



CEBU LANDMASTERS, INC.

(A corporation organized and existing under Philippine laws)

FINAL OFFER SUPPLEMENT

Offer of up to ₱5.0 Billion Sustainability-Linked Bonds¹
Consisting of a Base Offer of ₱3.0 Billion
With an Oversubscription Option of up to ₱2.0 Billion

6.6348% p.a. Three (3) Year Series D Bonds Due 2028
6.9157% p.a. Five (5) Year Series E Bonds Due 2030
at an Issue Price of 100% of Face Value

Under its up to ₱15.0 Billion Debt Securities Program
Rendered effective on September 23, 2022

The Bonds shall be listed and traded through the
Philippine Dealing & Exchange Corp.

ISSUE MANAGER



JOINT LEAD UNDERWRITERS AND JOINT BOOKRUNNERS



TRUSTEE

BPI ASSET MANAGEMENT AND TRUST CORPORATION²

This Final Offer Supplement is dated as of March 6, 2025.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS OFFER SUPPLEMENT IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

¹ Through a letter dated January 23, 2025, and received by Cebu Landmasters, Inc. on January 28, 2025, the Securities and Exchange Commission approved the Company's application for the "Sustainability-Linked Bonds" label.

² The Trustee is the trust and asset management group of the Bank of the Philippine Islands, the parent company of BPI Capital Corporation, the Issue Manager, and one of the Joint Lead Underwriters and Joint Bookrunners.

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Cebu Landmasters, Inc. (“**CLI**”, the “**Issuer**”, or “**Company**”) filed with the Securities and Exchange Commission of the Philippines (“**SEC**”) a registration statement (as amended, the “**Registration Statement**”) relating to the shelf registration and continuous offer and sale to the public in the Philippines, of Philippine Peso-denominated bonds with an aggregate principal amount of up to ₱15.00 billion, which has been rendered effective through SEC MSRD Order No. 70, Series of 2022, dated September 23, 2022 (the “**Debt Securities Program**”).

The bonds under the Debt Securities Program will be issued in tranches within a period of three (3) years from the effectivity of the registration statement, subject to applicable regulations (the “**Shelf Period**”). As stated in the Prospectus dated September 20, 2022 (“**Prospectus**”), the specific terms of the bonds to be issued for each tranche under the Debt Securities Program will be determined by the Issuer considering the prevailing market conditions and provided in an offer supplement to be issued at the time of the relevant offering.

On October 7, 2022, the Issuer issued pursuant to the Debt Securities Program Series A Bonds due 2026, Series B Bonds due 2028, and Series C Bonds due 2029, with an aggregate principal amount of ₱5,000,000,000.00.

This is the final offer supplement (the “**Offer Supplement**”) in respect of the new offer and sale by the Issuer, under its Debt Securities Program, of SEC-Registered, Philippine Peso-denominated, sustainability-linked bonds consisting of Series D Bonds due 2028 (the “**Series D Bonds**”) and Series E Bonds due 2030 (the “**Series E Bonds**”), with a base offer of ₱3,000,000,000.00 (the “**Base Offer**”) and an oversubscription option of up to ₱2,000,000,000.00 (the “**Oversubscription Option**”, and together with the Base Offer, the “**Sustainability-Linked Bonds**”, the “**Bonds**”, or the “**Offer**”). Through a letter dated January 23, 2025 which the Company received on January 28, 2025, the SEC approved the “Sustainability-Linked Bonds” label application of the Company.

This Offer Supplement contains the final terms of the Bonds to be issued in relation to the Offer. Moreover, this Offer Supplement provides updates of relevant information contained in the Prospectus (dated September 20, 2022). Capitalized terms used in this Offer Supplement are defined under “*Glossary of Terms*” of this Offer Supplement or elsewhere in this Offer Supplement.

BPI Capital Corporation (“**BPI Capital**”) has been appointed as the Issue Manager and together with China Bank Capital Corporation (“**Chinabank Capital**”), PNB Capital and Investment Corporation (“**PNB Capital**”), and RCBC Capital Corporation (“**RCBC Capital**”), have been appointed as Joint Lead Underwriters and Joint Bookrunners for the Offer (the “**Joint Lead Underwriters and Joint Bookrunners**”).

The Bonds will be issued at par (or 100% of face value) on March 21, 2025 (or the immediately succeeding Business Day if such Issue Date is not a Business Day, or such other date as the Issuer and the Joint Lead Underwriters and Joint Bookrunners may agree upon) (the “**Issue Date**”).

The Bonds will be comprised of Series D Bonds and Series E Bonds. The Series D Bonds and the Series E Bonds shall bear interest on its outstanding principal amount from and including the Issue Date at the interest rate *per annum* equivalent to either (i) the applicable Original Interest Rate (as defined below) per series; or (ii) the applicable Original Interest Rate per series adjusted for the occurrence of one or both Trigger Events (as defined below).

Interest on the Sustainability-Linked Bonds shall be calculated on a European 30/360-day count basis and shall be paid quarterly in arrears commencing on June 21, 2025 for the first Interest Payment Date

and September 21, December 21, March 21, and June 21 of each year for each subsequent Interest Payment Date while the Sustainability-Linked Bonds are outstanding. In the event that any Interest Payment Date is not a Business Day, such Interest Payment Date shall be paid on the immediately succeeding Business Day without any adjustment to the amount due. The last Interest Payment Date shall fall on the relevant Maturity Date, or the immediately succeeding Business Day if such date is not a Business Day, without any adjustment to the amount due, provided that if the Issue Date is set at a date other than March 21, 2025, then the Interest Payment Dates will be automatically adjusted to the numerically corresponding dates at every quarter following the actual Issue Date.

Unless otherwise earlier redeemed or purchased and cancelled, the Bonds shall be redeemed at 100% of face value on their respective Maturity Dates. For a more detailed discussion on the terms and conditions of the Bonds (including the redemption of the Bonds), please refer to the discussion under the section “*Description of the Bonds*” of this Offer Supplement.

The Bonds shall be issued in minimum denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter. The Bonds shall be traded in denominations of ₱10,000.00 in the secondary market.

Upon issuance, the Bonds shall constitute the direct, unconditional, unsubordinated, and unsecured obligations of the Issuer and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsubordinated and unsecured indebtedness of the Issuer, contingent or otherwise, other than indebtedness mandatorily preferred by operation of law and not by contract, and preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation, or other similar laws affecting the enforcement of creditors’ rights generally and by general principles of equity (but not the preference or priority established by Article 2244(14)(a) of the Civil Code of the Philippines), but in the event of insolvency, such financial obligations shall be absolute and unconditional only to the extent permitted by applicable law relating to creditors’ rights generally. The Bonds shall effectively be subordinated in right of payment to the Issuer’s secured debts in respect of and to the extent of the value of the assets securing such debt.

The Bonds have been assigned an issue credit rating of PRS Aa plus from the Philippine Rating Services Corporation (“**PhilRatings**”). Obligations rated PRS Aa plus are of high quality and are subject to very low credit risk. Furthermore, a Stable Outlook is assigned when a rating is likely to be maintained or to remain unchanged in the next 12 months. The rating and outlook reflect the following key considerations: (1) sound management and strategy, with a sustained competitive advantage in the Visayas and Mindanao (“**VisMin**”) markets as evidenced by its growth over the last few years; (2) sustained earnings growth on account of the Company’s real estate sales; (3) adequate interest coverage ratios despite a more leveraged capital positions; and (4) threats from a highly competitive market, with peers having access to significant capital and substantial landbank.

A rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by PhilRatings. The rating is subject to regular annual reviews, or more frequently as market developments may dictate, while the Bonds are outstanding.

The Issuer expects to raise gross proceeds in the aggregate amount of ₱3.00 billion. The net proceeds are estimated to be approximately ₱2.96 billion for a ₱3.00 billion issue size or ₱4.94 billion for a ₱5.00 billion issue size, assuming full exercise of the Oversubscription Option, after deducting fees, commissions, and expenses relating to the issuance of the Bonds. Net proceeds of the Offer shall be used to refinance CLI’s maturing obligations in 2025, and for general corporate purposes, among others. For a more detailed discussion on the use of proceeds of the Offer, please see “*Use of Proceeds*” of this Offer Supplement.

As mentioned above, BPI Capital, Chinabank Capital, PNB Capital, and RCBC Capital have been appointed as the Joint Lead Underwriters and Joint Bookrunners for the Offer. The Joint Lead Underwriters and Joint Bookrunners will, in the aggregate, receive a fee of approximately up to ₱12.63 million for the Base Offer or up to a maximum of ₱21.05 million assuming full exercise of the Oversubscription Option or 0.4210530% of the aggregate principal amount of the Bonds. For a more detailed discussion on the Joint Lead Underwriters and Joint Bookrunners and the underwriting and selling fees to be received by them, please see “*Plan of Distribution*” of this Offer Supplement.

Any of the Joint Lead Underwriters and Joint Bookrunners may acquire for its own account a portion of the Bonds.

The Joint Lead Underwriters and Joint Bookrunners identified in this Offer Supplement have underwritten the Offer in the aggregate amount of ₱3.00 billion pursuant to an underwriting agreement executed on or about the date of this Offer Supplement. The Issuer may appoint other underwriters for subsequent tranches or offers under the same Debt Securities Program.

The Issuer reserves the right to withdraw the offer and sale of the Bonds at any time, and any Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, reserves the right to accept, in whole or in part, and/or to allot to any prospective purchaser less than the full amount of the Bonds sought by such purchaser, and/or reject any application to purchase the Bonds. If the Offer is withdrawn or discontinued, the Issuer shall subsequently notify the SEC and, as applicable, the Philippine Dealing & Exchange Corp. (“**PDEX**”).

It is expected that the Bonds will be delivered in book-entry form against payment thereof to the Philippine Depository & Trust Corp. (“**PDTC**”), which has been appointed as the Registrar of the Bonds. It is intended that upon issuance, the Bonds shall be issued in scripless form, with PDTC maintaining the scripless Registry of Bondholders.

The Issuer will apply for the listing of the Bonds in the PDEX. However, there is no assurance that such a listing will actually be achieved either before or after the Issue Date of the Bonds or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing will be subject to the Issuer’s execution of a listing agreement with PDEX that may require the Issuer to make certain disclosures, undertakings, and payments on an ongoing basis.

The Offer will be conducted exclusively in the Philippines and pursuant to the requirements under applicable laws in the Philippines that may be different from those of other countries and jurisdictions. No action has been or will be taken by the Issuer or any person on behalf of the Issuer to permit an offering of the Bonds in any jurisdiction other than the Philippines, where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, nor may any offering material relating to the Bonds be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws of any such country or jurisdiction.

The Issuer (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Offer Supplement, which in the context of the issue and offering of the Bonds, is material (including all information required by the applicable laws in the Philippines), is correct, and that there is no material misstatement or omission of fact which would make any statement in the this Offer Supplement misleading in any material respect. The Joint Lead Underwriters and Joint Bookrunners have exercised reasonable due diligence required by regulations in ascertaining that all material representations contained in this Offer Supplement are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading.

No representation or warranty, express or implied, is made or given by the Joint Lead Underwriters and Joint Bookrunners, the Trustee or the Registrar and Paying Agent, or their respective affiliates or legal advisers as to the accuracy, completeness, or sufficiency of the information contained in the Prospectus and this Offer Supplement, and nothing contained in the Prospectus and this Offer Supplement is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Underwriters and Joint Bookrunners, the Trustee or the Registrar and Paying Agent, or their respective affiliates or legal advisers. The Prospectus and this Offer Supplement are not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by either the Issuer, the Joint Lead Underwriters and Joint Bookrunners, the Trustee or the Registrar and Paying Agent, or their respective affiliates or legal advisers that any recipient of the Prospectus and this Offer Supplement should purchase the Bonds.

No person or group of persons has been authorized by the Issuer and the Joint Lead Underwriters and Joint Bookrunners to give any information or to make any representation concerning the Bonds other

than as contained in this Offer Supplement. If given or made, any such information or representation must not be relied upon as having been authorized by the Issuer or any of the Joint Lead Underwriters and Joint Bookrunners.

All information in this Offer Supplement is as of the date hereof, unless otherwise indicated. Neither the delivery of this Offer Supplement nor any sale made pursuant to this Offer Supplement shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Issuer and its Subsidiaries since such date.

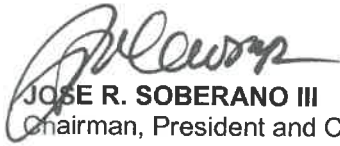
All disclosures, reports, and filings of the Issuer, including those made after the date of this Offer Supplement, submitted to the SEC, PDEX and/or the Philippine Stock Exchange, Inc. ("**PSE**") pursuant to applicable laws and regulations are incorporated or deemed incorporated by reference in this Offer Supplement. Copies of the Company Disclosures (as defined below) may be viewed at the website of the Issuer at www.cebulandmasters.com, at the Electronic Disclosure Generation Technology of the PSE or PSE EDGE, and at the website of the PDS Group. The Company Disclosures contain material and meaningful information relating to the Issuer and its Subsidiaries and investors should review all information in the Company Disclosures as the information is incorporated or deemed incorporated herein by reference.

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

[Signature page follows.]

CEBU LANDMASTERS, INC.

By:


JOSE R. SOBERANO III
Chairman, President and Chief Executive Officer

REPUBLIC OF THE PHILIPPINES)
CITY OF **MAKATI CITY**) ss.

SUBSCRIBED AND SWORN to before me this **MAR 06 2025** affiant exhibiting to me his Philippine Passport with No. P6678430B valid until 20 April 2031 as competent evidence of identity.

Doc. No. **575**;
Page No. **104**;
Book No. **1**;
Series of 2025.




JOHN MATTHEW D. RUIZ
Notary Public for Makati City
Appointment No. M-403 until Dec. 31, 2025
Roll of Attorneys No. 91237
PTR No. 10469943MN • 01/08/2025 • Makati City
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FORWARD LOOKING STATEMENTS

This Offer Supplement contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause the Company's or the Group's actual results, performance, or achievements to be materially different from expected future results; and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Company's or the Group's present and future business strategies and the environment in which the Company or the Group will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance, or achievements to differ materially from those in the forward-looking statements include, among other things:

- the Company's or the Group's ability to successfully manage its activities;
- the Company's or the Group's ability to successfully implement its current and future strategies;
- the Company's or the Group's ability to anticipate and respond to consumer trends;
- the Company's or the Group's ability to develop products and provide services without delays due to regulatory or other causes;
- the Company's or the Group's ability to successfully manage its future business, financial condition, results of operations, and cash flow;
- general political, social, and economic conditions and changes in the Philippines;
- any future political instability in the Philippines;
- changes in interest rates, inflation rates, and the value of the Peso against the U.S. dollar and other currencies;
- increases in inventory, maintenance, and rental costs;
- continued availability of capital and financing at acceptable cost;
- changes in the laws, including tax laws, regulations, policies, and licenses applicable to or affecting the Company or the Group;
- legal or regulatory proceedings in which the Company or the Group is or may become involved;
- uncontrollable events, such as war, civil unrest, or acts of international or domestic terrorism, the outbreak of contagious diseases, accidents, and natural disasters; and
- competition in the real estate industry in the Philippines.

Additional factors that could cause the Company's or the Group's actual results, performance, or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under the section "*Risk Factors and Other Considerations*" and elsewhere in this Offer Supplement. These forward-looking statements speak only as of the date of this Offer Supplement. The Company and the Joint Lead Underwriters and Joint Bookrunners expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's or the Group's expectations with regard thereto or any change in events, conditions, assumptions, or circumstances on which any statement is based.

This Offer Supplement includes statements regarding the Company's or the Group's expectations and projections for future operating performance and business prospects. The words "believe," "plan," "expect," "anticipate," "estimate," "project," "intend," "seek," "target," "aim," "may," "might," "will," "would," "could," "shall," "should," and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offer Supplement are forward-looking statements. Statements in this Offer Supplement as to the opinions, beliefs, and intentions of the Company accurately reflect in all material respects the opinions, beliefs, and intentions of its management as to such matters as of the date of this Offer Supplement, although the Company gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Offer Supplement discloses, under the section "*Risk Factors and Other Considerations*" and elsewhere, important factors that could cause actual results to differ materially from the Company's or the Group's expectations. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by the above cautionary statements.

Should one or more of such risks and uncertainties materialize, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated in the applicable forward-looking statements. Any forward-looking statement or information contained in this Offer Supplement speaks only as of the date the statement was made.

All of the forward-looking statements of the Company made herein and elsewhere are qualified in their entirety by the risk factors discussed in the section “*Risk Factors and Other Considerations*”. These risk factors and statements describe circumstances that could cause actual results to differ materially from those contained in any forward-looking statement in this Offer Supplement.

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GLOSSARY OF TERMS

In this Offer Supplement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“2018 AMLA IRR”	2018 Implementing Rules and Regulations of the AMLA.
“4PH”	Pambansang Pabahay para sa Pilipino Program.
“AB Soberano”	AB Soberano Holdings Corp.
“ACGS”	ASEAN Corporate Governance Scorecard.
“Affiliates”	With respect to any Person, any other Person (a) directly or indirectly Controlling, Controlled by, or under direct or indirect common Control with, such Person, or who is a director or officer of such Person or (b) any Subsidiary of such Person or of any Person referred to in clause (a) of this definition.
“Affordable Housing”³	Units priced below the price ceilings for low-cost and medium-cost housing based on the Joint Memorandum Circular between the DHSUD and the NEDA.
“AMLA”	Anti-Money Laundering Act of 2001 (Republic Act No. 9160), as amended.
“AMLC”	Anti-Money Laundering Council of the Philippines.
“APLMA”	Asia-Pacific Loan Market Association.
“Applicable Interest Rate”	Has the meaning given to such term under the section “ <i>Description of the Bonds – Applicable Interest Rate</i> ”.
“Applicable Law”	Means (i) any statute, law, regulation, ordinance, rule, judgment, order, decree, or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority, and (ii) any directive, guideline, policy or requirement of any Governmental Authority having the force and effect of law.
“Applicant”	A Person seeking to purchase the Series D or Series E Bonds.
“Application”	An application to subscribe to the Bonds.
“Application to Purchase”	The application form accomplished to subscribe to or purchase a specified amount of the Bonds, together with all other requirements set forth in such application form, substantially in the form attached as Annex B of the Underwriting Agreement (and which may also be downloaded from the Issuer’s website).
“ASF”	A.S. Fortuna Property Ventures, Inc.
“AY”	Academic Year.
“Base Offer”	The offer and sale by the Issuer, under its Debt Securities Program,

³ As of the date of this Offer Supplement, the price threshold is currently pegged at below ₱4,900,000.00 for low-cost and below ₱6,600,000.00 for medium-cost based on the Joint Memorandum Circular 2024-001 which may be subject to future updates from the relevant government agencies.

	of SEC-Registered Philippine Peso-denominated sustainability-linked bonds consisting of Series D Bonds due 2028 and Series E Bonds due 2030, with an aggregate principal amount of ₱3,000,000,000.00, pursuant to this Offer Supplement.
“BCDA”	Bases Conversion Development Authority of the Philippines.
“BERDE”	Building for Ecologically Responsive Design Excellence.
“BIR”	Bureau of Internal Revenue of the Philippines.
“BL Ventures”	BL CBP Ventures, Inc.
“Board of Directors” or “Board” or “Directors”	The Board of Directors of CLI.
“BOI”	Board of Investments of the Philippines.
“Bonds” or “Sustainability-Linked Bonds”	Collectively, the Philippine Peso-denominated sustainability-linked bonds consisting of Series D Bonds due 2028 and Series E Bonds due 2030, with a base offer of ₱3,000,000,000.00 and an oversubscription option of up to ₱2,000,000,000.00, as described in this Offer Supplement.
“Bond Agreements”	Collectively, the Trust Agreement (including for the avoidance of doubt, the Terms and Conditions and the Master Certificates of Indebtedness to be issued pursuant to the Trust Agreement), the Underwriting Agreement, and the Registry and Paying Agency Agreement, and any amendments thereto.
“Bondholder”	A Person whose name appears, at any relevant time, as the registered owner of the Bonds in the Registry of Bondholders.
“BP”	<i>Batas Pambansa.</i>
“BP 220”	An Act Authorizing the Ministry of Human Settlements to Establish and Promulgate Different Levels of Standards and Technical Requirements for Economic and Socialized Housing Projects in Urban and Rural Areas from Those Provided under Presidential Decree Nos. 957, 1216, 1096, and 1185 (<i>Batas Pambansa Bilang 220</i>).
“BP 220 IRR”	Implementing Rules and Regulations of BP 220.
“BPI Capital”	BPI Capital Corporation.
“BPO”	Business processing outsourcing.
“BSP”	<i>Bangko Sentral ng Pilipinas.</i>
“Building Code”	National Building Code of the Philippines (Presidential Decree No. 1096).
“Business Day”	A day, other than a public non-working holiday, Saturday, or Sunday on which the BSP’s Philippine Payment and Settlement System (PhilPaSS) and the Philippine Clearing House Corporation (PCHC) (or, in the event of the discontinuance of their respective functions, their respective replacements) are open and available for clearing and settlement, and banks are open for business in Metro Manila, Philippines.

“Call Option Date”	Each of the dates indicated as a <i>“Call Option Date”</i> for the relevant Series under the section <i>“Description of the Bonds – Call Option”</i> , provided, that if the relevant Call Option Date falls on a day that is not a Business Day, then the payment of the Call Option Price shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and Call Option Price to be paid.
“Call Option Price”	Each of the percentage indicated as an <i>“Call Option Price”</i> for the relevant Series under the section <i>“Description of the Bonds – Call Option”</i> .
“CBLRV”	Cebu BL-Ramos Ventures, Inc.
“CCLI”	CCLI Premier Hotels, Inc.
“CDO”	Cagayan de Oro.
“CEO”	Chief Executive Officer.
“CFA”	Chartered Financial Analyst.
“CFO”	Chief Financial Officer.
“Change in Law or Circumstance”	Each of the events described as such under the section <i>“Description of the Bonds – Early Redemption by Reason of Change in Law or Circumstance”</i> .
“Change of Control”	Each of the events described as such under the section <i>“Description of the Bonds – Early Redemption by Reason of Change of Control”</i> .
“CHDI”	Cebu Homegrown Developers, Inc.
“Chinabank Capital”	China Bank Capital Corporation
“CHR”	CLI Hotels and Resorts, Inc.
“CIAC”	Construction Industry Arbitration Commission of the Philippines.
“Civil Code”	Civil Code of the Philippines (Republic Act No. 386).
“CLFI”	Cebu Landmasters Foundation, Inc.
“CLI”	Cebu Landmasters, Inc. and, as the context may require, its Subsidiaries.
“CLIPMI”	Cebu Landmasters Property Management, Inc.
“CLI SLF”	Sustainability-Linked Financing Framework.
“CLI-LITE”	CLI-LITE Panglao Inc.
“Closed Period”	Has the meaning given to such term under paragraph c) of the section <i>“Description of the Bonds - Transfers: Tax Status”</i> .
“Closure Default”	Has the meaning given to such term under the section <i>“Description of the Bonds - Events of Default”</i> .
“CLPM”	Cebu Landmasters Property Management, Inc.

“CNC”	Certificate of Non-Coverage.
“Company”	Cebu Landmasters, Inc. and, as the context may require, its Subsidiaries.
“Company Disclosures”	All disclosures, reports, and filings of the Issuer that are submitted to the SEC, the PSE and the PDEX pursuant to the Revised Corporation Code, the Securities Regulation Code and its implementing regulations, the Consolidated Listing and Disclosure Rules of the PSE, and the Disclosure Rules of the PDEX.
“Control”	As applied to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. The terms “Controlling”, “Controlled by” and “under common Control with” shall have correlative meanings.
“COO”	Chief Operating Officer.
“COVID-19”	2019 Novel Coronavirus Acute Respiratory Disease, which was later renamed as Coronavirus Disease 2019.
“COR”	Certificate of Registration
“CPH”	CLI Premier Hotels Int’l. Inc.
“CREATE Act”	Corporate Recovery and Tax Incentives for Enterprises (Republic Act No. 11534).
“CREATE MORE”	Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (Republic Act No. 12066).
“CSO”	Chief Sustainability Officer.
“CSR”	Corporate Social Responsibility.
“Current Ratio”	For purposes only of the financial covenants under the Bonds, has the meaning given to such term under the section <i>“Description of the Bonds – Financial Covenants”</i> .
“DAR”	Department of Agrarian Reform of the Philippines.
“Debt Securities Program”	The shelf registration and continuous offer and sale to the public in the Philippines, of fixed rate bonds with an aggregate principal amount of up to ₱15.00 billion, rendered effective through SEC MSRD Order No. 70, Series of 2022, dated September 23, 2022.
“Debt-to-Equity Ratio”	For purposes only of the financial covenants under the Bonds, has the meaning given to such term under the section <i>“Description of the Bonds – Financial Covenants”</i> .
“Declaration of Default”	Has the meaning given to such term under the section <i>“Description of the Bonds – Consequences of Default”</i> .
“Default Payment Date”	Has the meaning given to such term under the section <i>“Description of the Bonds – Consequences of Default”</i> .
“DENR”	Department of Environment and Natural Resources of the Philippines.
“DGT”	Davao Global Township.

“DHSUD”	Department of Human Settlements and Urban Development of the Philippines.
“Disruption Event”	Either or both of: a. a material disruption to those payment communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the transactions contemplated by the Trust Agreement to be carried out which disruption is not caused by, and is beyond the control of, any of the parties; or b. the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a party preventing that party from: (i) performing its payment obligations under the Trust Agreement and the Registry and Paying Agency Agreement; or (ii) communicating with other relevant parties (including, but not limited to, the Trustee and the Registrar and Paying Agent) in accordance with the terms of the Trust Agreement and the Registry and Paying Agency Agreement.
“DNV”	DNV (Thailand) Co., Ltd.
“D.O. 2020-010”	Department Order No. 2020-010, Series of 2020 issued by the DHSUD.
“D.O. 2021-009”	Department Order No. 2021-009, Series of 2021 issued by the DHSUD.
“D.O. No. 174-17”	Department Order No. 174-17 or Rules Implementing Articles 106 to 109 of the Labor Code of the Philippines, as Amended, issued by DOLE on March 16, 2017.
“DST”	Documentary Stamp Tax.
“DVDC”	Devlarn Ventures and Development Corporation.
“EBITDA”	(i) Earnings before interest, tax, depreciation, and amortization from continuing operations, and before exceptional items. (ii) For purposes only of the financial covenants under the Bonds, has the meaning given to such term under the section <i>“Description of the Bonds – Financial Covenants”</i>.
“ECC”	Environmental Compliance Certificate.
“EGF”	Environmental Guarantee Fund.
“EIS”	Environmental Impact Statement.
“El Camino”	El Camino Developers Cebu, Inc.
“EMB”	Environmental Management Bureau of the Philippines.
“EMF”	Environmental Monitoring Fund.
“EPS”	Earnings Per Share.

“Equity”	For purposes only of the financial covenants under the Bonds, has the meaning given to such term under the section <i>“Description of the Bonds – Financial Covenants”</i> .
“ESG”	Environmental, Social and Governance.
“e-SIP”	The e-Securities Issue Portal of the Philippine Dealing System Holdings Corp.
“ESOP”	Executive Stock Option Plan.
“External Verification Provider”	The relevant qualified independent external verification provider with relevant expertise in accordance with SEC Guidelines.
“Event of Default”	Each of the events described as such under the section <i>“Description of the Bonds – Events of Default”</i> .
“Excluded Taxes”	Has the meaning given to such term in the “Summary of the Offer” and “Description of the Bonds”.
“Final Redemption Amount”	100% of the face value of the Series D Bonds or Series E Bonds, as the case may be, on the Maturity Date of such series.
“Foundation”	Cebu Landmasters Foundation, Inc.
“FY”	Fiscal year.
“GFA”	Gross floor area.
“GGTT”	GGTT Realty Corporation.
“GLA”	Gross leasable area.
“Government”	National and local government of the Republic of the Philippines, including any of its departments, agencies, or other instrumentalities.
“Governmental Authority”	Means any government agency, authority, bureau, department, court, tribunal, legislative body, statutory or legal entity (whether autonomous or not), commission, corporation, or instrumentality, whether national or local, of the Republic of the Philippines.
“Group”	CLI and its Subsidiaries.
“GROW”	Green Resources and Opportunities for Work and Wealth Creation.
“ha” or “has.”	Hectare.
“Habitat”	Habitat for Humanity.
“HLURB”	Housing and Land Use Regulatory Board of the Philippines.
“HLURB 2015 Guidelines”	HLURB Memorandum Circular No. 03, Series of 2016 (2015 Guidelines on Time Completion).
“HSAC”	Human Settlements Adjudication Commission of the Philippines.
“HUDCC”	Housing and Urban Development Coordinating Council of the Philippines.

“ICD”	Institute of Corporate Directors.
“ICMA”	International Capital Market Association.
“ICOM”	Icom Air Corporation.
“IEE”	Initial Environmental Examination.
“IGCC”	Iloilo Global City Corporation.
“Insolvency Default”	Has the meaning given to such term under the section <i>“Description of the Bonds – Events of Default”</i> .
“Interest Coverage Ratio”	For purposes only of the financial covenants under the Bonds, has the meaning given to such term under the section <i>“Description of the Bonds – Financial Covenants”</i> .
“Interest Payment Date”	Interest on the Sustainability-Linked Bonds shall be calculated on a European 30/360-day count basis and shall be paid quarterly in arrears commencing on June 21, 2025 for the first Interest Payment Date and September 21, December 21, March 21, and June 21 of each year for each subsequent Interest Payment Date while the Sustainability-Linked Bonds are outstanding. In the event that any Interest Payment Date is not a Business Day, such Interest Payment Date shall be paid on the immediately succeeding Business Day without any adjustment to the amount due. The last Interest Payment Date shall fall on the Maturity Date, or the immediately succeeding Business Day if such date is not a Business Day, without any adjustment to the amount due, provided that if the Issue Date is set at a date other than March 21, 2025, then the Interest Payment Dates will be automatically adjusted to the numerically corresponding dates at every quarter following the actual Issue Date.
“Interest Step-Up Date”	Has the meaning given to such term in the <i>“Description of the Bonds—Interest Rate Step-Up”</i> .
“IPOP HL”	Intellectual Property Office of the Philippines.
“IRR”	Implementing rules and regulations.
“Issue Date”	March 21, 2025, or the immediately succeeding Business Day if such Issue Date is not a Business Day, or such other date as may be agreed upon by the Issuer and the Joint Lead Underwriters and Joint Bookrunners with advice to the SEC, PDTC and PDEX.
“Issue Manager”	BPI Capital.
“Issuer”	Cebu Landmasters, Inc.
“IT”	Information technology.
“ITAD”	International Tax Affairs Division of the BIR.
“ITH”	Income tax holiday.
“Joint Lead Underwriters and Joint Bookrunners”	BPI Capital, Chinabank Capital, PNB Capital, and RCBC Capital.

“JV”	Joint venture.
“KPI”	Key Performance Indicators.
“LAMBO”	Livelihood Assistance for Multi-sectoral Beneficiary Organizations.
“LEAD”	Lending Expertise and Advancing Development.
“LEAP”	Leadership and Educational Assistance Program.
“LEED”	Leadership in Energy and Environmental Design.
“LGU”	Local government unit.
“Lien”	With respect to any property or asset, (a) any mortgage, lien, pledge, charge, security interest, encumbrance or other preferential arrangement of any kind in respect of such property or asset, including, without limitation, any preference or priority under Article 2244(14)(a) of the Civil Code of the Philippines, as the same may be amended from time to time, in each case, to the extent securing payment or performance of a debt prior to any general creditor of such Person; and (b) the right of a vendor, lessor, or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or asset, or the proceeds therefrom, prior to any general creditor of the owner thereof.
“LMA”	Loan Markets Association.
“LSTA”	Loan Syndications and Trading Association.
“LTS”	License to Sell.
“Magspeak”	Magspeak Nature Park, Inc.
“Majority Bondholders”	(a) With respect to matters relating only to the Series D Bonds, Bondholders representing more than 50% of the outstanding principal amount of the Series D Bonds; (b) With respect to matters relating only to the Series E Bonds, Bondholders representing more than 50% of the outstanding principal amount of the Series E Bonds; and (c) With respect to matters affecting the Series D Bonds and the Series E Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Bonds.
“Manual”	Amended Manual on Corporate Governance.
“Master Certificate of Indebtedness”	With respect to each series of the Bonds, the bond certificate issued by the Issuer in the name of the Trustee for the benefit of the Bondholders covering the entire principal amount of the relevant series of the Bonds purchased during the Offer Period and to be issued by the Issuer on the Issue Date, which shall be substantially in the form attached as Annex B of the Trust Agreement.

