and the number of shares issued.

Treasury shares are shares of stock of the Parent Company that were reacquired but not cancelled. These are carried at acquisition cost and are presented as a deduction from equity until the shares are cancelled, reissued or disposed. The portion of treasury shares in the retained earnings is not allowed for dividends declaration.

Revaluation reserves comprise the fair value gains and losses of investment securities at FVOCI and gains and losses from the remeasurements of retirement benefit obligation.

## **2.23 Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's strategic steering committee; its chief operating decision-maker. The strategic steering committee 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 6, 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 technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

## **2.24 Earnings Per Share (EPS)**

Basic and diluted EPS is computed by dividing net profit of the Group by the weighted average number of common shares issued and outstanding during the reporting period, adjusted for any subsequent stock dividends declared. Diluted EPS amounts are calculated by dividing the net profit attributable to the Group (after deducting interest on the convertible preferred shares, if any) by the weighted average number of common shares outstanding during the reporting period plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

## **2.25 Value- Added Tax (VAT)**

Revenues, expenses and assets are recognized, net of the amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The amount of Input VAT (Output VAT) is included as part of "Other assets" ("Trade and other payables") in the consolidated statement of financial position

## **2.26 Events After the End of Reporting Period**

Post year-end events up to the date of when the consolidated financial statements are authorized for issue that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when assessed to be material.

# **3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

## **3.1 Critical Management Judgments in Applying Accounting Policies**

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation as discussed in Note 3.2, which have the most significant effect on the amounts recognized in the consolidated financial statements.

### *(a) Determining Existence of a Contract with Customer*

In a sale of real estate properties, the Group's primary document for a contract with a customer is a signed contract to sell which is executed when the real estate property sold is completed and ready for use by customer. In rare cases wherein contract to sell are not executed by both parties, management has determined that the combination of other signed documentations with the customers such as reservation agreement, official receipts, computation sheets and invoices, would contain all the elements to qualify as contract with the customer (i.e., approval of the contract by the parties, which has commercial substance, identification of each party's rights regarding the goods or services and the related payment terms). Moreover, as part of the evaluation, the Group assesses the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer.

In evaluating whether collectability of an amount of consideration is probable, the Group considers the significance of the customer's downpayment in relation to the total contract price [see Note 3.1(c)]. Collectability is also assessed by considering factors such as past history with the customer and pricing of the property.

Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

*(b) Evaluation of the Timing of Satisfaction of Performance Obligations and Revenue Recognition*

*(i) Real Estate Sales*

The Group sells real estate properties such as house and lots, medium or certain high-rise condominium units, and parking spaces and recognized revenue thereon at a point in time (i.e., upon sale of the inventories that are completed and ready for use and upon reaching collection threshold) or over time. In making this judgment, the Group considers the following criteria:

- any asset created or enhanced as the Group performs;
- the ability of the customers 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.

In determining the timing of satisfaction of the Group's performance obligation and the revenue recognition, the Group makes judgments that are integral to its accounting policy. Consistent with the Group's business model (i.e., low-cost housing) and marketing strategy, it sells real estate inventories to marginal earner customer in different regions at prices that are generally lower than the prices offered by other developers in the industry. The Group also develops and constructs these real estate properties applying different construction technology that enables it to build houses and condominium quickly and cost-effectively, ranging from three to six months for house and lot and medium-rise condominium, and an average of 18 months for high-rise/vertical condominiums. Construction and development period includes the duration required for land development stage, which also range from three to six months depending on the size of the project.

Based on the Group's marketing evaluation, its customers are generally buyers who are not willing to wait for longer property development and construction period before they are able to transfer and occupy the property for residential purposes and who are indifferent whether or not the related common areas and amenities are complete. Generally, these common areas and amenities are relatively not significant to the project development and are substantially completed prior to selling activities.

With the combination of these factors, the Group generally offers its real estate inventories to customer when the house and lot and condominium units are completed and ready for use by the customer and the related common areas, site development, and amenities are substantially completed. The Group assessed that at the time they made the offer to sell the inventories, there is no significant additional performance obligation that needs to be fulfilled under its contract with customer and there are no significant costs that the Group will incur relative to the total development costs of a particular project. On this basis, the customer is contractually obliged to make payments to the Group of the consideration involved in the contract for the fully completed performance obligation.

The current selling scheme introduced by the management for a certain project, recognition of revenue from those real estate inventories under the pre-selling scheme shall be based on the satisfaction of performance of obligation over time. The newly acquired subsidiary of the Group sells pre-completed real estates, thus also recognizes revenue over time. The Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. 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 apply 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.



The Group also requires a certain percentage of buyer's payments of total contract price to be collected as one of the criteria in order to initiate revenue recognition [see Notes 2.14(a)(i) and 3.1(c)].

*(ii) Hotel Operations*

The Group determined that its revenue from hotel operations 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 provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of hotel services as it performs.

*(c) Determination of Collection Threshold for Revenue Recognition*

The Group uses judgment in evaluating the probability of collection of transaction price on real estate sales as a criterion for revenue recognition. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the collection history from customers, buyer's profile and number of back-out sales in prior years. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer when reaching the set collection threshold would demonstrate the buyer's commitment to pay the total contract price.

*(d) Determination of ECL on Trade and Other Receivables and Advances to Related Parties*

The Group uses the cumulative loss rate approach to calculate ECL for trade receivables. This approach considers and includes reasonable approximation of probable and estimable future losses determined by applying historical gross charge-off information (arising from cancellations and back-out sales) to forward-looking qualitative information (i.e., forecast of economic condition). While there may be an assessed default occurring in these receivables over the term of the instrument, the amount of required allowance for ECL is minimized since the legal title related to the unit sold will only be transferred once the contract receivable has been paid in full, and the Group has the right to recover the real estate properties covered by the contract with customer through repossession, and to resell the asset at an amount sufficient to cover the unpaid outstanding obligations.

On the other hand, additional ECL may be calculated for certain pool of trade receivables specifically determined to have expected cash shortfall based on outstanding exposures. These generally arise from receivables which were charged-off at an earlier term of the instrument since origination period.

In relation to advances to 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 receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

Based on the relevant facts and circumstances affecting the quality of certain advances to related parties at the reporting date, management recognized credit losses in 2023 and 2022. (see Notes 4.1 and 29).

*(e) Fair Value Measurement for Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying value of the Group's financial assets at FVOCI and the fair value gains and losses recognized on these securities are disclosed in Note 10.

*(f) Distinguishing Between Business Combination and Asset Acquisition*

The Parent Company determines whether an acquisition of an entity constitutes a business combination or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a business taking into consideration the substance of the transaction. The Parent Company evaluates whether an acquired entity is capable of being conducted and managed as a business by assessing the integrated set of activities and assets based on at least two essential elements – inputs and processes applied to those inputs, which together are or will be used to create outputs. Otherwise, the transaction is accounted for as an asset acquisition. Failure to make the right judgment will result in misstatement of assets and other accounts that could have been affected by the transaction.

Management assessed that the acquisition of the Genvi's and Picadilly's outstanding shares in 2019 and 2022 are accounted for as a business acquisition in accordance with PFRS 3.

*(g) Distinction Among Real Estate Inventories, Investment Properties and Owner-occupied Properties*

In determining the classification of assets as to real estate inventories, investment properties or owner-occupied properties, the Group considers management's intention in acquiring or developing the asset and the asset's current use.

Residential and condominium units comprise properties that are held for sale in the ordinary course of business. With respect to other real estate properties, the Group classifies an asset as investment property when the property is not occupied substantially for use by, or in operations of the Group, but are held primarily to earn rental income and capital appreciation. On the other hand, owner-occupied properties are those that generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property, only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

*(h) Distinguishing Preferred Shares Held in Club Shares as Financial Instrument, Inventories or Intangible Asset*

In determining whether preferred shares held in investee entities operating as a club and resorts shall be accounted for as either financial instruments or inventories, the Group considers its role in the development of the club or resorts and its intent for holding the securities acquired. The Group classifies such shares as inventories when it acts as the developer of the property and intends to sell a developed property together with the shares. If these criteria were not met, the securities are classified as financial asset, or an intangible asset when the shares only provides membership rights on the developed properties rather than proprietary interest.

*(i) Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor*

The Group has entered into a lease agreement for certain office and parking spaces. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the property covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

*(j) Evaluation of Business Model of the Financial Assets*

Based on the relevant facts and circumstances affecting the quality of certain advances to related parties at the reporting date, management recognized credit losses in 2023 and 2022. (see Notes 4.1 and 29).

*(k) 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 2.13 and disclosures on relevant provisions and contingencies are presented in Note 30.

### **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) 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 behavior (e.g., likelihood of customers defaulting and the resulting losses). Management also applies judgement in the estimation of the contractual cash flows due from counterparties that the Group would expect to receive from the realization of any credit enhancements, including the discounting factor for recoveries beyond one year. Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.1.

*(b) Estimating NRV of Inventories*

The Group adjusts the cost of its inventories to NRV based on its assessment of the recoverability of the inventories.

NRV for inventories, including land held for future development, is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in light of recent market transactions.

NRV in respect of inventories and improvements under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction less an estimate of the time value of money to the date of completion. The estimates used take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The Group did not recognize any write-down on its inventories in 2023, 2022 and 2021. The carrying values of the Group's inventories are disclosed in Note 9.

*(c) Impairment of Non-financial Assets*

In assessing impairment of non-financial assets, 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 (see Note 2.16). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

In 2022, the management determined that portion of other assets were not recoverable. Direct written-off of creditable withholding taxes and other non-current assets were made amounting to P 135.5 million, see Note 14. The impairment loss is presented as part of Expected credit and impairment losses under Operating Expenses in the consolidated statements of profit or loss, respectively (see Note 23). No similar transactions occurred in 2023.

The carrying values of the non-financial assets, particularly, investment in associate, property and equipment, investment properties and investment in joint operations, goodwill, and any related allowance for any impairment losses are disclosed in Notes 11, 12, 13 and 14, respectively.

*(d) Determination of Estimated Useful Life of Property and Equipment and Investment Properties*

The Group determines the estimated useful life of its property and equipment, and investment properties based on the period over which the assets are expected to be available for use. The Group reviews periodically the estimated useful life based on factors that include asset utilization, internal technical evaluation, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful life of property and equipment, and investment would increase depreciation and amortization expense and decrease non-current assets in the succeeding reporting periods.

The estimated useful life of the Group's property and equipment, and investment properties are disclosed in Notes 2.7 and 2.8, respectively. This carrying values of are disclosed in Notes 12 and 13, respectively.

*(e) Estimation of Post-employment Benefit Obligation*

The cost of defined benefit pension plans as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements.

Future salary increases and pension increases are based on expected future inflation rates for the country. All assumptions are reviewed at each reporting date.

The carrying value of the post-employment benefit obligation, as well as the other details of the defined benefit pension plans, and the assumptions used in the valuation as at December 31, 2023, 2022 and 2021, are disclosed in Note 26.

*(f) Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Group assessed its projected performance in determining the sufficiency of the future taxable income to support the recognition of deferred tax assets. Refer to Note 28 for the information on the Group's recognized and unrecognized deferred tax assets.

*(g) Fair Value Measurement for Investment Properties*

The Group's investment properties composed of land, building and improvements are measured using the cost model. In determining the fair value of these assets for disclosure purposes, the Group engages the services of professional and an independent appraiser applying the relevant valuation methodologies as discussed in Note 5.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the consolidated financial statements if their fair value will indicate evidence of impairment.

#### **4 FINANCIAL RISK MANAGEMENT AND OBJECTIVES**

The Group has various financial assets and financial liabilities such as cash in banks, trade and other receivables, investment securities at FVOCI, trade and other payables, loans payable, bonds payable and due to and from related parties which arise directly from its operations. Thus, exposure to credit, market and liquidity risks arise in the normal course of the Group's business activities.

The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and,
- to provide a degree of certainty about costs.

The Parent Company's BOD reviews and approves the policies for managing each of these risks and they are summarized in the succeeding pages.

##### **4.1 Credit Risk**

Credit risk is the risk of financial loss to the Group if the counterparty to a financial instrument fails to meet its contractual obligation. To manage credit risk, the Group maintains credit policies and monitors its exposure to credit risk on a continuous basis.

Trade receivables balances are being monitored on a regular basis to ensure timely execution of necessary collection intervention efforts. In addition, the credit risk for trade receivables is mitigated as the Group has only transferred the corresponding title of the subdivision lots, house and lot units, condominium units and parking spaces upon full payment of the contract price.

(a) *Maximum exposure to credit risk*

The Group's maximum exposure to credit risk is equal to the carrying value of its financial assets as discussed below.

(i) *Cash and Cash Equivalents*

The credit risk for cash equivalents is considered negligible. As part of Group policy, bank deposits are only maintained with reputable financial institutions with low credit risk based on externally available risk rating or from the Group's internal credit grading that takes into consideration its banking relationship and activities with its depository banks. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution, as provided for under RA No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*.

(ii) *Trade Receivables*

Trade receivables from the sale of real estate inventories, including finance lease receivables, as of December 31, 2023 and 2022 are secured by collateral (the subdivision lots, house and lots, medium-rise and high-rise condominium units, and parking spaces).

The Group uses cumulative credit loss rate approach to calculate ECL for trade receivables. This approach is based on historical analysis of the Group's trade receivables portfolio, which calculates the receivables' loss experience over a reasonable observation period and apply such information to project what the portfolio will look like going forward. The model is done by dividing each period's net charge-offs arising from contract cancellations and back-out sales by the original principal balance at the origination period of the receivables.

The loss experience of these original balances is tracked annually and summed over the life of the contract, leaving a cumulative loss rate based on historic averages.

The management determined that there is required additional ECL to be recognized on the Group's trade and lease receivables. Management recognized additional ECL amounting to P313.7 million, P196.0 million and P313.6 million in 2023, 2022 and 2021, respectively (see Note 8)

Management assessed that a portion of the Group's trade receivables was deemed collectible. Accordingly, reversals of allowance for probable loss amounting to P17.0 million was recorded in 2023 and P 110.4 million in 2022(see Note 8).

The estimated fair value of collateral and other security enhancements held against trade receivables are presented below.

	2023	2022
Real estate receivables	32,964,197,886	38,568,218,541
Contract Assets	60,184,625	74,030,402
Finance lease receivables	863,759,487	882,224,480
	<b>33,888,141,998</b>	<b>39,524,473,423</b>

(iii) *Advances to Related Parties*

ECL for advances to related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the historical defaults from the counterparties. Management assessed that portion of the outstanding receivables from certain related parties as of December 31, 2023 and 2022 which are not fully recoverable since these related parties do not have enough capacity to pay the advances upon demand. Accordingly, credit losses amounting to P 59.3 million, P184.7 million and P43.4 million (net of recovery of P 27.4 million) were recognized in 2023, 2022, and 2021 respectively. Impairment losses in 2023 and 2022 are presented as part of Expected credit and impairment losses under Operating Expenses in the consolidated statements of profit or loss, respectively (see Note 23).

The Group does not consider any significant risks in the remaining advances to related parties since the Group, whose credit risks for liquid funds are considered negligible, have committed to financially support these related parties as part of the its long-term corporate strategy.

(iv) *Other Receivables and Lease Deposits*

The Group applied simplified approach in determining the ECL of certain other receivables. This approach uses a provision matrix to collectively assess other receivables based on shared credit risk characteristics of the financial assets, grouped based on days past due with loss rate determined from a range of 10% to 100%. In 2023 and 2022, additional provision was recognized amounting to P 21.9 million and P 6.4 million, respectively. No provision in 2021. Accordingly, reversals of allowance for probable loss amounting to nil and P1.5 million and P 1.9 million was recorded in 2023, 2022, and 2021. (see Note 8).

Lease deposits, which pertain to the deposits from rental and electrical facilities, are monitored by the Group and involves creditworthy counterparties and with no historical default experience.

Moreover, other receivables pertain to loans extended to employees and other reputable third parties which are settled through salary deduction and installment basis on a short-to-medium term. Thus, the credit risk is considered negligible under the circumstances.

(b) *Credit risk concentration*

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

An analysis of concentration of credit risk by location of the Group's installment contract receivables (ICRs) and finance lease receivables, gross of allowance for impairment, is shown below.

	2023	2022	2021
<b>Metro Manila</b>	<b>14,961,583,055</b>	17,258,021,748	12,824,914,269
<b>Davao</b>	<b>6,169,560,004</b>	7,116,519,711	5,309,580,858
<b>Cebu</b>	<b>2,641,236,216</b>	3,046,636,970	3,407,265,634
<b>Iloilo</b>	<b>1,513,666,993</b>	1,745,998,254	3,497,055,571
<b>Cavite</b>	<b>648,708,274</b>	748,277,870	1,754,269,537
<b>Pampanga</b>	<b>982,616,011</b>	1,133,436,778	1,186,996,859
<b>Bacolod</b>	<b>1,928,838,358</b>	2,224,893,864	1,255,546,011
<b>Bulacan</b>	<b>5,851,894,081</b>	6,750,095,558	3,512,823,928
	<b>34,698,102,992</b>	40,023,880,753	32,748,452,667

(c) *Credit quality*

Generally, the Group classifies cash in banks and short-term placements as high grade as these are deposited with reputable banks.

Due from related parties and other financial assets are considered to be unrated. For trade receivables, standard grade pertains to receivables with no default in payments.

The tables below show the credit quality per class of financial assets, gross of allowance, as of December 31, 2023 and 2022:

December 31, 2023					
	Neither past due nor impaired High grade	Standard grade	Past due but not impaired	Credit- impaired	Total
Cash in banks and short-term placements	2,393,582,046				2,393,582,046
Trade and other receivables					
Installment contract receivables		32,544,415,485	419,782,401	870,145,619	33,834,343,505
Finance lease receivables		677,190,580	186,568,907		863,759,487
Contract assets		60,184,625		-	60,184,625
Retention receivables		2,057,261,349		13,243,509	2,070,504,858
Other receivables**		3,385,144,008		236,696,602	3,621,840,610
Due from related parties		3,261,651,942		444,937,659	3,706,589,601
Deposits*		204,735,533		2,511,974	207,247,507
	2,393,582,046	42,190,583,522	606,351,308	1,567,535,363	46,785,052,239
December 31, 2022					
	Neither past due nor impaired High grade	Standard grade	Past due but not impaired	Credit- impaired	Total
Cash in banks and short-term placements	1,430,361,192				1,430,361,192
Trade and other receivables					
Installment contract receivables		38,357,503,188	210,715,353	573,437,733	39,141,656,274
Finance lease receivables		695,655,573	186,568,907		882,224,480
Contract assets		74,030,402		-	74,030,402
Retention receivables		2,199,581,327		13,243,509	2,212,824,836
Loans receivables		396,953,440		-	396,953,440
Other receivables**		871,058,919		214,747,100	1,085,806,019
Due from related parties		2,044,601,483		385,635,741	2,430,237,224
Deposits*		201,983,482		2,511,974	204,495,456
	1,430,361,192	44,841,367,814	397,284,260	1,189,576,057	47,858,589,323

\* Included in Other Non-Current Assets in the consolidated statements of financial position.

\*\*Includes advances to external marketing managers.



High grade financial assets pertain to accounts with a very low probability of default as demonstrated by the counterparty's long history of stability, profitability and diversity.

Standard grade financial assets pertain to accounts where counterparties are expected to be able to adjust to their financial conditions. Any prolonged adverse economic conditions would however create profitability and liquidity issues. The counterparty may have a history of default in interest but must have regularized its records to date.

Credit-impaired receivables represent receivables with specific allowance for impairment.

## 4.2 Market Risk

Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

As of December 31, 2023 and 2022, the Group has no financial instruments that are exposed to significant interest rate risk and foreign currency risk. However, the Group's investment securities measured at FVOCI is exposed to price risks. The Group manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

## 4.3 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 a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. 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, 2023 and 2022, the Group's financial liabilities have contractual maturities which are presented below.