“Material Adverse Effect”	For purposes of the Terms and Conditions of the Bonds and the Trust Agreement, a material adverse effect on (a) the condition (financial or otherwise), results of operations, or business affairs of the Issuer or any of its Subsidiaries, taken as a whole, whether or not arising in the ordinary course of business, (b) the Offer, (c) the ability of the Issuer to observe and comply with the provisions of and perform its obligations under the Bonds and the Bond Agreements, or (d) the validity or enforceability of the Bonds or any of the Bond Agreements. For purposes of determining compliance by the Issuer with its representations and warranties, and its covenants, or declaring an Event of Default or other applicable provisions of the Trust Agreement, the determination of “Material Adverse Effect” shall be based on the reasonable opinion of the Majority Bondholders acting in good faith.
“Maturity Date”	Has the meaning given to such term in the <i>“Description of the Bonds—Final Redemption”</i> .
“MBA”	Master of Business Administration.
“MCIT”	Minimum corporate income tax.
“MCWD”	Metropolitan Cebu Water District.
“MGR”	Mivesa Garden Residences, Inc.
“MMDC”	Ming-Mori Development Corporation.
“MOA”	Memorandum of Agreement.
“MPO”	Minimum public ownership.
“NCI”	Non-controlling interest.
“NEDA”	National Economic Development Authority.
“NHIP”	National Health Insurance Program.
“OCT”	Original certificate of title.
“Offer”	The public offer for sale, distribution, and issuance of the Bonds by the Issuer to eligible investors.
“Offer Period”	The period when the Bonds are available for sale, distribution and issuance commencing at 9:00 a.m. on March 10, 2025 and ending at 5:00 p.m. on March 14, 2025 or such other dates as the Issuer and the Joint Lead Underwriters and Joint Bookrunners may agree in writing.
“Offer Supplement”	This Offer Supplement dated March 6, 2025, and any amendments, supplements, and addenda thereto relating to the public offer for sale, distribution, and issuance of the Sustainability-Linked Bonds.
“OFW”	Overseas Filipino Worker.
“OGA”	Office of the General Accountant.
“OPC”	One Person Corporation.

“Original Interest Rate”	Has the meaning given to such term under the section <i>“Description of the Bonds – Original Interest Rate”</i> .
“Oversubscription Option”	The right of the Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, to increase the Base Offer size by up to ₱2,000,000,000, which if exercised, will form part of the Bonds to be issued for this tranche of the Debt Securities Program.
“P&A”	Punongbayan & Araullo (P&A Grant Thornton).
“p.a.”	<i>Per annum.</i>
“Payment Default”	Has the meaning given to such term under the section <i>“Description of the Bonds – Events of Default”</i> .
“PCA”	Philippine Competition Act (Republic Act No. 10667).
“PCAB”	Philippine Contractors Accreditation Board of the Philippines.
“PCC”	Philippine Competition Commission of the Philippines.
“PD 957”	Presidential Decree No. 957 (Subdivision and Condominium Buyers’ Protective Decree, as amended).
“PDEX”	Philippine Dealing & Exchange Corp.
“PDEX Rules”	The PDEX Rules for the Fixed Income Securities Market, as amended, and as the same may be revised from time to time, as well as all other related rules, guidelines, and procedures that may be issued by PDEX.
“PDTC”	Philippine Depository & Trust Corp., a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office (as of the date of this Offer Supplement) at the 29 th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City, Philippines.
“Penalty Interest”	Has the meaning given to such term under the section <i>“Description of the Bonds – Penalty Interest”</i> .
“Permitted Lien”	(a) Any Lien over any asset, including, but not limited to assets purchased, leased, or developed in the ordinary course of business, to secure: (i) the payment of the purchase or acquisition price, or cost of leasehold rights, of such asset or another asset; or (ii) the payment of the cost and expenses for the development of such asset, or for the construction of new projects in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefore) incurred for the purpose of financing the purchase, lease or development of such asset or another asset; or (iv) the normal discounting of receivable activities of the Issuer made in the ordinary course of business; (b) Any Lien created for the purpose of paying current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings diligently conducted by the Issuer upon stay of execution of the enforcement thereof and adequate reserves having been provided for payment thereof to the extent

	required in accordance with generally accepted accounting principles in the Philippines as interpreted by the Auditor, or where penalties and consequences for a delay in the payment thereof will not result in a Material Adverse Effect. For purposes of this paragraph, "Auditor" means P&A or any auditing firm which is affiliated with an internationally recognized firm of independent public accountants as the Issuer may from time to time appoint as its auditors; (c) Any Lien to secure, in the normal course of the business of the Issuer or its Affiliates: (i) statutory or regulatory obligations; (ii) surety or appeal bonds; (iii) bonds for release of attachment, stay of execution or injunction; or (iv) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases; (d) Any Lien: (i) imposed by, or arising by operation of, Applicable Law, such as carriers', warehousemen's, mechanics', landlords', materialman's liens and other similar liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation; and (iii) arising out of the set-off provision in the normal course of its financial arrangements, provided that, the Bondholders hereunder shall also have, to the extent permitted by Applicable Law and upon notice to the Issuer, a similar right of set-off (e) Any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations or other juridical entities, which secure a preferential financing obtained by the Issuer under a governmental program under which creation of a security is a prerequisite in order to obtain such financing, and which cover assets of the Issuer which have an aggregate appraised value, determined in accordance with generally accepted appraisal principles and practices consistently applied not exceeding five percent (5%) of the Issuer's total assets based on the most recent interim financial statements; (f) Any Lien established in favor of insurance companies and other financial institutions in compliance with the applicable requirements of the Office of the Insurance Commission on admitted assets; (g) Any Lien over or affecting any asset of any company which becomes a member of the Group after the date of the Trust Agreement, where the Lien is created prior to the date on which that company becomes a member of the Group; (h) Any Lien created by or resulting from any litigation or legal proceeding which is effectively stayed while the underlying claims are being contested in good faith by appropriate proceedings and with respect to which the Issuer or its Subsidiary, as applicable, has established adequate reserves on its books in accordance with PFRS; (i) Any Lien securing indebtedness under hedging transactions (including foreign currency and interest rate swap and derivative transactions) entered into in the ordinary course of

	business and designed solely to protect the Issuer or its Subsidiaries from fluctuations in interest rates or currencies or commodities and not for speculation, provided that any such indebtedness shall not exceed the amount of ₱500 million; (j) Any Lien created with the prior written consent of the Majority Bondholders; (k) Any Lien existing on the date of the Trust Agreement; and (l) Any extension, renewal, supplement, or replacement (or successive extensions, renewals, supplements, or replacements) in whole or in part of any Lien referred to in paragraphs (a) to (k) above, or any indebtedness or obligation secured thereby; provided that such extension, renewal, supplement, or replacement is limited to all or any part of the same property that secured the Lien extended, renewed, supplemented, or replaced (plus any construction, repair, or improvement on such property) and shall secure no larger amount of indebtedness or obligation than that existing at the time of such extension, renewal, supplement, or replacement.
“Person”	Any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organization.
“PEZA”	Philippine Economic Zone Authority.
“PFRS”	Philippine Financial Reporting Standards.
“PhilHealth”	Philippine Health Insurance Corporation.
“Philippine Pesos” or “₱”	Lawful currency of the Philippines.
“Philippines”	Republic of the Philippines.
“PhilRatings”	Philippine Rating Services Corporation.
“PM”	Property management.
“PNB Capital”	PNB Capital and Investment Corporation.
“POC”	Percentage of completion.
“PPA”	Philippines Property Awards.
“PRA”	Philippine Reclamation Authority.
“Prospectus”	The Prospectus dated September 20, 2022, and any amendments, supplements and addenda thereto.
“PSE”	The Philippine Stock Exchange, Inc.
“PSE EDGE”	PSE Electronic Disclosure Generation Technology.
“Q1”, “Q2”, “Q3”, and “Q4”	Respectively, first calendar quarter, second calendar quarter, third calendar quarter, and fourth calendar quarter.

“R&D”	Research and development.
“RCBC Capital”	RCBC Capital Corporation.
“REBs”	Real estate brokers.
“Record Date”	As used with respect to any Payment Date, (a) two Business Days immediately preceding the relevant Payment Date, which shall be the cut-off date in determining the Bondholders entitled to receive interest, principal or such other payments due under the Bonds or (b) such other date as the Issuer may duly notify PDTC.
“REDs”	Real estate developers.
“Registry of Bondholders” or “Register of Bondholders”	The electronic registry book of the Registrar containing the official information on the names and address of the Bondholders and the amount of Bonds they respectively hold, including all transfers and assignments thereof or any liens or encumbrances thereon to be maintained by the Registrar pursuant to and under the terms of the Registry and Paying Agency Agreement.
“Registrar and Paying Agent” or “Paying Agent”	Philippine Depository & Trust Corp., the party which shall receive the funds from the Issuer for payment of principal, interest and other amounts due on the Bonds and remit the same to the Bondholders based on the records shown in the Registry of Bondholders. The term includes, wherever the context permits, all other Person or Persons for the time being acting as paying agent or paying agents under the Registry and Paying Agency Agreement or other relevant agreement.
“Registration Statement”	The registration statement and other supporting documents filed by the Issuer with the SEC in connection with the offer and sale to the public of the Bonds and which has been or will be rendered effective by the SEC.
“Registry and Paying Agency Agreement”	The agreement so titled dated on or about the date of this Offer Supplement between the Issuer, the Registrar and the Paying Agent, setting forth, among others, the procedure for receiving, collating, and screening Applications, processing checks and payments, submission of sales reports, and the disbursement of the proceeds of the Bonds.
“Revised Corporation Code” or “RCC”	Revised Corporation Code of the Philippines (Republic Act No. 11232).
“RPT”	Related party transaction.
“SCIT”	Special Corporate Income Tax.
“SEC”	Securities and Exchange Commission of the Philippines.
“SEC Guidelines”	The guidelines issued by the SEC governing the issuance of Sustainability-Linked bonds, including SEC Memorandum Circular No. 3, Series of 2023, as may be amended or supplemented.
“Series D Bonds”	The Bonds to be issued by the Issuer having a term beginning on the Issue Date and ending on the third (3 rd) anniversary of the Issue Date or on March 21, 2028, with an interest rate equivalent to 6.6348% <i>per annum</i> .
“Series E Bonds”	The Bonds to be issued by the Issuer having a term beginning on the Issue Date and ending on the fifth (5 th) anniversary of the Issue

	Date or on March 21, 2030, with an interest rate equivalent to 6.9157% <i>per annum</i> .
“SGV & Co.”	SyCip Gorres Velayo & Co.
“Shelf Period”	Period of three years from the effectivity of the Registration Statement, subject to applicable regulations, within which bonds under the Debt Securities Program may be issued.
“SIPP”	Strategic Investment Priorities Plan.
“SJMV”	San Jose Maria Villages.
“SLBP”	Sustainability-Linked Bond Principles.
“SLFF”	Sustainability-Linked Financing Framework.
“SLLP”	Sustainability-Linked Loan Principles.
“SPE”	Sugbo Prime Estate, Inc.
“SPO”	Second Party Opinion.
“SPT” or “Sustainability Performance Target”	Sustainability Performance Target described under “ <i>Description of Bonds – Interest Rate Step-Up</i> ”
“sq.m.”	Square meters.
“SRC”	Securities Regulation Code (Republic Act No. 8799), as the same may be amended from time to time.
“SRC Rules”	2015 Implementing Rules and Regulations of the SRC, as the same may be amended from time to time.
“Subsidiary” or “Subsidiaries”	An entity of which a Person has direct or indirect Control or owns directly or indirectly more than fifty percent (50%) of the voting capital or similar right of ownership. As of December 31, 2024 and as set out under the section “<i>Description of Business – Subsidiaries and Affiliates</i>” of this Offer Supplement, the Subsidiaries of the Issuer are: 1. CLI Premier Hotels Int’l. Inc. (CPH) 2. Cebu Landmasters Property Management, Inc. (CLPM) 3. A.S. Fortuna Property Ventures, Inc. (ASF) 4. CLI Hotels and Resorts, Inc. (CHR) 5. BL CBP Ventures, Inc. (BL Ventures) 6. Yuson Excellence Soberano, Inc. (YES) 7. Yuson Huang Excellence Soberano, Inc. (YHES) 8. YHEST Realty and Development Corporation (YHEST) 9. CCLI Premier Hotels, Inc. (CCLI) 10. YHES Premier Hotels Inc. (YHESPH) 11. Mivesa Garden Residences, Inc. (MGR) 12. El Camino Developers Cebu, Inc. (El Camino) 13. Cebu Homegrown Developers, Inc. (CHDI) 14. Cebu BL-Ramos Ventures, Inc. (CBLRV) 15. GGTT Realty Corporation (GGTT) 16. CLI-LITE Panglao Inc. (CLI-LITE) 17. Ming-Mori Development Corporation (MMDC) 18. Sugbo Prime Estate, Inc. (SPE)

“Sustainability-Linked Framework”	The document outlining the Issuer’s Key Performance Indicators and Sustainability Performance Targets and the applicable step-up mechanisms if the Issuer does not meet these targets.
“SyCip” or “SyCipLaw”	SyCip Salazar Hernandez & Gatmaitan.
“Target Measurement Dates”	Short Term SPT: March 1, 2027 Medium Term SPT: March 1, 2029
“Target Observation Dates”	Short Term SPT: February 28, 2027 Medium Term SPT: February 28, 2029
“Tax Categories”	Has the meaning given to such term under the section “ <i>Description of the Bonds</i> ”.
“Tax Code”	National Internal Revenue Code of 1997 (Republic Act No. 8424), as amended, and as the context may require, its implementing rules and regulations, as amended from time to time.
“Terms and Conditions of the Bonds”	Has the meaning given to such term under “ <i>Description of the Bonds</i> ”, pursuant to which the Issuer issues, and the Bondholders subscribe for, the Bonds.
“Time of Completion”	Within one year from the date of the issuance of the license to sell, or any other period fixed by the DHSUD.
“TRAIN Law”	Tax Reform for Acceleration and Inclusion (Republic Act No. 10963).
“Trigger Event”	There is a Trigger Event when an SPT is not met on the applicable Target Observation Date as determined in the verification assurance report of the relevant External Verification Provider.
“Trust Agreement”	The agreement executed by and between the Issuer and the Trustee dated on or about the date of this Offer Supplement in connection with the distribution and sale by the Issuer of the Bonds.
“Trustee”	BPI Asset Management and Trust Corporation. The term includes, wherever the context permits, all other Person or Persons for the time being acting as trustee or trustees under the Trust Agreement as the same may be amended from time to time.
“TTRA”	Tax Treaty Relief Application.
“UN SDG”	United Nations’ Sustainable Development Goals.
“Underwriting Agreement”	The issue management and underwriting agreement dated on or about the date of this Offer Supplement by and among the Issuer, and the Joint Lead Underwriters and Joint Bookrunners.
“UP”	University of the Philippines.
“VisMin”	Visayas and Mindanao.
“YES”	Yuson Excellence Soberano, Inc.
“YHES”	Yuson Huang Excellence Soberano, Inc.
“YHESPH”	YHES Premier Hotel Inc.
“YHEST”	YHEST Realty and Development Corporation.
“y-o-y”	Year on year.

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information, and financial statements (including notes thereto) found in the appendices of this Offer Supplement.

Prospective investors should read this entire Offer Supplement fully and carefully, including the section on “*Risk Factors and Other Considerations*”. In case of any inconsistency between this summary and the more detailed information in this Offer Supplement, then the more detailed portions, as the case may be, shall at all times prevail.

OVERVIEW

CLI is the leading residential developer in VisMin. The Company’s story commenced with a vision to provide quality homes for everyday Filipinos. Jose R. Soberano III founded CLI and incorporated the Company on September 26, 2003. On June 2, 2017, the Company was listed on the PSE with “CLI” as its ticker symbol. A total of 430,000,000 shares were issued and fully subscribed at ₱5.00 per share. CLI’s initial public offering was instrumental in this growth, as it raised ₱2.15 billion worth of fresh capital from investors – boosting its expansion in new locations and fueling its various projects.

As of September 30, 2024, CLI has a total of 124 projects in different development stages and established a diverse portfolio of residences, offices, hotels, mixed-use properties, and townships across 17 key cities in the VisMin region.

In 2024, an independent study by Colliers International reaffirmed CLI’s leading position in the VisMin residential market. The study identified CLI as the top residential developer in the region, having the largest market share among real estate firms. With a 19% overall residential share in net take-up value, CLI continues to grow market share in key VisMin cities, indicating increasing consumer confidence and recognition in the market.

This success was further validated at the PropertyGuru Philippines Property Awards, where CLI was named Best Developer in Mindanao for the fourth consecutive year, among other notable awards and commendations from various institutions. The Company’s commitment to high governance standards was also acknowledged with a 2 Golden Arrow award from the Institute of Corporate Directors (“ICD”) for the second year running, further reinforcing CLI’s reputation for sound corporate governance.

CLI’s vision extends beyond the present accomplishments. The Company remains steadfast in its pursuit of expansion and innovation. CLI’s robust growth strategies aim to further solidify its market leadership, foster strategic partnerships, and explore new avenues for sustainable development and community enhancement.

The Company’s operating segments are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets:

- Real Estate Segment – covers the development and sale of residential, condotel and office units to individual and corporate buyers.
- Rental Segment – includes leasing of office and commercial spaces to corporate organizations.
- Management Services Segment – focuses on the management of real estate projects and upkeep services to condominium corporations and homeowners’ associations.
- Hotel Operations Segment – relates to the management of hotel business operations that caters to hotel guests and condotel owners.

Completed Projects

CLI has in its portfolio 52 completed developments, encompassing vertical and horizontal residential, mixed-use, office, hotel, and retail projects. The Company’s commitment to excellence is evident in the

diverse range of projects strategically located in key areas such as Greater Cebu, Bacolod, Iloilo, Bohol, Dumaguete, Cagayan de Oro, and Davao.

MesaVerte Garden Residences, a three-tower project representing the Company's inaugural expansion beyond Cebu, was completed in 2020. Additional completed projects like MesaTierra Garden Residences in Davao, MesaVirre Garden Residences A & B in Bacolod, and 38 Park Avenue in Cebu, were delivered in 2021 and 2022. Throughout the year, CLI has been turning over projects in Cebu, including Casa Mira Towers Guadalupe, Baseline Prestige, and Mivela Tower 1. As of September 30, 2024, the Company's completed residential developments are 98% sold-out.

The Company owns three (3) operational office buildings and various leasable spaces, with Park Centrale in IT Park, Cebu serving as its headquarters. This development has maintained full occupancy since completion and received the prestigious Best Commercial Development in Cebu award from the Philippine Property Awards in 2014.

Latitude Corporate Center, a 24-storey structure completed in 2020, stands tall in the heart of Cebu's business district. Benefiting from the return of sectors like IT-BPO from work-from-home arrangements to office spaces, the Company is confident that this 5-Star Building for Ecologically Responsive Design Excellence (“**BERDE**”)-certified green building, is positioned well to meet such a rebound.

In terms of retail as of the first nine (9) months of 2024, CLI significantly expanded its GLA to 40,575 sq.m., a 13% increase from 35,772 sq.m. at the beginning of the year. This growth is attributed to the successful turnover of Banilad Highstreet, 38 Park Avenue retail, Baseline Center phase 2, and Drive-Thru spaces in Davao Global Township.

With the goal of diversifying its portfolio, the Company entered the hospitality sector in 2019 with the opening of Citadines Cebu City, a 180-room serviced residence in partnership with The Ascott Limited as the hotel manager. Situated strategically within the Company's mixed-use lifestyle hub, Base Line Center, this project reflects CLI's strategy to broaden its product scope and create reinforcing value across business units.

As of September 30, 2024, the Company's completed projects are 98% sold-out, with only ₱2.40 billion remaining in inventory in terms of sales value. Looking ahead, CLI is preparing to grow within the VisMin real estate market, with plans to introduce new projects in key locations, expand into new markets, and cater to diverse demographics.

Ongoing and Newly Launched Projects (Projects Under Construction)

CLI has 72 ongoing projects in various stages of construction as of the third quarter of 2024. These projects are spread out over 17 key cities in VisMin.

Among these ongoing projects, 54 are residential projects with a total project sales value of ₱92.42 billion. These projects have 23,634 units of which 95% were already sold and the aggregate sales value of remaining inventory amounts to ₱7.50 billion. CLI prioritizes a strategy of selling projects at high velocity, quick turn over of its developments, and swift movement from pre-selling to construction and delivery. Continuing sales efforts are being made to sell out the projects as they get closer to completion. The Company leverages on this market absorption of its products to cultivate the 1,795 accredited real estate brokers (“**REBS**”) and 11,000 sales agents across the VisMin region who continuously support CLI.

Investing in capital to support recurring revenue from both hospitality and leasing businesses is one of the strategies CLI is currently aggressively pursuing while banking on the region's future growth. CLI's long-term strategy is to build up its office, retail, and hospitality portfolio's GLA to 200,000 sq.m., eventually contributing to 10% of the growing top line within the next five (5) years. As of the period ended September 30, 2024, recurring income contributes 2.2% of the revenues of the Company.

The Company is currently constructing six (6) hospitality projects with a total of 1,198 room keys and various office and commercial projects with a GLA of over 70,000 sq.m. More projects are in the pipeline at the planning and design stage to meet CLI's strategy to continue its build-up of its recurring income portfolio.

In the first nine (9) months of 2024, CLI launched four (4) projects with a total value of ₱8.23 billion. Among these, Casa Mira Homes Butuan, valued at ₱2.60 billion, marked CLI's initial expansion into Butuan, with a significant portion of the inventory being sold within the first month of launch, and as of now, 84% of the total stock has been sold since the launch date. Additionally, the Velmiro Heights Davao project, comprising 362 units, sold out in just two days, generating ₱2.70 billion in sales. These achievements contributed to CLI reaching a 96% sell-out status across all projects at various stages of development, with total reservation sales amounting to ₱18.60 billion to date.

Additionally, during the first nine (9) months of 2024, CLI expanded its hospitality portfolio with the grand opening of three (3) new hotels: lyf Cebu City at Base Line Center with 159 rooms, The Pad Co-Living in Banilad High Street with 258 rooms, and Citadines Bacolod with 200 rooms. These additions will complement Citadines Cebu City, which is operating 180 rooms, in CLI's strategy in growing its hotel portfolio. CLI is currently constructing six (6) additional hotels to further enhance its revenue from the hospitality sector.

Moreover, CLI entered into its first international partnership by collaborating with NTT UD Asia Pte. Ltd. ("NTTUDA"), a Japanese company known for its mixed use residential and commercial developments, to establish CLI NUD Ventures, Inc. As part of this collaboration, CLI sold a lot for ₱2.00 billion to CLI NUD Ventures, Inc., for the development of a premier-grade condominium at Cebu IT Park. Their inaugural project, valued at ₱6.40 billion, is expected to launch in the second quarter of 2025. The first tower of this development will feature over 500 premium residential units, marking a significant milestone in CLI's expansion journey.

Furthermore, CLI spent ₱9.43 billion in capital expenditures, with the majority 72.5% allocated for residential development, 12.6% for investment properties, and the remaining portion for existing lot payments.

As of September 30, 2024, CLI successfully sold out 89% of the new inventory from projects launched in the previous 12 months, underscoring its ability to capture demand where it competes. CLI aims to sell the remaining units over its construction period.

Looking ahead to the coming months, CLI plans to launch more developments from its 11 pipeline projects, with an aggregate sales value of ₱24.80 billion.

As of September 30, 2024, CLI reported a total land bank of 87.60 hectares valued at ₱10.00 billion, including the expansion site in General Santos City. During the year, CLI developed 26.80 hectares, primarily for the Casa Mira Butuan and Velmiro Heights projects. The Company is actively negotiating the acquisition of properties in Luzon for its initial expansion into that market. In the succeeding quarters, CLI plans to purchase around 50 to 100 hectares in Luzon to jumpstart its expansion in the region.

Developments on the Company's Preferred Shares Issuance

On April 12, 2024, CLI successfully raised ₱4.28 billion through the sale of Series A-1 and Series A-2 preferred shares. The shares were listed on the PSE under the ticker symbols CLIA1 and CLIA2. The offering was 1.43 times oversubscribed relative to its firm offer amount, with dividend rates set at 7.59% p.a. for Series A-1, which may be redeemed by CLI after four (4) years, and 8.25% p.a. for Series A-2, which may be redeemed by CLI after seven (7) years, from their issue date.

Due to CLI's continued strong financial performance, the Board of Directors declared a regular dividend of ₱0.15 per share and a special dividend of ₱0.03 per share on March 18, 2024. These dividends were distributed to shareholders of record as of April 17, 2024, with payment made on May 3, 2024.

Residential Developments

Residential developments constitute the cornerstone of the Company's operations and project portfolio. CLI's overarching goal is to meet the persistently unmet demand for quality-built, cost-effective housing, and well-planned communities that align with the needs of the market. In response to the housing backlog and the heightened desire for safe and secure homes, the Company consistently launches new

housing projects.

To effectively address diverse market segments, the Company categorizes its housing developments into distinct brands. The largest contributing brand is Casa Mira, which has emerged as the fastest growing and most popular brand in VisMin. Starting at ₱120,000.00 per sq.m. or ₱2.00 million for studio condominium units, Casa Mira caters specifically to the economic market. House and lot units under Casa Mira start at around ₱2.20 million, with lot area starting at 60 sq.m. and floor area at 42 sq.m. Over time, the Casa Mira series has become a pivotal asset, securing the largest residential market share in VisMin. Its success can be attributed to its value proposition, providing residents with reasonably priced homes in aesthetically pleasing communities, complete with several amenities more associated with higher-priced developments. These include a clubhouse with multi-purpose halls, a chapel, swimming pool, multiple basketball court, tennis courts and children's playground.

In a strategic move to grow the Company into more segments, CLI introduced the “Mirani” brand last July 2023. Designed to cater to the more affordable housing demand within the market spectrum with a price point of around ₱1.90 million, the Mirani brand debuted with Mirani Steps in Danao in June 2023 and was 48.37% sold out in three (3) months.

The Garden Series, targeting the mid-market segment, offers both vertical and horizontal product lines. Subdivisions under this brand are known as Velmiro, while condominium projects go by the name Garden Residences. Garden Residences condominiums feature selling prices starting at ₱140,000.00 per sq.m., with each housing unit price ranging from ₱2.50 million to ₱3.20 million for studio condominium units. Velmiro subdivisions have a 100 sq.m. lot area, with floor area of 50-100 sq.m., with a starting price of around ₱4.60 million. The Garden Series distinguishes itself by offering an upgraded array of amenities over the economic segments, including a swimming pool, multi-level clubhouse with function rooms, fitness gym, basketball court, and playgrounds situated in expansive landscaped park.

Strategically, CLI offers Premier Masters, the high-end residential buildings with prices starting at ₱180,000.00 up to ₱300,000.00 per sq.m. These luxurious developments, located in prestigious urban areas, include Terranza Residences in Iloilo, Costa Mira Mactan, the two (2) Baseline condominiums, and 38 Park in I.T. Park Cebu.

Lastly, Villa Casita represents CLI's business in socialized housing, offering units at a price of ₱580,000.00. Through these socialized housing projects required under specific compliance terms, the Company endeavors to provide decent and affordable housing to the market segment.

Office Projects

In 2013, CLI opened its first office property, Park Centrale at I.T. Park Cebu, taking advantage of the growing BPO sector in Cebu. CLI's current strategy is to significantly expand its recurring revenue projects by delivering a total of 200,000 sq.m. of Gross Leasable Area (“GLA”) in the next three (3) to five (5) years from 2024.

In 2020, the Company turned over Latitude Corporate Center, a Grade A office tower at the Cebu Business Park with a Gross Floor Area (“GFA”) of 21,000 sq.m. In Cebu, construction for Astra Corporate Center (18,823 sq.m. GFA) and Patria de Cebu Office (4,562 sq.m. GFA) are currently ongoing.

As of September 2024, CLI has expanded its GLA to 40,575 sq.m., a 13% increase from 35,772 sq.m. at the start of the year. This growth is attributed to the successful turnover of Banilad Highstreet and Drive-Thru spaces in Davao Global Township. These developments stand as important contributors to CLI's upward trajectory and realization of its recurring income strategy.

Office buildings include Park Centrale Tower, Base Line HQ, Latitude Corporate Center, Astra Corporate Center, Patria de Cebu Office, and Masters Tower Cebu Office.

Hotel and Recreational Developments

In 2019, CLI opened its first condotel project with Citadines Cebu City in partnership with The Ascott

Limited. Citadines Cebu City is a 180-room serviced residence strategically located within CLI's mixed-use lifestyle hub in midtown Cebu, the Base Line Center.

During the first nine (9) months of 2024, the resurgence in the travel and leisure sector served as a catalyst for CLI's hotel operations, resulting in a rebound and upsurge in revenue. The hotel operations generated 52% growth to ₱148.82 million, up from ₱98.17 million during the same period in the previous year. This increase was primarily fueled by the grand opening of three (3) new hotels, namely, The Pad, Lyf Cebu City, and Citadines Bacolod City.

CLI currently has six (6) more hospitality projects under construction to boost its hotel business. Most of these hotels have management agreements with well-known hotel management companies. Radisson Red, Citadines Davao, Abaca Resort and Magspeak are slated to open in 2025. Other hotel and recreational developments in the pipeline are Patria De Hotel Cebu and Sofitel Cebu.

FINANCIAL PERFORMANCE

Consolidated Statements of Income

In Million Pesos (₱)	For the nine (9) months ended 30 September		For the years ended 31 December		
	2024 (Unaudited)	2023 (Restated)	2023	2022	2021
Revenues	14,112	12,926	18,818	15,657	11,162
Cost of Sales and Services	(6,715)	(6,034)	(9,640)	(8,368)	(5,972)
Gross Profit	7,397	6,893	9,178	7,290	5,190
Operating Expenses	(2,425)	(1,893)	(2,785)	(2,369)	(1,950)
Finance Costs	(1,331)	(1,554)	(603)	(351)	(264)
Other Operating Income	235	349	411	203	257
Other Gains/Losses ¹	5	(2)	(2)	(5)	(129)
Profit before tax	3,881	3,793	6,199	4,768	3,104
Tax Benefit / Expense	(968)	(960)	(1,556)	(1,160)	(433)
Net Profit	2,913	2,833	4,643	3,608	2,671
Non-Controlling Interest	590	653	1,067	437	58
Parent Net Profit	2,323	2,180	3,576	3,171	2,613

¹ Other Gains/Losses include Finance Income, Share in Net Loss of Associates, Impairment Loss on Financial Assets, and Other Losses.

Consolidated Balance Sheets

In Million Pesos (₱)	For the nine (9) months ended 30 September		For the years ended 31 December		
	2024 (Unaudited)	2023 (Restated)	2023 (Audited)	2022	2021
Current Assets ¹	57,313	52,696	54,423	43,927	36,378
Non-Current Assets ²	47,719	47,663	47,663	41,118	30,274
Total Assets	105,032	100,359	102,086	85,045	66,652
Interest bearing debt ³	48,993	47,137	47,137	39,993	32,022
Other liabilities ⁴	26,187	29,874	29,153	24,039	16,698
Total Liabilities	75,180	77,011	76,290	64,032	48,720
Total Equity Parent ⁵	20,047	14,152	16,451	13,502	10,840
Non-Controlling Interest	9,805	9,196	9,345	7,511	7,092
Total Equity	29,852	23,348	25,797	21,013	17,932

¹ Current Assets is comprised of Cash and cash equivalents, Receivables – net, Contract assets – net, Real estate inventories,

Deposits on land and future developments, Due from related parties, Prepayments and other current assets, Non-current asset classified as held for sale.

² Non-current Assets is comprised of Receivables – net, Contract assets – net, Investments in associates, Property and equipment – net, Right of use assets, Investment properties – net, and Other non-current assets – net.

³ Interest-bearing debt is comprised of Interest -bearing loans and borrowing (current and non-current portion), and Bonds payable.

⁴ Other liabilities are comprised of Contract liabilities, Customers' deposits, Lease liabilities, Income tax payable, Post-employment defined benefit obligation, and Deferred tax liabilities – net.

⁵ Equity attributable to shareholders of the Parent Company is comprised of Capital Stock, Additional Paid-in Capital, Treasury Stock, Share Options Outstanding, Revaluation Reserves, and Retained Earnings.

CLI uses a range of financial and operational KPIs to help measure and manage its performance. These KPIs reflect the Company's continuous focus on efficiency, cost control and profitability across all its operations.

Management considers the following as KPIs:

	For the nine (9) months ended 30 September	For the years ended 31 December		
	2024 (Unaudited)	2023 (Audited)	2022 (Audited)	2021 (Audited)
Gross Profit Margin ¹	52.4%	48.8%	46.6%	46.5%
Net Profit Margin ²	20.6%	24.7%	23.0%	23.9%
EBITDA ³ (in Million Pesos)	₱5,245	₱8,108	₱5,674	₱3,730
EBITDA Margin ⁴	37.2%	43.1%	36.2%	33.4%
Interest Coverage Ratio ⁵	6.30	4.12	4.89	3.74
Return on Average Assets ⁶	2.8%	5.0%	4.8%	4.6%
Return on Average Equity (Parent) ⁷	13.6%	23.9%	26.1%	26.8%
Current Ratio ⁸	1.94	1.55	1.58	1.64
Net Debt-to-Equity Ratio ⁹	1.56	1.79	1.84	1.72
Debt-to-Equity Ratio ¹⁰	1.64	1.83	1.90	1.79

Note: These financial ratios are not required by and are not a measure of performance under PFRS. Investors should not consider these financial ratios in isolation or as an alternative to Net Income as an indicator of CLI's operating performance or to cash flow from operating, investing, and financing activities as a measure of liquidity, or any other measures of performance under PFRS. Because there are various calculation methods for these financial ratios, CLI's presentation of these measures may not be comparable to similarly titled measures used by other companies.

¹ Gross Profit Margin is computed by dividing the Company's Gross Profit by its Revenues.

² Net Profit Margin is computed by dividing the Company's consolidated net income by its revenues.

³ EBITDA is defined as earnings before interest, tax, depreciation, and amortization from continuing operations, and before exceptional items. Please see table below for EBITDA calculation.

⁴ EBITDA Margin is computed by dividing the Company's EBITDA by its Revenues. EBITDA is based on the EBITDA calculation below.

⁵ Interest Coverage Ratio is the sum of EBITDA, Cash, and cash equivalents divided by interest incurred. Interest incurred is computed as the sum of interest incurred from bank loans (including amortization of debt issue costs), interest incurred from corporate notes (including amortization of debt issue costs) and interest incurred from bonds (including amortization of debt issue costs) less borrowing costs that are capitalized as part of property and equipment and borrowing costs that are capitalized as part of investment property. For purposes of the covenants, the ratio shall be computed using 12-months trailing EBITDA plus cash balance over interest due for the next year.

⁶ Return on Average Assets is computed by dividing Net Profit by the average assets as at the beginning and end of the same period.

⁷ Return on Average Equity (Parent) is computed by dividing Net Profit by the average of the equity attributable to the Parent Company's shareholders as at the beginning and the end of the same period.

⁸ Current Ratio is Current Assets divided by Current Liabilities.

⁹ Net Debt-to-Equity Ratio is both the current and non-current interest-bearing debt (loans, borrowings and bonds payable) less Cash and cash equivalents over Total Consolidated Equity.

¹⁰ Debt-to-Equity Ratio is both the current and non-current interest-bearing debts (loans, borrowings and bonds payable) divided by Total Equity.

Below is the reconciliation of "Net Profit" to "EBITDA".

In Million Pesos (₱)	For the nine (9) months ended 30 September	For the years ended 31 December		
	2024	2023	2022	2021
Net Profit	2,913	4,643	3,608	2,671

In Million Pesos (₱)	For the nine (9) months ended 30 September	For the years ended 31 December		
	2024	2023	2022	2021
Interest charged to:				
Cost of Sales	-	1,203	461	307
Interest expense on loans	1,187	452	259	197
Interest expense on bonds	34	67	15	-
Tax Expense	968	1,556	1,160	433
Depreciation and amortization	144	187	171	122
EBITDA	5,245	8,108	5,674	3,730

January 1 to September 30, 2024 vs. January 1 to September 30, 2023

CLI demonstrated a steady topline in the first nine (9) months of 2024, with Revenues increasing by 9% to ₱14.11 billion from ₱12.93 billion in the same period last year. This growth was driven by lot sales and expansion across all business segments, highlighting robust market demand. Consequently, the Company sustained its earnings momentum with Net Income to Parent, rising from ₱2.18 billion to ₱2.32 billion - reflecting a 7% normalized growth year-on-year in alignment with the updated PFRS.

COMPETITIVE STRENGTHS

The Company considers the following as its competitive strengths:

- Leading property developer in VisMin, known for its distinguished brands and demonstrated resilience in project execution, evident during the challenges of the pandemic
- Strategic location selection to provide value-for-money proposition to customers
- Highly diversified and expanding project portfolio catering to diverse socio-economic markets
- Experienced management team and organizational culture
- Corporate social responsibility
- Strategic JV partnerships
- Financial strength: strong profitability, prudent financial management and a healthy balance sheet
- Operational excellence

KEY STRATEGIES

The Company's business strategies include the following:

- Expansion to key cities in the VisMin
- Building recurring income developments
- Vertical integration – property management
- Growing the affordable housing brands (Casa Mira, Mirani, and Garden Series)
- Capitalizing on pipeline projects
- Establishing and leveraging strategic partnerships, alliances, JVs, and cooperation

RISKS OF INVESTING

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Bonds. Some of these risks are briefly summarized below and discussed with additional details in the section entitled "*Risk Factors and Other Considerations*."

• Risks Related to the Company

- There is heightened competition among local and national players where the Company is operating and expanding. Competition for the acquisition of land for new projects could adversely affect the Company's business.
- The Company's business is affected by various regulations in the Philippines.
- The Company's business may be adversely affected by major political and economic developments, such as the Russia-Ukraine war, Israel-Hamas war and recent developments in the Middle East.
- The Company's revenue contribution from its current portfolio is composed of approximately

98% properties for sale and 2% recurring income properties.

- The Company is new to some regional markets including Gensan, Butuan and Calabarzon.
- The Philippine property market is cyclical.
- Given the current geographic concentration of the Company's real estate sales, the Company's results of operations would suffer if the residential housing and land development industry in the Company's current markets decline.
- The Company might be at risk of being exposed to housing price bubbles.
- Increased inflation, fluctuations in interest rates, and changes in the Philippine Government's borrowing patterns and Government regulations could have a material adverse effect on the Company's and its customers' ability to obtain financing.
- The real estate sector is capital intensive, and this factor might cause difficulty for the Company to readily raise the necessary capital to acquire new land or complete existing projects. It also has a naturally multi-year cash cycle that goes through a negative operating cash flow period for most of its cycle before realizing a cumulative positive cash outcome for each project.
- A portion of demand for the Company's products is from overseas Filipinos, which exposes the Company to risks relating to the performance of the economies of the countries where these potential customers are located.
- The Company engages third-party brokers and agents to sell its residential housing, residential condominium, office condominium, and condotel projects.
- Cancellation of sales involving the Company's projects could adversely affect its business, financial condition, and results of operations.
- The Company enjoys certain tax exemptions and incentives, the loss of which may increase the Company's tax liability and decrease future Company profits.
- Natural catastrophes may affect the Company's business adversely.
- Titles over land owned by the Company may be contested by third parties.
- The Company's reputation will be adversely affected if its projects are not completed on time or if the projects do not meet customers' requirements.
- Independent contractors may not always be available or may not be able to meet the Company's quality standards, or complete projects on time or within budget, and may encounter difficulties which will result in a delay of the project.
- Construction defects and other building-related claims may be asserted against the Company, and the Company may be subject to liability for such claims.
- The Company relies on its key executives and officers and the members of the Soberano Family to manage business operations.
- The Company is party to a number of related party transactions ("RPTs").
- The Company may be involved in legal and other proceedings arising out of its operations from time to time, which may expose the Company to the risk of its assets being foreclosed or otherwise adversely affected.
- The Company may default in its financial obligations and other obligations under contracts to which it is a party, and a default in one may trigger other defaults and result in the acceleration of its obligations under such contracts.
- The Company works with various JV partners for some of its projects, whose interest may differ from that of the Company's.
- The Company is exposed to information security or cybersecurity risk as it relies on technology which posts risks on data security, confidentiality, and availability.
- The Company is exposed to asset stranding risk.
- The Company is also exposed to emerging risks.

- **Risks Related to the Philippines**

- Economic Considerations
- Political Considerations
- Terrorist acts, crimes, natural disasters, and outbreaks of infectious diseases or fears of such occurrences in the Philippines

- **Risks Related to the Bonds**

- An active or liquid trading market for the Bonds may not develop.
- Holders of the Bonds may experience liquidity issues and potential loss of principal value if the Bonds are sold at the secondary market.

- Holders of the Bonds may be unable to reinvest the proceeds of their Bonds following redemption by the Issuer.
- The Bonds may not be able to retain its credit rating.
- The Bonds have no preference under Article 2244(14) of the Civil Code of the Philippines.
- Risk relating to investors seeking exposure to sustainability-linked assets
- Potential contingencies relating to the Interest Rate Step-Up

CORPORATE INFORMATION

The registered office of the Company is at 10/F Park Centrale Tower, B2 L3, Jose Ma. Del Mar Street, Cebu IT Park, Brgy. Apas, Cebu City. The Company's telephone number at this location is +63 (32) 231-4870 and 254-1254.

The Company's website is www.cebulandmasters.com.

Investor Relations Office

For investor communications and compliance, the following officers may be contacted:

B. Grant L. Cheng, Chief Financial Officer, grant_cheng@cebulandmasters.com
 Emerito M. Purisima Jr., Investor Relations Officer, empurisima@cebulandmasters.com
 Atty. John Edmar G. Garde, Compliance Officer, jggarde@cebulandmasters.com

The Investor Relations Manager and Compliance Officer are the Company's operating leads and in-charges with respect to disclosures and continuing requirements of the SEC and the PDEX.

SUMMARY OF FINANCIAL INFORMATION

The following tables present a summary of the consolidated financial information for the Group and should be read in conjunction with the auditor's reports and the Group's consolidated financial statements and notes thereto contained in this Offer Supplement and the section entitled "Management's Discussion and Analysis or Plan of Operations."

The summary financial information presented below for each of the three (3) years ended December 31, 2023, 2022 and 2021 were derived from the consolidated financial statements of CLI prepared in accordance with PFRS as modified by the application of the financial reliefs issued and approved by the SEC in response to the COVID-19 pandemic and audited by Punongbayan & Araullo ("P&A") in accordance with the Philippine Standards on Auditing.

The summary financial information presented below for each of the nine (9)-month interim financial periods ended September 30, 2024 and 2023 were derived from the condensed consolidated interim financial statements of CLI prepared in accordance with PAS 34, Interim Financial Reporting and reviewed by P&A in accordance with the Philippine Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

The historical financial condition, results of operations and cash flows of the Group are not a guarantee of its future operating and financial performance.

SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In Million Pesos (P)	For the nine (9) months ended 30 September		For the years ended 31 December		
	2024 (Unaudited)	2023 (Unaudited)	2023	2022	2021
Revenues					
Sale of real estates	12,460	11,310	18,508	15,439	10,996
Interest income from real estate sales	1,344	1,395	-	-	-
Hotel Operations	149	98	139	83	49
Rental	114	77	112	79	74
Management fees	46	46	59	55	43
Total Revenues	14,112	12,926	18,818	15,657	11,162
Cost of Sales and Services	(6,715)	(6,034)	(9,640)	(8,368)	(5,972)
Gross Profit	7,397	6,893	9,178	7,290	5,190
Operating Expenses	(2,425)	(1,893)	(2,785)	(2,369)	(1,950)
Other Operating Income	235	349	411	203	257
Operating Profit	5,207	5,349	6,804	5,123	3,497
Finance costs	(1,331)	(1,554)	(603)	(351)	(264)
Finance income	16	8	15	15	8
Share in net loss of associates	(8)	(6)	(13)	(10)	(4)
Impairment loss on financial assets	-	(0)	(0)	(2)	-
Other Losses/ Gains	(2)	(4)	(4)	(8)	(133)
Profit before tax	3,881	3,793	6,199	4,768	3,104
Tax Expense	(968)	(960)	(1,556)	(1,160)	(433)
Net Profit	2,913	2,833	4,643	3,608	2,671
Non-Controlling Interest	590	653	1,067	437	58
Parent Net Profit	2,323	2,180	3,576	3,171	2,613

SUMMARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In Million Pesos (₱)	For the nine (9) months ended 30 September	For the years ended 31 December			
	2024 (Unaudited)	2023 (Unaudited)	2023 (Audited)	2022	2021
Cash and cash equivalents	2,448	914	914	1,435	1,096
Receivables - net ¹	11,590	2,249	2,249	3,678	6,006
Contract assets - net ²	41,276	45,094	45,094	31,979	20,290
Real estate inventories	12,815	16,966	18,693	18,309	18,709
Deposits on land for future development	0	49	15	130	0
Due from related parties	51	15	49	36	57
Prepayments and other current assets	7,952	6,434	6,434	4,236	4,113
Non-current asset classified as held for sale	238				
Investments in associates	398	142	142	134	135
Property and equipment - net	8,566	7,242	7,242	4,814	916
Right-of-use assets	1,106	1,130	1,130	1,168	1,153
Investment properties - net	17,338	18,334	18,334	17,749	13,240
Other non-current assets - net	1,255	1,790	1,790	1,377	937
Total Assets	105,032	100,359	102,086	85,045	66,652
Interest-bearing loans and borrowings ³	44,032	42,189	42,189	35,062	32,022
Trade and other payables ⁴	19,324	22,966	22,966	19,039	12,820
Contract liabilities	292	449	449	598	604
Customers' deposits	190	144	144	120	90
Lease liabilities ⁵	1,275	1,263	1,263	1,237	1,126
Income tax payable	9	2	2	4	2
Bonds payable	4,961	4,948	4,948	4,931	0
Post-employment defined benefit obligation	10	10	10	9	5
Deferred tax liabilities - net	5,086	5,039	4,316	3,032	2,051
Total Liabilities	75,180	77,011	76,289	64,032	48,720
Capital stock	3,628	3,623	3,623	3,623	3,623
Additional paid-in capital	5,889	1,613	1,613	1,611	1,609
Treasury stock	(733)	(733)	(733)	(733)	(748)
Revaluation reserves	(18)	(18)	(18)	(14)	(13)
Retained earnings	11,281	9,666	11,966	9,014	6,369
Non-controlling interests	9,805	9,197	9,345	7,511	7,092
Total Equity	29,852	23,348	25,797	21,013	17,932

¹ Receivables – net is comprised of the current and non-current portion.

² Contract assets – net is comprised of the current and non-current portion.

³ Interest-bearing loans and borrowings is comprised of the current and non-current portion.

⁴ Trade and other payables is comprised of the current and non-current portion.

⁵ Lease liabilities is comprised of the current and non-current portion.

SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS

In Million Pesos (₱)	For the nine (9) months ended 30 September	For the years ended 31 December (Audited)		
	2024	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	3,881	6,199	4,768	3,104
Adjustments for:				
Interest expense on interest-bearing loans	1,187	452	259	197
Depreciation and amortization	144	187	171	122
Interest expense on lease liabilities	62	80	76	67
Amortization of debt issuance cost	53	-	-	-
Interest expense on bonds	34	67	15	-
Interest income	(15)	(14)	(15)	(7)
Share in net losses of associates	8	13	10	4
Share option benefits expense	-	2	3	-
Loss (gain) on sale of property and equipment	(1)	0	(0)	0
Impairment loss on financial assets	-	0	2	-
Operating profit before working capital changes	5,352	6,986	5,288	3,487
Decrease (increase) in receivables	(9,341)	1,429	2,326	136
Decrease in contract assets	3,513	(13,115)	(11,689)	(6,434)
Decrease (increase) in real estate inventories	5,452	2,956	2,409	(1,290)
Increase) in prepayments and other current assets	(1,928)	(2,198)	(103)	(905)
Increase in deposits on land for future development	-	(350)	(130)	(376)
Decrease (increase) in other non-current assets	533	(419)	(1,069)	(573)
Increase (decrease) in trade and other payables	(605)	1,561	3,805	5,318
Increase (decrease) in contract liabilities	(157)	(149)	(6)	72
Increase (decrease) in customers' deposits	46	24	30	(106)
(Decrease) in post-employment defined benefit obligation	-	(5)	4	4
Cash generated from operations	2,864	(3,279)	1,593	(669)
Cash paid for taxes	(503)	(270)	(301)	(252)
Net cash provided by (used in) operating activities	2,361	(3,549)	1,292	(921)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment properties	(1,969)	(322)	(5,175)	(4,865)
Acquisitions of property and equipment	(1,368)	(996)	(1,204)	(300)
Interest received	15	14	15	7
Investments in associates	(501)	(22)	(8)	(25)
Acquisitions of computer software	(3)	(2)	(3)	(10)
Proceeds from sale of property and equipment	1	1	1	0
Advances to related parties	(3)	(13)	(0)	(36)
Collection of advances to related parties	-	-	22	0
Net cash used in investing activities	(3,829)	(1,339)	(6,352)	(5,230)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuances of bonds - net	-	-	4,927	-
Proceeds from availment of interest-bearing loans - net	12,798	12,944	11,749	14,448
Repayments of interest-bearing loans	(11,054)	(5,792)	(8,807)	(6,288)
Proceeds from issuance of preferred shares	4,280	-	-	-

In Million Pesos (P)	For the nine (9) months ended 30 September	For the years ended 31 December (Audited)		
	2024	2023	2022	2021
Interest paid on interest-bearing loans	(2,110)	(2,543)	(1,907)	(1,388)
Cash dividends paid	(722)	(728)	(600)	(477)
Interest paid on lease liabilities	(54)	(55)	(18)	(58)
Additional investment from non-controlling shareholders	33	880	62	227
Interest paid on bonds	(169)	(337)	(15)	-
Proceeds from reissuance of treasury stock	-	-	8	-
Acquisition of treasury stock	-	-	-	(15)
Net cash used in financing activities	3,002	4,368	5,399	6,449
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,534	(521)	339	299
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	914	1,435	1,096	797
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,448	914	1,435	1,096

There are ongoing good faith discussions with the Office of the General Accountant (“OGA”) of the SEC regarding the Company's reclassification of assets as inventory from investment properties in its Reviewed Interim Financial Statements as of September 30, 2024. For more information, please refer the discussion on “Accounting Treatment of Property Reclassification” under the “Management's Discussion and Analysis (MD&A) or Plan of Operation” section.

For the Consolidated Audited Financial Statements as of December 31, 2023, the SEC OGA has imposed a penalty amounting to ₱28,500.00 for the Company's failure to attach the Reconciliation of Retained Earnings Available for Dividend Declaration as of December 31, 2023. Please refer to *Exhibit A* of the *Consolidated Audited Financial Statements* attached to this Offer Supplement.

FINANCIAL RATIOS

	For the nine (9) months ended 30 September		For the years ended 31 December		
	2024 (Unaudited)	2023 (Restated) ¹¹	2023 (Audited)	2022 (Audited)	2021 (Audited)
Gross Profit Margin ¹	52.4%	53.3%	48.8%	46.6%	46.5%
Net Profit Margin ²	20.6%	21.9%	24.7%	23.0%	23.9%
EBITDA ³ (in Million Pesos)	₱5,245	₱5,363	₱8,108	₱5,674	₱3,730
EBITDA Margin ⁴	37.2%	41.5%	43.1%	36.2%	33.4%
Interest Coverage Ratio ⁵	6.30	*	4.12	4.89	3.74
Return on Average Assets ⁶	2.8%	*	5.0%	4.8%	4.6%
Return on Average Equity (Parent) ⁷	13.6%	*	23.9%	26.1%	26.8%
Current Ratio ⁸	1.94	*	1.55	1.58	1.64
Net Debt to Equity Ratio ⁹	1.56	*	1.79	1.84	1.72
Debt to Equity Ratio ¹⁰	1.64	*	1.83	1.90	1.79

Note: These financial ratios are not required by and are not a measure of performance under PFRS. Investors should not consider these financial ratios in isolation or as an alternative to Net Income as an indicator of CLI's operating performance or to cash flow from operating, investing, and financing activities as a measure of liquidity, or any other measures of performance under PFRS. Because there are various calculation methods for these financial ratios, CLI's presentation of these measures may not be comparable to similarly titled measures used by other companies.

¹ Gross Profit Margin is computed by dividing the Company's Gross Profit by its Revenues.

² Net Profit Margin is computed by dividing the Company's Net Profit by its Revenues.

³ EBITDA is defined as earnings before interest, tax, depreciation, and amortization from continuing operations, and before exceptional items. Please see table below for EBITDA calculation.

⁴ EBITDA Margin is computed by dividing the Company's EBITDA by its Revenues. EBITDA is based on the EBITDA calculation below.

⁵ Interest Coverage ratio is the sum of EBITDA, cash, and cash equivalents divided by interest incurred. Interest incurred is computed as the sum of interest incurred from bank loans (including amortization of debt issue costs), interest incurred from corporate notes (including amortization of debt issue costs) and interest incurred from bonds (including amortization of debt issue costs) less borrowing costs that are capitalized as part of property and equipment and borrowing costs that are capitalized as part of investment property. For purposes of the covenants, the ratio shall be computed using 12-months trailing EBITDA plus

cash balance over interest due for the next year.

⁶ Return on Average Assets is computed by dividing Net Profit by the average assets as at the beginning and end of the same period

⁷ Return on Average Equity (Parent) is computed by dividing Net Profit by the average of the equity attributable to the Parent Company's shareholders as at the beginning and the end of the same period

⁸ Current Ratio is Current Assets divided by Current Liabilities.

⁹ Net Debt-to-Equity Ratio is both the current and non-current interest-bearing debt (loans, borrowings and bonds payable) less Cash and cash equivalents over Total Equity.

¹⁰ Debt-to-Equity Ratio is both the current and non-current interest-bearing debts (loans, borrowings and bonds payable) divided by Total Equity.

¹¹ 9M2023 balance sheet figures were not part of the condensed consolidated interim financial statements prepared by the auditors.

Below is the reconciliation of "Net Profit" to "EBITDA".

In Million Pesos (₱)	For the nine (9) months ended 30 September	For the years ended 31 December		
	2024	2023	2022	2021
Net Profit	2,913	4,643	3,608	2,671
Interest charged to:				
Cost of Sales	-	1,203	461	307
Interest expense on loans	1,187	452	259	197
Interest expense on bonds	34	67	15	-
Tax expense	968	1,556	1,160	433
Depreciation and amortization	144	187	171	122
EBITDA	5,245	8,108	5,674	3,730

SUMMARY OF THE OFFER

The following summary should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Offer Supplement, including, but not limited to, the discussion on the “Description of the Bonds” and “Plan of Distribution”. This overview may not contain all the information that prospective investors should consider before deciding to invest in the Bonds. Accordingly, any decision by a prospective investor to invest in the Bonds should be based on a consideration of the Prospectus, this Offer Supplement, the Trust Agreement, the other Bond Agreements, the Company Disclosures, the Articles of Incorporation and By-Laws (each as amended to date), resolutions of the Board of Directors of CLI, and any other agreements or documents relevant to the Offer, as a whole.

Prospective Bondholders must make their own appraisal of the Issuer and the Offer and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the Offer. They must not rely solely on any statement, or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not substitutes for the prospective investor’s independent evaluation and analysis. Prospective Bondholders are likewise encouraged to consult their respective legal counsels and accountants in order to be better advised of the circumstances surrounding the Bonds.

Capitalized terms used but not defined herein have the meanings given to them in the “Glossary of Terms” in this Offer Supplement.

Issuer	Cebu Landmasters, Inc. (“ CLI ”), a company incorporated under the laws of the Philippines.
Issue	SEC-Registered, Philippine Peso-denominated, sustainability-linked bonds consisting of Series D bonds due 2028 (the “ Series D Bonds ”) and Series E bonds due 2030 (the “ Series E Bonds ”) (collectively, the “ Sustainability-Linked Bonds ”, the “ Bonds ”, or the “ Offer ”) to be issued from the up to Fifteen Billion Pesos (₱15,000,000,000.00) Debt Securities Program, constituting the direct, unconditional, unsecured, and general obligations of the Issuer.
Issue Amount	Base Offer of Three Billion Pesos (₱3,000,000,000.00) (the “Base Offer”) with an Oversubscription Option of up to Two Billion Pesos (₱2,000,000,000.00) (the “Oversubscription Option”). The Joint Lead Underwriters and Joint Bookrunners shall have the option, in consultation with the Issuer, to increase the Base Offer by up to Two Billion Pesos (₱2,000,000,000.00) in the event of an oversubscription. In the event that the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the unexercised portion shall be placed under shelf registration to be issued within the shelf period and, consequently, the bonds under shelf registration will be automatically increased by such principal amount of the Oversubscription Option bonds that will not be taken up or exercised.
Series	The Bonds will be issued in two (2) series consisting of: • Series D Bonds due 2028; and • Series E Bonds due 2030.
Use of Proceeds	Net proceeds will be used to refinance CLI’s maturing obligations in 2025 and for general corporate purposes, among others.

For a detailed discussion on the use of proceeds, please refer to the section on “*Use of Proceeds*”.

Form and Denomination	The Bonds shall be issued in scripless form and shall be issued in minimum denominations of Fifty Thousand Pesos (₱50,000.00) each, and in integral multiples of Ten Thousand Pesos (₱10,000.00) thereafter, and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market.
Issue Manager	BPI Capital Corporation (“ BPI Capital ”)
Joint Lead Underwriters and Joint Bookrunners	BPI Capital China Bank Capital Corporation (“ Chinabank Capital ”) PNB Capital and Investment Corporation (“ PNB Capital ”) RCBC Capital Corporation (“ RCBC Capital ”)
Trustee	BPI Asset Management and Trust Corporation (“ BPI Wealth ”)
Second Party Opinion (“SPO”) Provider	DNV (Thailand) Co., Ltd. (“ DNV ”)
Registrar and Paying Agent	Philippine Depository & Trust Corp. (“ PDTC ”)
Counsel to the Issue Manager and the Joint Lead Underwriters and Joint Bookrunners	SyCip Salazar Hernandez & Gatmaitan (“ SyCipLaw ”)
Listing	Philippine Dealing & Exchange Corp. (“ PDEX ”)
Offer Period	The Offer shall commence at 9:00 a.m. on March 10, 2025 and end at 5:00 p.m. on March 14, 2025 or on such other dates or time as the Issuer and the Joint Lead Underwriters and Joint Bookrunners may agree upon.
Issue Date	March 21, 2025, or the immediately succeeding Business Day if such Issue Date is not a Business Day, or such other date as may be agreed upon by the Issuer and the Joint Lead Underwriters and Joint Bookrunners with advice to the SEC, PDTC and PDEX.
Issue Price	Par or 100% of face value.
Maturity Date	The maturity dates of the Bonds (the “Maturity Date”) are as follows: • Series D Bonds: the third (3rd) anniversary of the Issue Date, or on March 21, 2028; and • Series E Bonds: the fifth (5th) anniversary of the Issue Date or on March 21, 2030,

provided that, in the event that such Maturity Date falls on a day that is not a Business Day, the relevant Maturity Date shall be the immediately succeeding Business Day, without adjustment to the amount of interest and principal to be paid; provided further that if the Issue Date is set at a date other than March 21, 2025, then the Maturity Date will be adjusted automatically to the date falling on: (i) in respect of the Series D Bonds, the third (3rd) anniversary of the Issue Date, and (ii) in respect of the Series E Bonds, the fifth (5th) anniversary of the Issue Date.

Interest Rate	The Series D Bonds and the Series E Bonds shall bear interest on its outstanding principal amount from and including the Issue Date at the Applicable Interest Rate, adjusted as and when necessary, pursuant to the conditions set forth below.
Original Interest Rate	The original interest rate <i>per annum</i> applicable to the Series D Bonds and the Series E Bonds starting on the Issue Date shall be as follows: • Series D Bonds: 6.6348% <i>per annum</i>, and • Series E Bonds: 6.9157% <i>per annum</i>, each an “Original Interest Rate”.
Applicable Interest Rate	The interest rate <i>per annum</i> equivalent to either (i) the applicable Original Interest Rate per series; or (ii) the applicable Original Interest Rate per series adjusted for the occurrence of one or both Trigger Events.
Interest Rate Step-Up	From and including the first day of the Interest Period immediately following the Interest Period within which a Target Measurement Date falls (each an “Interest Step-Up Date”), the Applicable Interest Rate shall be equal to each Original Interest Rate plus 0.075% for each occurrence of a Trigger Event. If a relevant qualified independent external verification provider with relevant expertise in accordance with SEC guidelines (the “External Verification Provider”) determines in its verification assurance report that both Sustainability Performance Targets are met on the relevant Target Observation Dates, then the Applicable Interest Rate shall remain equal to the Original Interest Rate.
Target Measurement Dates	Short Term SPT: March 01, 2027 Medium Term SPT: March 01, 2029
Target Observation Dates	Short Term SPT: February 28, 2027 Medium Term SPT: February 28, 2029
Trigger Event	There is a Trigger Event when an SPT is not met on the applicable Target Observation Date as determined in the verification assurance report of the relevant External Verification Provider.
Interest Payment Date	Interest on the Sustainability-Linked Bonds shall be calculated on a European 30/360-day count basis and shall be paid quarterly in arrears commencing on June 21, 2025 for the first Interest Payment Date and September 21, December 21, March 21, and June 21 of each year for each subsequent Interest Payment Date while the Sustainability-Linked Bonds are outstanding. In the event that any Interest Payment Date is not a Business Day, such Interest Payment Date shall be paid on the immediately succeeding Business Day without any adjustment to the amount due. The last Interest Payment Date shall fall on the Maturity Date, or the immediately succeeding Business Day if such date is not a Business Day, without any adjustment to the amount due, provided that if the Issue Date is set at a date other than March 21, 2025, then the Interest Payment Dates will be automatically adjusted to the numerically corresponding dates at every quarter following the actual Issue Date.
Key Performance Indicator (“KPI”)	Providing Affordable Housing This KPI is defined as the number of Affordable Housing units provided by CLI across their residential portfolio.

“**Affordable Housing**” are units priced below the price ceilings for low-cost and medium-cost housing based on the Joint Memorandum Circular between the Department of Human Settlements and Urban Development (“**DHSUD**”) and National Economic Development Authority (“**NEDA**”). As of the date of this Offer Supplement, the price threshold is pegged at below ₱4,900,000.00 for low-cost and below ₱6,600,000.00 for medium-cost based on the Joint Memorandum Circular 2024-001 which may be subject to future updates from the relevant government agencies.

Any updates to the price threshold⁴ by the relevant government agencies will be monitored by CLI and disclosed to stakeholders as these become available.

**Sustainability
Performance Target
 (“SPT”)**

- Short Term SPT: Build 8,500 new Affordable Housing units by February 2027
- Medium Term SPT: Build 16,000 new Affordable Housing units by February 2029

Final Redemption

Unless the Bonds are otherwise earlier redeemed or purchased and cancelled, the Issuer shall redeem the Bonds at 100% of face value on their respective Maturity Dates. However, if the relevant Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment to the amounts due, on the succeeding Business Day.

Each Bondholder in whose name the Bonds are registered in the Registry of Bondholders at the close of business on the Record Date preceding the relevant Maturity Date shall be entitled to receive the principal amount of the Bonds. In all cases, repayment of principal shall be remitted to the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Call Option

The Issuer has the right, but not the obligation, to redeem (in whole but not in part) the outstanding Sustainability-Linked Bonds before the Maturity Date on any one of the Interest Payment Dates indicated below (the “**Call Option Dates**”), or the immediately succeeding Business Day if such date is not a Business Day, in accordance with the following schedule:

Series D Bonds	
Call Option Dates	Call Option Price
Second (2 nd) anniversary of the Issue Date and every Interest Payment Date thereafter before the third (3 rd) anniversary of the Issue Date	100.5%

Series E Bonds	
Call Option Dates	Call Option Price
Third (3 rd) anniversary of the Issue Date and every Interest Payment Date thereafter before the fourth (4 th) anniversary of the Issue Date	101.0%

⁴ Low-cost and medium-cost housing are considered affordable housing in the Philippines since their definitions (determined by price ceilings) are under the purview of DHSUD, which is mandated to develop and adopt a national strategy to address the provision of adequate and affordable housing for all Filipinos.

Fourth (4 th) anniversary of the Issue Date and every Interest Payment Date thereafter before the fifth (5 th) anniversary of the Issue Date	100.5%

provided, that if the relevant Call Option Date falls on a day that is not a Business Day, then the payment of the Call Option Price shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and Call Option Price to be paid. For the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer to redeem the Series D Bonds or the Series E Bonds pursuant to this Call Option.

The amount payable to the Bondholders in respect of any such redemption shall be calculated as the sum of (i) the Call Option Price applied to the principal amount of the then outstanding Sustainability-Linked Bonds being redeemed and (ii) all accrued interest on the Sustainability-Linked Bonds as of the Call Option Date.