2023						
	On demand	Up to 1 month	More than 1 month to 6 months	More than 6 months to 12 months	Beyond 1 year	Total
Trade and accounts Payables	1,323,989,735	-	-	-	-	1,323,989,735
Retention payable	-	-	-	1,185,018,098	-	1,185,018,098
Construction bonds	-	-	-	109,721,172	-	109,721,172
Accrued expenses	-	-	-	2,121,707,770	-	2,121,707,770
Contract liabilities	-	-	-	-	335,035,888	335,035,888
Lease liabilities	-	-	-	7,968,215	8,008,678	15,976,893
Due to related parties	-	-	-	272,567,480	-	272,567,480
Notes payable	-	-	225,448,773	233,762,614	6,040,788,613	6,500,000,000
Loans payable	-	1,265,951,858	3,547,152,959	13,610,378,462	17,095,069,286	35,518,552,565
	1,323,989,735	1,265,951,858	3,772,601,732	17,541,123,811	23,478,902,465	47,382,569,601

2022						
	On demand	Up to 1 month	More than 1 month to 6 months	More than 6 months to 12 months	Beyond 1 year	Total
Trade and accounts Payables	1,199,088,346	-	-	-	-	1,199,088,346
Retention payable	-	-	-	1,018,193,461	-	1,018,193,461
Construction bonds	-	-	-	96,630,891	-	96,630,891
Accrued expenses	-	-	-	2,405,677,805	-	2,405,677,805
Contract liabilities	-	-	-	-	906,194,448	906,194,448
Lease liabilities	-	-	-	11,951,066	16,883,037	28,834,103
Due to related parties	-	-	-	289,460,197	-	289,460,197
Loans payable	-	5,196,206,587	3,519,603,391	11,938,522,947	21,325,019,516	41,979,352,441
	1,199,088,346	5,196,206,587	3,519,603,391	15,760,436,367	22,248,097,001	47,923,431,692

#### 4.4 Offsetting of Financial Instruments

The following tables show the details of recognized financial instruments of the Group subject to offsetting, enforceable master netting arrangements or similar agreements, and the effect of other rights of offset but do not meet the offsetting criteria under PAS 32:

2023						
Financial instruments recognized at end of year by type	Gross carrying amounts (before offsetting) (a)	Gross amounts offset in accordance with the offsetting Criteria (b)	Net amount presented in statements of financial position (a-b) (c)	Financial instruments (d)	Effect of remaining rights of set off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria Fair value of Financial Collateral (e)	(c-d-e) (f)
Financial assets						
Due from related parties	<u>3,261,651,942</u>	<u>-</u>	<u>3,261,651,942</u>	<u>-</u>	<u>-</u>	<u>3,261,651,942</u>
Financial liabilities						
Loans payable						-
Short term loans	18,423,483,279	-	18,423,483,279	-	67,808,728	18,355,674,551
Long term loans	17,095,069,286	-	17,095,069,286	-	16,367,812,627	727,256,659
Notes payable	6,500,000,000	-	6,500,000,000	-	-	6,500,000,000
Due to related parties	<u>272,567,480</u>	<u>-</u>	<u>272,567,480</u>	<u>-</u>	<u>-</u>	<u>272,567,480</u>
	<u>42,291,120,045</u>	<u>-</u>	<u>42,291,120,045</u>	<u>-</u>	<u>16,435,621,355</u>	<u>25,855,498,690</u>
2022						
Financial instruments recognized at end of year by type	Gross carrying amounts (before offsetting) (a)	Gross amounts offset in accordance with the offsetting Criteria (b)	Net amount presented in statements of financial position (a-b) (c)	Financial instruments (d)	Effect of remaining rights of set off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria Fair value of Financial Collateral (e)	(c-d-e) (f)
Financial assets						
Due from related parties	<u>2,044,601,483</u>	<u>-</u>	<u>2,044,601,483</u>	<u>-</u>	<u>-</u>	<u>2,044,601,483</u>
Financial liabilities						
Loans payable						-
Short term loans	20,654,332,925	-	20,654,332,925	-	67,808,728	20,586,524,197
Long term loans	21,325,019,516	-	21,325,019,516	-	16,395,244,891	4,929,774,625
Due to related parties	<u>289,460,197</u>	<u>-</u>	<u>289,460,197</u>	<u>-</u>	<u>-</u>	<u>289,460,197</u>
	<u>42,268,812,638</u>	<u>-</u>	<u>42,268,812,638</u>	<u>-</u>	<u>16,463,053,619</u>	<u>25,805,759,019</u>

## 5 FAIR VALUE MEASUREMENT AND DISCLOSURE

### 5.1 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions (i.e., an exit price) at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ☐ in the principal market for the asset or liability, or,
- ☐ in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

## 5.2 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 has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or financial 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., as 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 an 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.

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.

Except for investment securities at FVOCI, all other financial assets of the Group are measured at amortized cost as of December 31, 2023 and 2022.

Management has determined that the carrying values of the Group's financial instruments carried at amortized cost approximate or equal their fair values except, non-current portion of the ICRs and bonds payable. Accordingly, those are no longer presented in the analysis below.

Except for cash in banks and bonds payable, for which fair value is classified as Level 1, the fair value of other financial instruments and investment properties where fair value is required to be disclosed are classified as Level 3 in the hierarchy.

The table below presents the assets and liabilities for which fair value is required to be disclosed, by valuation method as of December 31, 2023 and 2022.

	Carrying Amount	2023			Total
		Level 1	Fair value Level 2	Level 3	
Installment contract Receivable	33,834,343,505			32,964,197,886	32,964,197,886
Finance receivables	863,759,487			863,759,487	863,759,487
Investment securities through FVOCI	1,363,276,386			1,363,276,386	1,363,276,386
<i>Non-financial assets</i>					
Investment properties	526,974,226			1,016,662,000	1,016,662,000

	2022				
	Carrying Amount	Level 1	Fair value Level 2	Level 3	Total
Installment contract Receivable	39,141,656,274			38,568,218,541	38,568,218,541
Finance receivables	882,224,480			882,224,480	882,224,480
Investment securities through FVOCI	1,352,155,026			1,352,155,026	1,352,155,026
<i>Non-financial assets</i>					
Investment properties	321,117,811			1,016,662,000	1,016,662,000

There were no transfers between Levels 2 and 3 in 2023 and 2022.

### 5.3 Methods and Assumptions Used

The methods and assumptions used by the Group in estimating the fair value of the assets and liabilities are described below and in the succeeding page.

#### (a) Financial Instruments

##### (i) Cash and cash equivalents, and other receivables

The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

##### (ii) Installment contract and lease receivables

Installment contract and lease receivables are net of allowance for credit losses. The estimated fair value these receivables represents the discounted amount of estimated future cash flows, including principal amount outstanding and interest expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

##### (iii) Retention receivables

Fair values are estimated using the discounted cash flow methodology using the prevailing market rates for similar types of instrument, which due to their short-term duration, their carrying amount approximates fair value.

##### (iv) Investment securities at FVOCI

There were no material sales transactions over the Group's FVOCI securities. Accordingly, the Group has used the discounted cash flow method to determine the fair value of the FVOCI securities. The most significant inputs used in the valuation include the occupancy rate, discount rate, and the terminal growth rate. Under this approach, the higher occupancy and terminal growth rates, and lower discount rate used in the valuation will result in higher fair value of the FVOCI securities.

Management believes that these valuation approaches provides a reasonable approximation of the fair value of the securities based on the circumstances affecting the securities at the end of the reporting date.

A reconciliation of the carrying amounts of Level 3 equity securities at the beginning and end of 2023 and 2022 is shown in Note 10.2.

(v) *Due from and to related parties*

The carrying amounts of due from and to related parties, which are short-term in nature and payable on demand, approximate their fair values.

(vi) *Noninterest-bearing refundable security deposits*

The estimated fair value of security deposits represent the discounted amount of estimated future cash flows expected to be received from the instruments. Expected cash flows are discounted at current market rates to determine fair value.

(vii) *Trade and other payables*

The carrying amounts of all trade and other payables approximate fair value as these liabilities are short-term in nature.

(viii) *Retention payable*

The carrying amount of retention payable approximates fair value.

(ix) *Loans payable and notes payable*

The fair value is calculated based on the discounted cash flows method using the current market rate. As these instruments bear interest that are equal to or approximates the market rates, management determined that the effect of discounting for those long-term payable are not significant. However, conditions or events may exist, which might result to a significant change in the current market rate. Nevertheless, the Group assessed that these changes would have an immaterial impact in the consolidated financial statements.

(x) *Bonds payable*

The fair value of bonds payable is estimated by reference to quoted bid price in active market (i.e., bond exchange) at the end of the reporting period and are categorized within Level 1.

(b) *Investment Properties*

Fair values are determined based on recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

The Group engages the services of professional and independent appraiser that uses the market data approach in the valuation of its investment properties. Significant increases (decreases) in price per square meter and size of investment properties would result in a significantly higher (lower) fair value of the property. Significant increases (decreases) in discount would significantly lower (higher) fair value of the property. The description of each significant unobservable input used in the valuation of the investment properties are as follows:

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable comforts to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.

Time element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in advertisements posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

## 6 SEGMENT INFORMATION

For management's purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has four reportable operating segments as follows:

(a) *Low-cost Mass Housing*

This segment pertains to the housing market segment of the Group. It caters to the development and sale of residential lots and units.

(b) *Medium-rise Condominium*

This segment pertains to the medium-rise condominium segment of the Group. It caters to the development and sale of condominium units of up to four storeys, and sale of parking spaces in the condominium.

(c) *High-rise Condominium*

This segment pertains to the high-rise condominium segment of the Group. It caters to the development and sale of condominium units with more than four storeys, and sale of parking spaces in the condominium.

(d) *Others*

(i) *Sale of Developed Subdivision Lots*

This pertains to the development and sale of lots by Genvi.

(ii) *Hotel Operations*

Presented as part of others in the segment report, income earned from hotel operations in Boracay which is being operated by 8990 LRC; it started operations in October 2018. Income earned is presented as Hotel Operations under Revenues in the 2023, 2022 and 2021 consolidated statements of profit or loss (see Note 21).

(iii) *Lease of Properties*

This pertains to the Group's leasing activities in respect of its investment property. Revenue earned from these activities are presented as Rental income in the consolidated statements of profit or loss.

Also presented as part of others in the segment report is the income pertaining to incidental revenues from unsold timeshares of the Group in the vacation hotel, Azalea Baguio Residences. Income earned is presented as part of Miscellaneous under Other Operating Income in the consolidated statements of profit or loss (see Note 25).

The Group has only one geographical business segment as all the assets and liabilities are located in the Philippines. The Group derives all of its revenues from domestic operations. Thus, geographical business segment information is not presented. No operating segments have been aggregated to form the above operating business segments.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating income or loss. The presentation and classification of segment revenues and expenses are consistent with the consolidated statements of profit or loss. This segment information is presented monthly to the Parent Company's BOD who is the Chief Operating Decision Maker.

Finance income consists of interest earned from ICRs and deposits in banks.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statements of financial position which is in accordance with PFRS.

Capital expenditures represent acquisitions of property and equipment, and investment properties.

The Group has no significant customer, which contributes 10% or more of their segment revenue.

The financial information about the operations of the business segments is summarized below.

	Low-cost	Medium-rise	High-rise			Adjustments	
	Mass Housing	Condominium	condominium	Others	Total Segment	and	Consolidated
2023		unit	unit			Eliminations	
Revenue	6,798,235,630	1,505,529,695	13,045,675,715	1,029,896,347	22,379,337,387	285,222,137	22,664,559,524
Cost of sales and services	2,909,629,356	957,630,334	8,234,064,668	452,317,256	12,553,641,614	181,448,692	12,735,090,306
Gross income	3,888,606,273	547,899,362	4,811,611,047	577,579,090	9,825,695,773	103,773,445	9,929,469,218
Operating expenses	884,757,885	195,937,496	1,697,832,362	134,036,086	2,912,563,829	41,258,920	2,953,822,749
Net operating income (loss)	3,003,848,388	351,961,865	3,113,778,685	443,543,005	6,913,131,944	62,514,525	6,975,646,469
Finance costs	666,724,742	147,652,119	1,279,431,201	101,005,235	2,194,813,297	2,431,468	2,197,244,765
Interest Income	863,574,480	191,246,243	1,657,181,838	130,826,916	2,842,829,477	25,765,410	2,868,594,887
Other income	54,802,701	12,136,545	105,165,267	2,796,094,517	2,968,199,030	2,761,555,016	206,644,014
Income before income tax	3,255,500,826	407,692,534	3,596,694,589	3,269,459,203	10,529,347,154	(2,675,706,549)	7,853,640,605
Provision for income tax	282,323,609	62,523,072	541,773,255	42,770,517	929,390,452	27,531,873	956,922,325
Net income	<b>2,973,177,218</b>	<b>345,169,462</b>	<b>3,054,921,334</b>	<b>3,226,688,686</b>	<b>9,599,956,702</b>	<b>(2,703,238,422)</b>	<b>6,896,718,280</b>
<b>Non-cash items</b>							
Depreciation and amortization	<u>33,158,871</u>	<u>7,343,327</u>	<u>63,631,199</u>	<u>4,912,351</u>	<u>109,045,748</u>	<u>-</u>	<u>109,045,748</u>
Provision for (recovery from) credit, probable and impairment losses	<u>126,013,596</u>	<u>27,906,831</u>	<u>241,817,523</u>	<u>18,240,350</u>	<u>413,978,299</u>	<u>56,926,770</u>	<u>470,905,069</u>



	<u>Low-cost</u>	<u>Medium-rise</u>	<u>High-rise</u>			<u>Adjustments</u>	
	<u>Mass Housing</u>	<u>Condominium</u>	<u>Condominium</u>	<u>Others</u>	<u>Total Segment</u>	<u>and</u>	<u>Consolidated</u>
<b>2022</b>		<u>unit</u>	<u>Unit</u>			<u>Eliminations</u>	
Revenue	6,045,068,588	2,567,170,689	12,432,616,264	615,237,935	21,660,093,476	(23,421,731)	21,636,671,745
Cost of sales and services	<u>2,541,805,220</u>	<u>1,347,642,416</u>	<u>6,808,645,589</u>	<u>217,811,154</u>	<u>10,915,904,379</u>	<u>(12,310,062)</u>	<u>10,903,594,317</u>
Gross income	3,503,263,368	1,219,528,273	5,623,970,675	397,426,781	10,744,189,097	(11,111,670)	10,733,077,428
Operating expenses	<u>991,987,143</u>	<u>434,789,250</u>	<u>1,628,103,240</u>	<u>209,951,401</u>	<u>3,264,831,034</u>	<u>(67,580,112)</u>	<u>3,197,250,922</u>
Net operating income (loss)	2,511,276,225	784,739,023	3,995,867,435	187,475,380	7,479,358,063	56,468,442	7,535,826,506
Finance costs	610,967,089	325,393,644	940,800,421	38,303,646	1,915,464,800	(2,518,682)	1,912,946,118
Interest Income	614,554,329	232,559,960	837,229,956	126,910,694	1,811,254,939		1,811,254,939
Other income	<u>109,372,950</u>	<u>33,555,691</u>	<u>836,130,432</u>	<u>1,966,284,660</u>	<u>2,945,343,733</u>	<u>(1,940,064,800)</u>	<u>1,005,278,933</u>
Income before income tax	2,624,236,415	725,461,030	4,728,427,402	2,242,367,088	10,320,491,935	(1,881,077,676)	8,439,414,260
Provision for income tax	<u>196,808,609</u>	<u>81,070,356</u>	<u>391,815,724</u>	<u>102,331,036</u>	<u>772,025,725</u>	<u>14,045,236</u>	<u>786,070,961</u>
Net income	<u>2,427,427,806</u>	<u>644,390,674</u>	<u>4,336,611,678</u>	<u>2,140,036,052</u>	<u>9,548,466,210</u>	<u>(1,895,122,912)</u>	<u>7,653,343,299</u>
<b>Non-cash items</b>							
Depreciation and amortization	<u>32,898,180</u>	<u>13,617,785</u>	<u>41,746,562</u>	<u>21,402,249</u>	<u>109,664,777</u>	<u>(3,796)</u>	<u>109,660,981</u>
Provision for (recovery from) credit, probable and impairment losses	<u>108,913,373</u>	<u>63,909,654</u>	<u>229,730,219</u>	<u>10,746,998</u>	<u>413,300,244</u>		<u>413,300,244</u>

	<u>Low-cost</u>	<u>Medium-rise</u>	<u>High-rise</u>			<u>Adjustments</u>	
	<u>Mass Housing</u>	<u>Condominium</u>	<u>Condominium</u>	<u>Others</u>	<u>Total Segment</u>	<u>and</u>	<u>Consolidated</u>
<b>2021</b>		<u>unit</u>	<u>Unit</u>			<u>Eliminations</u>	
Revenue	7,677,499,692	2,477,874,471	8,938,619,242	1,025,269,964	20,119,263,369	238,464,272	20,357,727,640
Cost of sales and services	<u>3,194,306,032</u>	<u>1,169,556,713</u>	<u>5,175,864,218</u>	<u>434,499,149</u>	<u>9,974,226,112</u>	<u>79,588,555</u>	<u>10,053,814,668</u>
Gross income	4,483,193,660	1,308,317,758	3,762,755,024	590,770,815	10,145,037,257	158,875,717	10,303,912,972
Operating expenses	<u>1,043,735,625</u>	<u>340,915,744</u>	<u>1,106,234,791</u>	<u>100,534,250</u>	<u>2,591,420,410</u>	<u>99,097,504</u>	<u>2,690,517,914</u>
Net operating income (loss)	3,439,458,035	967,402,014	2,656,520,233	490,236,565	7,553,616,847	59,778,213	7,613,395,058
Finance costs	854,463,776	358,412,001	716,043,318	21,095,342	1,950,014,437	(276,986,535)	1,673,027,902
Interest Income	752,070,051	232,955,934	502,196,183	24,949,748	1,512,171,916	(215,736,999)	1,296,434,917
Other income	<u>1,112,395,753</u>	<u>350,825,285</u>	<u>1,358,047,166</u>	<u>137,257,576</u>	<u>2,958,525,780</u>	<u>(2,531,371,322)</u>	<u>427,154,458</u>
Income before income tax	4,449,460,064	1,192,771,232	3,800,720,264	631,348,547	10,074,300,106	(2,410,343,573)	7,663,956,531
Provision for income tax	<u>(10,698,277)</u>	<u>17,735,325</u>	<u>238,857,652</u>	<u>131,164,812</u>	<u>377,059,512</u>	<u>71,964,812</u>	<u>449,024,324</u>
Net income	<u>4,460,158,340</u>	<u>1,175,035,907</u>	<u>3,561,862,612</u>	<u>500,183,735</u>	<u>9,697,240,594</u>	<u>(2,482,308,385)</u>	<u>7,214,932,207</u>
<b>Non-cash items</b>							
Depreciation and amortization	<u>42,952,400</u>	<u>16,585,226</u>	<u>32,979,965</u>	<u>4,276,725</u>	<u>93,935,181</u>		<u>96,794,315</u>
Provision for (recovery from) credit, probable and impairment losses	<u>59,537,861</u>	<u>26,294,907</u>	<u>262,616,049</u>	<u>31,241,878</u>	<u>379,690,694</u>		<u>379,690,694</u>

Other information on the Group's operating segment follows:

	Low-cost Mass Housing	Medium-rise Condominium unit	High rise Condominium unit	Hotel Operations	Others	Total Segment	Adjustments Eliminations	Consolidated
<b>2023</b>								
Segment assets	51,823,975,485	11,476,879,924	99,449,153,467	2,086,478,299	7,589,284,987	172,425,772,161	(63,439,361,344)	108,986,410,818
Segment liabilities	21,749,808,240	4,816,688,323	41,737,439,038	875,666,185	3,185,118,308	72,364,720,094	(18,707,932,843)	53,656,787,251
	Low-cost Mass Housing	Medium-rise Condominium unit	High rise Condominium unit	Hotel Operations	Others	Total Segment	Adjustments Eliminations	Consolidated
<b>2022</b>								
Segment assets	35,509,028,597	14,630,619,784	64,911,732,443	2,597,377,854	50,272,910,185	167,921,668,863	(64,584,435,928)	103,337,232,935
Segment liabilities	20,368,049,841	9,096,264,859	36,194,584,037	821,550,242	8,076,695,831	74,557,144,810	(19,877,358,844)	54,679,785,966
	Low-cost Mass Housing	Medium-rise Condominium unit	High rise Condominium unit	Hotel Operations	Others	Total Segment	Adjustments Eliminations	Consolidated
<b>2021</b>								
Segment assets	56,718,127,901	19,788,435,961	63,764,124,873	608,596,668	9,784,213,170	150,663,498,573	(61,105,666,928)	89,557,831,645
Segment liabilities	22,215,244,154	8,097,332,407	21,812,328,629	362,200,952	7,183,472,250	59,670,578,392	(16,471,868,549)	43,198,709,843

## 7 CASH AND CASH EQUIVALENTS

This account consists of:

	2023	2022
Cash on hand	59,733,065	51,869,867
Cash in banks	2,393,582,046	1,430,289,598
Short-term placements	-	71,593
	<b>2,453,315,111</b>	<b>1,482,231,058</b>

Cash in banks earn interest at prevailing bank deposit annual rates ranging from 0.13% to 0.25% in 2023 and 2022. Short-term placements are made for varying periods between 22 to 90 days and earn effective interest of 1.13% to 1.75% in 2023 and 2022, respectively (see Note 25.1).

There are no restrictions on the Group's cash and cash equivalents as at December 31, 2023 and 2022.