The Issuer shall give no more than sixty (60) nor less than thirty (30) days' prior written notice to the Trustee, Registrar and Paying Agent of its intention to redeem the Series D Bonds or the Series E Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Series D Bonds or the Series E Bonds on the Call Option Date stated in such notice. Upon receipt by the Trustee of such notice, the Trustee through the Issuer shall secure from the Registrar and Paying Agent an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Series D Bonds or the Series E Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the interest and Call Option Price. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Early Redemption for Taxation Reasons

If payments under a series of or all the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the relevant Bond series in whole or all the Bonds in whole, and not in part only, on any Interest Payment Date at one hundred percent (100%) of face value and paid together with the accrued interest thereon, provided the Issuer has given not more than sixty (60) nor less than thirty (30) days' prior written notice to the Trustee, Registrar and Paying Agent, and subject to the requirements of Applicable Law. If the Issuer does not redeem the relevant Bond series or all the Bonds then all payments of principal and interest in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any such new or additional taxes, duties, assessments or governmental charges, unless such withholding or deduction is required by Applicable Law. In that event, the Issuer shall pay to the Bondholders concerned such additional amount as will result in the receipt by such Bondholders of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.

Upon receipt by the Trustee of the above written notice from the Issuer, the Trustee through the Issuer shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the

intended early redemption. Each Bondholder in whose name the Bonds subject of the early redemption is registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the principal of the Bonds subject of the early redemption and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

For the avoidance of doubt, the Issuer shall not, in any case, be liable for Excluded Taxes. Please see “*Description of Bonds – Payment of Additional Amounts – Taxation*” for the enumeration of Excluded Taxes.

Early Redemption by Reason of Change in Law or Circumstance

Each of the following events shall be considered as a change in law or circumstances (“**Change in Law or Circumstance**”) as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Agreement and the Bonds:

- (a) Any government and/or non-government consent, license, authorization, registration, or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds shall be modified in a manner which, in the reasonable opinion of the Trustee, shall materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld.
- (b) Any provision of the Trust Agreement or any of the related documents is or shall become, for any reason, invalid, illegal or unenforceable to the extent that it shall become for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties thereto of their obligations under the Trust Agreement or any other related documents.
- (c) Any concessions, permits, rights, franchise, or privileges required for the conduct of the business and operations of the Issuer shall be revoked, cancelled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.
- (d) The Republic of the Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize, or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer.

If any one or more of the events enumerated as a Change in Law or Circumstance shall occur and be continuing for a period of thirty (30) days, the Majority Bondholders, by notice in writing delivered to the Issuer through the Trustee, after the lapse of the said thirty (30) day period, may declare the principal of the Bonds, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, without any prepayment penalty, anything contained in the Trust Agreement to be documented or in the Bonds to the contrary notwithstanding, subject to the notice requirements under the discussion on “*Description of the Bonds – Notice of Default.*”

Early Redemption by Reason of Change of Control	Upon the occurrence of a Change of Control, Bondholders holding at least 2/3 of the outstanding principal amount of the Bonds may require the Issuer to redeem all (but not some) of the Bonds at one hundred percent (100%) of face value, which shall be paid together with the accrued interest thereon. Within fifteen (15) days following a Change of Control, the Issuer shall notify the Trustee, which shall, in turn, notify the Bondholders (i) that a Change of Control has occurred and that the Bondholders holding at least 2/3 of the outstanding principal amount of the Bonds may require the Issuer to redeem all (and not some) of the Bonds; and (ii) the date set by the Issuer for such repurchase (which shall not be earlier than forty-five (45) days and no later than sixty (60) days from the date written notice is received by the Trustee). Failure by the Issuer to provide the notice to the Trustee of the occurrence of such Change of Control shall be without prejudice to the Trustee providing the notice to the Bondholders as contemplated in this paragraph. The decision of the Bondholders holding at least 2/3 of the outstanding principal amount of the Bonds under this section shall be conclusive and binding upon all the Bondholders. “Change of Control” means AB Soberano Holdings Corp. ceasing to, whether directly or indirectly, have an aggregate economic interest of more than 50% in the Issuer or ceasing to have control over the Issuer.
Purchase and Cancellation	The Issuer may purchase the Bonds at any time in the open market or by tender or by contract, in accordance with PDEX Rules, as may be amended from time to time, without any obligation to make pro rata purchases from all the Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Bonds in the PDEX, the Issuer shall disclose any such transaction in accordance with the applicable PDEX disclosure rules.
Status of the Bonds	The Bonds shall constitute the direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and ratably without any preference or priority amongst themselves and at least <i>pari passu</i> with all other present and future unsubordinated and unsecured indebtedness of the Issuer, contingent or otherwise, other than indebtedness mandatorily preferred by operation of law and not by contract, and preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors’ rights generally and by general principles of equity (but not the preference or priority established by Article 2244(14)(a) of the Civil Code of the Philippines), but in the event of insolvency, such financial obligations shall be absolute and unconditional only to the extent permitted by Applicable Law relating to creditors’ rights generally.
Negative Pledge	The Issuer shall not, without the consent of the Majority Bondholders, permit any indebtedness for borrowed money to be secured by or to benefit from any mortgage, pledge, lien or encumbrance constituted on any of the Issuer’s properties for the purpose of securing its or its Affiliate’s obligation in favor of any creditor or class of creditors without providing the Bondholders with the same kind or class of security, the benefit of which is extended equally or ratably among them to secure the Bonds, provided that the foregoing restrictions shall not apply to any Permitted Liens.
Financial Covenants of the Issuer	From the date of the Trust Agreement and for as long as the Bonds or any portion thereof remains outstanding, and unless the Majority Bondholders shall otherwise consent in writing, the Issuer undertakes to maintain the following financial ratios, with testing to be done on an annual basis:

- (a) a Debt-to-Equity Ratio not exceeding 2.5:1;
- (b) a Current Ratio of at least 1:1; and
- (c) an Interest Coverage Ratio of at least 3:1.

Please see discussion under the “*Description of the Bonds – Financial Covenants*” for the definitions of the above ratios and other terms relating to these financial covenants of the Issuer.

No Sinking Fund

The Issuer has not established and currently does not intend to establish a sinking fund for the payment of the Bonds.

Taxation

Interest income on the Bonds is subject to a withholding tax at rates of between 10% and 25% depending on the tax status of the relevant Bondholder under relevant law, regulation, or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following (“**Excluded Taxes**”):

- (a) The withholding tax applicable on interest earned on the Bonds prescribed under the Tax Code, as amended, and its implementing rules and regulations as may be in effect from time to time; provided, further, that all Bondholders are required to provide the Issuer through the Bondholders’ Joint Lead Underwriter and Joint Bookrunner, or PDEX Trading Participant and endorsed to the Registrar and Paying Agent their validly issued tax identification numbers, issued by the BIR;
- (b) Gross Receipts Tax under Section 121 and 122 of the Tax Code;
- (c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding;
- (d) VAT under Sections 106 to 108 of the Tax Code; and
- (e) Any applicable taxes on any subsequent sale or transfer of the Bonds by any holder which shall be for the account of such holder (or its buyer, as the holder and the buyer may have agreed upon).

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer’s account.

Please see the section on “*Taxation*” for a more detailed discussion on the tax consequences of the acquisition, ownership, and disposition of the Bonds.

Bond Rating

The Bonds have been rated PRS Aa plus by PhilRatings on December 18, 2024.

The rating is subject to regular annual reviews, or more frequently as market developments may dictate, while the Bonds are outstanding.

Transfer of the Bonds

Trading of the Bonds will be coursed through a PDEX Trading Participant subject to the applicable PDEX rules and conventions. Trading, transfer and/or settlement of the Bonds shall be performed in accordance with the

PDTC rules and procedures to be set by the Issuer and the Registrar. Upon any assignment of the Bonds, title thereto will pass by recording of the transfer from the transferor to the transferee in the Registry of Bondholders to be maintained by the Registrar.

For a detailed discussion on transfer of the bonds, please refer to the section on “*Description of the Bonds – Transfer of the Bonds*”.

Own Risk

Investment in the Bonds is not covered by the Philippine Deposit Insurance Corporation. Any loss or depreciation in the value of the assets of the Bondholders, resulting from the investments or reinvestment in the Bonds and the regular conduct of the Trustee’s trust business shall be for the account of the Bondholder.

Please refer to the section on “*Risk Factors*” which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Bonds.

Governing Law

Philippine law

RISK FACTORS AND OTHER CONSIDERATIONS

GENERAL RISK WARNING

An investment in the Bonds involves a number of risks. Prospective investors should carefully consider the risks described below, in addition to other information contained in this Offer Supplement, including the Company's financial statements and notes relating thereto, before making any investment decision relating to the Bonds. These factors, which are of equal importance and are organized in no particular order, may be summarized into those that pertain to the business and operations of the Company, those that pertain to the overall political, economic, and business environment in the Philippines, and those that pertain to the Bonds.

This section does not purport to disclose all of the risks and other significant aspects of investing in Bonds. Investors deal in a range of investments each of which may carry a different level of risk. Investors should seek professional advice regarding any aspect of the securities such as the nature of the risks involved in the trading of the securities or if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those classified as high-risk securities. Investors should undertake independent research regarding the Company and the trading of securities before commencing any trading activity and may request all publicly available information regarding the Company and the Bonds from the SEC or may check the Company's Disclosures with the PDEX and at the PSE EDGE.

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities.

The Company's past performance is not an indication of its future performance. There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying price and the selling price of these securities. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or are currently considered immaterial could have a material adverse effect on the Company's business, result of operations, financial condition, and prospects, and could cause the market price of the Bonds to fall significantly and investors may lose all or part of their investment.

To mitigate the risks identified below, the Company shall continue to adopt what it considers conservative, financial and operational controls and policies within the context of the prevailing business, economic, and political environments taking into consideration the interests of its customers, stockholders and creditors.

RISKS RELATED TO THE COMPANY

There is heightened competition among local and national players where the Company is operating and expanding. Competition for the acquisition of land for new projects could adversely affect the Company's business.

The Company's future growth and development are dependent, in part, on its ability to acquire or enter into agreements to develop additional tracts of land suitable for the Company's planned real estate projects. When the Company and its competitors attempt to locate sites for development, the Company may experience difficulty in locating parcels of land of suitable size in locations and at prices acceptable to the Company. In the event the Company is unable to acquire suitable land at acceptable prices, with reasonable returns, or at all, its growth prospects could be limited, and its business and results of operations could be adversely affected.

The Company faces tough competition from a number of local and national players that take advantage of the growing real estate market in Cebu. For residential projects, CLI competes with Ayala Land, Inc., Filinvest Land, Federal Land, Taft Properties, Primary Homes, Aboitiz Land and a host of other local and national players. For commercial developments and office space leasing, the Company faces Ayala Land, Inc., Primary Structures Corporation, Skyrise Realty and Development Corporation, Megaworld, Inc. and other players as its competitors in addressing the demand for office buildings of the fast-growing BPO industry and retail spaces.

Nevertheless, CLI has been able to establish itself as Cebu's leading local housing developer due to its strong track record in the four (4) main market segments namely high-end, mid-market, economic and socialized housing. Thus, the Company can tailor-fit its residential developments not only to achieve the best use of a property but also to ensure its optimal market acceptance. This has enabled CLI to sell its projects at a higher velocity, turn over quickly on its developments, and move swiftly from pre-selling to construction and delivery. CLI's consistently high sales performance is enabled by innovative sales and marketing strategies, which allows itself to bring products to the market faster than the competition with the commanding support of its over 11,000-strong real estate broker and agent network.

In order to gain further versatility, the Company has also diversified into commercial, leisure, hospitality, and industrial developments. With CLI's growing local leadership and expertise in various real estate product offerings, the Company believes it will be able to sustain its growth amidst heightened competition.

The Company's limited landbank inventory compared to other developers is deliberate. CLI's thrust is to immediately develop a property once acquired and after completion, to quickly turn over the same to the buyers to achieve faster financial gains and to ensure efficient use of capital.

The Company emphasizes creating shareholder value by being opportunistic with investments and being judicious in its deployment of capital. Decisions on capital expenditures, whether financed by equity or debt, are made with a priority on generating a strong return on investment in a measurable and realistic timeframe. Having too large a landbank would necessarily mean that much capital is devoted to holding non-revenue generating assets while incurring cost of debt or equity. Much in the same way that capital-efficient firms employ a 'just-in-time' to efficiently utilize capital, CLI chooses only to raise capital when it can confidently forecast and execute a project with a reasonable rate of return.

Nevertheless, despite the heightened competition for land in Cebu and VisMin, the Company does not find any substantial difficulty in acquiring target properties. The Company's local connections in VisMin and familiarity with the people and the territories where it is operating enable CLI to attract reverse inquiries for possible JVs with landowners or offers for sale of properties. The Company will continue to open its doors to JV partnerships and to work on the success of its current JVs and projects in order to retain its good reputation in the territories where it is operating.

The Company's business is affected by various regulations in the Philippines.

CLI operates a material part of its businesses in a highly regulated environment. CLI's business is subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety. These include laws and regulations governing air emissions, water and wastewater discharges, odor emissions, and the management and disposal of, and exposure to, hazardous materials. The Company cannot predict what environmental or health and safety legislation or regulations will be amended or enacted in the future; how existing or future laws or regulations will be enforced, administered or interpreted; or the amount of future expenditures that it may be required to comply with these environmental or health and safety laws or regulations or to respond to environmental claims.

In addition, CLI is required to obtain licenses to sell before making sales or other dispositions of housing and condominium units. For more information on the environmental laws and other regulations affecting the Company's operations, please see discussion on the section on "*Regulatory Framework*" on page 265.

Project permits and any license to sell ("**LTS**") may be suspended, cancelled, or revoked by the DHSUD, the Human Settlements Adjudication Commission of the Philippines ("**HSAC**"), or by the courts upon its findings or upon complaint from an interested party, and there can be no assurance that the Company will receive the requisite approvals or licenses, or that such permits, approvals or licenses will not be cancelled or suspended. Any of the foregoing circumstances or events could affect the Company's ability to complete projects on time, within budget or at all, and could have a material adverse effect on its financial condition and results of operations.

Moreover, the Company has incurred, and expects to continue to incur, operating costs to comply with such laws and regulations. Further changes to the applicable governmental laws and regulations, fiscal policies and zoning ordinances will result in additional costs of compliance for the Company.

CLI, through its construction and property management arms, keeps itself abreast of the latest technologies that enable it to implement existing sanitation, environment and safety laws and regulations at cost-efficient means. It also continuously exerts earnest efforts to secure and maintain all relevant and material permits and licenses required under such laws and regulations for its subdivision and condominium projects. The Company also practices and adheres to a strong compliance culture and maintains positive relationships with regulatory and local government agencies.

The Company's business may be adversely affected by major political and economic developments, such as the Russia-Ukraine war, Israel-Hamas war, and recent developments in the Middle East.

The ongoing Russia-Ukraine war and other conflicts arising in the Middle East heavily impact global oil market, threatening oil supply from these major oil producers of the world. Sanctions and export controls against Russia have constrained oil exports contributing to tighter global supply and higher prices. Instability in the Middle East with the Israel-Palestine conflict and Houthi attacks in the Red Sea also raises the risk of supply chain disruptions in critical oil-producing regions. Since these countries are major producers of petroleum, the discontinuance of petroleum supply from it would mean that the global supply has decreased. Disruptions to the flow of petroleum to the supply chain drive prices up, making costs of inputs much more expensive.

While the Philippines and the other Southeast Asian countries have limited dependency on these countries, the ensuing global sanctions adversely impact Philippine economic conditions. Food and fuel prices steadily pushed up since the last quarter of 2023.

While the Company is not directly affected, this would mean increased construction costs (cost of steel, cement, and other construction materials), and thus, a slower takeout of completed units, which would most likely lead to lower reservation sales of new projects.

With the upcoming national and local elections in May 2025, or any national or local election for that matter, the entry of new government leaders for both local and national positions marks a transition from familiar procedures to possibly new procedural policies. This may mean delays in permits or title processing which could trigger delays in project completion, which could lead to project compliance issues with financing partners who require specific project milestones. CLI actively manages this risk by ensuring good working relations and proactive communications with any new administration, national and local, to ensure continued support for the real estate industry and the Company.

The Company's revenue contribution from its current portfolio is composed of approximately 98% properties for sale and 2% recurring income projects.

For over two decades, CLI has grown from a humble beginning in Balamban to a fully integrated real estate developer ("**RED**"). The diversified portfolio spans residences, offices, retail spaces, hotels, mixed-use developments, and townships across VisMin. In the high-end residential segment, Premier Masters, featuring projects like Base Line Premier and 38 Park Avenue, offers world-class living in prime urban locations. The Garden Series, including Mivela Garden and Velmiro Greens Bohol, caters to the middle market. Casa Mira targets the economic housing sector, while Villa Casita serves socialized housing. To address affordable housing demand, CLI introduced the Mirani brand, launching Mirani Steps in Danao in June 2023.

CLI has completed 45 residential projects across Cebu, Bacolod, Cagayan de Oro, and Davao, expanding beyond its native Cebu with MesaVerte Garden Residences in 2020. Noteworthy projects like MesaTierra Garden Residences, MesaVirre Garden Residences A & B, and 38 Park Avenue were finalized in 2021 and 2022. The Company had a 98% sold-out status for completed residential developments as of September 30, 2024 after the turnover of projects in Cebu, including Casa Mira Towers Guadalupe, Baseline Prestige, and Mivela Tower 1.

While CLI strengthens recurring income assets, currently about 2% of its portfolio, the company strategically positions for growth in this sector over the next five years. CLI aims for a target mix of 90% residential developments and 10% recurring income projects, showcasing its commitment to a balanced business strategy.

The Company is new to some regional markets including Gensan, Butuan and Calabarzon.

Despite the Company's robust track record and successful projects in Cebu, CLI may face challenges in executing its business expansion plans and strategies, especially concerning new projects and ventures in other regional markets. There is no guarantee that CLI's future projects will be completed and sold as planned, similar to its real estate offerings in Cebu. Additionally, there is no assurance that the uptake for its new developments will remain robust. However, the Company is confident in its ability to successfully penetrate new markets using the project templates that have made it the leading developer in Cebu.

In 2015, CLI initiated its regional expansion by launching MesaVerte Residences in CDO, a mid-market condominium offering with three 15-storey residential towers that nearly sold out in less than a year of pre-selling. The Company introduced its mid-market horizontal project, Velmiro Uptown CDO, in the same city in 2018, featuring a master plan with 396 units to meet the housing demand in the area. In 2016, CLI established its presence in Davao with the launch of MesaTierra Garden Residences, a 22-storey residential condominium.

In 2017, CLI strengthened its market presence in Davao through two new JVs to develop Paragon Center and Davao Global Township, a 22-ha estate project. The Company expanded from Negros Oriental to Negros Occidental by launching MesaVirre Garden Residences, a three-tower residential condominium project in Bacolod City. In 2020, CLI entered Bohol and Iloilo with the successful launch of Velmiro Greens Bohol and Casa Mira Iloilo, respectively. In the same year, CLI launched Casa Mira Dumaguete, Casa Mira Towers LPU, and Casa Mira Coast in Negros Oriental. In 2021, the Company introduced Casa Mira Ormoc in Leyte, expanding its presence to Eastern Visayas.

In 2022, CLI expanded its leisure and hospitality portfolio with MagsPeak Mountain Resort and Villas in Balamban, Cebu. The Company also began planning a 14.3-ha property in Cagayan De Oro and acquired a 17-ha expansion site in Butuan City for Casa Mira Butuan, set to launch before the end of Q1 2024. In 2021, CLI purchased a 14-ha estate in Manresa, CDO, master-planned to integrate the new campus of Xavier University into a well-planned township project. To date, CLI was able to secure its LTS from the DHSUD while bidding for the land development is still ongoing, with construction set to start in 2024. In 2023, CLI launched six (6) projects, including Casa Mira Towers in Palawan, Costa Mira Beachtown in Panglao, and Casa Mira Homes in Davao. CLI is expanding in Mindanao by purchasing 21 has. in General Santos City. The Company has strategic land acquisitions lined up in greater Cebu, Bacolod, CDO, and Davao, with new expansion areas such as Naga City in Luzon on the horizon. CLI continues to pursue its aggressive plans to establish and deliver quality developments across the VisMin region and its first project soon in Luzon.

During the first nine (9) months of 2024, Cebu remained the strongest contributor of Revenue which accounted for 44% of its overall figure. Visayas (ex-Cebu) and Mindanao contributed 24% and 29%, respectively. The increase in the share in revenue outside Cebu was driven by new projects such as East Village Residences, Casa Mira Towers Bacolod, Casa Mira Towers Palawan, and Costa Mira Beach Panglao.

The Philippine property market is cyclical.

The Company expects to derive a substantial portion of its revenue from the current and future portfolio of residential and mixed-use development projects. Accordingly, the Company is dependent on the state of the Philippine property market. The Philippine property market has in the past been cyclical and property values have been affected by the supply of and demand for comparable properties, the rate of economic growth in the Philippines, and political and social developments.

While the Company has no control over the property market, this risk is mitigated by the fact that constructions for the Company's projects are generally completed in a fraction of the time taken for comparable-sized projects by other developers. Construction normally begins immediately once

properties are acquired in the normal course of business. There remains a significant backlog of housing units in the economic and socialized housing segments in which the Company competes. There is also a growing demand for office spaces to cater to the booming BPO business in Cebu, which is now considered one of the top outsourcing destinations in the world. Financing facilities for buyers in the housing segment have become widely available from financial institutions. Lastly, the Company believes that its reputation as a quality home builder and RED, coupled with value-for-money project developments, will help it withstand the cut-throat competition in the Philippine property market.

Given the current geographic concentration of the Company's real estate sales, the Company's results of operations would suffer if the residential housing and land development industry in the Company's current markets decline.

A significant portion of the Company's residential housing and land development business is located within Metro Cebu. As a consequence of this, any prolonged economic downturn in this market could have a material adverse effect on the Company's business, results of operations and financial condition.

To further cushion the impact of stiff competition in Metro Cebu, the Company is expanding project developments to other centers of growth in CDO, Davao, Dumaguete, Iloilo, Bacolod, Butuan, and Gensan. The Company remains steadfast in maintaining its market leadership in the VisMin region, with an eye for opportunities in entering the Luzon market.

The Company might be at risk of being exposed to housing price bubbles.

With the aggressiveness in the real estate sector developments in the country, a steep rise in property prices was observed. A housing price bubble occurs when demand for property suddenly decreases when the supply of real estate property increases. The rapid upsurge in asset prices might result in an eventual decline in prices as markets recalibrate. In addition, housing price bubble may also happen when speculative investing, which is ubiquitous in China, Hong Kong, and Singapore, is apparent. To counter that, the demand registered in the local sector is backed by demands from end-users rather than speculative buyers. This, in turn, diminishes the probability of having asset price bubbles since real estate properties are not bought as investments but for residential purposes.

The Company is confident in the efforts of the BSP to control inflation and prevent the formation of asset bubbles in real estate. In addition, the Company operates and competes in a market segment where there remains a significant backlog of housing units for end-users comprising of low-income and middle-income households. By doing so, the Company is catering to a market segment which has a particular and real housing need. Moreover, the Company is growing its recurring income with its commercial and office developments, upcoming hospitality business and foray into commercial lots development, to mitigate the effects of a possible housing price bubble.

Increased inflation, fluctuations in interest rates, and changes in the Philippine government's borrowing patterns and Government regulations could have a material adverse effect on the Company's and its customers' ability to obtain financing.

Changes in interest rates, the Philippine government's fiscal policy and lending regulations, among other events and conditions, could have a material adverse effect on the Company and on the demand for its products.

With the bank lending cap imposed by the BSP on the real estate sector, the Company's access to capital and its cost of financing become limited. Once the single borrower limit of its current or preferred bank or banks is reached, the Company may encounter difficulty in obtaining financing on the same or similar commercial terms from other banks.

A sustainable increase in inflation in the country might push the cost of raw materials upward, which the Company may not be able to pass on to its customers or to its contractors, e.g., by having them absorb raw material costs. In the event the Government substantially increases its borrowing levels in the domestic currency market, the interest rates charged by banks and other financial institutions are likely to increase and effectively reduce the amount of bank financing available to both prospective property purchasers and REDs, including the Company. Since a substantial portion of real estate customers avail themselves of financing, through either Pag-IBIG financing or through commercial banks under home

mortgage lines, to fund their property purchases, higher interest is expected to be observed which would make purchases of real estate more expensive, and consequently affects demand for the Company's residential projects.

The existence of any of the abovementioned events, or any combination thereof, or of any similar events could have an adverse effect on the Company's business, financial condition, and results of operations.

The Philippine government, specifically the BSP, has introduced measures to monitor the real estate sector. Its intervention would help the market become resilient and sustainable.

The Company prudently manages its balance sheet, and its gearing and leverage ratios are all within or better than industry standards, giving it flexibility to obtain additional bank financing. The Company also does not offer in-house financing, so there is no additional interest rate exposure on that front with the company.

The real estate sector is capital intensive, and this factor may cause difficulty for the Company to readily raise the necessary capital to acquire new land or complete existing projects. It also has a naturally multi-year cash cycle that goes through a negative operating cash flow period for most of its cycle before realizing a cumulative positive cash outcome for each project.

The Philippines' real estate sector requires a substantial amount of capital to acquire land for development, complete existing projects, and commence construction on new developments. The Company has deployed ₱9.43 billion in capital projects in 2024, with 72.5% allocated to project development, 12.6% for investment properties, and 14.9% directed towards land acquisition. CLI is currently expanding in Mindanao, having recently acquired 21 has. in General Santos City. This acquisition strengthened its landbank with 87.6 has., amounting to a total value of ₱10.3 billion. With this strategic move, CLI aims to meet the robust and consistent housing demand in the region, solidifying its presence in 17 key cities in the VisMin region.

The Company has relied on internally generated funds and external financing for its land banking expenditures and real estate development programs. Due to the capital-intensive nature of the real estate industry, it is inevitable that developers will need external support to finance their projects. Failure to obtain the requisite funds could delay or prevent the acquisition of land, completion of ongoing projects or commencement of new projects, which could materially and adversely affect the Company's reputation, financial condition, and results of operations.

To mitigate this risk, the Company cultivates strong relationships with its partner banks and has always demonstrated caution in its financial management as it strives to be efficient and effective in utilizing its capital. The Company also enters into strategic JV partnerships which enable it to position its developments in strategic and prime locations, as its JV partners either contribute the land or share in the acquisition cost and the Company takes charge of the property development and project management which in turn lowers cash outlay requirements and increases equity for the consolidated business.

Moreover, the Company ensures a high sales turnover of its real estate projects through its industry-leading sales support teams in VisMin. With over 73 sales support personnel, this team collaborates, coordinates and supports over 11,000 strong accredited brokers through various agent networks, which includes licensed brokers, sales agents/list of all sellers, as of September 30, 2024. This would involve the Company employing a value for money philosophy which creates a larger demand for its real estate developments in comparison to competitors.

With the Company's projects being 96% sold out on average, it can earn assurance of returning capital to investors, and making a profit and ultimately generating a positive cumulative cashflow for its projects. As long as the Company's projects make a healthy margin, and have a high-sales take up, a negative operating cashflow during early project development is an inherent feature of the business model that can be addressed with prudent capital profile matching and sufficient revolving funds to monetize the profitability of projects.

A portion of demand for the Company's products is from overseas Filipinos, which exposes the Company to risks relating to the performance of the economies of the countries where these potential customers are located.

Sales to overseas Filipinos, including overseas Filipino workers ("OFWs") and Filipino expatriates, which comprises 30% of the Company's buyers, generate a significant portion of the demand for the Company's housing and land development projects. A number of factors could lead to reduced remittances from OFWs, reduced number of overseas Filipinos, or reduced purchasing power of overseas Filipinos. These factors are:

- an appreciation of the Philippine peso, which would result in decreased value of the other currencies transmitted by overseas Filipinos;
- any difficulties in the repatriation of funds;
- a downturn in the economic performance of the countries and regions where a significant number of these potential customers and supporters are located such as the United States, Middle East, Italy, United Kingdom, Singapore, Hong Kong, and Japan;
- a change in Government regulations that currently exempt the income of OFWs from taxation in the Philippines;
- the imposition of restrictions by the Government on the deployment of OFWs to particular countries or regions such as the Middle East; and
- restrictions imposed by other countries on the entry or the continued employment of foreign workers.

Any of these events could adversely affect demand for the Company's projects from overseas Filipinos, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

However, OFW remittances continue to enjoy consistent growth for the past two years. OFW remittances have grown consistently on a year-to-year basis since 1989. For the period from January to November 2024, OFW cumulative remittances reached US\$31.11 billion, a growth of 3.0% y-o-y⁵. Thus, it is expected that the demand for the Company's housing and land development projects from overseas Filipinos and their families will continue to enjoy stable financing from OFW remittances.

This risk can be managed by ensuring that the Company has several other sales channels and that none of its projects are solely reliant on overseas sales in order for it to be viable. Overseas sales are but one part of a broad market that the Company taps. And while overseas demand adds to the overall sales strategy of the Company, it is not the only one. As evidenced during the height of the pandemic when remittances were reduced and there was heightened uncertainty regarding the economic and financial situation of many OFWs, sales to overseas Filipinos declined as a share of the Company's total sales but its overall sales still increased as it was able to sell more into the deep domestic markets of VisMin.

The Company engages third-party brokers and agents to sell its residential housing, residential condominium, office condominium, and condotel projects.

The Company uses third-party brokers to market and sell its various real estate offerings to potential customers. If these brokers do not meet their requisite sales targets, the Company's business, financial condition, and results of operations could be adversely affected. Moreover, there is competition for the services of third-party brokers in the Philippines and many of the Company's competitors may attempt to recruit brokers away from the Company. If a large number of these third-party brokers were to cease selling for the Company, the Company would be required to seek other external brokers, and there can be no assurance that the Company could do so quickly or in sufficient numbers.

Nevertheless, CLI has maintained a very professional and harmonious working relationship with its extensive brokerage network, which is over 11,000 strong and supported by CLI's over 73 sales support

⁵ BSP data on Overseas Filipinos' Remittances, available at <https://www.bsp.gov.ph/statistics/external/Table%2011.pdf>.

personnel. All brokers and agents must secure accreditation from CLI as this allows the Company to properly screen, monitor and onboard these third-party brokers and agents. As part of its quality commitment, CLI schedules weekly product knowledge seminars, which provide a comprehensive orientation per project. This equips brokers and agents with the latest project data and gives them greater confidence in the diverse offerings of the Company. With inventory in almost all residential segments and its growing commercial portfolio, these third-party brokers are able to offer more enticing options to their potential buyers. The Company has also pioneered various incentive programs for its brokers, which have paved the way for multiple and repeat selling efforts from individual sellers and brokerages.

Cancellation of sales involving the Company's projects could adversely affect its business, financial condition, and results of operations.

As a developer and seller of residential real estate, the Company's business, financial condition, and results of operations could be adversely affected in the event a material number of subdivision and condominium unit sales are cancelled. The Company saw an increased cancellation rate from 4.96% in 2022 to 6.02% in 2023 with delinquency rate significantly improving from 3.82% in 2022 to only 1.15% after a major thrust to maintain only healthy, paying accounts by the company after discontinuing lenient terms granted during the pandemic. As of the first nine (9) months of 2024, CLI delinquency rates are at a manageable 2.58% while cancellation rate stands at 4.31%, an improvement as compared to two (2) years prior. 97% of the cancelled accounts were immediately sold. Thus, there can be no assurance that it will not experience a material number of cancellations in the future. Should it happen, it will have a material adverse effect on the Company's business, financial condition, and results of operations.

To prevent cancellations, the Company ensures value for its customers' money with its competitive pricing, quality locations, planning and design, generous amenities, timely and quality construction, well-established customer care, and after-sales and property management support. Furthermore, to minimize the risk of cancellations, the Company targets a prudent mix of clients, the bulk of which are OFWs and employed professionals and employees. Additionally, the Company markets its brand across several markets in several regions of the world and OFWs comprise 30% of its buyers. The Company aims to diversify its market further in order to avoid excessive dependency on a particular geographic location of buyers.

The Company enjoys certain tax exemptions and incentives, the loss of which may increase the Company's tax liability and decrease future Company profits.

The Company benefits from Philippine tax law and regulations which exempt sales of house and lot, and other residential dwellings with selling price of ₱3,600,000.00 or less from the 12% VAT pursuant to Bureau of Internal Revenue ("BIR") Revenue Regulations No. 1-2024, further amending BIR Revenue Regulations No. 4-2021, as amended by BIR Revenue Regulations No. 8-2021.

The Company also has registered a number of its projects with the Board of Investments ("BOI"), which has allowed such projects to enjoy certain tax incentives. The Company's sales of its BOI-registered mass housing projects with a price ceiling of ₱3.00 million and below are not subject to corporate income tax.⁶ The Company's projects that qualify for the tax holiday are described elsewhere in this Offer Supplement.

There is no guarantee that the Company's future development projects will be able to benefit from the income tax holiday ("ITH") benefits administered by the BOI, or that the BOI registrations or certifications to receive such benefits will not be delayed. The delay or absence of this ITH on any of the Company's future development projects could have an adverse effect on the Company's results of operations.

The Company regularly obtains tax advisories from expert consultants to keep it updated on the best tax compliance practices. CLI ensures compliance with all the requirements for its tax exemptions or benefits to be able to continue the enjoyment of such benefits.

⁶ BOI MC No. 2023-005 dated September 7, 2023

Natural catastrophes may affect the Company's business adversely.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, volcanic eruptions, and earthquakes. The occurrence of such natural catastrophes may materially disrupt and adversely affect the business operations, cause damage to the Company's projects, or result in work stoppages or delay construction and project delivery.

Although there can be no assurance that it will be adequately compensated for all damages and economic losses resulting from natural catastrophes, the Company maintains comprehensive insurance against natural catastrophes to cover its various developments.

Titles over land owned by the Company may be contested by third parties.

While the Philippines has adopted a system of land registration which is intended to conclusively confirm land ownership, and which is binding on all persons (including the Philippine government), it is not uncommon for third parties to claim ownership of land which has already been registered and over which a title has been issued to another person or entity. The Company, from time to time, may be required to defend itself against third parties who claim to be the rightful owners of land.

The Company generally conducts extensive title searches to determine the authenticity of titles to land offered to it before it acquires any parcel of land. It traces back titles of prospective properties up to the last three significant partitions or ownership transfer and then performs an exhaustive background check of the persons or parties involved in these transactions, especially their court records. It likewise conducts its own topographical and technical surveys of these properties to verify the accuracy of technical descriptions and the correctness of all boundaries. Furthermore, the Company investigates the existence of any prevailing liens or tax obligations which may adversely affect its ownership rights to properties to be acquired.

The Company's reputation will be adversely affected if its projects are not completed on time or if its projects do not meet customers' requirements.

The Company's reputation will be negatively affected if any of its projects carry construction or infrastructure failures, design flaws, significant project delays or quality control issues. Any reputational deterioration may consequently make it more difficult for the Company to attract new buyers to its future projects, to command a higher selling price or to sell its housing and land development projects.

As local companies and industries continue to grapple with the challenges that come with the extended pandemic, CLI seized this opportunity by breaking ground on new projects and continuing its construction operations.

Moreover, the Company believes that it has inherent strengths in engineering, project planning and execution. With over 200 engineers in its roster, CLI handles the project and construction management aspect of every project and manages the various contractors and sub-contractors that are utilized. As the project manager, CLI controls the delivery of its projects with priority on promptness, quality, and professionalism. CLI does not have any in-house construction or any affiliated general contracting business.

Independent contractors may not always be available or may not be able to meet the Company's quality standards, or complete projects on time or within budget, and may encounter difficulties which will result in a delay of the project.

The Company relies on various general and specialty independent contractors with both local and national experience to provide various construction services, including land clearing and infrastructure development. Should its independent contractors become unable to perform the contracted scope of work, or are unable to sufficiently meet the Company's demands and project requirements, these will result in delays in the project completion and delivery to customers.

Although the Company's personnel work closely with its independent contractors, there can be no assurance that the services rendered by any of its independent contractors will always match the Company's quality standards, or will comply with government requirements and regulations relevant to

their contracted scope of work.

Independent contractors may also experience financial or other difficulties such as insolvency, shortages or price increase of construction materials, work site accidents or labor issues, any of which could delay the completion or increase the project costs. Violations by the independent contractor of their government permits and licenses, or their failure to obtain such permits and licenses, may also affect the progress of the projects they are engaged to work on.

Any of these factors will have a negative effect on the Company's reputation and make it more difficult to attract new customers to its new and existing development projects, and have a material adverse effect on the Company's business, financial condition and results of operations.

To mitigate this risk, the Company takes on an active role as project managers in supervising each phase of the construction of its projects. The Company also plans to put up its own construction arm in the future.

Construction defects and other building-related claims may be asserted against the Company, and the Company may be subject to liability for such claims.

Philippine law provides that property developers warrant the structural integrity of condominium units, buildings, resorts, and other structures designed or built by them for a period of fifteen (15) years from the date of completion. The Company may also be held responsible for hidden (i.e., latent or non-observable) defects in a housing unit sold by it when such hidden defects render the unit unfit for the use for which it was intended or when its fitness for such use is diminished to the extent that the buyer would not have acquired it or would have paid a lower price had the buyer been aware of the hidden defect. This warranty may be enforced within six months from the delivery of the unit to the buyer. In addition, Presidential Decree No. 1096, or the National Building Code of the Philippines (the "**Building Code**"), governs, among others, the design and construction of buildings, as well as certain requirements and standards that must be complied with. The Company or its officials may be held liable for administrative fines or criminal penalties in case of any violation of the Building Code.

There can be no assurance that the Company will not be held liable for damages, the cost of repairs, and/or the expense of litigation surrounding possible claims, or that claims will not arise, out of uninsurable events, such as landslides or earthquakes, or circumstances not covered by the Company's insurance and not subject to effective indemnification agreements with the Company's contractors. Neither can there be any assurance that the contractors hired by the Company will be able to either correct any such defects or indemnify the Company for costs incurred by the Company to correct such defects. In the event a substantial number of claims arising from structural or construction defects arise, this could have a material adverse effect on the Company's reputation and on its business, financial condition and results of operations.

The Company has inherent strengths in engineering, project planning and execution. While the Company outsources the construction of its projects to third-party contractors, CLI actively takes charge of the technical planning, engineering, and project management of its developments. Part of its land acquisition process involves the determination of the technical suitability of potential properties to be acquired for its projects. This includes the determination of any technical hindrances, via technical surveys, and the determination of applicable local government requirements, which may impair any development plans and such development's quality. Due to the Company's technical strengths and its strict adherence to its own high development standards and the requirements of the Building Code, it is able to properly control, and assure itself of, the quality and timely completion of its projects.

The Company relies on its key executives and officers and the members of the Soberano Family to manage business operations.

The Company's key executives and management have contributed to its success with their combined knowledge, experience, business relationship and expertise in the industry. Key executives and members of management of the Company include members of the Soberano family.

Aside from occupying key executive positions in the business, the members of the Soberano family also occupy key executive positions in the Company's Subsidiaries, JV companies and/or affiliates. Jose R.

Soberano III is the Chairman and President of A.S. Fortuna Property Ventures, Inc. (“**ASF**”), Cebu Landmasters Property Management, Inc. (“**CLPM**”), CLI Premier Hotels Intl., Inc. (“**CPH**”), and CLI Hotels and Resorts Inc. (“**CHR**”), wholly owned subsidiaries, as well as El Camino Developers Cebu, Inc. (“**El Camino**”), CLI-LITE Panglao Inc. (“**CLI-LITE**”), Mivesa Garden Residences, Inc. (“**MGR**”), Cebu Homegrown Developers, Inc. (“**CHDI**”), Cebu Landmasters Foundation, Inc. (“**CLFI**”) and Ming- Mori Development Corporation (“**MMDC**”) which are JV affiliates of the Company. He also serves as Chairman of the Board of BL CBP Ventures, Inc. (“**BL Ventures**”), Yuson Excellence Soberano, Inc. (“**YES**”), Yuson Huang Excellence Soberano, Inc. (“**YHES**”), YHEST Realty and Development Corporation (“**YHEST**”), CCLI Premier Hotels, Inc. (“**CCLI**”), YHES Premier Hotels, Inc. (“**YHESPH**”), Cebu BL-Ramos Ventures, Inc. (“**CBLRV**”), GGTT Realty Corporation (“**GGTT**”), Icom Air Corporation (“**ICOM**”), Sugbo Prime Estates, Inc. (“**SPE**”) which are all JV affiliates of the Company, and a Director of another corporation, Magspeak Nature Park, Inc. (“**Magspeak**”). Meanwhile, Jose Franco B. Soberano is concurrently a Director and Corporate Secretary of CPH, ASF, CLPM, and MMDC, while Ma. Rosario B. Soberano serves as Director and Treasurer of CPH, ASF, CLPM, Yuson Excellence Soberano, BL Ventures, El Camino, YHES, YHEST, CCLI, YHESPH, CBLRV, and MMDC Corporation. All three key executives sit on the board of the parent company, AB Soberano Holdings Corp. (“**AB Soberano**”).

There is no assurance that these other roles will not require significant time and commitment from the members of the Soberano Family which might reduce their time devoted to their current roles in the Company’s business. If the Company loses the services of any such individuals or is unable to fill any other vacant key executive or management positions with qualified candidates, the business and operations of the Company may be adversely affected.

To minimize the risk, the Company maintains a competent and dynamic team of professional executives and managers engaged in the management of the business. Efforts to professionalize the Company over the last 21 years is evident as the Company has grown from two employees to a dynamic team of 1,074 employees instilled with the Company’s brand of professional work ethics and strong corporate values as of September 30, 2024. The Company believes it maintains a positive and harmonious working relationship with its executives, members of senior management and other key officers.

It is possible that lawsuits might be filed against members of the Soberano Family and any such lawsuits might affect the Issuer’s or any of its Subsidiaries’ business reputation.

The Company is a party to a number of related party transactions.

As of the date of this Offer Supplement, the Company has outstanding related-party balances to and from its JVs, Homeowners’ Associations and Condominium Corporations, and with key management personnel. These transactions are described under “*Related Party Transactions*” and the notes to the Company’s audited consolidated financial statements appearing elsewhere in this Offer Supplement. The Company expects that it will continue to enter into transactions with companies directly or indirectly controlled by or associated with the CLI’s majority shareholders.

These transactions may involve potential conflicts of interest between the Company and the CLI majority shareholders in a number of other areas relating to its businesses, including:

- major business combinations involving the Company and/or its affiliates;
- plans to develop the respective businesses of the Company and/or its affiliates; and
- business opportunities that may be attractive to the CLI majority shareholders and the Company.

The Company can provide no assurance that its related-party transactions will not have a material adverse effect on its business or results of operations.

To mitigate this risk, the Company enters into related-party transactions at an arms-length basis. Moreover, CLI directors and key management personnel are mandated to abstain and/or inhibit themselves from participating in discussions on a particular agenda when they have conflict of interest. The Board RPT Committee, during its regular committee meetings, takes up and engages in the review and evaluation of RPT, including determination and resolution of potential conflicts of interest, if any. Quarterly RPT reports are presented by CLI’s Chief Financial Officer (“**CFO**”) and Compliance Officer, for information (if not breaching the RPT thresholds) and/or pre-approval (if breaching any of the RPT

thresholds) of the Board RPT Committee. Matters approved by the RPT Committee are then endorsed for subsequent approval and/or ratification of CLI's Board of Directors.

CLI is fully compliant with the requirements under RR No. 19-2020 and RR No. 34-2020, including the submission of duly executed BIR Form 1709 (RPT Form) as an integral attachment to its Annual Income Tax Returns. Further thereto, CLI has engaged the services of third-party service providers for the drafting and execution of the requisite Transfer Pricing Documentation (TPD). These supplement the already robust RPT and Transfer Pricing policies and procedures of CLI, as spearheaded by its RPT Committee and Board of Directors

The Company may be involved in legal and other proceedings arising out of its operations from time to time, which may expose the Company to the risk of its assets being foreclosed or otherwise adversely affected.

The Company may, in the future, be involved in disputes involving the construction and operation of its properties such as contractual disputes with contractors, suppliers, and homeowners, or disputes involving property damage or personal liability claims from time to time. If these disputes occur, it may result in delays in the Company's project development schedule, incurring substantial costs, and the diversion of the Company's resources and management's attention. In the course of its operations, the Company may also have disagreements with regulatory bodies, or local government units ("LGUs") responsible for issuing the necessary permits or licenses for the Company's business, which may subject it to administrative proceedings and unfavorable decisions or result in fines or penalties and/or delay its projects. Should any of these occur, the Company's business, financial condition, results of operations and cash flows could be materially and adversely affected.

To mitigate the risk, the Company strives to maintain good relationships with customers, suppliers, contractors, regulators, and other parties it regularly deals with. This is evident in the fact that, at present, the Company is not involved in any material litigation. The Company also endeavors to amicably settle legal proceedings, resort to alternative methods of dispute resolution, and exhaust all legal remedies available.

There have been no material litigations and cases wherein the Company and/or its Subsidiaries and/or associates are involved in which a ruling did not favor the Company and, a result of such ruling, caused a material adverse effect on the Company's or such Subsidiary's financial condition and operations.

On March 11, 2024, CLI received a letter from Devlarn Ventures and Development Corporation ("DVDC") notifying it that it intends to enforce a statutory lien on the titles of the land where the exclusive beachfront community project is constructed.

This is a civil case filed by CLI against DVDC praying that DVDC be enjoined from doing any and all acts tending to unduly interfere with the business operations of CLI, particularly with the ongoing construction activities of its Costa Mira Beachtown Mactan project, and any adverse or prejudicial actions that will cause irreparable damage to CLI's goodwill and business reputation. The Register of Deeds of Lapu-Lapu City is also impleaded as co-defendant to prevent it from annotating any adverse claim on CLI's titles covering the Costa Mira Beachtown Mactan project. Currently, CLI is coordinating with the Court Sheriff for the service of summons to DVDC.

The Company may default on its financial obligations and other obligations under contracts to which it is a party, and a default in one may trigger other defaults and result in the acceleration of its obligations under such contracts.

The Company enters into material contracts with several parties in its ordinary course of business. These include construction contracts, supply contractions, bank loans, capital market transactions such as corporate notes, among others. These contracts contain several provisions defining the Company's obligations as a party to these agreements, its representations and warranties, agreed covenants, events of default, among other things. The breach of these terms, if not remedied or cured, may trigger defaults or accelerations of obligations.

CLI is also subject to certain financial covenants under its loan agreements, among other covenants. Failure to comply with financial and other covenants could constitute an event of default, if irremediable

or remediable but not remedied during the applicable grace period, if any. Upon the occurrence of an event of default, lenders may terminate the commitment, accelerate debt repayment, immediately apply set-off against any of the borrowers' assets held by the lenders in deposit or take other necessary and proper actions to protect their interests.

To mitigate this risk, the Company practices constant, and continuous vigilance up and down the organization to comply with its obligations, financial and otherwise. Specifically, for CLI's financial and other obligations, whose non-compliance may trigger a default, CLI regularly tests for compliance using targeted key performance indicators ("KPIs"), proactively manages its operations to monitor the trend and movements of such KPIs, and makes adjustments as necessary to its strategies to ensure conservative compliance on these conditions. CLI has also historically taken a prudent stance in managing its debt obligations by ensuring that any corporate act, whether or not performed in the ordinary course of business, does not violate any existing debt covenants. In the event that any significant corporate act or business transaction is seen to potentially affect its debt covenants that would lead to accelerating the payment of existing debt, CLI endeavors to obtain the necessary waivers in accordance with relevant debt agreement. CLI also endeavors to negotiate and agree on uniform sets of terms, covenants, events of default, and representations and warranties across all its material contracts and agreements in order to be efficient in its monitoring of such compliances.

The Company works with various JV partners for some of its projects, whose interest may differ from that of the Company's.

As part of its land acquisition and development strategy, the Company has entered into JVs, and may continue to do so for its future projects and undertakings.

The Company and its JV partners share in the project in proportion to their respective contribution, and the Company is typically appointed as project developer and project manager having direct control and primary supervision over the conduct, management, and operations of the project.

Because the JV partners or landowners may have economic or business interests that differ from the Company, the JV acquisitions and project developments involve additional risks. For example, JV partners or landowners may fail to meet their obligations and dispute the distribution of their JV shares or the management and supervision exercised by the Company over the project. In cases where JV partners contribute the land for the project, titles to the property in the name of JV landowners may still be contested by third parties which will affect the right to possess and develop such land. Any of the foregoing could have a material adverse effect on the Company's business, financial condition, and the results of its operations.

To reduce this risk, the Company conducts due diligence of its JV partners, and exclusively serves as the developer and project manager in all its JV undertakings.

The Company is exposed to information security or cybersecurity risk as it relies on technology which posts risks on data security, confidentiality, and availability.

Information Technology ("IT") is always evolving and has affected everyone with the way things are done. With these changes, cybersecurity risks have also emerged. The Company depends on a variety of automated systems to operate its business. Although the Company has implemented various IT-related improvement programs and installed new systems over the years, due to the continuously evolving nature of IT systems or IT issues, certain automated systems of the Company are or may be relatively outdated and less integrated than those of some companies of similar scale in the Philippines and abroad. As a result, there can be no assurance that the Company's information systems will achieve their intended benefits within the anticipated time frame efficiently or at all. Moreover, there can be no assurance that any new systems of the Company will not be rendered outdated in the near future due to rapid technological advancements.

Despite security measures, the Company's systems are potentially exposed to physical or electronic break-ins, computer viruses, piracy, hacking, phishing attacks, and other similar disruptive problems. Furthermore, the Company's operating activities could be subject to risks caused by misappropriation, misuse, leakage, falsification or accidental release or loss of information maintained in its IT systems and those of its third-party vendors, including customer, personnel, and vendor data.

The Company involves third parties to assist internal developers in the maintenance and development of information systems and software used during its day-to-day operations. If these third parties experience difficulties in meeting the Company's requirements or standards, it could have a negative impact on the Company's reputation or make it difficult for the Company to operate some aspects of its businesses. In certain cases, the Company has developed, and intends to develop, automated systems to replace third-party systems that the Company has used, and uses, in its operations.

Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments could result in compromises or breaches of the applicable security systems and personal data stored in these systems. Anyone who circumvents the security measures on these systems could misappropriate the Company's confidential information or cause interruptions in its services or operations. The internet is a public network and data is sent over this network from many sources. In the past, computer viruses or software programs that disable or impair computers have been distributed and have rapidly spread over the internet. Computer viruses could be introduced into the Company's systems, or those of the third-party systems, which could disrupt the Company's operations or make its systems inaccessible to the third parties. The Company may be required to expend significant capital and other resources to protect against the threat of security breaches or to alleviate problems caused by breaches. The Company's security measures may be inadequate to prevent security breaches, and its business operations would be negatively impacted if security breaches were not prevented.

To mitigate this risk, the Company implements IT and security protocols to ensure that its systems are protected and functioning at all times. The Company also commits to protect and manage the security of confidential and sensitive information with the development of policies on compliance, IT security and data privacy. These have been put in place to mitigate risks by providing standard procedures and guidelines to ensure the protection of the Company's assets and information and the ability to respond and recover quickly. Improvements to system controls and streamlining of reports are also being implemented, with ongoing system integrations being done for data accuracy improvement.

In addition, the Company aligns with all relevant national and local laws, regulations, and best business practices. A priority area, in line with the Data Privacy Act, is having a Breach and Security Incident Response Plan that addresses the protection of the company's business, stakeholders, critical systems, sensitive information, and network. The plan includes a breach response team, measures on prevention and minimizing occurrence of breach and security incidents, procedure on recovery and restoration of critical data; notification protocol, and documentation and reporting of breaches or security incidents.

The Company is exposed to asset stranding risk.

The Company's unsold inventory and landbank could become obsolete and stranded, due to the changing market dynamics of real estate. The Company continues to develop real estate projects that are projected to have a very strong demand upon launch and up to turnover.

Unexpected and unpredictable "black swan" events, such as COVID-19, could render these assets to not be as saleable or attractive to the market as the Company has initially projected them to be. A good example is office spaces, where the market outlook turned from very strong demand pre-COVID to a very weak demand during COVID. Industries have also shifted to a more flexible and mobile work arrangements that may lessen the need for traditional office spaces.

To navigate this risk, the Company conducts market surveys to gauge the demand for potential project launches, pre-sells its projects to lock in sales and not have a long gap between design and project concept versus market take-up, and proactively adjusts pricing, selling, and even ownership strategies for unsold units.

Global initiatives to transition to a low-carbon economy pose a risk that previously valuable assets will lose their value prematurely. These assets are typically those used in relation to carbon-intensive industries. Given the nature of its real estate business, the Company believes that there is a very low risk that any of its material assets will become stranded as a result of a transition to a low-carbon economy. Nonetheless, the Company actively monitors relevant global and local developments, technological innovations, regulations, and stakeholder perceptions to anticipate any transition risk to the Company. Where such risks emerge, the Company will adopt appropriate strategies to ensure that

they are adequately managed.

The Company is also exposed to emerging risks.

Embedded in the risk management process is the continuous identification and monitoring of emerging risks. These are newly developing risks that cannot yet be fully assessed (due to high uncertainty) but could have a major impact on the organization in the future. These potential risks could be triggered by the fast-changing landscapes in the political, economic, social, technological, environmental, and legal facets surrounding the Company's operations.

Such risks are captured and validated in the Company's annual risk assessment process and during the environmental scans of the strategic planning and annual organizational planning process of the Company and are subjected to further study by subject matter experts. These emerging risks are reported and discussed as part of the Group Risk Management Council and Board Risk and Reputation Management Committee regular agenda.

RISKS RELATED TO THE PHILIPPINES

Economic Considerations

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine currency, imposition of exchange controls, debt restructuring and electricity shortages and blackouts.

The regional Asian financial crisis in 1997 resulted in, among others, the depreciation of the Philippine peso, higher interest rates, slower growth, and a reduction in the country's credit ratings. Since the Asian financial crisis, the country experienced a ballooning budget deficit, volatile exchange rates and a relatively weak banking sector.

To mitigate the abovementioned risks, CLI shall continue to adopt what it considers conservative financial and operational controls and policies within the context of the prevailing business and economic environment, taking into consideration the interests of its customers, stakeholders, and creditors.

Political Considerations

The Philippines has from time to time experienced severe political and social instability, including acts of political violence. For example, in 2001, allegations of corruption against former President Joseph Estrada resulted in protracted televised impeachment proceedings against him. These proceedings were followed by widespread street demonstrations and a public withdrawal of support for Estrada by the military that eventually forced Estrada to resign. On July 27, 2003, over 270 military officers and soldiers conducted an unsuccessful *coup d'état* against Estrada's successor, President Gloria Macapagal-Arroyo, due to allegations of corruption. After the May 2004 elections, President Arroyo was re-elected, but persistent accusations of corruption and electoral fraud were made against Arroyo during her second term. On February 24, 2006, another attempted *coup d'état* led President Arroyo to issue Proclamation 1017 (Proclamation declaring a State of National Emergency), which was criticized as a virtual declaration of martial law and portions of it were later declared unconstitutional by the Supreme Court of the Philippines. On November 29, 2007, Senator Antonio Trillanes IV, a leader of the 2003 *coup d'état* who was elected to the Senate while in jail, led an armed occupation by military officers and soldiers of a luxury hotel in the Makati financial district and publicly called for President Arroyo's ouster. Senator Trillanes and his troops later surrendered.

On November 23, 2009, in the southern island of Mindanao's Maguindanao province, approximately 100 armed men allegedly affiliated with the Ampatuan political family murdered 58 persons, including members of the Mangudadatu family (the Ampatuans' political rivals in the province), lawyers, journalists and aides accompanying them, and motorists whose vehicles were behind the Mangudadatus' vehicles. This was the deadliest incident of political violence and of violence directed at journalists in recent history and President Arroyo sent hundreds of troops to and declared martial law over Maguindanao after the incident, although martial law has subsequently been lifted. On December 12, 2011, the Philippine House of Representatives initiated impeachment proceedings against Renato Corona, Chief Justice of the Supreme Court of the Philippines. The impeachment complaint accused Corona of improperly

issuing decisions that favored former President Arroyo, as well as failure to disclose certain properties, in violation of rules applicable to all public employees and officials. The trial of Chief Justice Corona began in January 2012. On May 29, 2012, the impeachment court found Corona guilty of failing to disclose to the public his statement of assets, liabilities and net worth and removed Corona from his position as Chief Justice of the Supreme Court of the Philippines.

Moreover, since the beginning of the term of the former President Rodrigo R. Duterte, thousands were reportedly killed in his so-called war on drugs. These drug-related killings have been subject to legislative inquiries. As a result of the legislative inquiries, the Senate Committees on Justice and Human Right and on Public Order and Dangerous Drugs released a Joint Committee Report No. 18 on December 7, 2017, raising standards of accountability while expressing support for the war against illegal drugs and criminality within boundaries of the law.

In 2018, the Supreme Court, in a historic first, ousted Chief Justice Maria Lourdes Sereno as a result of a *quo warranto* petition filed by the Solicitor General. The Supreme Court held that Chief Justice Sereno failed to regularly file her Statements of Assets, Liabilities, and Net Worth in violation of Constitutional and statutory requirements, thus being ineligible to be Chief Justice for lack of integrity. The ousted Chief Justice was widely perceived to have been hostile to the Duterte administration.

In May 2022, Ferdinand “Bongbong” Marcos, Jr. was elected President of the Philippines in a landslide victory where he obtained 31.6 million votes. Meanwhile, Sara Duterte, daughter of former President Rodrigo Duterte, was elected Vice-President of the Philippines after garnering 32.2 million votes. The election of Bongbong Marcos comes 36 years after the 1986 People Power Revolution that ousted his father and late strongman Ferdinand Marcos and drove the Marcos family into exile. Despite his electoral win, a petition seeking to disqualify Bongbong Marcos as President has been filed before the Supreme Court.

There is no guarantee that future events will not cause political instability in the Philippines. Such instability may disrupt the country and its economy and could materially and adversely affect the business, prospects, financial condition, and financial results of operations of the Company.

To mitigate this risk, CLI has always remained politically neutral. It has been business as usual for the Company because most, if not all, elected leaders – local or national – have supported housing as a project.

Terrorist acts, crimes, natural disasters and outbreaks of infectious diseases or fears of such occurrences in the Philippines

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine Army has been in conflict with the Abu Sayyaf organization which has been responsible for kidnapping and terrorist activities in the Philippines and is alleged to have ties to the Al-Qaeda terrorist network. There have also been sporadic bombings and prominent kidnappings and slayings of foreigners in the Philippines, including the hijacking of a tourist bus carrying Hong Kong tourists that resulted in the deaths of several passengers. On September 2, 2016, an explosion rocked a night market in Davao City, leading to the death of at least 14 people and injuries to over 60 people. As a result of the bombing, the former President Duterte declared a state of lawlessness in the country. The most recent terrorist activity occurred on December 28, 2016 where two explosions occurred during a town fiesta in Hilongos, Leyte, leaving at least 34 people injured.

There can be no assurance that the Philippines will not be subject to further acts of terrorism and violence in the future. Terrorist attacks have, in the past, had a material adverse effect on investment and confidence in, and the performance of, the Philippine economy and, in turn, the Company's business. The Company's current insurance policies do not cover terrorist attacks. Any terrorist attack or violent acts arising from, and leading to, instability and unrest, could cause interruption to parts of the Company's businesses and materially and adversely affect the Company's financial condition, results of operations and prospects.

The Philippines has experienced natural disasters over the years. A number of climate experts believe that climate change is affecting the intensity and severity of these natural calamities. The potential future effects of global climate change may include longer periods of drought in some regions and an increase

in the number, duration and intensity of tropical storms in the country. Authorities may not be prepared or equipped to respond to such disasters.

On September 26, 2009, Typhoon Ketsana (Ondoy) resulted in 341.30 millimeters of rainfall in six hours, causing massive flooding that submerged several areas of Metro Manila and adjacent provinces. The typhoon caused 464 deaths and approximately ₱86.00 billion in property damage. On August 6, 2012, a monsoon hit Metro Manila and other nearby provinces which also caused severe flooding and landslides. Other calamities in recent years include unusually strong earthquakes and outbreaks of infectious diseases such as H1N1 influenza (commonly known as swine flu), as well as the COVID-19 pandemic.

In December 2011, Typhoon Washi (Sendong) caused massive flooding in the southern Philippine city of Cagayan de Oro, claiming thousands of lives and displacing tens of thousands of residents. On December 3, 2012, Typhoon Bopha struck the southern island of Mindanao as a Category 5 typhoon, triggering widespread flash flooding and landslides throughout the region. Typhoon Bopha killed over 1,000 people and caused an estimated ₱42.00 billion in property damage.

In October 2013, an earthquake occurred in Central Visayas, Philippines. The magnitude of the earthquake was recorded at moment magnitude 7.2 at the epicenter, which was located six kilometers southwest of Sagbayan town, at a depth of 12 kilometers. The seismic event affected the whole Central Visayas region, particularly Bohol and Cebu. According to official reports by the National Disaster Risk Reduction and Management Council, 198 people were reported dead, 11 were missing, and 651 were injured as a result of the earthquake, making it the deadliest earthquake in the Philippines in 23 years. In all, more than 53,000 structures were damaged or destroyed, including commercial buildings, malls, public edifices, hotels and churches. On February 10, 2017, a magnitude 6.7 earthquake hit Surigao City, Surigao del Norte in Northern Mindanao. Buildings, roads, and bridges near the epicenter area were damaged and six people were reported dead, and over a hundred injured.

In addition, the central Philippines experienced a severe typhoon, Typhoon Haiyan (Yolanda), in November 2013 which caused extensive damage to infrastructure and properties, claimed 6,268 lives and displaced thousands of residents.

In January 2020, Taal Volcano erupted and caused millions of pesos worth of damage and displaced thousands of families.

In December 2021, Super Typhoon Odette brought about heavy rains and landslides in several provinces in the VisMin, causing ₱47.00 billion worth of damage and affecting hundreds of thousands of families.

It is not possible to predict the extent to which the Company's business will be affected by any future occurrences of natural calamities such as those described above or fears that such occurrences will take place, and there can be no assurance that any disruption to its business will not be protracted, that property will not be damaged and that any such damage will be completely covered by insurance or at all. Any such occurrence may disrupt the operations of the Company's business and could materially and adversely affect their business, financial condition, and results of operations. Further, any such occurrences may also destabilize the Philippine economy and business environment, which could also materially and adversely affect the Company's financial position and results of operations.

To mitigate this risk, CLI has a risk and disaster team in place (*i.e.*, fire marshals and dedicated safety officers). CLI's accounting data is already in the cloud. CLI has back-up systems set up in several offices where it may transfer if warranted by the circumstances.

RISKS RELATING TO THE BONDS

An active or liquid trading market for the Bonds may not develop.

The Philippine securities markets are substantially smaller, less liquid, and more concentrated than major securities markets. The Company cannot guarantee that the market for the Bonds will always be active or liquid. Even if the Bonds are listed on the PDEX, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local

and international capital markets, and the overall market for debt securities among other factors. There is no assurance that the Bonds may be easily disposed at prices and volumes at instances best deemed appropriate by their holders.

The Company will apply for the listing of the Bonds on the PDEX. Purchasers of the Bonds will be required to pay for such Bonds prior to the issuance and listing of such Bonds. However, there is no assurance that such a listing will be achieved or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing will be subject to the Company's execution of a listing agreement with PDEX that may require the Company to make certain disclosures, undertakings, and payments on an ongoing basis.

The Company strives to provide timely and accurate submissions to, and maintains a clear line of communication with, PDEX.

Holders of the Bonds may experience liquidity issues and potential loss of principal value if the Bonds are sold at the secondary market.

The market for the Bonds may be small and may not be liquid. As with all fixed income securities, the Bonds' market values move (either up or down) depending on the change in interest rates. Ordinarily, the value of fixed income instruments is inversely affected by interest rates. If interest rates increase following the Issue Date, the value of Bonds on the secondary market would generally be expected to decrease, all other things being equal, since the Bonds would then bear a comparatively a lower interest rate as against other instruments of the same tenor reflecting such new interest rates following such an increase in rates. Global events such as the Ukraine-Russia war and the Israel-Gaza-Iran-Lebanon Palestine war may give rise to increased volatility for instruments such as the Bonds in the secondary market that may result in the decrease in the market value of the Bonds or liquidity issues that may prevent the disposal of the Bonds. No assurance can be given regarding the liquidity of the market of Philippine debt instruments in general. Such liquidity fluctuations may also arise as a result of temporary exchange closures, defaults, clearing system shut-downs, settlement delays, strikes or civil unrest, among other things. Accordingly, there can be no assurance that a holder of the Bonds will be able to dispose of such instruments or direct the sale of the Bonds through the PDEX, at prices or at times at which such holder would wish to do so, or at all.

As active trading of the Bonds is highly dependent on the bondholders, the Company has no control over this risk. However, the Company actively cooperates in efforts aimed at improving the capital markets in the Philippines.