## 8 TRADE AND OTHER RECEIVABLES

This account consists of:

	2023	2022
Current:		
Trade Receivables		
Installment contract receivables	1,356,258,965	1,801,284,956
Finance lease receivables	178,162,306	187,443,805
Retention Receivables	2,070,504,858	2,212,824,836
Receivables from employees	1,786,440,281	924,631,541
Contract Assets	60,184,625	74,030,402
Loans Receivable	-	396,953,440
Advances to external marketing managers	60,856,698	60,856,698
Other Receivables	3,621,840,610	1,024,949,322
	<b>9,134,248,343</b>	<b>6,682,975,000</b>
Allowance for credit losses	<b>(1,132,895,866)</b>	<b>(814,238,478)</b>
	<b>8,001,352,477</b>	<b>5,868,736,522</b>
Non-current:		
Trade Receivables		
Installment contract receivables	32,478,084,540	37,340,371,318
Finance lease receivables	685,597,181	694,780,674
	<b>33,163,681,721</b>	<b>38,035,151,992</b>
	<b>41,165,034,198</b>	<b>43,903,888,514</b>

Installment contract receivables pertain to receivables from the sale of residential houses and lots, condominium units and parking spaces, which are collectible in monthly installments over a period of one to 25 years. As security for the full settlement of the receivables, the titles to the related real estate properties are transferred to the buyers only upon full payment of the contract price.

Installment contract receivables bear annual interest ranging from 8.5% to 18.0% in 2023 and 2022. Interest income earned from these receivables in 2023 and 2022 amounted to P2.8B, and P1.7B, respectively (see Note 25.1).

On December 11, 2019, the Group entered into an agreement with Fillmore Resources Holdings, Inc. (Fillmore) for the sale of contracts-to-sell (CTS), with a total face value or principal amount of up to P10.0 billion, without recourse. Subsequent to the sale of the CTS, Fillmore shall be primarily responsible for servicing, administering and collecting these receivables. On the same date, the Group was appointed as the sub-services and the remarketing agent of Fillmore. On November 29, 2021, the Group entered into an agreement with Fillmore Resources Holdings, Inc. (Fillmore) for the additional sale of contracts-to-sell, with additional face value or principal amount of up to P5.0 billion, without recourse, bringing the total face value or principal amount to P 15.0 billion. As at December 31, 2021, total amount of CTS sold by the Group to Fillmore is P 12.6 billion. As at December 31, 2023, the total amount of CTS sold by the Group to Fillmore is P 15.0 billion. There were no outstanding receivable arising from this transaction as at December 31, 2023 and 2022.

On January 29, 2018, the Group entered into an agreement with Dearborn Resources and Holdings, Inc. (Dearborn) for the sale of CTS, with a total face value or principal amount of up to P10.0 billion, without recourse. On September 13, 2019, the Group entered into another similar agreement to sell additional CTS with a total face value or principal amount of up to P5.0 billion. Subsequent to the sale of the CTS, Dearborn shall be primarily responsible for servicing, administering, and collecting these receivables. On the same date, the Group was appointed as the sub-servicer and the remarketing agent of Dearborn. Total CTS sold to Dearborn in 2019 and 2018 amounted to P4.8 billion and P8.2 billion, respectively. Further, there were no sale of CTS to Dearborn in 2022. On December 18, 2023, the Group entered into another similar agreement to sell additional CTS with a total face value or principal amount of up to P1.4 billion. Subsequent to the sale of the CTS, Dearborn shall be primarily responsible for servicing, administering, and collecting these receivables. On the same date, the Group was appointed as the sub-servicer and the remarketing agent of Dearborn. On January 5, 2024, the group received initial payment from Dearborn amounting to P 142 million.

On December 29, 2017, a loan facility agreement between Dearborn and certain lenders was executed to provide a loan facility in the aggregate principal amount of P1.4 billion for the purpose of partially financing Dearborn's acquisition of certain CTS of the Group. Under the loan facility agreement, the Parent Company also committed to lend Dearborn the principal amount of up to but not in excess of P300.0 million which bears 16% interest per annum, payable monthly. The loan granted under the facility agreement is unsecured and has a term of five years counting from the date of initial drawdown.

However, the principal amount of the loan and any related accrued interest will be due and demandable in the event of default. On November 13, 2019, the Parent Company agreed to extend the loan facility with Dearborn up to P665.0 million with no changes in the interest rate per annum. For the year, 2019, the Company has further extended P 82.95 million. As of December 31, 2022 and 2021, the Parent Company has already extended P397.0 million, financing to Dearborn. Interest earned from this loan receivable amounted to P39.4M, P63.5 million and P63.5 million in 2023, 2022 and 2021, respectively and is presented as part of Interest income under Other Operating Income in the 2023, 2022 and 2021 consolidated statements of profit or loss (see Note 25.1).

In 2022, Dearborn Resources and Holdings, Inc. and 8990 Holdings, Inc. entered into a loan extension agreement, extending the maturity date to December 27, 2023. Dearborn has not defaulted on the interest payment since the loan was extended. Further, a financing plan with their bank, has been established to assure full payment within 2023.

On August 31, 2023, Dearborn paid up the principal amount owed of P397.0 million to the Parent Company.

Interest receivable from this loan amounts to nil, P3.6 million and P4.5 million as at December 31, 2023, 2022 and 2021, respectively, and is presented as part of Other receivables under the Trade and Other Receivables account of the consolidated statement of financial position.

On May 14, 2014, the Group executed a Deed of Assignment to acquire from Bon Giorno Homes, Inc. (BGHI), an entity owned by certain stockholders, its ICRs and the related liability for the conversion of titles. On June 5, 2014, an amendment to the Deed of Assignment was made to include other assets related to the acquired ICRs. As of December 31, 2023 and 2022,

the amount of receivables related to these transactions still outstanding is P5.2 million and P6.8 million, respectively, and are presented as part of Installment contract receivables.

On May 15, 2014, the Group also entered into a contract with Urban Basic Housing Corporation (UBHC), an entity owned by certain stockholders, to acquire ICRs and the related liability for the conversion of titles. As of December 31, 2023, 2022 and 2021, the amount of receivables still outstanding is P6.0 million, P 7.4 million and P7.5 million, respectively, and is also presented as part of Installment contract receivables.

Retention receivables are amounts retained by Home Development Mutual Fund (HDMF) from the proceeds of loans availed by real estate buyers in accordance with HDMF Circular No. 182-A, to pay-off their obligations to the Group. This amount is normally released by HDMF to the Group upon the latter's execution of a Deed of Undertaking for the conversion of the CTS accounts and presentation of the necessary documents.

Finance lease receivables pertain to the Group's net investment in the lease of certain projects under a rent-to-own scheme which started in 2017. The carrying amount of this receivable is presented at net of deferred income representing unearned interest amounting to P863.8 and 694.8 million as of December 31, 2023 and 2022, respectively. Rent-to-own scheme has a lease term of 15 years and is subject to 5.50% to 20.00% interest per annum.

Receivables from officers and employees pertain to cash advances for retitling costs, taxes and other operational and corporate-related expenses that are subject to liquidation.

Receivables from marketing managers are amounts given to individuals in connection with marketing activities to generate revenues which are deductible against their future commissions.

Significant portion of other receivables include advances to third parties arising from taxes paid on the land acquired by the Group on behalf of the seller, receivables from Dearborn and interest receivables.

The Group had not written-off any uncollectible accounts from third parties against outstanding balance of other receivables as of December 31, 2023, 2022 and 2021

As of December 31, 2023 and 2022, the carrying value of ICRs used as collateral to secure borrowings from banks amounted to P16.4 billion and P16.4 billion respectively (see Note 17).

A reconciliation of the allowance for impairment at the beginning and end of 2023, 2022 and 2021 is shown below.

December 31, 2023						
	Installment Contract/Finance Lease Receivables	Retention Receivable	Receivable from employees	Advances to Marketing Managers	Other Receivables	TOTAL
Balance at beginning of year	573,437,733	13,243,509	12,810,136	60,856,698	153,890,402	<b>814,238,478</b>
Expected credit losses	313,700,934	-	-	-	21,949,502	<b>335,650,436</b>
Recovery	(16,993,048)	-	-	-	-	<b>(16,993,048)</b>
Balance at end of year	<b>870,145,619</b>	<b>13,243,509</b>	<b>12,810,136</b>	<b>60,856,698</b>	<b>175,839,904</b>	<b>1,132,895,866</b>

December 31, 2022						
	Installment Contract/Finance Lease Receivables	Retention Receivable	Receivable from employees	Advances to Marketing Managers	Other Receivables	TOTAL
Balance at beginning of year	487,800,059	13,243,509	12,810,136	60,856,698	148,980,588	723,690,990
Expected credit losses	196,051,079	-	-	-	6,422,233	202,473,312
Recovery	(110,413,405)	-	-	-	(1,512,419)	(111,925,824)
Balance at end of year	<b>573,437,733</b>	<b>13,243,509</b>	<b>12,810,136</b>	<b>60,856,698</b>	<b>153,890,402</b>	<b>814,238,478</b>

	December 31, 2021					
	Installment Contract/Finance Lease Receivables	Retention Receivable	Receivable from employees	Advances to Marketing Managers	Other Receivables	TOTAL
Balance at beginning of year	174,261,688	13,243,509	12,810,136	47,542,260	150,918,169	398,775,762
Expected credit losses	313,538,371			13,314,438	-	326,852,809
Recovery					(1,937,581)	(1,937,581)
Balance at end of year	487,800,059	13,243,509	12,810,136	60,856,698	148,980,588	723,690,990

## 9 INVENTORIES

Inventories represent the subdivision lots, housing units, medium-rise and high-rise condominium units, and parking spaces for which the Group has been granted license to sell by the Housing and Land Use Regulatory Board of the Philippines.

	2023	2022
Low-cost mass housing:		
Houses and lots		
New	7,242,574,755	14,042,466,324
Reposessed	7,659,308,873	2,652,428,614
	14,901,883,628	16,694,894,938
Subdivision lots		
New	3,799,951,512	2,390,463
	18,701,835,140	16,697,285,401
Medium-rise condominium:		
New	533,186,640	772,793,984
Reposessed	1,960,393,985	1,453,513,064
	2,493,580,625	2,226,307,048
High-rise condominium		
New	19,459,371,984	18,532,989,072
Reposessed	5,947,533,597	4,150,686,111
	25,406,905,581	22,683,675,183
Developed subdivision lots	5,727,946,363	5,113,998,410
	52,330,267,709	46,721,266,042

High-rise condominium units pertain to the Group's high-rise projects located along Epifanio Delos Santos Avenue, Ortigas Avenue Extension and Vitas Street, Tondo, Manila, which is intended to provide low-cost condominium units to average earning individuals in Metro Manila.

Developed subdivision lots pertain to the Group's real estate inventories from Genvi, the acquired subsidiary in 2019. These real estate inventories are located in the urban places of Cebu.

All the real estate inventories are carried at cost, except reposessed inventories which are measured at NRV. The Group did not recognize any inventory write-downs in 2023, 2022, and 2021. In 2023, 2022 and 2021 the Group recognized net gain (loss) on repossession amounting to (P243.2 million), P520.4 million and P121.4 million, respectively and are presented as part of Other Operating Income (Expenses) in the consolidated statement of profit or loss (Note 25).

The summary of the movements in inventories is shown below.

*(a) Low-cost mass housing*

	Notes	2023	2022
Balance at beginning of year		16,697,285,401	14,552,111,117
Land acquisitions		404,587,836	638,672,645
Construction and development costs incurred		1,170,699,287	3,026,597,084
Cost of sales	22	(3,143,804,058)	(2,529,495,159)
Reclass to Investment Property	13	(211,968,738)	-
Reposessed inventories		3,785,035,412	1,009,399,714
Balance at end of the year		18,701,835,140	16,697,285,401

*b) Medium-rise condominium units*

	Notes	2023	2022
Balance at beginning of year		2,226,307,048	2,012,608,442
Land acquisitions			
Construction and development costs incurred		-	781,494,200
Cost of sales	22	(1,018,921,172)	(1,394,142,737)
Reposessed inventories		1,286,194,749	826,347,143
Balance at end of the year		2,493,580,625	2,226,307,048

*(c) High-rise condominium units*

	Notes	2023	2022
Balance at beginning of year		22,683,675,183	20,516,932,634
Construction and development costs incurred		8,748,812,610	4,267,497,237
Cost of sales	22	(8,173,885,282)	(6,762,145,267)
Reclassification from Investment Property			14,128,613
Reposessed inventories		2,148,303,070	4,647,261,966
Balance at end of the year		25,406,905,581	22,683,675,183

*(d) Developed subdivision lots*

	Notes	2023	2022
Balance at beginning of year			
Land acquisitions		5,113,998,410	4,623,116,288
Construction and development costs incurred		881,753,672	632,797,057
Cost of sales	22	(267,805,719)	(141,914,935)
Balance at end of the year		5,727,946,363	5,113,998,410

On June 5, 2014, 8990 HDC entered into a Share Purchase Agreement (SPA) with the previous stockholders of ERDC and THC (collectively referred to as 'Landowners') to acquire 100% of the outstanding shares of the latter with the intention of developing the land owned by the Landowners into mass housing, condominium and commercial mall projects. The SPA further provides that the Landowners have the option to purchase the developed properties equivalent to 5% of the total saleable units per building for all residential buildings constructed on the properties at a fixed price agreed by the parties; and to purchase 5% of 8990 HDC's 50% share in a planned joint venture with an operator to build a commercial mall at a fixed price. 8990 HDC commits to finish the development of the entire property within a 10-year period.

In 2018, the Landowners exercised the option to purchase certain condominium units as provided by the SPA. Accordingly, THC and ERDC recognized real estate revenues relating to this transaction totaling to P166.4 million. There are no similar transactions in 2023 and 2022.



8990 HDC entered into a share sale transaction agreement with PLI on July 22, 2016, whereby PLI stockholders agreed to sell, transfer, and convey to 8990 HDC 100% outstanding common shares of PLI. In accordance with the Group's policy (see Note 2.4), the transaction is treated by the Group as an asset acquisition since the transaction does not constitute an acquisition of a business. The total purchase price at acquisition date amounting to P856.2 million was allocated among the asset and liability accounts based on their relative fair values, majority of which were allocated land, presented as part of Inventories. As part of the share sale transaction, 8990 HDC and another corporation agreed to form a joint venture, which shall be owned by the parties on a 65% and 35% basis, respectively. As at December 31, 2023, this arrangement is yet to be consummated.

Inventories recognized as cost of real estate inventories amounted to P12.6 billion, P10.8 billion and P10.0 billion in 2023, 2022, and 2021, respectively, and are included under Costs of Sales and Services in the consolidated statements of profit or loss (see Note 22).

As of December 31 2023 and 2022, a land acquisition amounting to P140.0 million and P1.2 billion, respectively, which is classified as part of High-rise Condominium Units of the Inventories, are used as collateral for the Group's loans payable (see Note 17).

## 10 INVESTMENTS SECURITIES AT FVOCI

This account is composed of unquoted equity securities in the following investee entities as at December 31:

	2023	2022
ALRC	<b>1,362,642,886</b>	1,351,521,527
Pico de Loro	<b>633,500</b>	633,500
	<b>1,363,276,386</b>	1,352,155,027

### 10.1 Equity Securities

Investment securities at FVOCI of the Group represent investments in preferred shares of ALRC and shares of stock of Pico de Loro Beach and Country Club (Pico de Loro).

In October 2014, by way of a Deed of Absolute Sale, ALRC acquired 8990 HDC's and FHI's building. The Group in turn invested in the common shares of ALRC through 8990 HDC and FHI representing 30% and 15% ownership, respectively, and in the preferred shares of ALRC covered by respective subscription agreement. 8990 HDC acquired 102,030 preferred shares and 450,000 common shares with total subscription price of P732.6 million and P0.45 million, respectively.

ALRC's primary purpose is to operate, maintain and/or manage a membership club. ALRC's preferred shares represent membership rights to the club including the right to use a specific unit of the building acquired from the Group and other facilities/amenities for one day per calendar year.

The Group through FHI started selling the preferred shares of ALRC upon approval by the SEC of the offering to the public on May 25, 2015. Gain on sale of preferred shares recognized in 2017 amounted to P20.9 million. In 2018, the Group sold certain equity securities under ALRC at P32.1 million selling price. Unrealized fair value gains (losses) amounting to P11.1million, P75.5 million and P 64.5 million in 2023, 2022 and 2021, respectively, was incurred by the Group and is presented in the consolidated statement of comprehensive income.

On October 23, 2018, 8990 HDC and ALRC agreed to rescind the subscription agreement entered by both parties in 2014 for the 102,030 preferred shares with the effect of returning such preferred shares equal to the subscription price and terminating the benefits received by the parties. In addition, on that same date, both parties also rescinded the Deed of Absolute Sale pertaining to the building acquired by ALRC from 8990 HDC in 2014 located in Boracay (see Note 12). The rescission of the Deed of Absolute Sale resulted in the recognition of the building amounting to P543.1 million, including the costs of improvements made by ALRC on the asset. (see Note 12).

As of December 31, 2023, 2022 and 2021, 8990 HDC's outstanding receivable from ALRC arising from these transactions amounts to P165.2 million, P 164.3 million and P 164.3 million presented as part of Due from Related Parties in the consolidated statements of financial position (see Note 29).

## 10.2 Reconciliation of Carrying Amounts

The reconciliation of the carrying amount of these financial assets follows:

	2023	2022	2021
Balance at beginning of year	<b>1,352,155,027</b>	1,276,692,847	1,211,728,980
Unrealized fair value gain (loss)	<b>11,121,359</b>	75,462,180	64,513,867
Reclassification of accounts	-	-	450,000
Disposals	-	-	-
Balance at end of year	<b>1,363,276,386</b>	1,352,155,027	1,276,692,847

## 11 INVESTMENT IN ASSOCIATE

On March 15, 2021, 8990 Holdings Inc ("the Parent Company") and Scheirman Construction Consolidated Incorporated (SCCI) entered into a Subscription agreement wherein the Parent Company agreed to subscribed an aggregate of Forty-five thousand (45,000) common shares to be issued out of the unissued portion of the existing authorized capital stock and the increase authorized capital stock of SCCI at the aggregate issue price of Eighty Million Pesos (P80,000,000.00) or approximately One Thousand Seven Hundred Seventy-seven and 78/100 Pesos (P1,777.78) per shares. The Subscribed Shares constitutes 20% of the resulting total outstanding capital stock of SCCI.

On July 8, 2022, the company entered into a new Subscription Agreement with SCCI purchasing 60,000 common shares equivalent to Sixty Million Pesos (P60,000,000). The total subscribed shares after the additional investment constitutes 20% of the resulting total outstanding capital stock of the SCCI after their increase in capital stock.

Investment in Associate from these subscriptions amounted to P140 million as of December 31, 2023 and 2022. And share in SCCI net income amounted to 45,858,106 and 67,950,366 for 2023 and 2022, respectively.

Movement of cost of Investment in associate and share in net income are as follows:

	Investment in associate (Cost)		Share in net income of associate	
	2023	2022	2023	2022
Beginning of year	<b>P 140,000,000</b>	80,000,000	<b>P 81,164,876</b>	13,214,510
Addition	-	P 60,000,000	<b>45,858,106</b>	P 67,950,366
Ending Balance	<b>P 140,000,000</b>	P 140,000,000	<b>P 127,022,982</b>	P 81,164,876

The following summarizes the financial information of the associate:

	2023		2022
Total assets	<b>P 7,628,916,361</b>	P	4,842,053,653
Total liabilities	<b>6,389,254,686</b>		3,838,423,634
Revenue	<b>5,320,120,602</b>		4,209,376,388
Profit for the year	<b>215,538,321</b>		339,751,828
Other comprehensive income	<b>-</b>		-

In 2023, included in the share in net income recognized is adjustment from 2022 amounting to P 2.75 million, which result from adjustment made in book of associate resulting from adjusted profit of P353.5 million( previously at P339.8 million)

**12 PROPERTY AND EQUIPMENT, NET**

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2023, 2022 and 2021 are shown below.

December 31, 2023										
	Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in Progress	Low Value Assets	Total
Cost	107,405,010	632,503,044	11,230,076	34,775,119	177,725,146	142,881,879	221,482,676	57,353,141	4,747,374	<b>1,390,103,465</b>
Accumulated depreciation and amortization	-	(183,876,720)	(10,561,505)	(32,785,228)	(141,903,825)	(113,444,837)	(162,675,911)	-	(3,425,304)	<b>(648,673,330)</b>
Accumulated impairment losses	(8,970,000)	-	-	-	-	-	-	-	-	<b>(8,970,000)</b>
Net carrying amount	<b>98,435,010</b>	<b>448,626,324</b>	<b>668,571</b>	<b>1,989,891</b>	<b>35,821,321</b>	<b>29,437,042</b>	<b>58,806,765</b>	<b>57,353,141</b>	<b>1,322,070</b>	<b>732,460,135</b>
December 31, 2022										
	Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in Progress	Low Value Assets	Licenses Total
Cost	107,405,010	613,941,700	11,230,076	34,696,217	166,025,594	135,357,509	196,823,647	56,491,347	2,826,201	84,801,485
Accumulated depreciation and amortization	-	(151,991,968)	(10,530,647)	(30,605,422)	(123,880,254)	(104,163,489)	(149,452,553)	-	(2,223,599)	(21,735,498)
Accumulated impairment losses	(8,970,000)	-	-	-	-	-	-	-	-	(8,970,000)
Net carrying amount	<b>98,435,010</b>	<b>461,949,732</b>	<b>699,428</b>	<b>4,090,795</b>	<b>42,145,340</b>	<b>31,194,019</b>	<b>47,371,093</b>	<b>56,491,347</b>	<b>602,602</b>	<b>63,065,987</b>
December 31, 2021										
	Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in Progress	Low Value Assets	Total
Cost	107,405,010	611,562,076	11,230,076	34,696,217	154,291,657	119,395,000	164,596,505	45,644,134	1,272,981	1,250,093,665
Accumulated depreciation and amortization	-	(121,520,361)	(10,458,648)	(27,106,275)	(114,111,959)	(95,830,148)	(138,774,497)	-	(1,061,530)	(508,863,418)
Accumulated impairment losses	(8,970,000)	-	-	-	-	-	-	-	-	(8,970,000)
Net carrying amount	<b>98,435,010</b>	<b>490,041,716</b>	<b>771,428</b>	<b>7,589,942</b>	<b>40,179,698</b>	<b>23,564,860</b>	<b>25,822,008</b>	<b>45,644,134</b>	<b>211,450</b>	<b>732,260,247</b>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2023 and 2022 is shown below.

	2023										
	Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in Progress	Low Value Assets	Licenses	Total
Balances as at January 1, 2022 net of accumulated depreciation, amortization and impairment losses	98,435,010	461,949,732	699,428	4,090,795	42,145,340	31,194,019	47,371,093	56,491,347	602,602	63,065,987	806,045,355
Additions	-	18,561,344	-	78,902	11,699,551	7,308,371	24,659,030	861,794	1,921,173	-	65,090,164
Reclassification						104,960				(63,065,987)	(62,961,027)
Depreciation and amortization	-	(31,884,752)	(30,857)	(2,179,806)	(18,023,571)	(9,170,308)	(13,223,358)	-	(1,201,705)	-	(75,714,356)
Balances as at December 31, 2022 net of accumulated depreciation, amortization and impairment losses	98,435,010	448,626,324	668,571	1,989,891	35,821,321	29,437,042	58,806,765	57,353,141	1,322,070	-	732,460,135
	2022										
	Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in Progress	Low Value Assets	Licenses	Total
Balances as at January 1, 2022 net of accumulated depreciation, amortization and impairment losses	98,435,010	490,041,716	771,429	7,589,942	40,179,698	23,564,860	25,882,008	45,644,134	211,450	-	732,260,247
Additions	-	2,379,624			11,733,937	15,962,500	32,227,141	10,847,213	1,553,221	84,801,485	159,505,120
Reclassification											
Depreciation and amortization	-	(30,471,607)	(72,000)	(3,499,147)	(9,768,295)	(8,333,341)	(10,678,056)	-	(1,162,068)	(21,735,498)	(85,720,013)
Balances as at December 31, 2022 net of accumulated depreciation, amortization and impairment losses	98,435,010	461,949,732	699,428	4,090,795	42,145,340	31,194,019	47,371,093	56,491,347	602,602	63,065,987	806,045,355

	2021									
	Land	Building	Land Improvement s	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in Progress	Low Value Assets	Total
Balances as at January 1, 2021 net of accumulated depreciation, amortization and impairment losses	98,435,010	523,067,166	771,429	10,320,303	47,646,229	30,262,369	28,312,739	455,470	1,272,981	739,270,713
Additions	-	9,821	-	1,936,224	5,414,947	4,450,059	11,547,500	45,188,664		69,820,197
Reclassification										
Depreciation and amortization	-	(33,035,272)	-	(4,666,585)	(12,881,478)	(11,147,568)	(14,038,231)	-	(1,061,530)	(76,830,663)
Balances as at December 31, 2021 net of accumulated depreciation, amortization and impairment losses	98,435,010	490,041,716	771,429	7,589,942	40,179,698	23,564,860	25,882,008	45,644,134	211,450	732,260,247

In 2018, in connection with the rescission of the Deed of Absolute Sale between 8990 HDC and ALRC as disclosed in Note 10, the building covered under this agreement was returned to 8990 HDC resulting in the latter reacquiring title to the ownership of the asset including all equipment and improvements thereon. The total value of the assets reacquired upon the rescission was P544.1 million which is equivalent to the carrying amount of the assets including a transportation vehicle worth P1.0 million.

In 2023, All cost related to the establishment of a software used by the company including all capitalized cost that have been incurred to train its personnel and related cost to upgrade and enhanced the system was reclassified to Intangible Assets due to the software system is finite and is more appropriate given the cost attributable in building the asset.

Construction in progress refers to pre-construction cost paid for KURA Cebu. The plan to construct was put on hold following the impact of restrictions that hardly hit the hotel industries. The construction in progress is under 8990 Leisure and Resorts Corporation. The Management agreed to defer the project at a later time following its focus on residential real estate business.

The depreciation and amortization of property and equipment is presented as part of Depreciation and amortization under Operating Expenses in the Group's consolidated statements of profit or loss.

As of December 31, 2023, 2022 and 2021, no items of property and equipment were pledged as security for any of the Group's liabilities. Moreover, the Group has no contractual commitments to acquire property and equipment.

As at the same date, the cost of fully depreciated property and equipment that are still used in operations amounts to P339.0 million, P 300.7 million and P242.5 million, respectively.

### 13 INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation and amortization of investment property at the beginning and end of 2023, 2022 and 2021 are shown below.

December 31, 2023				
	Land	Building	Land Improvements	Total
Cost	254,184,748	8,832,630	120,220,209	<b>383,237,587</b>
Accumulated depreciation and amortization	-	(6,149,758)	(62,082,341)	<b>(68,232,099)</b>
Transfers/Reclassification from REI	211,968,738			<b>211,968,738</b>
Net carrying amount	<b>466,153,486</b>	<b>2,682,872</b>	<b>58,137,868</b>	<b>526,974,226</b>

December 31, 2022				
	Land	Building	Land Improvements	Total
Cost	268,313,361	8,832,630	120,220,209	397,366,200
Accumulated depreciation and amortization	-	(5,708,127)	(56,411,649)	(62,119,776)
Transfers/Reclassification to REI	(14,128,613)			(14,128,613)
Net carrying amount	254,184,748	3,124,503	63,808,560	321,117,811

December 31, 2021				
	Land	Building	Land Improvements	Total
Cost	268,313,361	8,832,630	120,220,209	397,366,200
Accumulated depreciation and amortization	-	(5,266,496)	(50,576,720)	(55,843,216)
Net carrying amount	268,313,361	3,566,134	69,643,489	341,522,984

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2023 and 2022 is shown below and in the succeeding page.

	2023			
	Land	Building	Land Improvements	Total
Balances as at January 1, 2020 net of accumulated depreciation, amortization and impairment losses	254,184,748	3,124,503	63,808,561	<b>321,117,812</b>
Additions	-	-	-	-
Depreciation and amortization	-	(441,631)	(5,670,693)	<b>(6,112,324)</b>
Transfers/Reclassification from REI	211,968,738	-	-	<b>211,968,738</b>
Balances as at December 31, 2020 net of accumulated depreciation, amortization and impairment losses	<b>466,153,486</b>	<b>2,682,872</b>	<b>58,137,868</b>	<b>526,974,226</b>
	2022			
	Land	Building	Land Improvements	Total
Balances as at January 1, 2020 net of accumulated depreciation, amortization and impairment losses	268,313,361	3,566,134	69,643,489	341,522,984
Additions	-	-	-	-
Depreciation and amortization	-	(441,632)	(5,834,928)	(6,276,560)
Transfers/Reclassification to REI	(14,128,613)	-	-	(14,128,613)
Balances as at December 31, 2020 net of accumulated depreciation, amortization and impairment losses	<b>254,184,748</b>	<b>3,124,503</b>	<b>63,808,561</b>	<b>321,117,811</b>
	2021			
	Land	Building	Land Improvements	Total
Balances as at January 1, 2020 net of accumulated depreciation, amortization and impairment losses	268,313,361	4,007,765	75,640,843	347,961,969
Additions	-	-	16,360	16,360
Depreciation and amortization	-	(441,631)	(6,013,714)	(6,455,346)
Balances as at December 31, 2020 net of accumulated depreciation, amortization and impairment losses	<b>268,313,361</b>	<b>3,566,134</b>	<b>69,643,489</b>	<b>341,522,984</b>

The depreciation and amortization of investment properties is presented as part of Depreciation and amortization under Operating Expenses in the Group's consolidated statements of profit or loss.

Rent income from investment properties recognized by the Group amounted to P6.7 million P 7.8 million and P0.6 million, in 2023, 2022 and 2021, respectively (see Notes 21 and 27).

Operating expenses directly related to investment properties recognized as part of Security, managerial and janitorial, Communication, light and water, and Transportation and travel totaling P0.05 million, P0.4 million and P0.01 million in 2023, 2022 and 2021, respectively (see Note 23).

In 2022, a portion of the group's investment property land was reclassified to inventory following the changes on where it was originally intended for the construction of a mall. The land was now part of the inventory where condominiums were built and are now available for sale (Note 9).

In 2023, portion of the group's real estate land inventory was reclassified to investment property following its intended purpose.



## 14 OTHER ASSETS

### 14.1 Other current assets

This account consists of:

	Notes	2023	2022
Advances to contractors		3,365,646,199	3,415,256,484
Advances to brokers		200,723,907	134,566,370
Input tax		1,172,968,980	885,302,486
Advances to landowners		157,974,773	157,974,773
Creditable withholding tax		658,545,788	689,844,241
Prepaid expenses		316,960,920	266,613,339
Others		69,507,959	50,686,466
		<b>5,942,328,526</b>	<b>5,600,244,159</b>
Less: Allowance for impairment losses		<b>(67,963,009)</b>	<b>(67,963,009)</b>
		<b>5,874,365,517</b>	<b>5,532,281,150</b>

Advances to contractors represent advance payments to contractors for the construction of high-rise and medium-rise condominium units, subdivision houses and improvements. These advances are deductible from future billings.

Advances to brokers pertain to the advance payment made by the Group for the commissions of brokers for every confirmed reservation. Commission is computed based on percentage of the selling price depending on number of units sold for a certain period.

Advances to landowners represent deposits made for the acquisition of parcels of land held for future development.

Prepaid expenses represent prepaid realty taxes, advertising and insurance.

In 2022, the Company had directly written-off creditable withholding taxes and other non-current assets amounting to P 135.5 million and P 1.3 million, respectively. The impairment loss is presented as part of Expected credit and impairment losses under Operating Expenses in the consolidated statements of profit or loss, respectively (see Note 23). No similar transactions occurred in 2023 and 2021.

The movements of the allowance for impairment losses on other current assets:

		2023			
	Notes	Advances to contractors	Other Assets	Deposit	Total
<b>Current</b>					
Balance at beginning of year		53,107,732	14,855,277	-	<b>67,963,009</b>
Impairment losses		-	-	-	-
Balance at end of year		<b>53,107,732</b>	<b>14,855,277</b>	-	<b>67,963,009</b>
		2022			
	Notes	Advances to contractors	Other Assets	Deposit	Total
<b>Current</b>					
Balance at beginning of year		53,107,732	13,596,877	-	66,704,609
Impairment losses	23	-	1,258,400	-	1,258,400
Balance at end of year		<b>53,107,732</b>	<b>14,855,277</b>	-	<b>67,963,009</b>
		2021			
	Notes	Advances to contractors	Other Assets	Deposit	Total
<b>Current</b>					
Balance at beginning of year		53,107,732	2,267,471	-	55,375,203
Impairment losses	23	-	11,329,406	-	11,329,406
Balance at end of year		<b>53,107,732</b>	<b>13,596,877</b>	-	<b>66,704,609</b>

## 14.2 Other non- current assets

This account consists of:

	Notes	2023	2022
Deposits		207,247,506	204,495,456
Investment in joint operations		200,982,322	190,181,632
Right-of-use assets net	27	14,894,433	28,616,672
Others		5,225,000	5,225,000
		428,349,261	428,518,760
Less: Allowance for impairment losses		(2,511,974)	(2,511,974)
		425,837,287	426,006,786

Deposits constitute rental deposit, deposits for the connection of electricity on the Group's property locations and cash bond paid to the Department of Agrarian Reform as a requirement for the conversion of the agricultural land into a residential and commercial area.

Investment in a joint operation as of December 31, 2023, 2022 and 2021 pertains to the Group's contribution in a joint arrangement with ITECH-RAR Solutions, Inc. (ITECH-RAR), a third party information technology contractor. Under the agreement of the parties, ITECH-RAR shall supply and install fiber optics materials, appliances and other services that the parties deem applicable in the medium-rise condominium units (the Installation Projects). In turn, the Group shall shoulder the fixed amount of the Installation Projects covering all condominium units of the Group. The agreement also provides that the Group shall receive a minimum share in the results of operations of the Installation Projects of P0.4 million per year. As of December 31, 2023, 2022 and 2021, the Group has yet to receive share in net profit of the Installation Projects.

Amortization of right-of-use assets in 2023 and 2022 amounted to P9.3 million and P14.2 million is presented as part of Depreciation and amortization under the Operating Expenses section of the 2023 and 2022 consolidated statements of profit or loss (see Notes 23 and 27).

Others pertain to investments in common stock of Azalea Resort and Vacation Club, Inc. (ARVI) which represents 83.3% ownership interest in 2012. The Company's ownership was diluted to 37.0% as a result of additional issuance of shares in 2013 wherein the Company did not exercise its pre-emptive rights. Consequently, the Company lost its control but maintained significant influence over ARVI. As at December 31, 2023, ARVI had no operations and was considered insignificant to the Company.

The movements of the allowance for impairment losses on other non-current assets:

2023				
	Advances to contractors	Other Assets	Deposit	Total
<b>Non- Current</b>				
Balance at beginning of year	-	-	2,511,974	2,511,974
Impairment losses	-	-	-	-
Balance at end of year	-	-	2,511,974	2,511,974
2022				
	Advances to contractors	Other Assets	Deposit	Total
<b>Non- Current</b>				
Balance at beginning of year	-	-	2,511,974	2,511,974
Impairment losses	-	-	-	-
Balance at end of year	-	-	2,511,974	2,511,974
2021				
	Advances to contractors	Other Assets	Deposit	Total
<b>Non- Current</b>				
Balance at beginning of year	-	-	2,511,974	2,511,974
Impairment losses	-	-	-	-
Balance at end of year	-	-	2,511,974	2,511,974

### 14.3 Intangible assets

This account consists of:

	Notes	2023	2022
Goodwill	1	526,474,833	526,474,833
Software and licenses, (net)		<u>59,730,492</u>	
		<u>586,205,325</u>	<u>526,474,833</u>

For purposes of determining the goodwill, the Group determined the fair value of the identified net assets as of June 30, 2019 as presented in Note 1.2.

Goodwill resulted from the Group's acquisition of Genvi, as discussed in details in Note 1. It reflects the premium on the high end real estate brand of Genvi, which is Monterrazas de Cebu. The Group considers it as a significant opportunity to enter the high end segment of the real estate industry, particularly in the southern region of the country, which is the main reason for the acquisition.

Management's assessment showed that the goodwill, which is allocated in full to the real estate operations of Genvi, is not impaired as at December 31, 2023 and 2022. Some of the factors considered in the assessment of the goodwill's impairment are the current performance of Genvi and its financial condition. There were no changes in the competitive environment where it operates that could affect its overall profitability nor is there any indicators of decline in market value of the premium subdivision lots it is selling. In 2023 and 2022, Genvi generated P703.3 million and P391.1 million revenues and earned P153.6 million and P121.2 million net profit, respectively.

Movement of software and licenses during the year are as follows:

	2023
<b>Cost</b>	
Reclassification (note 12)	P 84,585,485
Additions	<u>14,175,758</u>
Ending Balance	<u>P 98,761,243</u>
<b>Accumulated amortization</b>	
Reclassification (note 12)	P (21,624,458)
Provisions	<u>(17,406,293)</u>
Ending Balance	<u>P (39,030,751)</u>
<b>Carrying value</b>	<u>P 59,730,492</u>

Intangible asset is subject to impairment testing whenever there is an indication that the carrying amount may not be recoverable. No impairment loss was recognized in the current year since the recoverable amount of intangible assets is higher than its carrying value.

The intangible asset has not been pledged as security for liabilities.

## 15 TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2023	2022
Current			
Trade and accounts payables		<b>1,323,989,735</b>	1,199,088,346
Accrued expenses		<b>2,121,707,770</b>	2,405,677,805
Retention payables		<b>1,185,018,098</b>	1,018,193,461
Output tax		-	18,887,249
Interest Payable	17,18,19	<b>911,398</b>	238,629,532
Construction bonds		<b>109,721,172</b>	96,630,891
Withholding tax payables		<b>28,773,886</b>	17,962,773
Lease liabilities	27	<b>7,968,215</b>	11,951,066
Dividends payable	20	<b>50,875,000</b>	50,875,000
Deposits		<b>145,586,809</b>	145,586,809
Others		<b>3,328,903,878</b>	3,582,568,367
		<b>8,303,455,961</b>	8,786,051,299
Non-current			
Pension Liability	26.2	<b>35,905,012</b>	15,536,785
Contract Liabilities	21	<b>335,035,888</b>	906,194,448
Lease liabilities	27	<b>8,008,678</b>	16,883,037
		<b>378,949,578</b>	938,614,270
		<b>8,682,405,539</b>	9,724,665,569

Trade payables are mainly attributable to the Group's obligation to contractors for the construction of subdivision houses and improvements and purchase of land and materials. These are noninterest-bearing and are normally settled on 15 to 60-day terms.

Accrued expenses consist of the following:

	Note	2023	2022
Documentation	23	<b>1,462,702,474</b>	1,558,469,050
Commission		<b>587,631,539</b>	781,680,680
Others		<b>71,373,757</b>	65,528,075
		<b>2,121,707,770</b>	2,405,677,805

Retention payables are noninterest-bearing liabilities with contractors and brokers and are normally settled a year after the Group's completion of the relevant contracts.

Construction bonds pertain to a fixed amount of cash deposit paid by the buyers in cases where the buyers opted to make renovations and/or improvement to their desired units. In case of damages to the Group's projects that occurred during the construction, penalties will be applied against these accounts. These cash deposits will be returned to the buyer upon completion of the construction.

Others under current liabilities include provision for probable losses related to contingencies (note 30) and accounts payable- processing cost which are optional improvements on the housing units which are directly engaged with the contractors but are paid to the company by the buyers and other payable to government agencies as of December 31, 2023, 2022 and 2021.

## 16 DEPOSITS FROM CUSTOMERS

This account represents down payments made by the real estate buyers for the purchase of residential housing units and timeshares/preferred shares. Cash deposits as of December 31 are received from:

	2023	2022
Real estate buyers	<b>859,297,805</b>	1,007,013,544
Timeshare/preferred share buyers	<b>40,021,709</b>	57,915,771
	<b>899,319,514</b>	1,064,929,315

Deposits from real estate buyers constitute cash receipts that are yet to qualify for the collection threshold criteria prior to recognition of a revenue. For timeshares, deposits represent payments made by the buyer that is yet to reach the level of required payment before a sale is recognized.

Timeshares are in-house issuances of the Group that grants the purchaser a perpetual right to occupy one unit of the Group's vacation hotel in Baguio every year for a specific number of days. It also grants certain buyers the right to avail of the international exchange services offered by affiliated companies through the Group's Resorts Condominium International membership. Purchase by the buyer of timeshare does not result into any change in equity or ownership of the Group as the sale does not grant the purchaser any proprietary or voting right or residual interest in the Group

## 17 LOANS PAYABLE

This account represents peso borrowings from local banks broken into:

	2023	2022
Short-term loans	<b>9,299,236,071</b>	11,074,122,901
Long-term loans - current portion	<b>9,124,247,208</b>	9,580,210,024
	<b>18,423,483,279</b>	20,654,332,925
Long-term loans - non-current portion	<b>17,095,069,286</b>	21,325,019,516
	<b>35,518,552,565</b>	41,979,352,441

In 2023, 2022, and 2021, the Group availed of loans from various banks. These bank loans bear annual interest rates ranging from 4.3% to 7.0% in 2023, 2022 and 2021. Interest rates are either fixed for the loan term or subject to annual repricing. Loans payable have various maturity dates ranging from three months to five years.

Interest expense on loans payable amounted to P2,194.4 million, P1,872.7 million and P1,589.9 million in 2023, 2022 and 2021, respectively, and is presented as part of Finance Costs in the consolidated statements of profit or loss (see Note 24). Interest expense pertains only to interest incurred which are not capitalized. Accrued interest on the loans amounting to P0.9 million, P238.6 and P244.8 million as at December 31, 2023, 2022 and 2021, respectively, is presented as part of Interest Payable under Trade and Other Payables in the consolidated statements of financial position (see Note 15).

Total borrowing costs capitalized for the construction of the Group's real estate projects amounted to nil in 2023 and 2022 and P 8.2 million in 2021. No borrowing costs from general borrowings were capitalized since the allocated borrowing costs on qualifying assets are considered not material to the consolidated financial statements, which is generally because construction for its horizontal developments is completed within a short period of time.