Holders of the Bonds may be unable to reinvest the proceeds of their Bonds following redemption by the Issuer.

The Issuer shall have the right, but not the obligation, to redeem in whole (and not in part), any outstanding Series D Bonds or Series E Bonds on the relevant Call Option Dates. In the event that the Company exercises this option, the relevant series of the securities, such as the Bonds will be redeemed and the Company will pay the amounts to which holders would be entitled. The date on which the Issuer elects to redeem the Bonds may not accord with the preference of individual holders of the securities. This may be disadvantageous to them in light of market conditions or their individual circumstances. Following such redemption and payment, there can be no assurance that investors in the redeemed Bonds will be able to re-invest such amounts in securities that would offer a comparative or better yield or terms, at such time.

Thus, each potential investor in the Bonds must determine the suitability of an investment in Bonds in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offer Supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency; (iv) understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible

scenarios for economic, interest rate, foreign exchange rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds may not be able to retain their credit rating.

There is no assurance that the rating of the Bonds will be retained throughout the life of the Bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

Thus, each potential investor in the Bonds must determine the suitability of an investment in Bonds in light of its own circumstances as discussed above.

The Bonds have no preference under Article 2244(14) of the Civil Code of the Philippines.

No other loan or other debt facility currently or to be entered into by the Company shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority.

Thus, each potential investor in the Bonds must determine the suitability of an investment in Bonds in light of its own circumstances as discussed above

Risk relating to investors seeking exposure to sustainability-linked assets.

Although the Sustainability-Linked Bonds are issued as sustainability-linked bonds, with the interest rate relating to the Sustainability-Linked Bonds being subject to an upward adjustment in the event the Issuer fails to achieve one or both Sustainability Performance Targets, the Sustainability-Linked Bonds may not satisfy an investor's requirements or any future legal, quasi legal or other standards for investment in assets with sustainability characteristics. In particular, the Sustainability-Linked Bonds are not being marketed as "social bonds" or "sustainability bonds" as the net proceeds of the issue of the Sustainability-Linked Bonds will be used by the Issuer to refinance maturing obligations and finance capital expenditure requirements.

The Issuer does not commit to (i) allocate the net proceeds specifically to projects or business activities meeting sustainability criteria or (ii) be subject to any other limitations or requirements that may be associated with social bonds or sustainability bonds in any particular market.

Further, there can be no assurance of the extent to which the Issuer will be successful in achieving the one or both Sustainability Performance Targets or in maintaining levels under such targets, or that any future investments the Issuer makes in furtherance of these targets will meet investor expectations or any binding or nonbinding legal standards regarding sustainability performance, whether by any present or future applicable law or regulations or by our own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact. Adverse environmental or social impacts may occur during the design, construction and operation of any investments the Issuer makes in furtherance of these targets. It will not be an event of default under the Sustainability-Linked Bonds nor will the Issuer be required to repurchase or redeem the Sustainability-Linked Bonds if they fail to satisfy the Sustainability Performance Targets as of the respective Target Measurement Dates.

No assurance or representation is given by the Issuer as to the suitability or reliability for any purpose whatsoever of any opinion or similar validation of any third party (whether or not solicited by the Issuer) that may be made available in connection with the Issuer's Sustainability-Linked Financing Framework or the Sustainability-Linked Bonds to fulfill any green, social, sustainability, sustainability-linked and/or other criteria. For the avoidance of doubt, any such opinion is not and shall not be deemed to be incorporated into and/or form part of this Offer Supplement. Any such opinion is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold the Sustainability-Linked Bonds. Any such opinion is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion and/or the information contained therein and/or the provider of such opinion for the purpose of any investment in the Sustainability-Linked Bonds. Currently, the providers of such opinions are not subject to any

specific regulatory or other regime or oversight. Any withdrawal of any such opinion or any additional opinion or statement that the Issuer is not in compliance in whole or in part with any matters for which such opinion is opining may have a material adverse effect on the value of the Sustainability-Linked Bonds and/or result in adverse consequences for certain investors with mandates to invest in securities to be used for a particular purpose.

Potential contingencies relating to the Interest Rate Step-Up

According to the Terms and Conditions of the Sustainability-Linked Bonds, the Original Interest Rate may be increased by 0.075% for each occurrence of a Trigger Event. If the External Verification Provider determines in its verification assurance report that both Sustainability Performance Targets are met on the relevant Target Observation Dates, then the applicable Interest Rate shall remain equal to the Original Interest Rate.

DETERMINATION OF OFFER PRICE

The Bonds shall be issued at 100% of face value. The Original Interest Rate of the Bonds is based on the simple average of the three (3)-year and five (5)-year BVAL Reference Rate as published on the relevant page of Bloomberg at approximately 5:00 p.m. (Philippine Standard Time), for three (3) consecutive Business Days immediately preceding and ending on the interest rate setting date, plus the relevant credit spread for the Series D Bonds and the Series E Bonds.

PLAN OF DISTRIBUTION

The Offer

CLI shall issue the Bonds under the Debt Securities Program to institutional and retail investors in the Philippines through a public offering, on a lump-sum basis, to be conducted through the Joint Lead Underwriters and Joint Bookrunners. The Offer does not include an international offering. The Bonds will be issued by CLI pursuant to the Terms and Conditions of the Bonds on the Issue Date.

The Offer will consist of the primary offer of SEC-Registered, Philippine Peso-denominated sustainability-linked bonds, consisting of Series D Bonds due 2028 and Series E Bonds due 2030, with base offer of 3,000,000,000.00 and with an oversubscription option of up to ₱2,000,000,000.00.

On September 23, 2022, the SEC issued an Order rendering effective the Registration Statement of the Company in connection with the offer and sale to the public of Securities under the Debt Securities Program to be issued in one or more Tranches within a three (3)-year period from its effectivity. On October 7, 2022, fixed-rate bonds with a principal amount of ₱5.00 Billion were issued as the first tranche of the Debt Securities Program.

The Underwriting Commitment

BPI Capital, pursuant to an Underwriting Agreement with CLI executed on or about the date of this Offer Supplement, has agreed to act as the Issue Manager for the Offer. Under the same Underwriting Agreement, BPI Capital, Chinabank Capital, PNB Capital and RCBC Capital have agreed to act as Joint Lead Underwriters and Joint Bookrunners for the Offer. The Joint Lead Underwriters and Joint Bookrunners have agreed to distribute and sell the Bonds at the Issue Price and have also committed to fully underwrite the Bonds on the amounts indicated in the table below, on a firm commitment basis, subject to the satisfaction of certain conditions provided in the Underwriting Agreement and in consideration of certain fees and expenses.

For the Offer of the Bonds, the Joint Lead Underwriters and Joint Bookrunners will, in the aggregate, receive a fee of approximately up to ₱12.63 million for the Base Offer or up to a maximum of ₱21.05 million assuming full exercise of the Oversubscription Option or 0.4210530% of the aggregate principal amount of the Bonds. The Joint Lead Underwriters and Joint Bookrunners have committed jointly, and not solidarily, to underwrite the following amounts on a firm basis:

Joint Lead Underwriters and Joint Bookrunners	Underwriting Commitment
BPI Capital	₱750,000,000.00
Chinabank Capital	₱750,000,000.00
PNB Capital	₱750,000,000.00
RCBC Capital	₱750,000,000.00
Total	₱3,000,000,000.00

There is no arrangement for the Joint Lead Underwriters and Joint Bookrunners to return any unsold Bonds to the Issuer. The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to the Issuer of the net proceeds of the Offer. In case the Underwriting Agreement is terminated, the Issuer and the Joint Lead Underwriters and Joint Bookrunners shall notify the SEC of the termination and their subsequent course of action.

The obligations and liabilities of the Joint Lead Underwriters and Joint Bookrunners under the Underwriting Agreement are joint and not solidary.

The Joint Lead Underwriters and Joint Bookrunners

The Joint Lead Underwriters and Joint Bookrunners identified in this Offer Supplement are the underwriters for the Offer in the amount of ₱3.00 billion under the Issuer's Debt Securities Program.

The Joint Lead Underwriters and Joint Bookrunners are duly licensed by the SEC to engage in underwriting or distribution of the Bonds. The Joint Lead Underwriters and Joint Bookrunners may, from time to time, engage in transactions with and perform services in the ordinary course of its business for the Issuer or any of its Subsidiaries.

BPI Capital offers investment banking services in the areas of financial advisory, mergers and acquisitions, debt and equity underwriting, private placements, project finance and loan syndication. Founded in December 1994, BPI Capital is duly licensed by the Philippine SEC to engage in the underwriting and distribution of securities. As of December 31, 2023, BPI Capital had total assets of ₱3.83 billion, total liabilities of ₱0.22 million and total equity of ₱3.61 billion. The firm operates as a wholly owned subsidiary of the Bank of the Philippine Islands.

Chinabank Capital is the wholly-owned investment banking subsidiary of China Banking Corporation. It was registered and licensed as an investment house on November 27, 2015, with SEC Company Registration No. CS201522558 and SEC Investment House License No. CR 01-2015-00279 (renewed on November 23, 2023), as a result of the spin-off of China Banking Corporation's Investment Banking Group. The firm offers a full suite of investment banking solutions that enable clients to achieve their fundraising objectives and strategic goals. The company's services include arranging, managing, and underwriting debt and equity transactions, such as bond offerings, corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. Chinabank Capital also provides financial advisory services, such as deal structuring, valuation, and execution of mergers, acquisitions, divestitures, joint ventures, and other corporate transactions. As of December 31, 2023, it has total assets of ₱3.62 billion and a capital base of ₱3.54 billion.

PNB Capital is a wholly-owned subsidiary of the Philippine National Bank, and offers a spectrum of investment banking services, including loan syndications and project finance, bond offerings, private placements, public offering of shares, securitization, financial advisory and mergers and acquisitions. It was incorporated on July 30, 1997 (SEC Certificate of Registration No. A199708720) and commenced operations on October 8, 1997. PNB Capital is licensed by the SEC to operate as an investment house with a non-quasi-banking license (SEC Investment House Registration No.: 01-2008-00234). As of December 31, 2023, it had an authorized capital of ₱2.00 billion and paid-up capital of ₱1.50 billion. PNB Capital is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. As of December 31, 2023, total assets of PNB Capital were at ₱2.15 billion while total capital was at ₱1.94 billion.

RCBC Capital is a licensed investment house providing a complete range of capital raising and financial advisory services. Established in 1974, RCBC Capital has over 51 years of experience in the underwriting of equity, quasi-equity and debt securities, as well as in managing and arranging the syndication of loans, and in financial advisory. RCBC Capital is a wholly owned subsidiary of the Rizal Commercial Banking Corporation and a part of YGC, one of the country's largest fully integrated financial services conglomerates. As of December 31, 2023, it had total assets of ₱3.4 billion and a capital base of ₱3.3 billion.

The Joint Lead Underwriters and Joint Bookrunners have no direct relations with the Issuer in terms of ownership by either of their respective major stockholder/s and have no right to designate or nominate any member of the Board of Directors of the Issuer.

Sale and Distribution

The distribution and sale of the Bonds shall be undertaken by the Joint Lead Underwriters and Joint Bookrunners who shall sell and distribute the Bonds to third party buyers/investors. Other than the Joint Lead Underwriters and Joint Bookrunners, no finders or broker dealers were engaged by the Issuer or the Joint Lead Underwriters and Joint Bookrunners in connection with the sale of the Bonds. Nothing herein shall limit the rights of the Joint Lead Underwriters and Joint Bookrunners from purchasing the Bonds for their own respective accounts should there be any unsold Bonds after the Offer Period.

There are no persons to whom the Bonds are allocated or designated. The Bonds shall be offered to the public at large and without preference.

The obligations of each of the Joint Lead Underwriters and Joint Bookrunners will be several, and not solidary, and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Joint Lead Underwriters and Joint Bookrunners. Unless otherwise expressly provided in the Underwriting Agreement, the failure by a Joint Lead Underwriter and Joint Bookrunner to carry out its obligations thereunder shall neither relieve the other Joint Lead Underwriters and Joint Bookrunners of their obligations under the same Underwriting Agreement, nor shall any Joint Lead Underwriter and Joint Bookrunner be responsible for the obligation of another Underwriter.

Manner of Distribution

The Joint Lead Underwriters and Joint Bookrunners shall, at their discretion, determine the manner by which proposals for subscriptions to, and issuances of, Bonds shall be solicited, with the primary sale of Bonds to be effected only through the Joint Lead Underwriters and Joint Bookrunners.

Offer Period

The Offer Period shall commence at 9:00 a.m. on March 10, 2025 and end at 5:00 p.m. (Philippine Standard Time) on March 14, 2025, or on such other date as the Issuer and the Joint Lead Underwriters and Joint Bookrunners may agree upon.

Application to Purchase

The procedure set out in this section and set out elsewhere in this Offer Supplement should be read together with the more detailed procedure and other conditions set out in the Application to Purchase.

Applicants may purchase the Bonds during the relevant Offer Period by submitting to the Joint Lead Underwriters and Joint Bookrunners properly completed Applications to Purchase, whether originally signed or electronically submitted through the e-Securities Issue Portal (“e-SIP”), together with all applicable supporting documentation in the prescribed form and submitted in the prescribed manner, with full payment of the Issue Price of the Bonds in the manner provided therein.

Corporate and institutional Applicants (including trust accounts) must also submit, in addition to the foregoing:

- a) an original notarized certificate of the corporate secretary (or the managing director in case of a partnership) or an equivalent officer of the Applicant setting forth resolutions of the board of directors, partners, or equivalent body (i) authorizing the purchase of the Bonds indicated in the Application to Purchase, and (ii) designating the signatories, with their specimen signatures, for the said purposes;
- b) Articles of Incorporation, By-Laws (or the Articles of Partnership in case of a partnership), and latest amendments thereof together with the Certificate of Incorporation issued by the SEC or other organizational documents issued by an equivalent government institution, stamped and signed as certified true copies by the SEC or the equivalent government institution, or by the corporate secretary, or by an equivalent officer(s) of the Applicant who is/are authorized signatory(ies);
- c) two duly accomplished signature cards containing the specimen signatures of the authorized signatories of the Applicant, validated by its corporate secretary or by an equivalent officer(s) who is/are authorized signatory(ies) (whose authority(ies) and specimen signatures will be submitted to the Registrar);
- d) BIR Certificate of Registration showing the Applicant’s Tax Identification Number;
- e) identification document(s) of the authorized signatories of the Applicant, as specified in item (a) of the immediately succeeding paragraph below; and
- f) such other documents as may be reasonably required by any of the Joint Lead Underwriters and Joint Bookrunners or the Registrar in the implementation of its internal policies regarding “know

your customer”, anti-money laundering, and combating the financing of terrorism.

Individual Applicants must also submit, in addition to accomplished Application to Purchase and its required attachments, the following:

- a) a photocopy of any one of the following identification cards (“ID”), which should be valid, bear a recent photo, and not be expired: Philippine Identification Card (PhilID), Passport, Driver’s License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter’s ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, Overseas Workers Welfare Administration ID, OFW ID, Seaman’s Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and government-owned and controlled corporation ID, e.g., Armed Forces of the Philippines, Home Development Mutual Fund, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Integrated Bar of the Philippines ID, company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age); or such other ID and documents as may be required or acceptable to the Joint Lead Underwriters and Joint Bookrunners or Registrar, which must be valid as of the date of the application;
- b) two (2) duly accomplished signature cards containing the specimen signature of the Applicant;
- c) validly issued Tax Identification Number issued by the BIR; and
- d) such other documents as may be reasonably required by the Joint Lead Underwriters and Joint Bookrunners or the Registrar and Paying Agent in the implementation of their respective internal policies regarding “know your customer”, anti-money laundering, and combating the financing of terrorism.

Applicants claiming exemption from any applicable tax, or entitlement to preferential tax rates shall be required to submit the requirements set out in paragraph 10.2 on “*Tax-Exempt Status or Entitlement to Preferential Tax Rate*” under the section “*Description of the Bonds*”, subject to acceptance by the Issuer as being sufficient in form and substance.

Completed Applications to Purchase and corresponding payments (pursuant to the allowable modes of payment as set out in the Application to Purchase) must reach the Joint Lead Underwriters and Joint Bookrunners prior to the end of the Offer Period, or such earlier date as may be specified by the Joint Lead Underwriters and Joint Bookrunners. Acceptance by the Joint Lead Underwriters and Joint Bookrunners of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by the Issuer. In the event that any check payment is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the Application to Purchase shall be automatically cancelled and any prior acceptance of the Application to Purchase is deemed revoked.

The Application, once accepted by any of the Joint Lead Underwriters and Joint Bookrunners, shall constitute the duly executed purchase agreement covering the amount of the Bonds so accepted and shall be valid and binding on the Issuer and the Applicant. Once accepted, an Application may not be unilaterally revoked or cancelled by the Applicant, in full or in part, and the rights and privileges pertaining thereto shall be non-transferable. Should an Application be accomplished electronically, as required and in accordance with the PDTC Rules and as authorized by the SEC, such Application shall govern and shall constitute as the duly executed purchase agreement so accepted and binding on the Issuer and the Applicant, whether directly executed by the Applicant or by any of the Joint Lead Underwriters and Joint Bookrunners, on behalf of such Applicant.

Minimum Purchase

A minimum purchase of Fifty Thousand Pesos (₱50,000.00) shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of Ten Thousand Pesos (₱10,000.00).

Rejection and Allotment of the Bonds

The Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, reserve the right to accept, in whole or in part, or reject an Application. If the Bonds are insufficient to satisfy all Applications to Purchase, the available Bonds shall be allotted at the discretion of the Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, and without prejudice to the exercise of said right of rejection.

Refunds

If any application is rejected or accepted in part only, the corresponding payment or the appropriate portion thereof shall be returned without interest to such Applicant through the relevant Joint Lead Underwriters and Joint Bookrunners with whom such application to purchase the Bonds was made.

Refunds shall be made, at the option of each Joint Lead Underwriters and Joint Bookrunners, either (i) through the issuance of check(s) payable to the order of the relevant Applicant and crossed "Payees' Account Only", which shall be made available for pick up by the Applicant at the office of the Joint Lead Underwriters and Joint Bookrunners to whom the rejected or scaled down Application was submitted no later than three (3) Business Days after the Issue Date, and where any checks that remain unclaimed after the three (3) Business Day period shall be mailed or delivered, at the risk of the Applicant, to the address specified in the Application; or (ii) through the issuance of instructions for credit payments to the accounts of the relevant Applicants, as indicated in their respective Applications.

Unclaimed Payments

Any payment of interest on, or the principal of, the Bonds which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Paying Agent for the Bondholders at the latter's risk and shall be dealt with in accordance with the relevant provisions of the Registry and Paying Agency Agreement.

Purchase and Cancellation

The Issuer may at any time purchase any of the Bonds in the open market or by tender or by contract, in accordance with PDEX Rules, as may be amended from time to time, without any obligation to make *pro rata* purchases from all the Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

Secondary Market

The Issuer intends to list the Bonds in the PDEX. For a more detailed discussion, please refer to the section "*Description of the Bonds – Secondary Trading of the Bonds.*"

Register of Bondholders

The Bonds shall be issued in scripless form and will be eligible for trading under the scripless Register of Bondholders maintained by the Registrar. Master Certificates of Indebtedness representing the Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Legal title to the Bonds shall be shown in the Register of Bondholders to be maintained by the designated registrar for the Bonds. The Issuer will cause the Register of Bondholders to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Register of Bondholders. Initial placement of the Bonds and subsequent transfers of interest in the Bonds shall be subject to applicable prevailing Philippine selling restrictions. For a more detailed discussion, please refer to the section "*Description of the Bonds – Transfer of the Bonds.*"

USE OF PROCEEDS

Following the offer and sale of the Bonds in the aggregate amount of ₱3.00 billion with an Oversubscription Option of up to ₱2.00 billion, the Issuer expects that the net proceeds of the Offer shall amount to approximately ₱2.96 billion for a ₱3.00 billion issue size or ₱4.94 billion for a ₱5.00 billion issue size, assuming full exercise of the Oversubscription Option, and after deducting fees, commissions, and expenses.

Net Proceeds After Deduction of Offer Expenses

Net proceeds from the Offer based on the ₱3.00 billion issue size are estimated as follows:

Item	Offer (in ₱)
Estimated Proceeds	₱3,000,000,000.00
Less:	
Underwriting and Selling Fees	12,631,590.00
Documentary stamp taxes to be paid	22,500,000.00
SEC Registration Fee ⁷	500,000.00
SEC Legal Research Fee ⁸	5,000.00
PDEX Listing Application Fee	112,000.00
PhilRatings Fee (VAT inclusive)	2,470,608.00
Trust Opening Fees	50,000.00
Registry Account Opening Fees (VAT inclusive)	252,000.00
Miscellaneous Expenses	1,000,000.00
Printing and office supplies	100,000.00
Courier, fuel and delivery	150,000.00
Notarization fee	50,000.00
Communication	100,000.00
Representation, overtime meals and meetings	100,000.00
Ceremony expenses	200,000.00
Deal tombstones	150,000.00
Travel and meetings	150,000.00
Total estimated fees, commissions and expenses	39,521,198.00
Estimated net proceeds	2,960,478,802.00

Net proceeds from the Offer based on the ₱5.00 billion issue size are estimated as follows:

Item	Offer (in ₱)
Estimated Proceeds	₱5,000,000,000.00
Less:	
Underwriting and Selling Fees	21,052,650.00
Documentary stamp taxes to be paid	37,500,000.00
SEC Registration Fee ⁹	500,000.00
SEC Legal Research Fee ¹⁰	5,000.00
PDEX Listing Application Fee	112,000.00
PhilRatings Fee (VAT inclusive)	2,822,400.00
Trust Opening Fees	50,000.00
Registry Account Opening Fees (VAT inclusive)	252,000.00

⁷ This is the actual amount of the Registration Fee paid by the Issuer to the SEC, considering that the Issuer has excess payments in the last tranche.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

Item	Offer (in ₱)
Miscellaneous Expenses	1,000,000.00
Printing and office supplies	100,000.00
Courier, fuel and delivery	150,000.00
Notarization fee	50,000.00
Communication	100,000.00
Representation, overtime meals and meetings	100,000.00
Ceremony expenses	200,000.00
Deal tombstones	150,000.00
Travel and meetings	150,000.00
Total estimated fees, commissions and expenses	63,294,050.00
Estimated net proceeds	4,936,705,950.00

Aside from the fees enumerated above, the Issuer will be paying the following estimated recurring fees related to the Bonds:

1. The Issuer will be charged by PDEX for the first annual maintenance fee in advance upon approval of the listing, and thereafter, the Issuer will pay PDEX an annual maintenance listing fee amounting to ₱150,000.00 (VAT exclusive) *per annum*;
2. The Issuer will pay an annual retainer fee to the Trustee amounting to ₱300,000.00 (net of tax) *per annum*;
3. After the Issue Date, a paying agency fee amounting to approximately ₱100,000.00 is payable every Interest Payment Date. The Registrar will charge a monthly maintenance fee based on the face value of the Bonds and number of Bondholders; and
4. The Issuer will pay an annual monitoring fee of ₱450,000.00 (VAT exclusive) to PhilRatings.

Expenses incurred in connection with the offering of the securities, including documentary stamp tax, fees of the Trustee, and the Registrar and Paying Agent will be for the account of the Issuer.

Use of Net Proceeds

Net proceeds of the Offer shall be used (i) to pay maturing term loans, corporate notes, promissory notes and working capital lines; and (ii) for general corporate purposes, as set out below,

The table below shows the allocation based on the ₱3.00 billion issue size:

Type	Allocation from the Net Proceeds of the Offer	Percentage of the Gross Proceeds	Schedule of Disbursement
Debt Refinancing	₱2.40 billion	81.09%	within 12 months from issuance
General corporate purposes	₱559.65 million	18.91%	within 12 months from issuance
Total	₱2.96 billion		within 12 months from issuance

There is no order of priority for the refinancing of the loans in the use of proceeds. The breakdown of the maturing obligations or the debt refinancing of the Issuer are as follows:

Bank	Facility Type	Interest Rate	Maturity	Allocation from the Net Proceeds of the Offer
BPI	Maturing term loans, corporate notes and working capital lines			₱510 million
Chinabank	Maturing term loans, and working capital lines			₱450 million
Development Bank of the Philippines	Maturing term loans, and working capital lines	3.46%-8.5%	2025-2027	₱510 million
Land Bank of the Philippines	Maturing long-term and short-term loans			₱480 million
BDO Unibank	Working capital lines			₱120 million
RCBC	Maturing term loans and promissory notes			₱270 million
Robinsons Bank	Project term loans			₱60 million
TOTAL				₱2.40 billion

The allocation for general corporate purposes will be used by CLI for the following:

General Corporate Purposes	Allocation from the Net Proceeds of the Offer	% of Gross Proceeds
Design fees, permits, market studies, marketing and advertisements, proprietary software and applications, establishment of more office locations and branches, among other expenses	₱559.65 million	18.91%

The table below shows the allocation based on the ₱5.00 billion issue size:

Type	Allocation from the Net Proceeds of the Offer	Percentage of the Gross Proceeds	Schedule of Disbursement
Debt Refinancing	₱4.00 billion	81.04%	within 12 months from issuance
General corporate purposes	₱935.38 million	18.96%	within 12 months from issuance
Total	₱4.94 billion		within 12 months from issuance

There is no order of priority for the maturing obligations in the use of proceeds. The breakdown of the maturing obligations or the debt refinancing of the Issuer are as follows:

Bank	Facility Type	Interest Rate	Maturity	Allocation from the Net Proceeds of the Offer
BPI	Maturing term loans, corporate notes and working capital lines			₱850 million
Chinabank	Maturing term loans, and working capital lines			₱750 million
Development Bank of the Philippines	Maturing term loans, and working capital lines	3.46%-8.5%	2025-2027	₱850 million
Land Bank of the Philippines	Maturing long-term and short-term loans			₱800 million
BDO Unibank	Working capital lines			₱200 million
RCBC	Maturing term loans and promissory notes			₱450 million
Robinsons Bank	Project term loans			₱100 million
TOTAL				₱4.00 billion

The allocation for general corporate purposes will be used by CLI for the following:

General Corporate Purposes	Allocation from the Net Proceeds of the Offer	% of Gross Proceeds
Design fees, permits, market studies, marketing and advertisements, proprietary software and applications, establishment of more office locations and branches, among other expenses	₱935.38 million	18.96%

Net proceeds from the Offer will be used by CLI directly. Moreover, funds intended for general corporate purposes will be used by CLI. Hence, no funds from the Offer will be infused into a Subsidiary.

In addition to the net proceeds of this Offer, the Issuer intends to utilize internally generated funds considering that the projected total funding requirement is greater than the net proceeds of the Offer. Internally generated funds may include cash flows generated from operations and/or availments from credit facilities provided or as may be provided to the Issuer by various financial institutions.

Pending the deployment of the proceeds from the Offer, the Issuer intends to invest such net proceeds in short-term liquid investments including, but not limited to, short-term government securities, bank deposits and money market placement which are expected to earn at prevailing market rates. Moreover, one of the aspects of general corporate purposes is the tactical management of the Issuer's liquidity, which includes cash sweeps, allocation into various cash or cash-equivalent instruments such as money market and time deposit products, allocation into revolving capital lines and other liquidity management actions. In the event such investments should incur losses, any shortfall will be financed from the Issuer's internally generated funds.

None of the proceeds will be used to reimburse any officer, director, employee, or shareholder for service rendered, assets previously transferred, money loaned or advance or otherwise.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Issuer's current plans and anticipated expenditures. In the event there is any change in the Issuer's current plans, including force majeure, market conditions and other circumstances, the Issuer will carefully evaluate the situation and may reallocate the proceeds at the discretion of the Issuer's management. The Issuer's cost estimates may also change as plans are developed further. For these reasons, timing and actual use of the net proceeds, and estimates, may vary from the foregoing discussion.

Any material deviation, reallocation, or adjustment in the planned use of proceeds, as indicated above, will be approved by the Board of Directors of the Issuer and duly disclosed to the SEC, the PSE, the PDEx, in writing, at least thirty (30) days before such deviation, reallocation, or adjustment is implemented. In addition, the company shall submit via the PSE/PDEx Online Disclosure System the following disclosure to ensure transparency in the use of proceeds:

- a. Any disbursement made in connection with the planned use of proceeds from the Offer.
- b. Quarterly Progress Report on the application of the proceeds from the Offer or on before the first fifteen (15) days of the following quarter.
- c. Annual Summary of the application of proceeds on or before January 31 of the year following the initial public offering.
- d. Certification of an external auditor on the accuracy of the information reported by the Company to the exchange in the quarterly and annual reports.

SUSTAINABILITY-LINKED FRAMEWORK

INTRODUCTION

About Cebu Landmasters, Inc.

Twenty-one years ago, the Company started its first real estate development project in San Jose Maria Village located on the western side of Cebu Island. The Company started off providing homes in the Cebu countryside for the workers in the area with insufficient housing supply. From then on, CLI has continued to strengthen its market leadership, particularly in the affordable housing segment across the VisMin. Today, CLI is the leading residential developer in the VisMin region, with a market share of 19% based on net sales take-up among real estate firms in the region. This is driven by the strong demand for residential units and the market trust that CLI has earned through the years.

As of September 30, 2024, CLI has a total of 124 projects in different development stages and established a diverse portfolio of residences, offices, hotels, mixed-use properties, and townships across 17 key cities in the VisMin region. Among these, 37 projects are completed developments strategically located in key areas such as Greater Cebu, Bacolod, Iloilo, Bohol, Dumaguete, Cagayan de Oro, and Davao.

Vision

To be the leading retail estate company in the VisMin and the most customer-centric and community-focused organization in the region.

Mission

Guarantee stakeholder satisfaction by bringing out the extraordinary in every step of the real estate journey.

Core Values



CUSTOMER-FIRST
Create extraordinary experiences



COLLABORATION
Move forwards as one team



COMMITMENT
Walk the talk and Deliver results



LEADERSHIP
Masters lead the way



INTEGRITY
Uphold the highest moral standards



AGILITY
Be responsive and adapt quickly

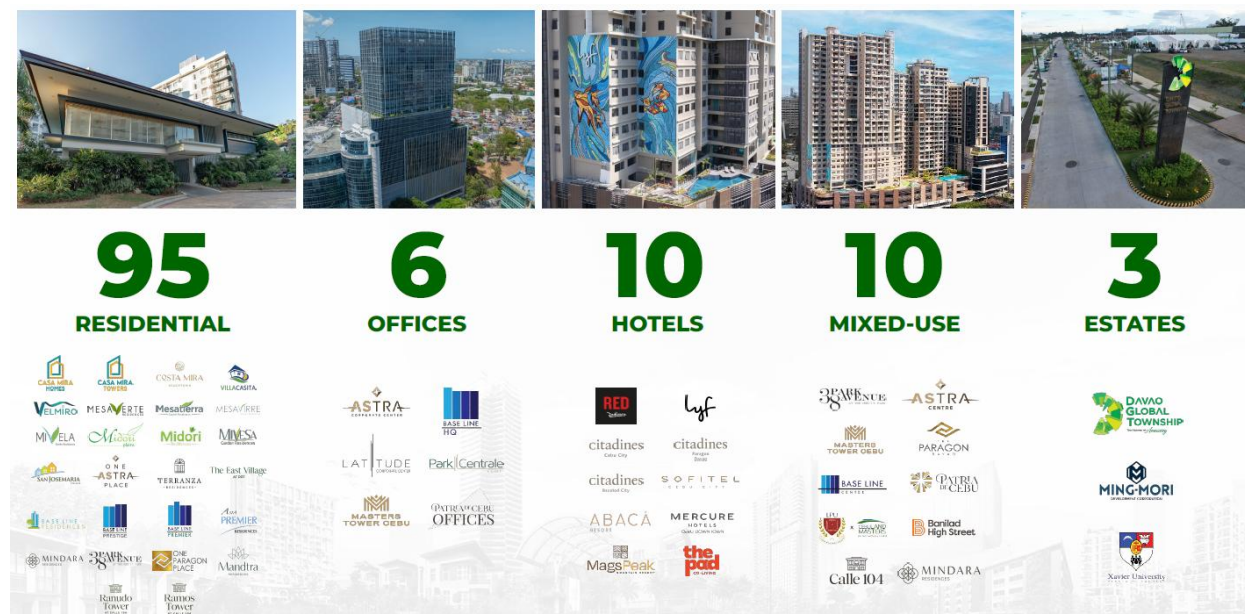
Business

The Company's operating segments are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets:

- Real Estate Segment – covers the development and sale of residential, condotel and office units to individual and corporate buyers

- Rental Segment – includes leasing of office and commercial spaces to corporate organizations
- Management Services Segment – focuses on the management of real estate projects and keeps services to condominium corporations and homeowners' associations
- Hotel Operations Segment – related to the management of hotel business operations that caters to hotel guests and condotel owners

Portfolio



RESIDENTIAL SEGMENTS

PREMIER MASTERS CLI's masterpieces situated in prime urban locations offer a premium lifestyle and world-class living – perfect for those who want to enjoy more of life.	GARDEN SERIES CLI's best selling series promises open spaces, great views and well-designed residences – perfect for those dreaming for a home filled with nature in a progressive urban setting.	CASA MIRA CLI's economic housing community caters to the common aspiration of every Filipino family to own a home – perfect for families dreaming to live in a beautiful community while getting the best value for their money.	VILLA CASITA CLI's socialized housing project provides families with simplified living spaces and enables residents to enjoy the necessities of life while being surrounded by the beauty of nature.	COSTA MIRA CLI's newly introduced beachtown community that highlights resort living.	MIRANI Mirani is a new offering designed to address the demand for more affordable housing options. Mirani Steps offers a pathway to a better life with its walk-up studio and 1-bedroom units, while Mirani Homes transforms dreams into reality with its loft-type townhouses.

OUR MASTERFUL PROJECTS

Sustainability Commitment

CLI fully recognizes the economic, social, and environmental impacts of real estate development and the importance of sustainability in delivering its vision to become the most customer-centric and community-focused organization in the VisMin regions.

The Company commits to integrate sustainability into the business process to create long-term value for the business and its stakeholders by driving innovation and improving the lives of our people, customers and communities while we strive to manage our impacts to the environment and society responsibly, ethically and with transparency.

To achieve this, CLI commits to:

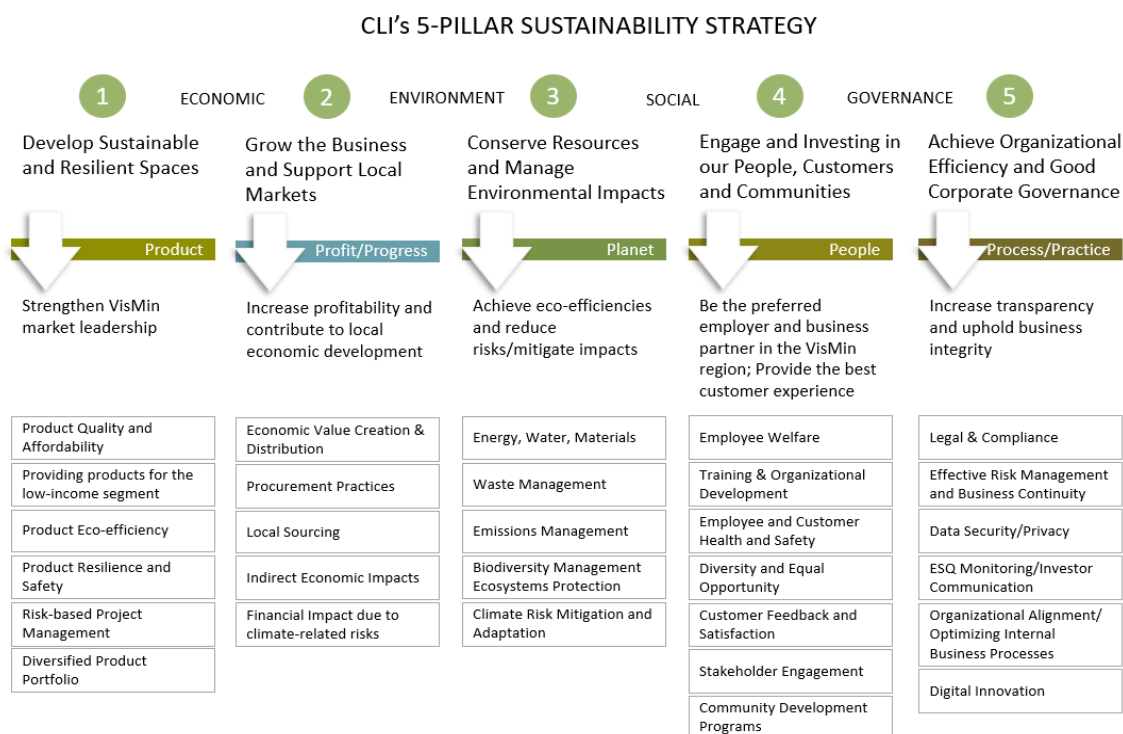
- Identify and adapt global and local economic, environmental, social and governance issues, trends and impacts that are most relevant to the business and its stakeholders.
- Drive sustainability across the value chain or the end-to-end process in real estate design development and operations management, aligning programs with business strategy, risks, opportunities, and stakeholder interests.
- Measure, manage, communicate the company's performance and progress in minimizing environmental and social impacts.
- Adhere and comply with all applicable regulatory requirements.
- Continually improve channels of engaging employees, customers, suppliers, investors, community partners and other stakeholders to manage their expectations, consider their perspectives and address their concerns.
- Develop a culture of sustainability across the entire organization at all levels and allocate needed resources to support sustainability capability-building programs.
- Conduct regular reviews to improve the company's sustainability performance.

Sustainability Framework

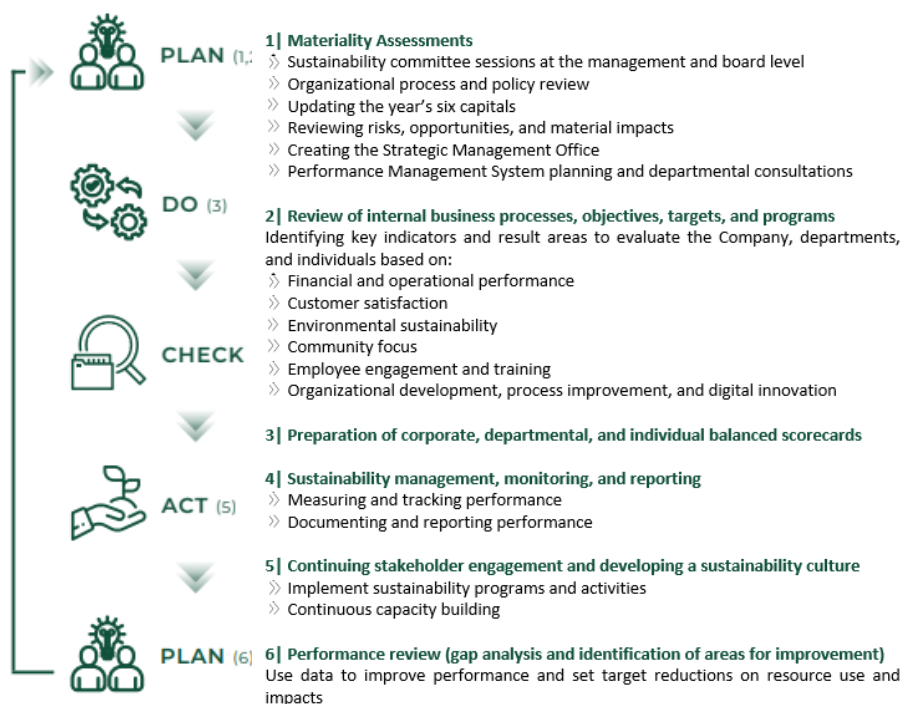
"Creating Lasting Positive Impact" is CLI's commitment to sustainable development. The Five Pillars framework was created through a thorough assessment of the Company's risks, challenges, impacts and opportunities. The framework offers a comprehensive overview of CLI's EESG profile, outlining the Company's sustainability vision, strategy, goals, objectives, and alignment with the 17 UN Sustainable Development Goals.

Sustainability Framework: The Five Pillars

The five (5)-pillar strategy seeks to achieve the following goals.



In line with and in order to execute this 5-pillar Sustainability Strategy, CLI also approaches sustainability by following their Plan-Do-Check-Act cycle, which consistently works to refine and align their business practices and processes with their sustainability objectives.



Contributions to the UN Sustainable Development Goals

SDG	CLI Contribution
	3.d. CLI promotes health and well-being among its employees by organizing learning sessions, training, and wellness activities. CLI has significantly increased its resources to provide for health-related benefits.
	4.4. CLI's Leadership and Educational Assistance Program ("LEAP") aims to provide access to quality education. Through this, CLI is able to contribute to the ongoing effort in reducing unemployment.
	5.5. Ensuring equal opportunities, CLI actively implements board diversity with a mix of both male and female directors.
	6.4. In efforts to increase water-use efficiency, CLI collects rainwater from various sources for its horizontal and vertical projects. The collected water is channeled to serve as irrigation and cleaning of parking areas.
	8.5. CLI provides equitable compensation and benefits to its employees while simultaneously creating livelihood opportunities for the communities it serves through the Livelihood Assistance for Multi-Sectoral Beneficiary Organizations ("LAMBO") Program.
	11.1. CLI enhances local economies through economic benefits such as job creation, the emergence of local businesses, and the provision of affordable housing options. CLI also enhances the quality of life by allocating open spaces, strengthening site resilience, improving community well-being and having accessible green areas.

SDG	CLI Contribution
  	13.1.,14.1.,15.a. CLI's Waste Management Program effectively manages and reduces waste generated from properties managed by Cebu Landmasters Property Management, Inc. ("CLIPMI"). In addition, tree growing initiatives (mangroves, timber and fruit trees) and coastal clean-up drives are being implemented, while providing green skills training sessions for partner communities.
	17.6. CLI establishes partnerships with its local communities and collaborates internationally with a Japanese real estate firm to foster sustainable development. In addition, CLI actively collaborates with people's organizations and local government units to provide livelihood opportunities for social housing beneficiaries and neighboring communities.

Our Approach to Climate Resilience

The Philippines, as reported by the World Risk Index, is one of the most vulnerable countries to the effects of climate change. Based on 27 key indicators, the country is identified as the most disaster-prone, facing significant exposure to natural calamities. These impacts present a substantial challenge not only for the country but also for CLI's business and stakeholders. In response to this, CLI commits to: 1) Create awareness on climate change; 2) Identify and improve assessment of climate change-related risks and opportunities; 3) Develop appropriate mitigation and adaptation measures for projects in various stages of development.

CLI has incorporated mitigation and adaptation strategies across all areas and business activities to reduce the Company's environmental footprint and enhance its resilience to the impacts of climate change. These include:

- Establish baseline and comparative data on direct and indirect energy use and emissions;
- Promote energy conservation and energy efficiency;
- Explore the use of renewable energy sources, wherever applicable;
- Allocate resources that promote efficient waste management (reduction, reuse, recycling);
- Conduct assessment of projects with natural ecosystems and explore opportunities for carbon sequestration programs;
- Manage or reduce air travel;
- Conduct assessment on climate-related risks and opportunities; update the corporate risk register to cover these risks against future business disruption based on Taskforce on climate-related financial disclosures recommendations;
- Increase capacity to adapt to climate change by influencing stakeholders for climate action, disaster readiness and business continuity;
- Explore new technologies and best practices in energy and solid waste management; and
- Promote the use of native tree species in project sites and operational properties.

Through these efforts, CLI is dedicated to addressing climate change challenges and fostering resilience in its operations and development initiatives.

Environmental Stewardship: Resource Management

CLI recognizes its dependence on natural resources to operate, and the environmental impacts that result from business activities. The Company's ability to successfully develop residential communities, retail spaces, townships, offices, hotels, and resorts depend on the long-term availability of essential resources such as materials, water and energy. As such, CLI is committed to striking a balance between driving its business and ensuring responsible conservation of these resources.

Energy Use

CLI relies on energy to successfully run its everyday operations. Both fuel and electricity are used in corporate and satellite offices, commercial operations, construction projects and managed properties. CLI purchases fuel and electricity from local suppliers, Visayan Electric Company and Davao Light and Power Company. Gasoline and diesel on the other hand, are purchased to operate generator sets during power outages, construction sites without power lines, heavy equipment and are also used in the corporate and satellite offices for vehicle use. CLI's dependence on non-renewable fossil fuels results in greenhouse gas emission, fueling air pollution and climate change.

The Company monitors its energy consumption and implements energy efficiency measures to reduce emissions intensities and save on power costs. Management monitors energy use across all aspects of the business including existing developments and in the construction sites. For the residential and commercial properties, CLI's Property Management ("**PM**") team implements energy-saving measures in the careful selection of efficient electrical equipment, installation of mechanical heat recovery ventilators, and compliance with policies and standards to maintain CLI's energy ratings and adhere to its advocacy of green building design. Furthermore, to reduce greenhouse gas emissions and mitigate potential risks associated with the use of conventional fossil fuels, CLI has integrated the use of renewable energy sources such as solar panels in its projects. Solar panels were used in two projects which are medium-rise buildings in the socialized housing category, benefiting informal settler families. These are Sugbo Walk up One, which was donated and turned over to the City of Cebu and Tipolo Residences – Building 2, which was completed in 2023. These solar panel systems power the common areas of the buildings to reduce costs that will be shouldered by the beneficiaries. Moving forward, CLI is committed to exploring and integrating renewable energy sources into its commercial properties, ensuring a more sustainable future.

Water Use

For operations in Cebu, the Company sources water from the Metropolitan Cebu Water District, supplemented by other providers in some areas, as well as groundwater extraction for some construction sites and managed properties. CLI also sources water from other water supply companies. Excessive consumption or extraction of water may contribute to water scarcity if withdrawal rates exceed the natural water replenishment rate, especially given aggravating factors such as deforestation and increasing population which will drive up water demand. Over-extraction of water may also lead to pollution of the groundwater. Potential water shortages and pollution pose risks to the Company and its operations.

Water is a vital resource for CLI's operations, particularly in construction sites, office and retail spaces, hotel facilities and managed residential properties. To manage water consumption and promote conservation, CLI's PM team and various contractors have implemented measures such as installing water-saving fixtures in the facilities and establishing rainwater collection systems in managed properties.

CLI recognizes further opportunities to increase water usage efficiency and rainwater collection and storage capacity. Systems like water percolation ponds and other catchment areas can be explored in the future to capture significant quantities of water to augment the Company's water supply. This will not only contribute to protecting aquifers by easing water withdrawal rates but can also mitigate the impact of disruptions in purchased water supply by providing the company with alternative water sources.

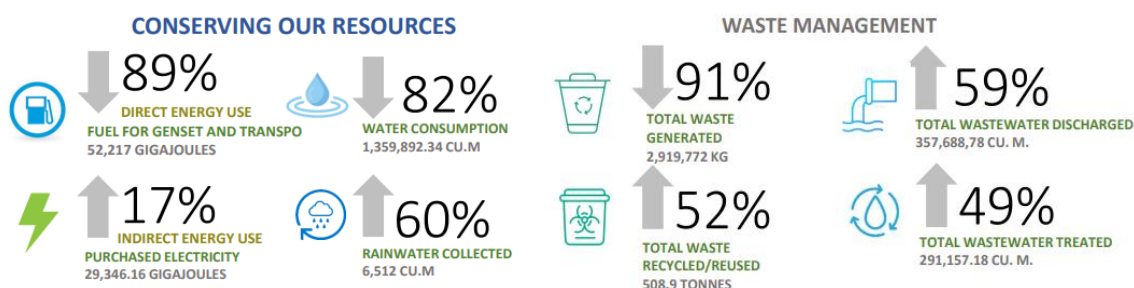
Materials Used for Project Development

Materials are sourced both in-house and through local contractors, allowing CLI to support local businesses mainly in the VisMin regions. CLI also includes small companies as part of its vendors list, providing them with opportunities to grow. At the same time, CLI recognizes the negative impacts associated with its use of significant volumes of non-renewable construction materials, such as sand, cement, steel, and glass, which are required to develop quality projects. These materials must be procured and used responsibly not only to conserve their supply, but also to manage the environmental impacts associated with their extraction and processing.

The scarcity of these materials poses a major risk to the company, as this would affect the price of materials and CLI's industry competitiveness. Disasters may also cause sudden increases in demand for these materials, coupled with decreases in supply if suppliers are affected by the event. Global issues can also affect local prices, especially for heavily imported materials like fuels.

CLI has processes and systems in place to monitor its use of materials. The Company coordinates with contractors to continually improve project execution and introduce best construction practices to improve materials efficiency while delivering product quality and durability. This can help CLI reduce costs on materials, particularly those that make up the largest portion of its project spending, such as steel and cement. Aside from materials efficiency measures, the Company plans to manage and mitigate its impacts and risks by exploring alternative or renewable materials for its projects. This can help to further diversify and boost the resilience of the Company's supply chain, as well as reduce environmental impacts that occur across the supply chain.

Below is a summary of performance covering the year 2023 reporting period.



Social Development

The social aspect of CLI's sustainability framework covers workforce, customer management and community engagement.

Workforce

CLI considers its human capital as its most valuable asset in the value creation process. The achievement of the Company's vision greatly depends on its human capital. To ensure the well-being of its employees, CLI institutes several programs and channels that engage employees and protect their rights and interests.

CLI's workforce, who are called Team of Masters, now comprises 1,000 of the most dedicated and competent real estate professionals. This includes the headcount from CLI's wholly-owned subsidiaries CLIPMI, CLI Hotels and CLI Foundation. One of the keys to CLI's growth is the Company's commitment to its human capital, which allows CLI to holistically develop its own HR strategies. The Company's people form the heart, mind and soul of the company and they are the key to CLI's sustained leadership.

Employees are kept constantly engaged and updated through bi-annual townhall meetings, WorkPlace, quarterly departmental and individual performance management sessions, training series, summer outings, clubs, and employee volunteer activities. These efforts can boost employee morale and motivation while enhancing their skills and facilitating career development. This can help reduce turnover and strengthen CLI's talent pool.

Customer Management

Maintaining customer satisfaction helps support the financial success of the Company through continued patronage and improved brand reputation. This, in turn, will generate positive impacts on the Company's other business partners and stakeholders, as robust economic performance contributes to fruitful partnerships and the creation of shared value.

CLI manages its relationships with customers through a diverse set of engagement channels, maintaining regular and open communication and addressing their concerns to maintain their

satisfaction with the Company. For instance, CLI launched the CLI Masters Circle in March 2023 to gather its top buyers and sellers in the VisMin region, offering them exclusive perks and services for their performance. Sellers' modules were approved and submitted to the Professional Regulation Commission pending the release of the three-year compliant certificate. CLI held an accreditation event named Masters Assembly in Luzon to recognize qualified sellers.

The Company is investing in digital transformation by establishing a Digitalization Team to lead CLI's initiatives in AI and Data, Information Systems, and Platforms. It has developed a three (3)-year strategic roadmap focused on improving CLI's innovation maturity. Key initiatives include:

1. **Masters Super App:** A customer experience platform that empowers customers, property owners, and brokers/sellers to seamlessly manage their transactions. Recently, CLI launched the Customer Service Management Platform, also known as ASK CLI, a key module of the Master Super App. This platform centralizes customer feedback and concerns, enabling CLI to respond more efficiently, identify trends, and continuously enhance services.
2. **End-to-End Project Management Solutions:** Enhancing project delivery efficiency.
3. **Enhanced Cybersecurity and IT Infrastructure:** Strengthening the company's cybersecurity posture, network infrastructure, and IT service management to protect critical assets.
4. **ERP System Upgrade:** Accommodating CLI's growing transaction needs.
5. **Centralized Data Management:** Establishing a single source of truth to enable better and more informed business decisions.

These efforts underscore CLI's commitment to innovation and operational excellence.

Community Engagement: 4-Pillar Strategy

CLI considers local communities as partners in development and stakeholders who can have a positive or negative impact on the Company's business practices. CLI established CLFI as its corporate foundation, embodying its commitment to community-centric operations. CLFI serves as the conduit for advancing CLI's corporate social responsibility ("CSR") initiatives, strategically aligning its programs with CLI's core business objectives to enrich the lives of stakeholders, especially communities within CLI's operational areas. CLI's community development strategy is based on four pillars, Integrated Community Development for Socialized Housing Beneficiaries, Environment, Education and Livelihood. Such programs are catered to the needs of diverse sectors such as women's organizations, fisherfolk associations, farmer's cooperatives and informal settler families.

Pillar 1: Integrated Community Development for Socialized Housing Beneficiaries

As of 2024, the housing backlog in the Philippines remains a significant issue. The Philippine government and housing agencies have repeatedly reported that the country faces a substantial shortage of affordable housing units. Based on DHSUD, the housing backlog in the Philippines was estimated at 6.7 million units in 2024, and it is projected to grow by around 1 million units per year due to the increasing population and rapid urbanization. Some private real estate organizations and developers suggest that the backlog could be even higher, ranging from 7 million to 8 million units.

In addition, providing affordable and resilient housing infrastructure is among the top investment opportunity areas of the SDG Investment Map released in March 2024 by the UNDP highlighting the fact that the country's path towards acceptable housing is constrained due to several factors: (1) The ratio of unit housing cost to income has risen such that poor households have minimal to negative income left after paying for housing expenditure, while low-income but not poor households are vulnerable to experience the same; (2) there are few low-cost alternatives to homeownership in the formal market while many low-cost housing projects are far from Metro Manila's city centers, which can significantly add to the households' transportation cost; and (3) innovative housing finance is limited. To address the housing crisis, the Philippine government has introduced several programs, including:

- Pambansang Pabahay para sa Pilipino Program: A large-scale program launched by President Marcos Jr. in 2022 aiming to build three (3) million houses over the next three (3) years.
- Socialized Housing Programs: Focus on providing affordable housing for low-income Filipinos, including subsidies and low-interest loans.

Despite these efforts, the backlog remains a major challenge, requiring both government action and private sector collaboration to make a significant dent in the shortage of affordable housing in the country.

In response to the housing backlog, CLI established its first pillar under its social development initiatives to Providing Access to Affordable Housing and Integrated Community Development. Programs under this pillar seek to address housing backlog through collaboration with local government units and the DHSUD. An example of this would be CLI's Lending Expertise and Advancing Development in Socialized Housing ("**LEAD**") Program which bridges the gaps in capabilities among partner LGUs in social preparation and property management. Aside from this program, CLI lends expertise in social preparation and beneficiary welfare as well as management and maintenance of medium rise buildings in the socialized housing category to establish safe, secure, peaceful, cohesive, and resilient communities.



Under this pillar, CLI has provided funds for land development for the 6.5 hectare-area relocation site in Paknaan, Mandaue City which currently houses 1,200 families who used to be informal settlers. In addition, CLI was able to successfully complete two medium-rise buildings, Sugbo Walk Up One in Barangay Lorega San Miguel, Cebu City and Tipolo Residences in Mandaue City, Cebu which was specifically catered to benefit informal settlers.

CLI plans to roll-out more socialized housing units in partnership with local government and other institutions through a direct participation mode of compliance to socialized housing compliance requirements.

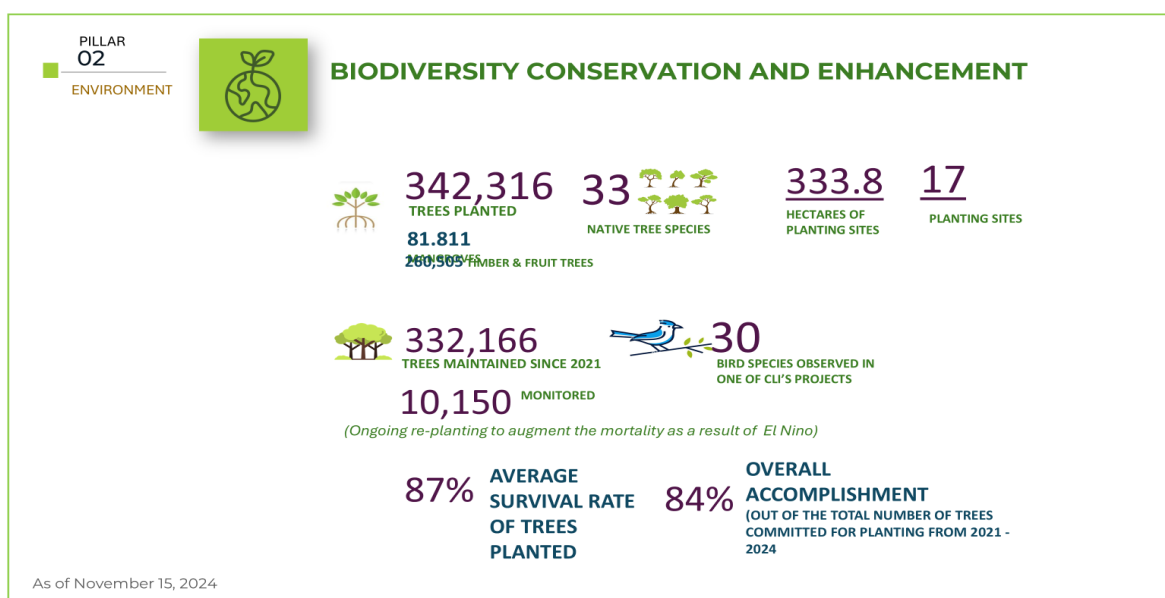
Pillar 2: Environment

Land development can significantly impact on the local environment and biodiversity, including damage to vegetation and potential alteration of soil chemistry and fertility, thus affecting populations that depend on these natural conditions. There are some risks that pose a threat to the surrounding landscape and biodiversity in CLI's projects which may affect the Company's business and customers. These include overharvesting of wood by settlers in the local communities, or in most cases, the dumping of solid

waste in nearby areas surrounding the property. These activities may cause disturbances for the Company's property occupants and reduce the attractiveness of the property, as well as weaken the environmental services provided by the ecosystem like cooling and erosion control. Through effective management, local ecosystems can and must be protected from such activities.

Planting trees plays a crucial role in addressing climate change for several reasons, ranging from absorbing carbon dioxide to supporting biodiversity. The need to plant more trees is becoming increasingly urgent as people face the consequences of global warming. Planting trees is vital for combating climate change. CLI's tree growing program serves to contribute to carbon absorption, enhances biodiversity, increases tree or forest cover, reduces heat, prevents soil erosion and in general enhances climate resilience. CLI introduces Mirani, a new brand for the affordable market.

CLI, through its partnership with LGU and a People's Organizations, has implemented a program known as Green Resources and Opportunities for Work and Wealth Creation ("**GROW**"). Through this program, 342,316 trees have been planted as of October 30, 2024. These are regularly maintained and monitored. The tree-growing program serves to enhance local forest and sites, while it provides opportunities for eco-learning and livelihood for more than 250 farmers and fishermen.



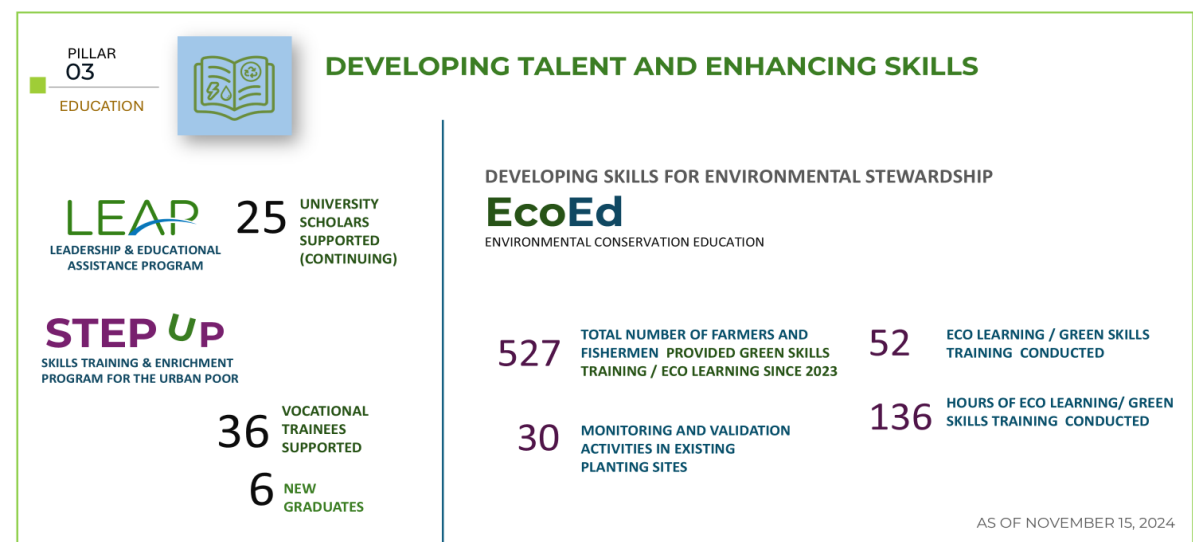
CLI's GROW program, while it addresses environmental concerns, has resulted in a significant social impact. The program has provided alternative livelihood opportunities to partner people's organizations. As of October 2024, CLI has spent more than ₱10 million on direct and indirect engagements and eco-skills training for farmers and fishermen, assisting them for their micro business start-up covered with government registrations and legal documentation. Capacity building is in the areas of ecosystem services awareness, tree nursery establishment, seedling production, planting site preparation, planting, and maintenance. Thus far, CLI has provided training to a total number of 527 farmers and fishermen in 52 sessions with an equivalent of 136 hours.

In addition, CLI established the Waste Management Adopt-A River Program and the Deployment of River Trash Traps to ensure the protection of the country's waters. CLI partnered with Cebu City, Mandaue City and the Municipality of Minglanilla for the preparation and deployment of river trash trap systems made of used PET bottles in Pakigne River and Tipolo creek respectively. The activities involved the neighboring barangays' disaster response team leads. These have helped prevent waste from reaching the coastal waters.

Pillar 3: Education

Despite the country's significant investment in infrastructure and educational policy, access to affordable education is still a challenge, including lack of opportunities in skill training or upskilling and issues

relating to employability, entrepreneurial and skills proficiency. CLI seeks to address this gap by Developing Talent and Enhancing Skills through Education under its third social pillar. CLFI established the LEAP to provide assistance to dependents of CLI employees as a means to enhance employee retention and engagement. The Company and its foundation aim to provide access to skills training and also support academic institutions to uplift individuals into becoming proficient and employable individuals. CLI offers a Skills Training and Enrichment Program for the Urban Poor for this purpose. Lastly, another initiative of CLI is to inform communities on the importance of the environment and ecosystem. The Taking Responsibility for Ecosystems Enrichment sessions focus on mangrove planting design, nursery and plantation establishment techniques.



Pillar 4: Livelihood

A significant number of households in the Philippines face challenges in being able to provide for their families. This stems from a lack of education, skills training or upgrading, lack of access to capital and most importantly unemployment. CLI emphasizes the importance of Promoting Self-Reliance through Livelihood as the main objective of its fourth social pillar. CLI seeks to build community start-ups and organize homeowners into cooperatives. One of the main communities that CLI has partnered with are the farmers, fishermen, women’s associations, and socialized housing beneficiaries. The LAMBO program was established to provide sustainable livelihood for 17 people’s organizations, socialized housing beneficiaries and neighboring communities. Specific programs include Tabo (an activity to promote or sell farm-fresh local produce) that provides an opportunity for farmers to directly sell to consumers. In addition, the livelihood component of the CLI’s GROW program has assisted over 400 families of farmers and fishermen through income generated from seedling production, planting, maintenance, and monitoring.



Governance

As a publicly listed company, CLI is guided by standards in every aspect of management, from strategic and action planning to internal controls, regulatory compliance, performance measurement and corporate disclosure. It is fully committed to enhancing its governance practices and transparency through regular and timely reporting and disclosures, such as the company's Integrated Report that gives a detailed account of the Company's financial and non-financial or ESG performance.

Sustainability Governance

Sustainability at the board level rests on the Corporate Governance Committee. This ensures that the Company delivers its commitment to sustainability performance targets and that impacts to climate-related risks and opportunities on the organization's business, strategy and financial planning are considered and reported.

Defining organizational responsibility ensures the accomplishment of CLI's sustainability goals and performance metrics.

The President and CEO is the primary decision-maker on all matters affecting the company's strategy and bears ultimate responsibility for the company's operations. The CEO has delegated operational responsibility to the Chief Operating Officer ("COO"). The COO serves as the Chief Sustainability Officer ("CSO"). The CSO drives the Company's sustainability objectives, strategies, and programs. The AVP for Sustainability reports to the COO/CSO, leads the Company's Sustainability Committee at the management team level composed of representatives of all units/ departments and provides quarterly reports to the Corporate Governance Committee at the Board Level. All units across the Company are accountable for one or more sustainability aspects of our operations, hence the formation of the Sustainability Committee. The Sustainability Manager is responsible for collaborating with all departments in the development of the sustainability framework, performance metrics and programs.

SUSTAINABILITY-LINKED FINANCING FRAMEWORK

Rationale

This Sustainability-Linked Financing Framework (the "**CLI SLF**") and the issuance of sustainability-linked bonds and loans reinforces CLI's commitment to sustainability, community involvement and nation-building.