The capitalization rate used, which is based from the annual interest rate of the monthly renewable interest-bearing loans, ranges from 3.13% to 7.19% in 2018. There are no capitalized borrowings in 2023, 2022 and 2021 because construction related to a specific borrowing for a vertical development has been completed prior to the beginning of the reporting period.

As of December 31, 2023 and 2022, the Group's loans payable is secured by the following assets with their corresponding carrying values:

	Notes	2023	2022
Short-term loans:			
Deposits of a controlling			
Shareholder	29.1	<u>67,808,728</u>	67,808,728
Long-term loans:			
Deposits of a controlling			
Shareholder	29.1	<u>255,848,145</u>	255,848,145
Collaterals owned by the Group:			
Installment contract receivables	8	<u>15,971,964,482</u>	14,977,115,746
Land held for future development	9	<u>140,000,000</u>	1,162,281,000
		<u>16,367,812,627</u>	16,395,244,891
		<u>16,435,621,355</u>	16,463,053,619

## 18 NOTES PAYABLE

	2023
Current	<u>P 459,211,387</u>
Non-current	<u>6,040,788,613</u>
	<u><b>P 6,500,000,000</b></u>

On December 28, 2023, a master note certificate is issued by 8990 Housing Development Corporation with a principal amount of P 6,500,000,000. The Note was issued at 100% issue price and will due on December 28, 2028 (five years from the issue date) with 7.3086% interest rate per annum. However, the issuer may, at its option beginning on the third (3<sup>rd</sup>) anniversary of the Drawdown Date and prior to the maturity date, redeem the notes subject to conditions.

8990 HDC is required to maintain at all times the following financial ratios: (i) Current Ratio of at least 1.00x; and (ii) total Debt-to-Equity Ratio not exceeding 2.33x, each tested annually on the basis of the audited parent financial statements of the Issuer.

On October 8, 2020, a master note certificate is issued by 8990 Holdings with a principal amount of P 1,300,000,000 dated October 14, 2020. The Note was issued at 100% issue price and will due on October 14, 2022 (two years from the issue date) with 4.0500% interest rate per annum. In 2021, the Company partially paid the liability amounting to P 800,000,000. On October 14, 2022, the Company settled the remaining balance amounting to 500,000,000.

Finance cost amounted to nil, P 15.2 million and P 41.9 million in 2023, 2022 and 2021, respectively. Such amount is included under the total finance cost in the consolidated statement of profit or loss. Accrued interest on the loans amounting to nil as December 31, 2023 and 2022 and P 5.0 million as at December 31, 2021 and is presented as part of Interest Payable under Trade and Other Payables in the consolidated statements of financial position.

## 19 BONDS PAYABLE

On July 16, 2015, the Parent Company offered and issued unsecured fixed-rate peso bonds with an aggregate principal amount of P5.0 billion with an oversubscription option up to P4.0 billion.

The offer comprises of the following series:

<u>Bond Series</u>	<u>Option Date</u>	<u>Principal Amount</u>
<b>Series A</b> – 6.2080% per annum, five-year and three months, due October 16, 2020	-	P 8,405,590,000
<b>Series B</b> – 6.1310% per annum, seven-year, due July 16, 2022 unless otherwise earlier redeemed by Parent Company	The third month after the fifth anniversary of issue date and the sixth anniversary of issue date	375,500,000
<b>Series C</b> – 6.8666% per annum, ten-year, due July 16, 2025 unless otherwise earlier redeemed by Parent Company	The seventh anniversary of issue date and each anniversary of the issue date thereafter	218,910,000
		<u>P 9,000,000,000</u>

Total transaction costs capitalized upon issuance of the bonds amounted to P122.3 million.

Interests on the bonds are payable quarterly in arrears starting on October 16, 2015 for the first interest payment date and on January 16, April 16, July 16, and October 16 of each year for each subsequent interest payment date.

The bonds shall be repaid at par, plus any outstanding interest on the relevant maturity date of each series, unless the Parent Company exercises its early redemption option for Series B or C Bonds on the early redemption option dates.

Series A of the bonds matured and was paid in 2020.

In 2022, the Parent Company settled its outstanding obligation maturing July 16, 2022 (Series B) and July 16, 2025 (Series C). Early redemption was made for Series C Bonds due on 2025 with an early redemption price of 102.5% of the principal amount. The carrying amount of bond is P 217.8 million (net of unamortized bond issue cost of P 1.1 million), accordingly, loss on early retirement of bonds was also recognized, amounting to P6.6 million.

The fair value of the bonds amounted to nil as of December 31, 2023 and 2022. Amortization of bond issue costs amounted to nil, 0.66 million and P1.2 million, in 2023, 2022, and 2021, respectively, and are included as part of Finance Costs in the consolidated statements of profit or loss (see Note 24).

Total finance costs incurred on these bonds, inclusive of the amortization of the debt issue costs, amounted to nil, P22.3 million and P39.2 million in 2023, 2022 and 2021, respectively. Accrued interest on the bonds amounting to nil, nil and P6.9 million as at December 31, 2023, 2022 and 2021, respectively, is presented as part of Interest Payable under Trade and Other Payables in the consolidated statements of financial position (see Note 15).

The Parent Company and its subsidiaries are required under the terms of the bonds to observe certain covenants, including, among others, maintenance of financial ratios, incurrence or guarantee of additional debt, encumbrance for borrowed money and other covenants. These were complied with by the Group during 2022 and 2021.

## 20 EQUITY

### 20.1 Capital Stock

As of December 31, 2023, 2022 and 2021, details of the capital stock of the Parent Company and the movements thereon are as follows:

	Shares			Amount		
	2023	2022	2021	2023	2022	2021
Preferred Shares- P.01 par value, voting Authorized – 5.00 billion shares						-
Issued and outstanding		-	-	-	-	
Preferred Shares Series A – P1 par value, cumulative, non-voting, non- participating, non-convertible, redeemable 6.0263% per annum Authorized – 50 million shares						
Issued and outstanding	-	-	50,000,000	P -	P -	P 50,000,000
Preferred Shares Series B – P1 par value, cumulative, non-voting, non-participating, non-convertible, redeemable 5.50% per annum Authorized – 50 million shares						
Issued and outstanding	37,000,000	37,000,000	37,000,000	37,000,000	37,000,000	37,000,000
Treasury shares – at cost preferred Shares Series B (see Note 20.3)	(166,900)	-	-	(15,604,614)		
Balance at end of year	36,833,100	37,000,000	87,000,000	P 21,395,386	P 37,000,000	P 87,000,000
Common Shares – P1 par value Authorized shares – 6.850 billion shares						
Issued and outstanding:						
Balance at beginning of year	5,517,990,720	5,517,990,720	5,517,990,720	P 5,517,990,720	P 5,517,990,720	P 5,517,990,720
Treasury shares – at cost (see Note 20.3)	(126,591,700)	(126,591,700)	(126,591,700)	(1,806,540,154)	(1,806,540,154)	(1,806,540,154)
Balance at end of year	5,391,399,020	5,391,399,020	5,391,399,020	3,711,450,566	3,711,450,566	3,711,450,566
Total	5,428,232,120	5,428,399,020	5,478,399,020	P 3,732,845,952	P 3,748,450,566	P 3,798,450,566

### 20.2 Authorized Capital Stock

On October 20, 2010, the PSE approved the Parent Company's application for the initial listing of 181.9 million common shares under the Second Board of the PSE.

On August 25, 2011, the Parent Company entered into a Subscription Agreement (SA) with Intellectual Property Ventures Group (IPVG), wherein IPVG agreed to subscribe to 40.0 million shares of the common stock of the Parent Company at a subscription price of P2.52 per share or a total subscription of P100.8 million. IPVG paid P25.0 million in cash as partial payment and agreed to pay the remaining balance of the subscription price upon call thereon by the Parent Company's BOD.

As a result of the Asset Purchase Agreement dated September 28, 2011, the said SA and the related shares subscribed and partially paid were transferred to Intellectual Property Ventures, Inc. (IPVI).

On February 29, 2012, the stockholders approved the issuance of the 40.0 million shares in favor of IPVI. On the same date, the minority and unrelated stockholders waived the requirement to conduct a rights or public offering of the shares subscribed.

In April 2012, the Parent Company received the remaining subscription receivable and issued the corresponding shares to IPVI. These shares were part of the shares acquired by the stockholders of the 8990 Group (former stockholders of the company's subsidiaries). On May 6, 2013, the Parent Company recognized deposits for future stock subscription amounting to P27.9 billion in exchange for its investments in subsidiaries through Share Swap with the stockholders of 8990 Group.



On September 23, 2013, the BOD of the Parent Company approved the subscriptions and issuance of 465,580,467 shares at P1.00 per share to new public investors to comply with the minimum public ownership requirement of the PSE. Such issuance is subject to following conditions: (i) the approval of the SEC of the Parent Company's application for the increase in authorized capital stock from P460.0 million to P7.0 billion divided into 7.0 billion shares with par value of P1.00 per share; and, (ii) the issuance of 3,968,357,534 shares to the stockholders of 8990 Group. The shares were issued subsequent to the approval by the SEC of the increase in authorized capital stock of the Parent Company on October 1, 2013.

Subsequent to SEC's approval of the increase in authorized capital stock, the deposit for future stock subscription of the Parent Company was applied as payment for the issuance of shares which were recorded as part of the Parent Company's Capital Stock and Additional Paid-in Capital (APIC) of P4.0 billion and P23.9 billion, respectively. Of the total APIC, P23.9 billion is eliminated on consolidation against Investment in Subsidiaries because it represents the cost of the subsidiaries acquired through the Shares Swap.

On March 17, 2014, the Parent Company's BOD approved the offering and issuance by way of a "follow-on" offering consisting of the following shares at an offer price of P6.50 per share:

Primary shares	862,186,050
Secondary shares	382,360,770
Over-all allotment shares	134,950,860

The registration by way of a follow-on offering of common shares was rendered effective by the SEC on April 15, 2014 and for which a Certificate of Permit to Offer Securities for Sale was issued by the SEC on April 30, 2014.

Total proceeds from the primary offer shares amounted to P5.6 billion and the related direct issue costs incurred in connection with the offering amounted to P341.9 million which were charged to APIC. Accordingly, the issuance resulted into an excess of P4.4 billion over the capital stock and is recorded as APIC in 2014.

As of December 31, 2023, 2022 and 2021, there are 5,391,399,020, 5,391,399,020, and 5,391,399,020 listed shares, respectively. Such listed shares closed at P9.23 per share, P9.86 per share and P 11.28 per share as of December 31, 2023, 2022 and 2021, respectively.

On January 31, 2017, the stockholders approved and ratified the creation of the preferred shares under the shelf registration. The SEC approved the Parent Company's amended Articles of Incorporation creating the preferred shares on April 19, 2017.

On July 25, 2017, the BOD of the Parent Company unanimously authorized the sale and offer of up to Ten Billion Pesos (P10,000,000,000) preferred shares, at an offer price of P100.00 per share, or 100,000,000 preferred shares with an initial tranche of 50,000,000 preferred shares, under a shelf registration to be issued within a period of three years.

The Parent Company also applied with the PSE for the listing of the preferred shares, which the PSE approved for listing on the main board of the PSE on November 8, 2017. The PSE approval covers only the initial tranche of 50,000,000 preferred shares under the shelf registration.

The preferred shares were offered at the price of P100.00 per share resulting in an additional paid-in capital of P4.9 billion, analyzed as follows:

Total issuance price	P5,000,000,000
Amount of shares issued at par value	<u>50,000,000</u>
Excess of proceeds over par value	4,950,000,000
Direct issuance costs	<u>( 46,485,651 )</u>
Additional paid-in capital	<u>P 4,903,514,349</u>

The Parent Company also applied with the PSE for the listing of the preferred shares, which the PSE approved for listing on the main board of the PSE on February 10, 2021. The PSE approval covers only the initial tranche of 37,000,000 preferred shares under the shelf registration.

The preferred shares were offered at the price of P100.00 per share resulting in an additional paid-in capital of P3.6 billion, analyzed as follows:

Total issuance price	P3,700,000,000
Amount of shares issued at par value	37,000,000
Excess of proceeds over par value	3,663,000,000
Direct issuance costs	( 59,892,536 )
Additional paid-in capital	<u>P 3,603,107,464</u>

On October 28, 2022, the Company's BOD approved the redemption of its 50,000,000 outstanding Series A Preferred Shares (8990P) at a redemption price of P 100 per share.

Total issued preferred shares by the Company is at 37,000,000 shares and 37,000,000 shares with market value of P3,515,000,000 and P 3,626,000,000 as of December 31, 2023 and 2022, respectively, breakdown as follows:

	2023			2022		
	Shares	Closing Rate	Amount	Shares	Closing Rate	Amount
Series B	37,000,000	95.00	3,515,000,000	37,000,000	98.00	3,626,000,000
<b>Total</b>	<b>37,000,000</b>		<b>P 3,515,000,000</b>	<b>37,000,000</b>		<b>P 3,626,000,000</b>

### 20.3 Treasury Shares

On February 6, 2019, the BOD approved the Parent Company's P2.0 billion share buyback program which is to be implemented for a period of 18 months or until August 1, 2020.

On April 26, 2023, the Company's BOD approved the adoption of a buyback program in the amount of up to Php 1 billion, for the Company's outstanding Series B Preferred Shares.

Summary of Treasury Share Buyback (Preferred Shares) during the year:

<u>Date of Buyback</u>	<u>No. of Shares Repurchased</u>	<u>Price per Share</u>	<u>Amount</u>
05/02/2023	12,760	P 93.00	P 1,186,680
05/04/2023	30,240	93.00	2,812,320
05/12/2023	60	93.00	5,580
05/16/2023	180	94.30	16,974
05/16/2023	41,340	95.00	3,927,300
05/17/2023	31,000	93.00	2,883,000
05/25/2023	13,420	93.00	1,248,060
08/31/2023	9,730	93.00	904,890
09/06/2023	8,800	93.00	818,400
10/02/2023	17,900	93.00	1,664,700
10/02/2023	1,470	93.00	136,710
<b>Total</b>	<b>166,900</b>		<b>P 15,604,614</b>

The said buyback program excludes the participation of the majority shareholders. As of December 31, 2023, the Parent Company has repurchased 126.8 million for P1.82 billion. These repurchased shares are presented as Treasury Shares in the consolidated statement of financial position and do not form part of the outstanding shares.

Below is the movement of treasury shares as at December 31, 2023, 2022 and 2021:

	2023		2022		2021	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance, January 1	126,591,700	1,806,540,154	126,591,700	1,806,540,154	126,591,700	1,806,540,154
Acquisition	166,900	15,604,614	-	-	-	-
Balance, December 31	<b>126,758,600</b>	<b>1,822,144,768</b>	126,591,700	1,806,540,154	126,591,700	1,806,540,154

Under the Revised Corporation Code of the Philippines, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired. The equivalent amount of retained earnings is considered restricted.

## 20.4 Retained Earnings

The BOD approved the following cash dividend declarations in 2023, 2022 and 2021:

Amount Per Share	Date of			Amount
	Declaration	Record	Payment	
<u>2023</u>				
Preferred				
1.375	Feb. 7, 2023	Apr. 25, 2023	May. 10, 2023	50,875,000
1.375	Feb. 7, 2023	Jul. 27, 2023	Aug. 10, 2023	50,875,000
1.375	Feb. 7, 2023	Oct. 25, 2023	Nov. 10, 2023	50,875,000
1.375	Feb. 7, 2023	Jan. 29, 2024	Feb. 10, 2024	50,875,000
				P 203,500,000
Amount Per Share	Date of			Amount
	Declaration	Record	Payment	
<u>2022</u>				
Preferred				
1.506575	Feb. 17, 2022	Feb. 28, 2022	Mar. 1, 2022	P 75,328,750
1.506575	Feb. 17, 2022	May 18, 2022	Jun. 1, 2022	75,328,750
1.506575	Feb. 17, 2022	Aug. 18, 2022	Sep. 1, 2022	75,328,750
1.506575	Feb. 17, 2022	Nov. 17, 2022	Dec. 1, 2022	75,328,750
1.375	Feb. 17, 2022	Apr. 26, 2022	May. 10, 2022	50,875,000
1.375	Feb. 17, 2022	Jul. 27, 2022	Aug. 10, 2022	50,875,000
1.375	Feb. 17, 2022	Oct. 24, 2022	Nov. 10, 2022	50,875,000
1.375	Feb. 24, 2021	January 27, 2023	Feb. 10, 2023	50,875,000
				504,815,000

Amount Per Share	Date of			Amount
	Declaration	Record	Payment	
<b>2021</b>				
<b>Preferred</b>				
1.506575	Feb. 16, 2021	Feb. 28, 2021	Mar. 1, 2021	P 75,328,750
1.506575	Feb. 16, 2021	May 18, 2021	Jun. 1, 2021	75,328,750
1.506575	Feb. 16, 2021	Aug. 18, 2021	Sep. 1, 2021	75,328,750
1.506575	Feb. 16, 2021	Nov. 18, 2021	Dec. 1, 2021	75,328,750
1.375	Feb. 24, 2021	Apr. 30, 2021	May. 10, 2021	50,875,000
1.375	Feb. 24, 2021	Jul. 30, 2021	Aug. 10, 2021	50,875,000
1.375	Feb. 24, 2021	Oct. 29, 2021	Nov. 10, 2021	50,875,000
1.375	Feb. 24, 2021	January 31, 2022	Feb. 10, 2022	50,875,000
				<b>504,815,000</b>
<b>Common</b>				
P0.20	Nov. 3, 2021	Nov. 17, 2021	Dec. 10, 2021	<b>1,103,598,144</b>
				<b>P 1,608,413,144</b>

Cash dividends declared in 2023 were fully paid in the same year except for the 4<sup>th</sup> tranche of dividends of Preferred Shares Series B that was subsequently paid in February 10, 2024 amounting to P50.9 million (see Note 15).

Cash dividends declared in 2022 were fully paid in the same year except for the 4<sup>th</sup> tranche of dividends of Preferred Shares Series B that was subsequently paid in February 10, 2023 amounting to P50.9 million (see Note 15).

Cash dividends declared in 2021 were fully paid in the same year except for the 4<sup>th</sup> tranche of dividends of Preferred Shares Series B that was subsequently paid in February 10, 2022 amounting to P50.9 million.

The Parent Company's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods.

## 20.5 Capital Management

The primary objective of the Group's capital management is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for its business, and thus, allowing the necessary financial flexibility for its operations and providing sufficient cushion to absorb cyclical industry risks.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. It considers its total liabilities and equity as capital and is not subject to externally-imposed capital requirements.

The bonds require the Group to observe certain covenants, including, among others, maintenance of financial ratios, incurrence or guarantee of additional debt, encumbrance for borrowed money, and other covenants. These were complied with by the Group.

## 21 REVENUES

The Group derives revenues from sale of real properties and hotel operations. An analysis of the Group's major sources of revenues is presented below.

	Notes	2023	2022	2021
Real estate				
Low-cost mass housing		<b>6,780,506,170</b>	5,962,515,999	7,673,376,555
Medium-rise condominium		<b>1,938,945,257</b>	2,959,242,663	2,477,874,471
High-rise condominium		<b>12,612,260,153</b>	12,040,544,290	9,177,083,514
Developed subdivision lots	1.2	<b>1,006,591,557</b>	450,579,690	1,004,509,302
		<b>22,338,303,137</b>	21,412,882,642	20,332,843,842
Hotel operations		<b>273,702,876</b>	148,056,099	11,095,465
Equity share in net profits of associate	11	<b>45,858,106</b>	67,950,366	13,214,510
Rental income	13,27,29	<b>6,695,405</b>	7,782,638	573,823
		<b>22,664,559,524</b>	21,636,671,745	20,357,727,640

As discussed in Note 2.14, the Group usually recognizes sale of real estate at a point in time. Recently, however, as discussed in Note 5, starting 2019, the Group has started offering sale of pre-completed real estate, which its acquired subsidiary, Genvi, also offers to its subdivision lots. Thus, the Group also recognizes revenue over time.

The breakdown of contract balances as of December 31, 2023 and 2022 is as follows:

	Notes	2023	2022
Contract assets	8	<b>60,184,625</b>	74,030,402
Contract liabilities	15	<b>(335,035,888)</b>	(906,194,448)
		<b>(274,851,263)</b>	(832,164,046)

A reconciliation of the movements of contract balances is shown below.

Contract Asset	<b>2023</b>	<b>2022</b>
Balance at beginning of the year	<b>74,030,402</b>	102,421,138
Reclassification to installment contract receivable	<b>(13,845,777)</b>	(28,390,736)
Balance at end of year	<b>60,184,625</b>	74,030,402
Contract liabilities		
Balance at beginning of the year	<b>906,194,448</b>	907,747,727
Revenue recognized that was included in contract liabilities	<b>(571,158,560)</b>	(1,553,279)
	<b>335,035,888</b>	906,194,448

## 22 COST OF SALES AND SERVICES

Cost of sales and services consists of:

	Notes	2023	2022	2021
Cost of sales:	9			
Low-cost mass housing		3,143,804,058	2,529,495,159	3,194,306,032
Medium-rise condominium		1,018,921,172	1,394,142,737	1,169,556,713
High-rise condominium		8,173,885,282	6,762,145,267	5,255,452,773
Developed subdivision lots		267,805,719	141,914,935	424,742,995
		<b>12,604,416,231</b>	10,827,698,098	10,044,058,513
Cost of services:				
Hotel operations		130,674,075	75,472,950	9,743,084
Rental services		-	423,269	13,071
		<b>130,674,075</b>	75,896,219	9,756,155
		<b>12,735,090,306</b>	10,903,594,317	10,053,814,668

Construction costs include contractor's costs, professional fees, permits and licenses and capitalized borrowing costs.

## 23 OPERATING EXPENSES

Operating expenses consist of:

	Notes	2023	2022	2021
Commission		623,034,691	790,234,194	770,950,091
Taxes and licenses		476,293,926	517,422,853	286,735,397
Expected credit and impairment losses	8, 14, 29	470,905,069	413,300,244	379,690,694
Salaries and employee benefits	26.1, 29.2	295,271,504	255,002,312	154,591,456
Documentation	15	292,171,959	488,398,203	482,368,575
Depreciation and amortization	12, 13, 14	109,045,748	106,202,854	96,794,315
Security, messengerial and janitorial	13	94,381,177	88,847,144	82,301,684
Entertainment, amusement and representation		62,330,285	45,739,903	25,066,558
Repairs and maintenance		58,446,616	63,559,786	53,542,106
Management and professional fees		52,248,750	103,531,858	54,219,681
Communication, light and water	13	46,767,916	61,347,104	57,721,521
Transportation and travel	13	39,929,037	28,015,908	14,533,355
Insurance		35,424,361	26,041,238	16,078,789
Supplies		28,465,598	29,443,101	21,932,512
Rent	27.1	22,333,410	15,938,599	2,752,663
Subscription dues and fees		5,983,370	8,713,517	5,014,822
Miscellaneous		240,789,332	155,512,104	186,223,695
		<b>2,953,822,749</b>	3,197,250,922	2,690,517,914

Commissions are payments to real estate brokers and agents in connection with its real estate transaction.

Documentation expenses consist of certification fees, registrations fees, tax clearances and other related expenses incurred in the processing of real estate inventories sales and transfer of titles to the buyers.

Miscellaneous include penalties paid to Bureau of Internal Revenue, out-of-pocket expenses, hospitalization bills, assistance to employee, minor expense like meals allowance & petty cash transactions.

## 24 FINANCE COSTS

This consists of:

	Notes	2023	2022	2021
Interest expense on:				
Loans payable	17	2,194,363,343	1,872,653,254	1,589,903,131
Bonds	19	-	21,672,447	38,053,579
Notes payable	18	-	15,187,500	41,940,000
Amortization of debt issue costs	19	-	658,476	1,156,954
Lease liabilities	27	831,069	1,601,953	1,326,139
Interest on pension obligation	26.2	1,109,798	707,832	521,081
Bank charges		940,555	464,656	127,018
		<b>2,197,244,765</b>	<b>1,912,946,118</b>	<b>1,673,027,902</b>

## 25 OTHER OPERATING INCOME AND OTHER GAINS

### 25.1 Other Operating Income

This consists of:

	Notes	2023	2022	2021
<b>Other Operating Income</b>				
Interest income from:				
Instalment contract and finance lease receivables	8	2,873,872,378	1,746,159,730	1,230,962,525
Cash in banks and short-term Placements	7	1,176,689	1,582,658	1,959,842
Loans receivable	8	39,403,926	63,512,550	63,512,550
Penalties		74,859,672	16,064,940	29,749,830
Gain on repossession	9	-	520,391,151	121,459,771
Miscellaneous income		329,138,692	409,388,171	275,944,857
		<b>3,318,451,357</b>	<b>2,757,099,200</b>	<b>1,723,589,375</b>

Miscellaneous income mainly includes retrieval fee, other fees, commission fees received from an electric company, association dues, transfer fee, and rebates from an insurance company. It also includes revenues from the use of the rooms allocated to the unsold ALRC preferred shares (see Note 10).

### 25.2 Other Losses

Other Loss in 2023 pertains to loss on repossession amounting to P243,212,456 (note 9).

Other Loss in 2022 pertain to the Redemption of Bonds earlier than the redemption period amounting to of P6,592,275.

## 26 EMPLOYEE BENEFITS

### 26.1 Salaries and Employee Benefits Expense

The details of salaries and employee benefits are presented below.

	Notes	2023	2022	2021
Short-term employee benefits		292,691,331	252,353,936	151,126,441
Post-employment benefits	26.2	2,580,173	2,648,376	3,465,015
		<b>295,271,504</b>	<b>255,002,312</b>	<b>154,591,456</b>

## 26.2 Post-employment Benefits

### (a) 8990 Holdings and 8990 Monterrazas (Genvi)

In 2023, 2022 and 2021, 8990 Holdings has unfunded, noncontributory, defined benefit pension plans covering substantially all of its regular employees.

While in 2022, 8990 Monterrazas recognized unfunded, noncontributory, defined benefit pension plans covering substantially all of its regular employees. Under its pension plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The benefits are based on the projected pension benefit of 22.5 days' pay per year service in accordance with RA 7641, *Retirement Pay Law*. The benefits are based on current salaries and years of service and compensation on the last year of employment. There is no contribution made by 8990 Holdings during the year.

### (b) 8990 HDC, FHI, and 8990 LHDC

In 2021, FHI and 8990 LHDC transferred its employees and accordingly the related plan assets and liabilities were assumed by 8990 HDC. In 2020, 8990 HDC, FHI and 8990 LHDC have funded, noncontributory, defined benefit pension plan covering substantially all of their regular employees. The benefits are based on the projected pension benefit of 22.5 days' pay per year service in accordance with RA 7641. The benefits are based on current salaries and years of service and compensation on the last year of employment. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the pension benefit obligation.

The defined benefit plan is administered by a third party trustee bank (the Trustee).

The Trustee is responsible for the general administration of the pension plan and the management of the plan assets. The Trustee may seek advice of counsel and appoint an investment manager or managers to manage the plan assets. As the administrator of the pension plan, the Trustee is responsible for the ultimate control, disposition, or management of the money received or contributed.

The respective Companies have yet to formalize its investment policy and risk management procedures for the pension plan. Currently, the assets of the pension plan are composed of securities issued by the Philippine government and placements in banks.

The pension plan exposes the Group to actuarial risks, such as longevity risk, and market (investment) risk. There are no unusual or significant risks to which the pension plan exposes the Group. However, in the event a benefit claim arises under the pension plan and the plan assets are not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Group to the pension plan.

The cost of defined benefit pension plans, as well as the present value of the defined benefit obligation, is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the net pension liability for the defined benefit plans are shown below.

	2023	2022	2021
Discount rates			
FHI	-	-	3.86%
8990 HDC	6.09%	3.72%	3.72%
8990 LHDC	-	-	3.88%
8990 Holdings	6.11%	3.94%	3.94%
8990 Monterrazas	6.10%	3.90%	3.90%
Salary increase rates			
FHI	-	-	3.50%
8990 HDC	5.00%	3.50%	3.50%
8990 LHDC	-	-	3.50%
8990 Holdings	5.00%	3.50%	3.50%
8990 Monterrazas	5.00%	3.50%	3.50%



The composition of plan assets by class as at the end of the reporting period is as follows:

	<b>2023</b>	2022	2021
Cash	<b>1,161</b>	56,249	80,783
Equity instruments	<b>10,000,000</b>	10,000,000	10,100,000
Investment securities:	-	-	697,398
Government securities	<b>3,665,338</b>	3,029,669	1,491,719
Unit investment trust fund (UITF)	<b>1,368,499</b>	2,220,317	2,379,994
	<b><u>15,034,998</u></b>	<u>15,306,235</u>	<u>14,749,894</u>

Equity instruments and government securities are quoted instruments, while UITFs have prices published in available markets. These instruments are carried at fair value which are determined based on quoted market prices in active markets, hence, classified as Level 1 in the fair value hierarchy.

Plan assets do not comprise of any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The Group does not expect that any reasonably possible changes to the assumptions used to calculate the defined benefit obligation as of the end of the reporting period would have a significant impact on the Group's net pension liability.

The Group does not expect to contribute to its pension plan in 2023. Shown below is the maturity analysis of the undiscounted benefit payments:

	<b>2023</b>	2022	2021
Less than 1 year	<b>9,254,120</b>	5,332,900	4,712,438
More than 1 year to 5 years	<b>3,240,726</b>	5,653,099	4,735,065
More than 5 years to 10 years	<b>31,783,034</b>	8,750,216	10,644,551

The average duration of the defined benefit obligation at the end of the reporting period is 18 years, 16 years and 18 years in 2023, 2022 and 2021, respectively.

Changes in the carrying amount of retirement benefit obligation of the Group are as follows:

**2023**

	Net benefit cost in consolidated statement of Profit or loss				Remeasurements in other comprehensive income					Transferred Obligation	
	January 1, 2023	Current service cost	Net interest (see Note 24)	Subtotal	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	Benefits Paid	December 31, 2023
Present value of defined benefit obligation	P 30,843,020	P 2,580,173	P 2,202,663	P 35,625,856	P -	P	P 11,359,202	P 5,157,038	P 16,516,240	P (1,202,086)	P 50,940,010
Fair value of plan assets	15,306,235	-	1,092,865	16,399,100	(1,364,102)	-	-	-	(1,364,102)	-	15,034,998
Net defined benefit obligation	<u>P 15,536,785</u>	<u>P 2,580,173</u>	<u>P 1,109,798</u>	<u>P 19,226,756</u>	<u>P (1,364,102)</u>	<u>P -</u>	<u>P 11,359,202</u>	<u>P 5,157,038</u>	<u>P 15,152,138</u>	<u>P (1,202,086)</u>	<u>P 35,905,012</u>

**2022**

	Net benefit cost in consolidated statement of Profit or loss				Remeasurements in other comprehensive income					Transferred Obligation	
	January 1, 2022	Current service cost	Net interest (see Note 24)	Subtotal	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	December 31, 2022	
Present value of defined benefit obligation	P 28,926,200	P 2,648,376	P 1,443,852	P 33,018,428	P -	P (192,161)	P (1,983,247)	P -	P (2,175,408)	P -	P 30,843,020
Fair value of plan assets	14,749,894	-	736,020	15,485,914	179,679	-	-	-	179,679	-	15,306,235
Net defined benefit obligation	<u>P 14,176,306</u>	<u>P 2,648,376</u>	<u>P 707,832</u>	<u>P 17,532,514</u>	<u>P (179,679)</u>	<u>P (192,161)</u>	<u>P (1,983,247)</u>	<u>P -</u>	<u>P (1,995,729)</u>	<u>P -</u>	<u>P 15,536,785</u>

**2021**

	Net benefit cost in consolidated statement of Profit or loss				Remeasurements in other comprehensive income					Transferred Obligation	
	January 1, 2021	Current service cost	Net interest (see Note 24)	Subtotal	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	December 31, 2021	
Present value of defined benefit obligation	P 31,060,915	P 3,465,015	P 1,024,568	P 35,550,498	P -	P 143,018	P (12,341,114)	P 5,684,595	P (6,513,501)	P (110,797)	P 28,926,200
Fair value of plan assets	14,305,110	-	503,487	14,808,597	(58,703)	-	-	-	(58,703)	-	14,749,894
Net defined benefit obligation	<u>P 16,755,805</u>	<u>P 3,465,015</u>	<u>P 521,081</u>	<u>P 20,741,901</u>	<u>P (58,703)</u>	<u>P 143,018</u>	<u>P (12,341,114)</u>	<u>P 5,684,595</u>	<u>P (6,572,204)</u>	<u>P (110,797)</u>	<u>P 14,176,306</u>

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The Group's net defined benefit obligation of P35.9 million, P15.5 million and P14.2 million, as of December 31, 2023, 2022 and 2021, respectively, is included as Retirement benefit obligation in the Trade and Other Payables in the Group's consolidated statements of financial position (see Note 15)

## 27 LEASES

### 27.1 The Group as a Lessee

The Parent Company has an existing non-cancellable operating lease as a lessee covering its office premises with a term of one year and renewable annually. In 2020, the Parent Company renewed the lease for another year. In 2021, the lease was renewed for three years and recognized as a new lease contract per Note 27.4.

In 2014, 8990 Holdings entered into another non-cancellable operating lease as a lessee covering a corporate suite for a term of one year; expiring on June 22, 2015 which was renewed and expired in September 2016. It was no longer renewed but 8990 HDC took over the lease within a term expiring on June 21, 2017 with renewal option. In 2022, 8990 Monterrazas Corporation renewed the lease for another year.

FHI, 8990 HDC and 8990 LHDC entered into separate non-cancellable lease agreements for their office and parking spaces. Except for 8990 LHDC, the Group's lease periods ranges from two to three years, which are renewable thereafter upon mutual agreement of both parties. The lease of 8990 LHDC is renewable annually upon mutual agreement of the contracting parties.

The future minimum rentals payable under these operating leases as of December 31, 2023 are as follows:

Within one-year	P	23,325,376
After one year but not more than three years		<u>1,693,916</u>
	P	<u>25,019,292</u>

### 27.2 The Group as a Lessor – Operating Lease

8990 HDC owns a building and a portion of it is currently leased to a third party which is covered by an operating lease contract for a period of 10 years starting 2007. Rent income recognized by 8990 HDC amounted to P0.2 million, P2.4 million and P0.6 million in 2023, 2022 and 2021, respectively (see Notes 13 and 21).

In 2014, FHI and 8990 HDC entered into a contract of lease with ALRC on the land where the building and improvements sold to ALRC are constructed. The contract of lease provides a lease term of 50 years, with an annual rent of P5.0 million for the first 10 years. After 10 years, the lease rate shall increase to a rate agreed by both parties. However, on October 23, 2018, 8990 HDC and ALRC agreed to pre-terminate the contract of lease. Rent income recognized by FHI amounted to P5.4 million, P 5.4 million and nil in 2023, 2022 and 2021, respectively (see Notes 13 and 21).

Future minimum lease receivables under non-cancellable operating leases are as follows:

	2023	2022	2021
Less than one year	<b>4,464,286</b>	4,464,286	4,464,286
More than one year but not more than two years	<b>4,464,286</b>	4,464,286	4,464,286
More than two years but not more than three years	<b>4,464,286</b>	4,464,286	4,464,286
More than three years but not more than four years	<b>4,464,286</b>	4,464,286	4,464,286
More than four years but not more than five years	<b>4,464,286</b>	4,464,286	4,464,286
More than five years	<b>149,453,570</b>	153,917,856	158,382,142
	<b>171,775,000</b>	176,239,286	180,703,572

### 27.3 The Group as a Lessor – Finance Lease

The Group also entered into a finance lease covering the real estate inventories with a lease term of 15 years. To manage its risks over these finance leases, the Group retains its legal title over the underlying assets, and are used as securities over the finance lease receivables. Future minimum lease payments receivable (MLPR) are as follow:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Less than one year	<b>P 152,820,000</b>	P 152,820,000	P 152,820,000
More than one year but not more than two years	<b>152,820,000</b>	152,820,000	152,820,000
More than two years but not more than three years	<b>152,820,000</b>	152,820,000	152,820,000
More than three years but not more than four years	<b>152,820,000</b>	152,820,000	152,820,000
More than four years but not more than five years	<b>152,820,000</b>	152,820,000	152,820,000
More than five years	<b><u>99,660,000</u></b>	<u>134,820,000</u>	<u>287,640,000</u>
	<b><u>P 863,760,000</u></b>	<u>P 898,920,000</u>	<u>P 1,051,740,000</u>

### 27.4 Right-of-use assets/Lease Liabilities

The Group has leases for its office space and parcel of land. With the exception of short-term leases, each lease is reflected in the consolidated statement of financial position under Other non-current assets as a right-of-use asset and a lease liability under Trade and other payables.

#### a. Right-of-use assets

<b>Cost</b>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beginning balance	<b>60,836,662</b>	41,796,476	29,538,152
New lease contract	<b>9,884,039</b>	19,040,186	25,917,087
Retirement	-	-	(13,658,763)
Lease modifications	<b><u>(13,793,504)</u></b>	-	-
Ending balance	<b>56,927,197</b>	60,836,662	41,796,476
<b>Amortization</b>			
Beginning balance	<b>32,219,990</b>	18,013,709	18,164,166
Current provision	<b>9,812,774</b>	14,206,281	13,508,306
Retirement	-	-	(13,658,763)
Ending balance	<b><u>42,032,764</u></b>	<u>32,219,990</u>	<u>18,013,709</u>
<b>Carrying values</b>	<b><u>14,894,433</u></b>	<u>28,616,672</u>	<u>23,782,767</u>

Amortization of right-of-use assets is presented as of part of Depreciation and amortization under the operating expense (see Note 23). Based on the impairment review of the assets, the Group believes that there is no impairment loss that occurred on its right-of-use assets as at December 31, 2023, 2022 and 2021.

b. Lease liabilities

	2023	2022	2021
Beginning balance	28,834,103	24,319,154	11,639,791
Addition	4,883,062	21,898,461	27,099,605
Accretion of interest	(831,069)	(1,601,953)	(1,326,139)
Payments	(16,910,203)	(15,781,559)	(13,094,103)
<b>Ending balance</b>	<b>15,976,893</b>	<b>28,834,103</b>	<b>24,319,154</b>

Lease liabilities are presented in the statement of financial position as follows:

	2023	2022	2021
Current	7,968,215	11,951,066	10,624,614
Non-current	8,008,678	16,883,037	13,694,540
<b>Ending balance</b>	<b>15,976,893</b>	<b>28,834,103</b>	<b>24,319,154</b>

Maturity Analysis:

	2023	2022	2021
Not less than 1 year	7,968,215	11,951,066	10,624,614
Later than 1 year and not later than 5 years	8,008,678	16,883,037	13,694,540
<b>Ending balance</b>	<b>15,976,893</b>	<b>28,834,103</b>	<b>24,319,154</b>

## 28. INCOME TAXES

### 28.1 Current and Deferred Taxes

The components of income tax expense reported in profit or loss consists of:

	2023	2022	2021
Current:			
Regular corporate income Tax	609,244,027	380,533,210	228,103,052
Minimum corporate income Tax	-	426,896	2,039,599
CREATE Adjustment	-	-	(13,645,177)
Final tax	226,226	282,601	268,248
	<b>609,470,253</b>	<b>381,242,707</b>	<b>216,765,722</b>
Deferred:			
Deferred tax expense (income)	347,452,072	404,828,254	233,069,049
CREATE Adjustment	-	-	(810,447)
	<b>347,452,072</b>	<b>404,828,254</b>	<b>232,258,602</b>
	<b>956,922,325</b>	<b>786,070,961</b>	<b>449,024,324</b>

On March 26, 2021, the President signed into law the Republic Act (RA) 11534, also known as “Corporate Recovery and Tax Incentives for Enterprises Act or “CREATE” Act which reduced the corporate income tax rates and rationalized the current fiscal incentives by making it time bound, targeted and performance – based. CREATE Act introduces reforms in the areas of corporate income tax, value – added tax, and tax incentives, aside from providing COVID – 19 reliefs to taxpayers.

The salient provisions of the Create Act applicable to the Company are as follow:

1. Effective July 1, 2020, domestic corporation with total assets not exceeding P100 million and taxable income of P5 million and below shall be subject to 20% income tax rate while the other domestic corporations and resident foreign corporations will be subject to 25% income tax rate.
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023. Accordingly, the rate shall now revert to 2% effective July 1, 2023;
3. The imposition of improperly accumulated earnings is repealed.

The effects of the changes computed without regard to the specific date when specific revenue, expenses and other transactions occur as provided for under Section 27 (A) of the CREATE Act was adjusted in 2021. Final taxes paid at the rate of 20.0% on peso-denominated cash in banks, which is a final withholding tax on gross interest income.

The NIRC of 1997 also provides for rules on the imposition of MCIT of 2.0% on gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the entities in the Group commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years.

A reconciliation of the Group's statutory income tax rate to effective income tax rate is presented below.

	2023	2022	2021
Statutory income tax rate	25.00%	25.00%	25.00%
Tax effects of:			
Income under income tax holiday	(6.18%)	(6.65%)	(6.94%)
Change in unrecognized deferred tax assets	5.07%	1.34%	1.32%
Non-taxable income	(2.89%)	-5.14%	-5.61%
MCIT recognized	(3.48)%	-	-
Non-deductible expenses	(4.31%)	2.14%	0.57%
Income subjected to final tax	(0.00%)	-0.22%	-0.00%
Others	(1.03%)	-0.88%	-12.15%
CREATE Adjustment	-	0.08%	0.08%
Tax expense	12.18%	15.60%	2.28%

The Group recognized net deferred tax liabilities as follows:

	2023	2022
Deferred tax liabilities on:		
Excess of FV over cost of acquired subsidiary/ associate	880,333,342	868,868,816
Excess of accounting basis over tax basis of deferred gross profit on real estate sales	24,612,816	-
Gain on reversal/ repossession	3,741,880	-
Unrealized Gross Profit	1,120,125,256	1,039,975,270
Commission	10,940,694	10,936,869
	<u>2,039,753,988</u>	<u>1,919,780,955</u>
Deferred tax assets on:		
Allowance for impairment loss	290,472,064	242,948,732
Excess of accounting basis over tax basis of deferred gross profit on real estate sales		52,406,319
Accrued expenses	29,494,556	30,108,124
NOLCO	16,484,380	27,499,586
MCIT	1,645,611	-
Customers' deposits	1,830,124	1,830,124
Effect of PFRS 16	542,360	368,857
RBO	8,976,253	3,859,920
	<u>349,445,348</u>	<u>359,021,662</u>
Net DTL	<u>1,690,308,640</u>	<u>1,560,759,293</u>

The components of net deferred tax expense (benefit) reported in the consolidated statements of profit or loss are as follows:

	2023	2022	2021
Allowance for impairment losses	(68,092,355)	(90,128,896)	(90,804,642)
Excess of FV over cost of acquired Subsidiary		-	3,303,627
Share in earnings of associate	11,464,527	16,987,591	-
Excess of accounting basis over tax basis of deferred gross profit on real estate sales	117,562,812	(42,836,261)	125,292,048
Commission	-	6,443,742	(44,170,402)
Customers' deposits	-	-	366,025
Application of excess MCIT over RCIT/ Expiration of MCIT	756,446	-	
Effect of PFRS 16	(173,501)	(67,592)	(105,123)
NOLCO	17,152,872	1,301,774	(5,632,837)
Accrued expenses	-	6,091,690	120,096,571
Unrealized gross profit	273,659,591	507,350,900	124,322,607
Retirement benefit obligation	(4,878,320)	(314,693)	(409,272)
CREATE Law Adjustment		-	
	<b>347,452,072</b>	<b>404,828,254</b>	<b>232,258,602</b>

The Parent Company, ERDC, and RLC did not recognize deferred tax assets on the following temporary differences since management believes that it is not probable that the related benefits will be realized in the future:

	2023	2022	2021
NOLCO	P 531,445,065	P 619,127,525	P 1,142,978,902
MCIT	1,573,503	2,281,563	2,927,178
Impairment Loss	283,820	16,354,832	1,512,419
Excess of depreciation and interest expense over lease payments	<u>9,307</u>	<u>38,826</u>	<u>67,921</u>
	<b>P 533,311,695</b>	<b>P 637,802,746</b>	<b>P 1,147,486,420</b>

Details of the Group's NOLCO, which are mostly that of the Parent Company, follow:

Year Incurred	Amount	Expired/Used	Balance	Expiry Year
2023	P 5,155,581		P 5,155,581	2026
2022	61,981,293	-	61,981,293	2025
2021	83,599,472		83,599,472	2026
2020	504,413,213	(68,611,488)	435,801,725	2025
	<u>P 655,149,559</u>	<u>(P 68,611,488)</u>	<u>P 586,538,071</u>	

The NIRC of 1997 allows each of the entities in the Group to deduct from taxable income their respective NOLCO within three years from the time it was incurred. NOLCO for 2021 and 2020 amounted to P 83,599,472 and P 435,801,725 (net of used of P 68,611,488), respectively, which will expire in 2026 and 2025, respectively, can be applied for five years instead of three years, in compliance with Revenue Regulation No. 25-2020 (issued last September 28, 2020) *“Notwithstanding the provision of existing laws to the contrary, the net operating loss of the business or enterprise for the taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive years immediately following the year of such loss; Provided that this subsection shall remain in effect even after the expiration of Republic Act No. 11494, otherwise known as the Bayaniban to Recover as One Act.”* RA 9504, *An Act Amending the NIRC of 1997*, provides that an optional standard deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. The entities in the Group did not claim OSD in lieu of the itemized deductions.

## 28.2 Registration with Board of Investments (BOI)

The Group has registered the following projects with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226) as of December 31, 2023:

<u>Project Name</u>	<u>Reg. No.</u>	<u>Date Registered</u>	<u>ITH Period</u>	<u>Registered Activity</u>
Deca Homes Minglanilla Subdivision Phase 3	2008-158	July 14, 2008	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Minglanilla Subdivision Phase 4	2008-159	July 14, 2008	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Mandaue Prime	2008-309	November 14, 2008	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Mactan 3	2008-315	November 20, 2008	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences	2009-038	May 4, 2009	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Minglanilla Homes	2009-082	June 19, 2009	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Nothfield Estates	2009-157	November 11, 2009	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Talisay	2009-193	December 17, 2009	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Minglanilla Subdivision Phase 5	2010-003	January 8, 2010	3 years	Developer of Low-cost Mass Housing Project
Deca Homes Minglanilla Subdivision Phase 6	2010-004	January 8, 2010	3 years	Developer of Low-cost Mass Housing Project
Savannah Green Plains Phase 3	2010-068	March 22, 2010	3 years	Expanding Developer of Low-cost Mass Housing Project
Deca Homes Mactan 4	2010-127	July 13, 2010	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Pavia	2010-128	July 13, 2010	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Esperanza	2011-009	January 10, 2011	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Mactan 5	2011-008	January 10, 2011	4 years	New Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 10	2011-007	January 10, 2011	3 years	Developer of Low-cost Mass Housing Project
Bon Giorno Homes Subdivision	2011-035	February 8, 2011	4 years	New Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 8-A	2011-119	July 5, 2012	3 years	Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 8-B	2011-120	July 5, 2012	3 years	Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 8-C	2012-121	July 5, 2012	3 years	Developer of Low-cost Mass Housing Project
Azalea Baguio Residences	2012-174	August 22, 2012	4 years	New Operator of Tourist Accommodation Facility - Apartment Hotel
Bella Vista Subdivision	2013-049	February 18, 2012	4 years	New Developer of Low-cost Mass Housing Project
Urban Homes Tipolo Condominium	2013-062	March 8, 2013	3 years	New Developer of Low-cost Mass Housing Project
Deca Clark Residences & Resort Phase 5&6	2013-213	October 29, 2013	3 years	New Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 9	2014-109	July 22, 2014	3 years	Expanding Developer of Low-cost Mass Housing Project
Deca Homes Indangan Phase 1	2014-128	August 15, 2014	4 years	New Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 12	2014-129	August 15, 2014	3 years	Expanding Developer of Low-cost Mass Housing Project
Deca Homes Baywalk - Talisay II	2014-172	October 8, 2014	3 years	Expanding Developer of Low-cost Mass Housing Project



<u>Project Name</u>	<u>Reg. No.</u>	<u>Date Registered</u>	<u>ITH Period</u>	<u>Registered Activity</u>
Deca Homes Resort Residences Executive	2014-174	October 9, 2014	3 years	Expanding Developer of Low-cost Mass Housing Project
Deca Homes Pavia Phase 2	2014-189	October 28, 2014	3 years	Expanding Developer of Low-cost Mass Housing Project
Deca Homes Indangan Phase 2	2014-190	October 18, 2014	3 years	New Developer of Low- cost Mass Housing Project
Urban Deca Homes Tisa	2015-200	September 28, 2015	3 years	New Developer of Economic And Low-Cost Housing Project
Deca Homes Our Lady of Guadalupe	2015-201	September 28, 2015	3 years	New Developer of Economic and Low-Cost Housing Project
Deca Homes Pavia Resort Residences	2015-202	September 28, 2015	4 years	New Developer of Economic and Low-Cost Housing Project
Urban Deca Homes Campville	2015-234	September 28, 2015	3 years	Developer of Low-cost Mass Housing Project
Marseilles Subdivision	2015-235	November 2, 2015	4 years	New Developer of Economic and Low-Cost Housing Project
Deca Clark Residences & Resort Phase 3&4	2015-236	November 3, 2015	3 years	Expanding Developer of Economic and Low-Cost Housing Project
Deca Clark Residences & Resort Phase 7&8	2015-237	November 3, 2015	3 years	Expanding Developer of Economic and Low-Cost Housing Project
Deca Homes Resort Residences Prime	2015-273	December 14, 2015	3 years	New Developer of Economic and Low-Cost Housing Project
Deca Homes Baywalk - Talisay III	2016-205	October 4, 2016	3 years	Expanding Developer of Low-cost Mass Housing Project
Urban Deca Homes H. Cortes	2016-206	October 4, 2016	3 years	New Developer of Economic and Low-Cost Housing Project
Urban Deca Homes Hampton	2016-254	December 14, 2016	4 years	New Developer of Economic and Low-Cost Housing Project
Urban Deca Homes Manila	2017-004	January 4, 2017	3 years	New Developer of Economic and Low-Cost Housing Project
Deca Homes Mulig	2017-264	September 11, 2017	4 years	New Developer of Economic and Low-Cost Housing Project
Deca Homes Pavia Resort Residences Phase 2	2017-291	October 25, 2017	3 years	Expanding Developer of Economic and Low-Cost Housing Project
Urban Deca Homes Marilao Subd	2017-336	December 13, 2017	4 years	New Developer of Economic and Low-cost Housing Project
Urban Deca Homes Mahogany	2017-337	December 13, 2017	4 years	New Developer of Economic and Low-Cost Housing Project
Urban Deca Homes Marilao	2017-337	February 8, 2018	4 years	New Developer of Economic and Low-Cost Housing Project
Urban Deca Homes South Bacolod	2017-337	March 13, 2018	4 years	New Developer of Economic and Low-Cost Housing Project
Dec Hones Gensan 1	2018-054	March 13, 2018	4 years	New Developer of Economic and Low-Cost Housing Project
Deca Homes Ormoc Gregoria Residences	2019-262	December 4, 2019	4 years	New Developer of Economic and Low-Cost Housing Project
Deca Homes Sta. Barbara Resort Residences	2018-276	December 18, 2018	4 years	New Developer of Economic and Low-Cost Housing Project
DECA Clark Residences & Resort Phase 9,10&11	2018-055	March 13, 2018	4 years	New Developer of Economic and Low-cost
Urban Deca Homes Marilao Phase 2B	2017-291	March 12, 2020	3 years	Expanding Developer of Economic and Low-Cost Housing Project

Deca Homes Meycauayan	2020-048	March 12, 2020	4 years	New Developer of Economic and Low-cost Housing Project
Deca Homes Talmo Phase 1 and Phase 2	2020-045	March 12, 2020	4 years	New Developer of Economic and Low-Cost Housing Project
Urban Deca Homes Marilao Phase 2A	2020-046	March 12, 2020	3 years	Expanding Developer of Economic and Low-Cost Housing Project
Urban Deca Homes Banilad – Tower 1,2,3	2020-138	August 24, 2020	4 years	New Developer of Economic and Low-Cost Housing Project
Deca Clark Resort Residences and Resort Phase 12	2020-166	September 14, 2020	3 years	Expanding Developer of Economic and Low-Cost Housing Project
Deca Homes Leganes Site 1,2,3,4 & 5	2022-104	July 19, 2022	4 years	Expanding Developer of Economic and Low-Cost Housing Project

Pursuant to the above registrations, the Group had been granted income tax holiday (ITH) or a period of three to four years from the date of registration or actual start of commercial operation, whichever is earlier, subject to certain conditions. Interest income from in-house financing is not covered by ITH.

The Group shall be entitled to ITH provided that it maintains a 75:25 debt-equity ratio as required by the BOI. In the event that the Group fails to maintain the ratio requirement, the Group shall present evidence that the construction of housing units have been completed and delivered to the buyers prior to the availment of ITH; otherwise, the Group shall not be entitled to ITH and shall be required to refund any capital incentives availed.

The Group's debt-to-equity ratios per subsidiary that has BOI-registered projects is as follows:

	8990 HDC		8990 LHDC		DHDC	
	2023	2022	2023	2022	2023	2022
Total liabilities	<b>49,397,171,035</b>	48,580,600,968	<b>1,131,768,538</b>	1,398,235,325	<b>475,872,429</b>	562,165,444
Total equity	<b>30,788,775,250</b>	28,856,041,334	<b>3,427,418,399</b>	3,372,005,397	<b>807,270,740</b>	810,280,800
Debt equity ratio	<b>62:38</b>	63:37	<b>25:75</b>	29:71	<b>36:64</b>	41:59

	THC		FHI		PLI	
	2023	2022	2023	2022	2023	2022
Total liabilities	<b>6,573,025,386</b>	6,517,590,548	<b>998,204,490</b>	904,740,923	<b>3,443,445,423</b>	2,946,341,364
Total equity	<b>12,485,624,465</b>	12,001,524,350	<b>3,508,604,802</b>	3,422,016,142	<b>3,854,114,032</b>	2,655,121,959
Debt equity ratio	<b>34:66</b>	35:65	<b>22:78</b>	21:79	<b>47:53</b>	53:47

The Group is in compliance with BOI's required ratio as of the end of each reporting period.

## 29. RELATED PARTY TRANSACTIONS

The Group has entered into transactions with related parties principally consisting of cash advances and reimbursement of expenses. Settlement of outstanding balances of advances is made through cash or offsetting as maybe agreed by the parties. As of December 31, 2023, 2022 and 2021, the Group recognized allowance for credit losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party through liquidity approach and considered time value of money as well as the market in which the related party operates [see Note 4.1(a)(iii)].

## 29.1 Related Party Transactions and Outstanding Balances

The summary of the Group's transactions and the related outstanding balances with related parties is presented below and in the succeeding page.

2023			
Category	Amount of Transactions	Outstanding Balance	Terms and Conditions
<b>Stockholders</b>			
Due from related parties	-	323,714,322	Noninterest-bearing, payable on demand, unsecured, net of allowance for credit loss
Due to related parties	17,404,692	(217,032,842)	Noninterest-bearing, payable on demand, unsecured
Dividends	(203,500,000)	50,875,000	Cash dividends declared by Parent Company (See Note 20)
<b>Entities under common control</b>			
Due from related parties	1,217,050,459	2,937,937,620	Noninterest-bearing, payable on demand, unsecured, net of allowance for credit loss
Due to related parties	(511,975)	(55,534,638)	Noninterest-bearing, payable on demand, unsecured
Rental income	6,695,405	-	See Notes 13 and 27
<b>Key management personnel</b>			
Compensation	35,929,589	-	
<b>Plan assets</b>		15,034,998	See Note 26
2022			
Category	Amount of Transactions	Outstanding Balance	Terms and Conditions
<b>Stockholders</b>			
Due from related parties	203,562,593	323,714,322	Noninterest-bearing, payable on demand, unsecured, net of allowance for credit loss
Due to related parties	(207,206,419)	(234,437,534)	Noninterest-bearing, payable on demand, unsecured
Dividends	(504,815,000)	50,875,000	Cash dividends declared by Parent Company (See Note 20)
<b>Entities under common control</b>			
Due from related parties	511,987,686	1,720,887,161	Noninterest-bearing, payable on demand, unsecured, net of allowance for credit loss
Due to related parties	(395,927)	(55,022,663)	Noninterest-bearing, payable on demand, unsecured
Rental income	7,782,638	-	See Notes 13 and 27
<b>Key management personnel</b>			
Compensation	31,736,344	-	
<b>Plan assets</b>		15,306,235	See Note 26

2021			
Category	Amount of Transactions	Outstanding Balance	Terms and Conditions
Stockholders			
Due from related parties	(129,262,088)	120,151,729	Noninterest-bearing, payable on demand, unsecured, net of allowance for credit loss
Due to related parties	(3,869,541)	(27,231,115)	Noninterest-bearing, payable on demand, unsecured
Dividends	(1,608,413,144)	50,875,000	Cash dividends declared by Parent Company (See Notes 20 and 8)
Entities under common control			
Due from related parties	263,669,343	1,208,899,475	Noninterest-bearing, payable on demand, unsecured, net of allowance for credit loss
Due to related parties	155,497,701	(54,626,736)	Noninterest-bearing, payable on demand, unsecured
Rental income	573,823	-	See Notes 13 and 27
Key management personnel			
Compensation	17,844,004	-	See Note 26
Plan assets		14,749,894	

Other related parties are entities owned and controlled by the certain shareholders of the Group which are considered related to the Group by virtue of common ownership and control.

The details of the Group's due from related parties are presented below.

	2023	2022	2021
Balance at beginning of year, net of allowance	<b>2,044,601,483</b>	1,329,051,204	1,194,643,949
Cash advances provided	<b>1,276,352,378</b>	900,335,484	307,115,403
Collections		(35,342)	(129,262,088)
Provision for credit losses	<b>(59,301,919)</b>	(184,749,863)	(43,446,060)
	<b>3,261,651,942</b>	2,044,601,483	1,329,051,204

A reconciliation of the allowance for credit losses at the beginning and end of the year is shown below.

	2023	2022	2021
Balance at beginning of year	<b>385,635,740</b>	200,885,878	157,439,818
Impairment losses during the year	<b>59,301,919</b>	184,749,862	70,809,058
Recovery	-	-	(27,362,998)
	<b>444,937,659</b>	385,635,740	200,885,878

The expected credit losses recognized is presented as part of Expected credit loss and impairment losses under Operating Expenses (see Note 23).

8990 HDC entered into an agreement with 8990 Commercial Management Corporation (8990 CMC), an entity owned by a major stockholder, wherein the investment property of the former will be used, managed and maintained by the latter. Any income generated by and any expenses related to the property shall be for the account of 8990 CMC (see Note 13).

The Group shoulders the administrative/accounting cost of certain other related parties at no cost.

## 29.2 Key Management Compensation

The key management personnel of the Group include all directors, executive, and members of senior management. The compensation and short-term benefits of key management personnel amounted to P36.0 million, P31.7 million and P17.8 million in 2023, 2022 and 2021, respectively (see Note 23). Post-employment benefits of key management personnel amounted to P0.9 million, P0.8 million and P 1.0 million in 2023, 2022 and 2021, respectively.

## 30. COMMITMENTS, PROVISIONS AND CONTINGENCIES

### 30.1 Provisions and Contingencies

In the normal course of business, the Group is involved in various commitments wherein contingencies are also involved. In the opinion of the management, such contingencies will not have a material effect on the Group's consolidated financial statements. Nevertheless, there were certain provisions for probable losses in 2023, 2022 and 2021, respectively, that were recognized by the Group. Total provisions for probable losses recognized as at December 31, 2023, 2022 and 2021 amounted to P56.1 million , P56.1 million and P56.1 million and are presented as part of Others in Trade and Other Payables (see Note 15). The details of these provisions were not disclosed since these may prejudice the position of the Group.

### 30.2 Commitments

The 8990 Group and the related entities have a contractual commitment to be jointly and severally liable for all of their monetary obligations to a local bank as disclosed in Note 17.

## 31. EARNINGS PER SHARE

Basic EPS is calculated by dividing the net profit for the year after deducting preferred dividends by the weighted average number of common shares outstanding during the reporting period (adjusted for any stock dividends, if any).

The following table reflect the net profit and share data used in the basic/diluted EPS computations:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net profit attributable to equity holders of 8990 Holdings, Inc.	P 6,884,536,038	P 7,635,444,219	P 7,214,932,207
Less: preferred dividends	<u>(203,500,000)</u>	<u>(504,815,500)</u>	<u>(504,815,500)</u>
Net profit after preferred dividends	P 6,681,036,038	P 7,130,629,219	P 6,710,117,207
Divided by weighted average number of common shares	<u>5,391,399,020</u>	<u>5,391,399,020</u>	<u>5,391,399,020</u>
Basic/diluted EPS	<u>P 1.24</u>	<u>P 1.32</u>	<u>P 1.24</u>

There were no potential dilutive common shares in 2023, 2022, and 2021.

## 32. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

### 32.1 Supplemental Information on Non-cash Operating and Investing Activities

The following are the significant non-cash transactions of the Group:

(a) 2023

- 32.1.1 The Group recognized interest income from loans to a third party amounting to P 39.4 million, none was uncollected as at December 31, 2023 (see Note 8).
- 32.1.2 The inventories increased by P7.2 billion as a result of repossessions due to cancellations of sales (see Note 9).

(b) 2022

- 32.1.3 The Group recognized interest income from loans to a third party amounting to P63.5 million, of which, P3.6 million was uncollected as at December 31, 2022 (see Note 8).
- 32.1.4 The inventories increased by P6.5 billion as a result of repossessions due to cancellations of sales (see Note 9).

(c) 2021

- 32.1.5 The Group recognized interest income from loans to a third party amounting to P63.5 million, of which, P4.5 million was uncollected as at December 31, 2021 (see Note 8).
- 32.1.6 The inventories increased by P5.98 billion as a result of repossessions due to cancellations of sales (see Note 9).

### 32.2 Reconciliation 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.

	Due to Related Parties (see Note 29)	Bonds and Notes Payable (see Note 18, 19)	Loans Payable (see Note 17)	Total
Balance at January 1, 2023	289,460,197	-	41,979,352,441	42,268,812,638
Cash flows from financing activities:				
Advances received	511,975	-	-	511,975
Advances settled	(17,404,692)	-	-	(17,404,692)
Loan availments	-	-	17,297,675,121	17,297,675,121
Loan repayments	-	-	(23,758,474,997)	(23,758,474,997)
Availment of notes	-	6,500,000,000	-	6,500,000,000
Balance at December 31, 2023	272,567,480	6,500,000,000	35,518,552,565	42,291,120,044

	Due to Related Parties (see Note 29)	Bonds and Notes Payable (see Note 18, 19)	Loans Payable (see Note 17)	Total
Balance at January 1, 2022	81,857,852	1,092,631,999	29,869,174,726	31,043,664,577
Cash flows from financing activities:				
Advances received	207,726,125	-	-	207,726,125
Advances settled	(123,780)	-	-	(123,780)
Loan availments	-	-	17,726,550,164	17,726,550,164
Loan repayments	-	-	(5,616,372,449)	(5,616,372,449)
Payment of notes	-	(500,000,000)	-	(500,000,000)
Payments of bonds	-	(599,882,750)	-	(599,882,750)
Non-cash financing activities:				-
Loss on Early Redemption	-	6,592,275	-	6,592,275
Amortization of bond issue costs	-	658,476	-	658,476
Balance at December 31, 2022	289,460,197	-	41,979,352,441	42,268,812,638

	Due to Related Parties (see Note 29)	Bonds and Notes Payable (see Note 18, 19)	Loans Payable (see Note 17)	Total
Balance at January 1, 2021	233,486,011	1,891,475,045	31,212,905,255	33,337,866,311
Cash flows from financing activities:				
Advances received	1,554,822	-	-	1,554,822
Advances settled	(153,182,981)	-	-	(153,182,981)
Loan availments	-	-	18,728,439,481	18,728,439,481
Loan repayments	-	-	(20,072,170,010)	(20,072,170,010)
Issuance of notes	-	-	-	-
Payments of bonds	-	(800,000,000)	-	(800,000,000)
Non-cash financing activities:				-
Amortization of bond issue costs		1,156,954		1,156,954
Balance at December 31, 2021	81,857,852	1,092,631,999	29,869,174,726	31,043,664,577

### 33. SUBSEQUENT EVENTS

#### 33.1 Optional Redemption of Series B Preferred Shares

On January 11, 2024, the Board of Directors approved the Company's Optional Redemption of its outstanding Series B Non-voting, Non-Convertible, Non-Participating, Redeemable, and Perpetual Preferred Shares ("Series B Preferred Shares" or "8990B") listed on the Philippine Stock Exchange. The redemption, in accordance with the terms outlined in the Prospectus dated January 26, 2021, will take effect on February 10, 2024, the third anniversary of the Issue Date.

The redemption price per share is Php100.00, plus any accrued and unpaid cash dividends and arrears of dividends, less applicable transfer costs. Payment will be made through check starting February 10, 2024, to shareholders of record as of January 29, 2024. The redeemed shares will be recorded as treasury stock of the Company. Upon redemption, the Series B Preferred Shares shall be considered retired.

On February 10, 2024, the Parent Company completed the redemption of all Series B Preferred Shares. The cost amounted to P 3,693,700,000.

### **33.2 Expansion of Share Buyback Program**

On February 20, 2024, the Board of Directors approved the expansion and extension of the Company's existing share buyback program, initially sanctioned on February 1, 2019 ("Share Buyback Program").

The revised terms are as follows:

- Period - Up to twelve (12) months from the date of board approval (or until 20 February 2025), unless period is otherwise extended or shortened by the Board of Directors
- Amount Allocated - Up to Php7 Billion worth of common shares
- Conditions:
  - The share Buyback program will not involve any active and widespread solicitation of stockholders of the Company to sell their shares.
  - The Share Buyback Program will be implemented in the open market through the trading facilities of the Philippine Stock Exchange.
  - The Company shall repurchase shares using cash and book them as treasury shares.
  - The share buyback program will be implemented in an orderly manner and will not (and should not) affect any of the Company's prospective and existing projects and investments.
  - Any share buyback implemented shall take into account the need to maintain the liquidity of the Company's stock in the market, as well as public ownership requirements.

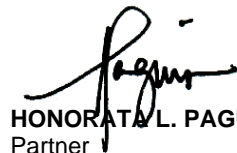


## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Shareholders and Board of Directors  
**8990 Holdings, Inc. and Subsidiaries**  
11th Floor Liberty Center  
104 H.V. Dela Costa, Salcedo Village  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of **8990 Holdings, Inc. and Subsidiaries** as at and for the year ended December 31, 2023 and issued our report thereon dated April 24, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's Management. These schedules are presented for purpose of complying with the Securities Regulation Code (SRC) 68, as amended, and are not part of the consolidated financial statements. These supplementary schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and in our opinion, the information fairly states in all material respects the financial data required to be set forth therein in relation to the consolidated financial statements taken as a whole.

**RAMON F. GARCIA & CO., CPAs**  
By:



**HONORATA L. PAGUIO**  
Partner

CPA Certificate No. 0078850  
PTR No. 10109963, January 25, 2024, Makati City  
TIN 105-540-683-000  
BOA/PRC Accreditation No. 0207 (April 9, 2023 to October 5, 2025)  
Partner's BIR Accreditation No. 08-001759-003-2020 (March 13, 2023 to March 12, 2026)  
Partner's SEC Accreditation No. 78850, Group A (Valid for the audit of 2019 to 2023 financial statements)  
Firm's BIR Accreditation No. 08-001759-000-2020 (March 13, 2023 to March 12, 2026)  
Firm's SEC Accreditation No. 0207-SEC-A (Valid for the audit of 2021 to 2025 financial statements)

April 24, 2024  
Makati City

8990 HOLDINGS INC. AND ITS SUBSIDIARIES  
INDEX TO PARENT COMPANY FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES  
DECEMBER 31, 2023

Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68

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	Financial Assets at Fair Value Through Other Comprehensive Income	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Long-Term Debt	4
E	Indebtedness to Related Parties	None
F	Guarantees of Securities of Other Issuers	None
G	Capital Stock	5
Other Required Schedules/Information		
	Financial Indicators	6
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	Map Showing the Relationship Between and Among Related Entities	9 - 11

**8990 HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE A - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**  
**DECEMBER 31, 2023**  
*(Amounts in Philippine Pesos)*

Name of Issuing Entity and Association of Each Issue	Amount Shown in the Consolidated Statement of Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
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**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

**Azalea Resorts and Vacation Club, Inc.**

Preferred shares	₱23,112,000	₱—*	₱—
Common shares	5,000,000		

**Azalea Leisure Residences Corporation**

Preferred shares	1,334,530,886	—*	—
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**Pico de Loro Beach and Country Club**

Club shares	633,500	—*	—
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\*The shares are unquoted instruments

**8990 HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES**  
**AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**  
**DECEMBER 31, 2023**

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written-off	Current	Not Current	
Azalea Leisure Residences Corporation	307,370,286	67,077,989	-	-	374,448,275	-	374,448,275
Yumahouse, Inc.	436,368,143	417,274	-	-	436,785,417	-	436,785,417
iHoldings	72,954,974	-	-	-	72,954,974	-	72,954,974
Kwantlen Development Corporation	45,000,000	-	-	-	45,000,000	-	45,000,000
New Ideas Verbalize, Inc.	24,035,044	1,500	-	-	24,036,544	-	24,036,544
Bon Giorno Homes, Inc.	16,354,311	-	-	-	16,354,311	-	16,354,311
8990 Cebu Housing Development Corporation	13,727,784	142,210	-	-	13,869,994	-	13,869,994
8990 Iloilo Housing Development Corporation	11,993,180	-	-	-	11,993,180	-	11,993,180
8990 Commercial Management Corporation	4,986,357	90,100	-	-	5,076,457	-	5,076,457
Modernland	1,197,604	5,400,014	-	-	6,597,618	-	6,597,618
Tondo Condo Corp	151,728,336	-	-	-	151,728,336	-	151,728,336
Hampton Condo Corp	38,224,268	-	-	-	38,224,268	-	38,224,268
UDHHcortes Condo Corp	36,587,615	1,543,433	-	-	38,131,048	-	38,131,048
UDH Tisa Condo Corp	41,466,945	8,076,894	-	-	49,543,839	-	49,543,839
Campville Condo Corp	39,334,228	485,560	-	-	39,819,788	-	39,819,788
Marilao Condo Corp	42,409,481	7,471,677	-	-	49,881,158	-	49,881,158
Others	<u>1,146,498,667</u>	<u>1,739,118,082</u>	<u>(553,472,355)</u>	<u>-</u>	<u>2,332,144,394</u>	<u>-</u>	<u>2,332,144,394</u>
<b>TOTAL</b>	<b><u>2,430,237,223</u></b>	<b><u>1,829,824,732</u></b>	<b><u>(553,472,355)</u></b>	<b><u>-</u></b>	<b><u>P 3,706,589,600</u></b>	<b><u>-</u></b>	<b><u>P 3,706,589,600</u></b>

**8990 HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written-off	Current	Not Current	
8990 Housing Development Corporation	P 4,202,037,210	P 4,965,345,127	P (3,755,769,357)	-	P 5,411,612,980	-	P 5,411,612,980
8990 Luzon Housing Development Corporation	215,606,329	166,329,688	(164,776,002)	-	217,160,015	-	217,160,015
8990 Mindanao Housing Development Corporation	205,911,674	143,359,227	(122,647,541)	-	226,623,360	-	226,623,360
8990 Davao Housing Development Corporation	332,510,108	38,297,508	(98,791,175)	-	272,016,441	-	272,016,441
8990 Leisure and Resorts Corporation	313,414,198	47,245,657	(30,712,039)	-	329,947,816	-	329,947,816
Fog Horn, Inc.	9,274,340	41,777,701	(42,559,139)	-	8,492,902	-	8,492,902
Tondo Holdings, Inc.	3,555,744,406	2,270,277,917	(2,262,824,893)	-	3,563,197,430	-	3,563,197,430
Euson Realty and Development Corporation	3,188,305,958	13,969,197	(8,777,878)	-	3,193,497,277	-	3,193,497,277
8990 Coastal Estates Inc.	495,882,309	24,624,258	-	-	520,506,567	-	520,506,567
Primex Land, Inc.	180,430,323	1,559,655,940	(1,255,691,756)	-	484,394,507	-	484,394,507
Genvi Development Corporation	2,080,389,537	391,199,178	(298,096,120)	-	2,173,492,595	-	2,173,492,595
8990 Holdings Inc.	4,291,235,562	7,132,359	(2,910,473,195)	-	1,387,894,726	-	1,387,894,726
Picadilly Premier Land Inc.	300,000,000	123,000,000	-	-	423,000,000	-	423,000,000
	<b>P 19,370,741,954</b>	<b>P 9,792,213,757</b>	<b>P (10,951,119,094)</b>	<b>P -</b>	<b>P 18,211,836,617</b>	<b>-</b>	<b>P 18,211,836,617</b>

**8990 HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE D - LONG-TERM DEBT**  
**DECEMBER 31, 2023**

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under Caption "Current Portion of Long Term Debt" in Related Balance Sheet	Amount Shown under Caption "Long-Term Debt" in Related Balance Sheet
Loans payable	₱35,518,552,565	₱ 18,423,483,279	₱ 17,095,069,286
Notes Payable	₱6,500,000,000	₱ 459,211,387	₱6,040,788,613

**8990 HOLDINGS, INC.**  
**SCHEDULE G - CAPITAL STOCK**  
**DECEMBER 31, 2023**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		Others
				Related parties	Directors, Officers and Employees	
Common Shares at ₱1 par value	6,850,000,000	5,391,399,020	—	3,611,241,620	432,021,796	1,348,135,604
Preferred Shares Series A at ₱1 par value	50,000,000	-	—	—	—	-
Preferred Shares Series B at ₱1 par value	50,000,000	37,000,000	—	—	—	37,000,000
Preferred Shares ₱ 0.01 par value	5,000,000,000	-	-	-	-	-

**8990 HOLDINGS, INC. AND SUBSIDIARIES**  
**Supplemental Schedule of Financial Soundness Indicators**  
**December 31, 2023 and 2022**

<b>Ratio</b>	<b>Formula</b>	<b>December 31, 2023</b>	<b>Formula</b>	<b>December 31, 2022</b>
Current ratio	Total Current Assets	71,920,952,756	Total Current Assets	61,649,116,255
	Divided by Total Current Liabilities	28,451,671,134	Divided by Total Current Liabilities	30,855,392,885
		2.53		2.00
Acid test ratio	Total Current Assets	71,920,952,756	Total Current Assets	61,649,116,255
	Less: Inventories	52,330,267,709	Less: Inventories	46,721,266,042
	Other Current Assets	5,874,365,517	Other Current Assets	5,532,281,150
	Quick Assets	13,716,319,530	Quick Assets	9,395,569,063
	Divide by: Total Current Liabilities	28,451,671,134	Divide by: Total Current Liabilities	30,855,392,885
	Acid test ratio	0.48	Acid test ratio	0.30
Solvency ratio	Total Liabilities	53,656,787,251	Total Liabilities	54,679,785,964
	Divided by Total Assets	108,986,410,818	Divided by Total Assets	103,337,232,935
		0.49		0.53
Debt-to-equity ratio	Total Liabilities	53,656,787,251	Total Liabilities	54,679,785,964
	Divided by Total Equity*	55,226,929,327	Divided by Total Equity*	48,566,934,973
		0.97		1.13
Assets-to- equity ratio	Total Assets	108,986,410,818	Total Assets	103,337,232,935
	Divided by Total Equity*	55,226,929,327	Divided by Total Equity*	48,566,934,973
		1.97		2.13
Interest rate coverage ratio	Earnings before interest and taxes (EBIT)	10,048,003,948	Earnings before interest and taxes (EBIT)	10,348,927,461
	Divide by: Interest Expense	2,194,363,343	Divide by: Interest Expense	1,909,513,201
		4.58		5.41
Return on equity	Net Profit	6,884,536,038	Net Profit	7,635,444,219
	Divide by: Total Equity*	55,226,929,327	Divide by: Total Equity*	48,566,934,973
		0.12		0.16
Return on assets	Net Profit**	6,884,536,038	Net Profit**	7,635,444,219
	Divide by: Total Assets	108,986,410,818	Divide by: Total Assets	103,337,232,935
		0.06		0.07
Net profit margin	Net Profit**	6,884,536,038	Net Profit**	7,635,444,219
	Divide by: Total Revenue	22,664,559,524	Divide by: Total Revenue	21,636,671,745
		0.30		0.35

\*Equity Holder of 8990 Holdings Inc.

\*\*Net profit attributable to Equity Holdings of 8990 Holdings Inc.



**Reconciliation of Retained Earnings Available for Dividend Declaration**

For the reporting period ended December 31, 2023

**8990 HOLDINGS INC.**

11<sup>th</sup> Floor Liberty Center, 104 H.V. Dela Costa, Salcedo Village, Makati City

<b>Unappropriated Retained Earnings, beginning of reporting period</b> (See footnote 2)	<b>3,967,665,943</b>
<b>Add: Category A: Items that are directly credited to Unappropriated Retained Earnings</b>	
Reversal of Retained Earnings Appropriation/s	
Effect of restatements or prior-period adjustments	
Others (describe nature)	
	<b>0</b>
<b>Less: Category B: Items that are directly debited to Unappropriated Retained Earnings</b>	
Dividend declaration during the reporting period	(203,500,000)
Retained Earnings appropriated during the reporting period	
Effect of restatements or prior-period adjustments	
Others (describe nature)	
	<b>-203,500,000</b>
<b>Unappropriated Retained Earnings, as adjusted</b>	<b>3,764,165,943</b>
<b>Add/Less: Net Income (loss) for the current year</b>	<b>2,795,985,456</b>
<b>Less: Category C.1: Unrealized Income recognized in the profit or loss during the reporting period (Net of tax)</b>	
Equity in net income of associate/joint venture, net of dividends declared	(34,393,580)
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	
Unrealized fair value through profit or loss (FVTPL)	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	
Sub-total	<b>-34,393,580</b>
<b>Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax).</b>	
Realized foreign exchange gain, except those attributable to cash and cash equivalents	
Realized fair value adjustments (market-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	
Realized fair value gain of Investment property	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	
Sub-total	<b>0</b>
<b>Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)</b>	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	
Reversal of previously recorded fair value adjustment (mark-to-mark gains) of financial instruments at fair value through profit or loss (FVTPL)	
Reversal of previously recorded fair value gain of investment property	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature).	
Sub-total	<b>0</b>
<b>Adjusted Net Income/Loss</b>	<b>2,761,591,876</b>

**Reconciliation of Retained Earnings Available for Dividend Declaration**

For the reporting period ended December 31, 2023

**8990 HOLDINGS INC.**11<sup>th</sup> Floor Liberty Center, 104 H.V. Dela Costa, Salcedo Village, Makati City**Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)**

Depreciation on revaluation increment (after tax)	
Sub-total	0

**Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP**

(See Footnote 3)

Amortization of the effect of reporting relief

Total amount of reporting relief granted during the year

Others (describe nature)

Sub-total	0
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**Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution**

Net movement of treasury shares (except for reacquisition of redeemable shares)

Net movement of deferred tax asset not considered in the reconciling items under the previous categories

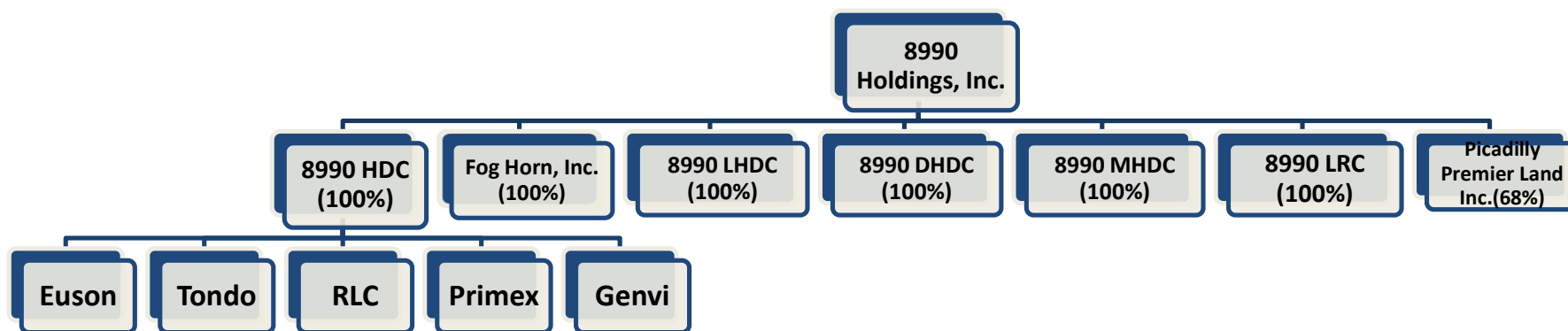
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up right of use asset and lease liability, set-up asset and concession payable.

Adjustment due to deviation from PFRS/GAAP - gain (loss)

Others (Tax effect of accumulated share in net income of associate as of December 31, 2022)	20,291,219.00	20,291,219
Sub-total		20,291,219

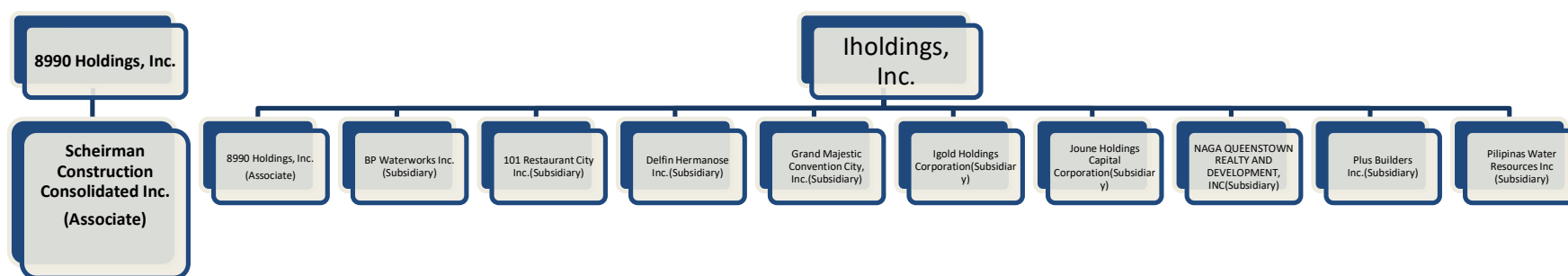
<b>Total Retained Earnings, end of the reporting period available for dividend</b>	<b>6,546,049,038</b>
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**8990 HOLDINGS, INC. AND SUBSIDIARIES**  
**MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG**  
**THE PARENT COMPANY AND ITS SUBSIDIARIES**  
**DECEMBER 31, 2023**



**Schedule II**

**8990 HOLDINGS, INC. AND SUBSIDIARIES  
MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG  
THE PARENT COMPANY AND ITS SUBSIDIARIES  
DECEMBER 31, 2023**



**8990 HOLDINGS, INC. AND SUBSIDIARIES**  
**MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG**  
**THE PARENT COMPANY AND ITS SUBSIDIARIES**  
**DECEMBER 31, 2023**