The CLI SLF has been established with reference to the following:

- Sustainability Linked Bond Principles issued by the International Capital Market Association (“**ICMA**”) in June 2024; and
- Sustainability Linked Loan Principles (“**SLLP**”) issued by the Asia-Pacific Loan Market Association (“**APLMA**”), Loan Markets Association (“**LMA**”) and Loan Syndications and Trading Association (“**LSTA**”) in February 2023.

Scope

The CLI SLF applies to CLI and its subsidiaries and can be used for the issuance of sustainability-linked bonds and/or loans.

Alignment with the SLB and SLL Principles

The Sustainability-Linked Bond and Loans Principles provides guidelines on financial structure, disclosure and reporting for sustainability-linked financing.

The CLI SLF is aligned with the five core components of the SLBP:

1. Selection of KPIs
2. Calibration of SPT
3. Bond Characteristics
4. Reporting
5. Verification

Selection of KPIs

Residential developments constitute the cornerstone of CLI’s operations and project portfolio. CLI’s overarching goal is to meet the persistently unmet demand for quality-build, cost-effective housing, and well-planned communities that align with the needs of the market. In response to the housing backlog and the heightened desire for safe and secure homes, CLI consistently launches accessible and affordable housing projects across its various brands Casa Mira, Mirani and Garden Series.

KPI: Providing Affordable Housing	
Rationale	The selection of the KPI is part of CLI’s sustained effort to provide access to affordable housing. CLI is a leading developer in VisMin with a diverse portfolio of residences, offices, hotels, mixed-use properties, and townships. The Company remains steadfast in its pursuit of expansion and innovation by solidifying its market leadership while exploring new avenues for sustainable development and community enhancement. As of December 31, 2023, CLI has prioritized providing access to affordable housing, with 84% of its total portfolio dedicated to the socialized, economic, low, and mid-cost housing segments. These initiatives underscore CLI’s unwavering commitment to addressing the country’s growing housing backlog and ensuring that underserved Filipinos have access to affordable, quality homes. The selection of this KPI further strengthens CLI’s dedication to providing transformative housing solutions for the communities it serves.

KPI: Providing Affordable Housing	
	For a more detailed discussion on CLI's social initiatives, please refer to the " <i>Social Development</i> " section above.
Definition of KPI; Applicable Scope and Perimeter; Calculation Methodology	This KPI is defined as the number of affordable housing units provided by CLI across their residential portfolio. "Affordable Housing" are units priced below the price ceilings for low-cost and medium-cost housing based on the Joint Memorandum Circular between the DHSUD and NEDA. As of the date of this Offer Supplement, the price threshold is pegged at below ₱4,900,000.00 for low-cost and below ₱6,600,000.00 for medium-cost based on the Joint Memorandum Circular 2024-001 which may be subject to future updates from the relevant government agencies. Any updates to the price threshold¹¹ by the relevant government agencies will be monitored by CLI and disclosed to stakeholders as these become available.

Calibration of SPTs

SPT: Number of New Homes Built that are considered Affordable Housing	
Description and Definition	• Short Term SPT: Build 8,500 new Affordable Housing units by February 2027 • Medium Term SPT: Build 16,000 new Affordable Housing units by February 2029 These Affordable Housing units will be primarily to meet the housing needs of the underserved affordable market segment.
Motivation for SPT (ambition level and consistency with CLI's overall business strategies)	The SPT is meant to address the growing 6.7 million housing backlog in affordable segments identified by DHSUD in its Consolidated Housing Data for 2024. This housing backlog is further compounded by damage caused by natural hazards, as well as housing production challenges in terms of low allocation and access to funding, lack of suitable land and delays in permits and clearances. Ambition in this regard, is CLI's commitment to address the housing backlog and to meet the housing needs of the traditionally underserved affordable market segment. By committing to build 16,000 Affordable Housing units in the next 4 years, CLI will double its historical affordable housing output. This commitment has been core to CLI's current business strategies as it continues to fill in the country's 6.7 million housing backlog, with a focus on VisMin region, with recent expansions in underserved areas such as Butuan and GenSan. Thus, this represents a reasonably ambitious target for CLI based on the housing backlog and its past performance.

¹¹ Low-cost and medium-cost housing are considered affordable housing in the Philippines since their definitions (determined by price ceilings) are under the purview of DHSUD, which is mandated to develop and adopt a national strategy to address the provision of adequate and affordable housing for all Filipinos.

SPT: Number of New Homes Built that are considered Affordable Housing		
Relevant Approaches	Benchmarking	The 14,310 baseline in 2023 represents the total portfolio of affordable housing that CLI has built since 2003. CLI aims to build 8,500 new Affordable Housing units by February 2027 and 16,000 new Affordable Housing units by February 2029 which shows a significant upward trajectory from 2023 and aspires to reduce the 6.7 million housing backlog.
Target Observation Date		Short Term SPT: February 28, 2027 Medium Term SPT: February 28, 2029
Target Measurement Date		Short Term SPT: March 1, 2027 Medium Term SPT: March 1, 2029
Baseline		December 31, 2023 CLI has built 14,310 Affordable Housing units from 2003 to 2024.
Situations in which recalculation or pro-forma adjustments of baselines will take place, where relevant		CLI will annually publish and/or keep readily available, on its website an Integrated Report (Annual Sustainability Report) containing: • Up-to-date information on the progress of accomplishment of SPTs based on selected KPIs as specified in relevant documentation of sustainability-linked credit facilities • Information may also include the following where appropriate and feasible: ○ Qualitative or quantitative information on performance of SPTs as well as the related impact and timing of the impact on the bonds financial and/or structural characteristics. Likewise, a verification assurance report which include the assessment on the issuer's performance against the SPTs ○ Any pro-forma adjustments to baselines or KPI scope, and any resulting re-assessments of the KPIs and/or restatements of the SPTs
Strategy to achieve the SPT		Scale up development of affordable residential units: • CLI adopts a dual-focus strategy on its project launches and progress completion. This balanced approach is to sustainably launch residential projects that will keep pace with its target growth trajectory, while also focusing its energy on its on-going projects so that these can be delivered on time • CLI is beefing up its management team and also ramping up its production capability to meet the increased demand • Digitalization and innovation initiatives to improve internal processes and procedures • Project monitoring to ensure projects are completed in time and on budget • Customer-oriented initiatives and programs to improve home-buying experience and provide the best customer service • To ensure steady rollout of launches, CLI currently maintains a strategic landbank of 87.6 hectares, with an additional 47.7 hectares for acquisition

SPT: Number of New Homes Built that are considered Affordable Housing	
Key factors that may affect the achievement of the SPT	• Incidents due to force majeure events such as natural disasters and climate-related risks affecting the construction and operations of CLI • Socio-political factors such as the 2028 national elections and any changes in government regulations and geo-political factors such as war and political instability affecting the delivery of the target • Economic factors such as inflation and cost of construction materials affecting the supply chain and operations of CLI

Bond Characteristics

The debt instruments issued under this CLI SLF will have a sustainability-linked feature that will result to a coupon adjustment if the performance does not achieve the SPT above. The relevant KPI definitions, calculation methodologies, SPTs events and trigger events, and step-up margin amount will be specified in the relevant documentation of the specific transaction.

Reporting

CLI will annually publish and/or keep readily available on its website an Annual Sustainability Report containing:

- Up-to-date information on the progress of accomplishment of SPTs based on selected KPIs as specified in relevant documentation of sustainability-linked credit facilities
- Information may also include the following where appropriate and feasible:
 - Qualitative or quantitative information on performance of SPTs as well as the related impact and timing of the impact on the bonds financial and/or structural characteristics. Likewise, a verification assurance report which includes the assessment on the issuer's performance against the SPTs
 - Any pro-forma adjustments to baselines or KPI scope, and any resulting re-assessments of the KPIs and/or restatements of the SPTs

Verification

CLI will annually seek independent external verification by a qualified external provider of performance of its SPTs for selected KPIs.

EXTERNAL REVIEW

CLI engaged DNV (Thailand) Co., Ltd. ("**DNV**") as an external verification provider for the issuance of a Second Party Opinion ("**SPO**") on CLI's Sustainability-Linked Financing Framework.

Qualifications of DNV

DNV has significant global experience assisting stakeholders in the sustainable finance market. DNV regularly supports and works with:

- Financial institutions participating in the debt and equity markets to issue and arrange deals for Sustainable Finance applications
- Industry participants issuing Green and Sustainable debt and equity
- Regulators guiding market activities in regions and countries
- Development Finance Institutions assisting local market participants at the private sector, State Owned Corporation and Sovereign level

Scope of Review

The SPO provider was commissioned by CLI to review the CLI SLF and provide an SPO on the alignment of the said framework with the following standards and principles:

- SLLP, issued by the APLMA, LMA and LSTA in February 2023; and
- SLBP, issued by the ICMA in June 2024.

DESCRIPTION OF THE BONDS

The following discussion does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation and By-Laws (each as amended to date), resolutions of the Board of Directors of CLI, the Company Disclosures, the information contained in the Prospectus, this Offer Supplement, the Trust Agreement, the other Bond Agreements, the Application to Purchase, and any other agreements or documents relevant to the Offer.

Prospective holders of the Bonds should perform their own independent investigation and analysis of the Issuer and the Bonds. Prospective holders of the Bonds should make their own appraisal of the Issuer and the Offer and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the Offer. They must not rely solely on any statement or on the significance, adequacy or accuracy of any information contained herein. The information and data contained in the "Description of the Bonds" are not a substitute for the prospective Bondholder's independent evaluation and analysis. Prospective holders of the Bonds are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Bonds being offered.

Capitalized terms used but not defined herein have the meanings given to them in the "Glossary of Terms" in this Offer Supplement.

1. GENERAL

These term and conditions set out below (the "**Terms and Conditions of the Bonds**") relate to the SEC-Registered, Philippine Peso-denominated, sustainability-linked bonds consisting of Series D Bonds and Series E Bonds with an aggregate principal amount of Three Billion Pesos (₱3,000,000,000.00) and an Oversubscription Option of up to Two Billion Pesos (₱2,000,000,000.00) to be issued from the up to Fifteen Billion Pesos (₱15,000,000,000.00) Debt Securities Program, constituting the direct, unconditional, unsecured, and general obligations of the Issuer. The public distribution and sale of the Bonds in the Philippines was authorized by a resolution of the Board of Directors of the Issuer on November 21, 2024.

The Bonds will be issued by the Issuer pursuant to the Terms and Conditions of the Bonds and will be governed by a Trust Agreement dated on or about the date of this Offer Supplement between the Issuer and BPI Asset Management and Trust Corporation as Trustee, which term shall, wherever the context permits, include all other Persons for the time being acting as trustee or trustees under the Trust Agreement. The Trustee has no interest in or relation to the Issuer which may conflict with the performance of its functions.¹² The Terms and Conditions of the Bonds include summaries of, and is subject to, the detailed provisions of the Prospectus (as applicable), the other provisions of this Offer Supplement (as applicable), the Trust Agreement, the Registry and Paying Agency Agreement, and the Application to Purchase. Such detailed provisions are deemed integral part of the Terms and Conditions of the Bonds.

A Registry and Paying Agency Agreement in relation to the Bonds was executed on or about the date of this Offer Supplement between the Issuer and PDTC as Registrar and Paying Agent. PDTC has no interest in or relation to the Issuer which may conflict with the performance of its functions.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the principal office of the Trustee. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Trust Agreement and all the provisions of the Registry and Paying Agency Agreement applicable to them.

¹² The Trustee is the trust and asset management group of the Bank of the Philippine Islands, the parent company of BPI Capital Corporation, the Issue Manager, and one of the Joint Lead Underwriters and Joint Bookrunners.

2. FORM, DENOMINATION AND TITLE

2.1. Form and Denomination

The Bonds shall be issued in scripless form and shall be issued in minimum denominations of Fifty Thousand Pesos (₱50,000.00) each, and in integral multiples of Ten Thousand Pesos (₱10,000.00) thereafter, and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market.

A Master Certificate of Indebtedness representing each series of the Bonds sold in the Offer shall be issued to and registered in the name of the Trustee for the benefit of the Bondholders.

2.2. Title

Legal title to the Bonds will be shown in the Registry of Bondholders maintained by the Registrar. A notice confirming the principal amount of the Bonds purchased by each Applicant in the Offer shall be issued by the Registrar and Paying Agent to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording the transfer from the transferor to the transferee in the Registry of Bondholders maintained by the Registrar and Paying Agent. All costs, expenses and taxes in respect of such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfer or change, income tax and documentary stamps taxes, if any, arising from the subsequent transfers, shall be for the account of the relevant Bondholder or the transferee, as applicable.

3. BOND RATING

The Bonds were assigned an issue credit rating of PRS Aa plus from PhilRatings.

Obligations rated PRS Aa plus are of high quality and are subject to very low credit risk. Furthermore, a PRS Aa plus is assigned when a rating is likely to be maintained or to remain unchanged in the next twelve (12) months. The rating and outlook reflect the following key considerations: a) CLI's sound management and strategy, with a sustained competitive advantage in the VisMin markets as evidenced by its growth over the last few years; b) Its sustained earnings growth on account of the Company's real estate sales; c) Its adequate interest coverage ratios despite a more leveraged capital position; and d) Threats from a highly competitive market, with peers having access to significant capital and a substantial landbank.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

The rating is subject to regular annual review, or more frequently as market developments may dictate, for as long as the Bonds are outstanding.

After the Issue Date, the Trustee shall monitor the compliance of the Bonds with the regular annual reviews.

4. TRANSFER OF THE BONDS

4.1. Registry of Bondholders

The Issuer shall cause the Registry of Bondholders to be kept by the Registrar in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and assignments of Bonds, including any liens and encumbrances thereon, shall be entered into the Registry of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Registry of Bondholders.

As required by BSP Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder a written statement of registry holdings at least every quarter (at the cost of the Issuer), and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar's system (at the cost of the Issuer). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Save in the case of manifest error or fraud, the foregoing

written statement of registry holdings shall be final and binding on the Bondholder. The Bondholder shall examine such statement and promptly (and in no case more than thirty (30) calendar days from receipt thereof) notify the Registrar in writing of any error and they shall together resolve to correct such error promptly (and in no case more than five (5) Business Days from receipt of the notice by the Registrar), failing which such transaction advice, statement or report shall be conclusive against the Bondholder. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfer of the Bonds may be made during the Closed Period (as defined below).

4.2. Transfers: Tax Status

Trading of the Bonds will be coursed through a PDEX Trading Participant subject to the applicable PDEX rules and conventions. Trading, transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and the Registrar and Paying Agent. Upon any assignment of the Bonds, title thereto will pass by recording of the transfer from the transferor to the transferee in the Registry of Bondholders to be maintained by the Registrar.

The Registrar shall ultimately and conclusively determine all matters regarding the evidence necessary to effect any such transfers. Settlement in respect of such transfers or change of title to the Bonds, including the settlement of any documentary stamp taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder or the transferee, as applicable.

Subject to the provisions of the Registry and Paying Agency Agreement, the relevant rules, conventions and guidelines of PDEX and PDTC, the Bondholders may not transfer their Bonds in any of the following instances, and the Registrar shall not reflect any transfers in the relevant Registry accounts where the same are restricted transfers on the Bonds as follows:

- (a) transfers across Tax Categories on a date other than on an Interest Payment Date that falls on a Business Day; provided, however, that transfers from a tax-exempt Tax Category to a taxable Tax Category on a date other than an Interest Payment Date shall be allowed using the applicable tax-withheld series name on PDEX Trading System, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt person shall be treated as being of the same Tax Category as its taxable counterparty for the interest period within which such transfer occurred. For purposes hereof, “**Tax Categories**” shall refer to the four final withholding tax categories in the PDEX system covering, particularly, tax-exempt persons, twenty percent (20%) tax-withheld persons, twenty-five percent (25%) tax-withheld persons (aliens), and twenty-five percent (25%) tax-withheld persons (corporations), as such categories may be revised, amended or supplemented by PDEX in accordance with its rules and Applicable Law. As set out in the Registry and Paying Agency Agreement, this restriction shall be in force until a non-restricted trading & settlement environment for corporate securities is implemented;
- (b) transfers by Bondholders with deficient documents; and
- (c) transfers during a Closed Period. For purposes hereof, “**Closed Period**” means period during which the Registrar shall not register any transfer or assignment of the Bonds, specifically: (i) the period of two (2) Business Days preceding any Interest Payment Date or the due date for any payment of the Final Redemption Amount of the Bonds; or (ii) the period when the Bonds or relevant series thereof have been previously called for redemption for any payment of the Call Option Price or the Other Redemption Price (as such term is defined in the Registry and Paying Agency Agreement), as applicable.

A Bondholder claiming tax-exempt status is required to submit to the Registry of Bondholders the required tax-exempt documents as detailed in the Registry and Paying Agency Agreement upon submission of the account opening documents to the Registrar and Paying Agent. Please also see the section on “*Description of the Bonds – Tax-Exempt Status or Entitlement to Preferential Tax Rate*” for a detailed discussion on the requirements for claiming a preferential tax status.

Transfers taking place in the Registry of Bondholders after the Bonds are listed on PDEX may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of

tax-exempt entities, if/and or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC and subject to the discussion under the section “Description of the Bonds – Tax-Exempt Status or Entitlement to Preference Tax Rate”.

Notwithstanding the submission by the Bondholder, or the receipt by the Issuer, the Registrar and Paying Agent, or any of the Joint Lead Underwriters and Joint Bookrunners of documentary proof of tax-exempt status of a Bondholder, the Issuer may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to the Issuer.

The Bondholders shall be responsible for monitoring and accurately reflecting their tax status in the Registry of Bondholders. The payment report to be prepared by the Registrar and Paying Agent and submitted to the Issuer in accordance with the Registry and Paying Agency Agreement, which shall be the basis of payments on the Bonds on any Interest Payment Date, shall reflect the tax status of the Bondholders as indicated in their accounts as of the Record Date.

4.3. Secondary Trading of the Bonds

The Issuer intends to list the Bonds on PDEX for secondary market trading and, for that purpose, the Issuer has filed an application for such listing. However, there can be no assurance that such a listing will actually be achieved or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing would be subject to the Issuer’s execution of a listing agreement with PDEX that may require the Issuer to make certain disclosures, undertakings, and payments on an ongoing basis.

For so long as any of the Bonds are listed on PDEX, the Bonds will be traded in a minimum board lot size of Ten Thousand Pesos (₱10,000.00), and in multiples of Ten Thousand Pesos (₱10,000.00) in excess thereof. Secondary market trading in PDEX shall follow the applicable PDEX Rules, including rules, conventions and guidelines governing trading and settlement between Bondholders of different tax status, and shall be subject to the relevant fees of PDEX and PDTC, all of which shall be for the account of the relevant Bondholders.

5. RANKING

The Bonds shall constitute the direct, unconditional, unsubordinated and unsecured Peso-denominated obligations of the Issuer and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsubordinated and unsecured indebtedness of the Issuer, contingent or otherwise, other than indebtedness mandatorily preferred by operation of law and not by contract, and preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors’ rights generally and by general principles of equity (but not the preference or priority established by Article 2244(14)(a) of the Civil Code of the Philippines), but in the event of insolvency, such financial obligations shall be absolute and unconditional only to the extent permitted by Applicable Law relating to creditors’ rights generally.

6. INTEREST

The Bonds shall bear interest on its outstanding principal amount from and including the Issue Date at the Applicable Interest Rate, adjusted as and when necessary, pursuant to the conditions set forth below.

6.1. Original Interest Rate

The original interest rate *per annum* applicable to each of Series D Bonds and Series E Bonds starting on the Issue Date shall be as follows:

- (a) Series D Bonds: 6.6348% *per annum*; and
- (b) Series E Bonds: 6.9157% *per annum*,

each an “**Original Interest Rate**”.

6.2. Applicable Interest Rate

The term “**Applicable Interest Rate**” shall refer to the interest rate *per annum* equivalent to either (i) the applicable Original Interest Rate per series; or (ii) the applicable Original Interest Rate per series adjusted for the occurrence of one or both Trigger Events.

6.3 Sustainability Performance Target; Interest Rate Step-Up

From and including the first day of the Interest Period immediately following the Interest Period within which a Target Measurement Date falls (each an “**Interest Step-Up Date**”), the Applicable Interest Rate for each series shall be equal to the Original Interest Rate plus 0.075% for each occurrence of a Trigger Event. There is a Trigger Event when an SPT is not met on the applicable Target Observation Date as determined in the verification assurance report of the relevant External Verification Provider.

The “**Sustainability Performance Target**” or “**SPT**” shall be as follows:

- Short Term SPT: Build 8,500 new Affordable Housing units by February 2027
- Medium Term SPT: Build 16,000 new Affordable Housing units by February 2029

Thus, the KPI is providing Affordable Housing. This KPI is defined as the number of Affordable Housing units provided by CLI across their residential portfolio. “**Affordable Housing**” are units priced below the price ceilings for low-cost and medium-cost housing based on the Joint Memorandum Circular between the Department of Human Settlements and Urban Development (“**DHSUD**”) and National Economic Development Authority (“**NEDA**”). As of the date of this Offer Supplement, the price threshold is pegged at below ₱4,900,000.00 for low-cost and below ₱6,600,000.00 for medium-cost based on the Joint Memorandum Circular 2024-001 which may be subject to future updates from the relevant government agencies. Any updates to the price threshold¹³ by the relevant government agencies will be monitored by CLI and disclosed to stakeholders as these become available.

The “**Target Measurement Dates**” shall be as follows:

- Short Term SPT: March 01, 2027
- Medium Term SPT: March 01, 2029

The “**Target Observation Dates**” shall be as follows:

- Short Term SPT: February 28, 2027
- Medium Term SPT: February 28, 2029

If the relevant External Verification Provider determines in its verification assurance report that both Sustainability Performance Targets are met on the relevant Target Observation Dates, then the Applicable Interest Rate shall remain equal to the Original Interest Rate.

6.4. Interest Payment Dates and Interest Payment Calculation

Interest on the Sustainability-Linked Bonds shall be calculated on a European 30/360-day count basis and shall be paid quarterly in arrears commencing on June 21, 2025 for the first Interest Payment Date, and September 21, December 21, March 21, and June 21 of each year for each subsequent Interest Payment Date while the Sustainability-Linked Bonds are outstanding.

In the event that any Interest Payment Date is not a Business Day, such Interest Payment Date shall be paid on the immediately succeeding Business Day without any adjustment to the amount due. The last Interest Payment Date shall fall on the Maturity Date, or the immediately succeeding Business Day if such date is not a Business Day, without any adjustment to the amount due, provided that if the Issue

¹³ Low-cost and medium-cost housing are considered affordable housing in the Philippines since their definitions (determined by price ceilings) are under the purview of DHSUD, which is mandated to develop and adopt a national strategy to address the provision of adequate and affordable housing for all Filipinos.

Date is set at a date other than March 21, 2025, then the Interest Payment Dates will be automatically adjusted to the numerically corresponding dates at every quarter following the actual Issue Date.

Each Bondholder in whose name the Bonds are registered in the Registry of Bondholders at the close of business on the Record Date preceding the relevant Maturity Date shall be entitled to receive the principal amount of the Bonds. In all cases, repayment of principal shall be remitted to the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

6.5. Interest Accrual

The Bonds shall cease to bear interest from and including the relevant Maturity Date, as defined in the discussion on *“Description of the Bonds - Final Redemption”* below, unless, upon due presentation, payment of the principal in respect of the Bonds then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see *“Penalty Interest”* below) shall apply.

6.6. Calculation of Interest

Interest on the Bonds shall be calculated on a European 30/360-day count basis, regardless of the actual number of days in a month.

7. REDEMPTION AND PURCHASE

7.1. Final Redemption

The maturity dates of the Bonds (the **“Maturity Date”**) are as follows:

- (a) Series D Bonds: the third (3rd) anniversary of the Issue Date, or on March 21, 2028; and
- (b) Series E Bonds: the fifth (5th) anniversary of the Issue Date, or on March 21, 2030.

provided that, in the event that such Maturity Date falls on a day that is not a Business Day, the relevant Maturity Date shall be the immediately succeeding Business Day, without adjustment to the amount of interest and principal to be paid; provided further that if the Issue Date is set at a date other than March 21, 2025, then the Maturity Date will be adjusted automatically to the date falling on: (i) in respect of the Series D Bonds, the third (3rd) anniversary of the Issue Date, and (ii) in respect of Series E Bonds, the fifth (5th) anniversary of the Issue Date.

Unless the Bonds are otherwise earlier redeemed or purchased and cancelled, the Issuer shall redeem the Bonds at one hundred percent (100%) of face value on their Maturity Dates. However, if the relevant Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment to the amounts due, on the succeeding Business Day.

Each Bondholder in whose name the Bonds are registered in the Registry of Bondholders at the close of business on the Record Date preceding the relevant Maturity Date shall be entitled to receive the principal amount of the Bonds. In all cases, repayment of principal shall be remitted to the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

7.2. Call Option

The Issuer has the right, but not the obligation, to redeem (in whole but not in part) the outstanding Sustainability-Linked Bonds before the Maturity Date on any one of the Interest Payment Dates indicated below (the **“Call Option Dates”**), or the immediately succeeding Business Day if such date is not a Business Day, in accordance with the following schedule:

Series D Bonds	
Call Option Dates	Call Option Price
Second (2 nd) anniversary of the Issue Date and every Interest Payment Date thereafter before the third (3 rd) anniversary of the Issue Date	100.5%

Series E Bonds	
Call Option Dates	Call Option Price
Third (3 rd) anniversary of the Issue Date and every Interest Payment Date thereafter before the fourth (4 th) anniversary of the Issue Date	101.0%
Fourth (4 th) anniversary of the Issue Date and every Interest Payment Date thereafter before the fifth (5 th) anniversary of the Issue Date	100.5%

provided, that if the relevant Call Option Date falls on a day that is not a Business Day, then the payment of the Call Option Price shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and Call Option Price to be paid. For the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer to redeem the Series D Bonds or the Series E Bonds pursuant to this Call Option.

The amount payable to the Bondholders in respect of any such redemption shall be calculated as the sum of (i) the Call Option Price applied to the principal amount of the then outstanding Sustainability-Linked Bonds being redeemed and (ii) all accrued interest on the Sustainability-Linked Bonds as of the Call Option Date.

The Issuer shall give no more than sixty (60) nor less than thirty (30) days' prior written notice to the Trustee, Registrar and Paying Agent of its intention to redeem the Series D Bonds or the Series E Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Series D Bonds or the Series E Bonds on the Call Option Date stated in such notice. Upon receipt by the Trustee of such notice, the Trustee through the Issuer shall secure from the Registrar and Paying Agent an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Series D Bonds or the Series E Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the interest and Call Option Price. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

7.3. Early Redemption for Taxation Reasons

If payments under a series of or all the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the relevant Bond series in whole or all the Bonds in whole, and not in part only, on any Interest Payment Date at one hundred percent (100%) of face value and paid together with the accrued interest thereon, provided the Issuer has given not more than sixty (60) nor less than thirty (30) days' prior written notice to the Trustee, Registrar and Paying Agent, and subject to the requirements of Applicable Law. If the Issuer does not redeem the relevant Bond series or all the Bonds then all payments of principal and interest in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any such new or additional taxes, duties, assessments or governmental charges, unless such

withholding or deduction is required by Applicable Law. In that event, the Issuer shall pay to the Bondholders concerned such additional amount as will result in the receipt by such Bondholders of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.

Upon receipt by the Trustee of the above written notice from the Issuer, the Trustee through the Issuer shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Bonds subject of the early redemption is registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the principal of the Bonds subject of the early redemption and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

For the avoidance of doubt, the Issuer shall not, in any case, be liable for Excluded Taxes. Please see *"Description of Bonds - Payment of Additional Amounts – Taxation"* for the enumeration of Excluded Taxes.

Accrued interest on the Bonds to be redeemed under this section for the last Interest Payment Date up to the relevant redemption date shall be calculated on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.

7.4. Early Redemption by Reason of Change in Law or Circumstance

Each of the following events shall be considered as a change in law or circumstances ("**Change in Law or Circumstance**") as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Agreement and the Bonds:

- (a) Any government and/or non-government consent, license, authorization, registration, or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds shall be modified in a manner which, in the reasonable opinion of the Trustee, shall materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld.
- (b) Any provision of the Trust Agreement or any of the related documents is or shall become, for any reason, invalid, illegal or unenforceable to the extent that it shall become for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties thereto of their obligations under the Trust Agreement or any other related documents.
- (c) Any concessions, permits, rights, franchise, or privileges required for the conduct of the business and operations of the Issuer shall be revoked, cancelled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.
- (d) The Republic of the Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize, or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer.

If any one or more of the events enumerated as a Change in Law or Circumstance shall occur and be continuing for a period of thirty (30) days, the Majority Bondholders, by notice in writing delivered to the Issuer through the Trustee, after the lapse of the said thirty (30)-day period, may declare the principal of the Bonds, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, without any prepayment penalty, anything contained in the Trust

Agreement to be documented or in the Bonds to the contrary notwithstanding, subject to the notice requirements under the discussion on “*Description of the Bonds – Notice of Default.*”

Each Bondholder in whose name the Bonds are registered in the Registry of Bondholders at the close of business on the Record Date indicated in the notice to the Bondholders shall be entitled to receive the principal of the Bonds and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Accrued interest on the Bonds to be redeemed under this section for the last Interest Payment Date up to the relevant redemption date shall be calculated on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.

7.5. Early Redemption by Reason of Change of Control

Upon the occurrence of a Change of Control, Bondholders holding at least 2/3 of the outstanding principal amount of the Bonds may require the Issuer to redeem all (but not some) of the Bonds at 100% of face value, which shall be paid together with the accrued interest thereon. Within fifteen (15) days following a Change of Control, the Issuer shall notify the Trustee, which shall, in turn, notify the Bondholders (i) that a Change of Control has occurred and that the Bondholders holding at least 2/3 of the outstanding principal amount of the Bonds may require the Issuer to redeem all (and not some) of the Bonds; and (ii) the date set by the Issuer for such repurchase (which shall not be earlier than forty-five (45) days and no later than sixty (60) days from the date written notice is received by the Trustee). Failure by the Issuer to provide the notice to the Trustee of the occurrence of such Change of Control shall be without prejudice to the Trustee providing the notice to the Bondholders as contemplated in this paragraph.

The decision of the Bondholders holding at least 2/3 of the outstanding principal amount of the Bonds under this section shall be conclusive and binding upon all the Bondholders.

“**Change of Control**” means AB Soberano Holdings Corp. ceasing to, whether directly or indirectly, have an aggregate economic interest of more than 50% in the Issuer or ceasing to have control over the Issuer.

Each Bondholder in whose name the Bonds are registered in the Registry of Bondholders at the close of business on the Record Date indicated in the notice to the Bondholders shall be entitled to receive the principal of the Bonds and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Accrued interest on the Bonds to be redeemed under this section for the last Interest Payment Date up to the relevant redemption date shall be calculated on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.

7.6. Purchase and Cancellation

The Issuer may purchase the Bonds at any time in the open market or by tender or by contract, in accordance with PDEX Rules, as may be amended from time to time, without any obligation to make pro rata purchases from all the Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Bonds in the PDEX, the Issuer shall disclose any such transaction in accordance with the applicable PDEX disclosure rules.

8. PAYMENTS

The principal of, interests on, and all other amounts payable on the Bonds shall be paid to the Bondholders through the Paying Agent. The Paying Agent shall credit the proper amounts received from the Issuer via the Philippine payment settlement system via Real Time Gross Settlement, net of final taxes and fees (if any), to the cash settlement banks of the Bondholders (nominated by the

Bondholders in the Application to Purchase or as the Bondholder may notify the Paying Agent in writing), for onward remittance to the relevant cash settlement account of the Bondholder with the cash settlement bank. The principal of, and interest on, and all other amounts payable on the Bonds shall be payable in Philippine Pesos.

In the event that the details of the cash settlement account indicated by the relevant Bondholder in the Application to Purchase are incomplete or erroneous, or the cash settlement account of the relevant Bondholders has been closed, dormant, or inexistent, due to which payments to the Bondholders cannot be effected in a timely manner, then until the correction of the cash settlement account is effected and until credit of the relevant cash entitlement is completed, such payment shall either be retained in a suspense account with the relevant cash settlement bank or returned to the payment account, or otherwise disposed of by the cash settlement bank, in each case in accordance with the standard operating procedures of the relevant cash settlement bank.

In these cases, the Issuer and the Paying Agent shall not be liable to the relevant Bondholder for any failure or delay in the Bondholder's receipt of such payments.

As mentioned above, the Record Date, which is the cut-off date in determining the existing Bondholders entitled to receive interest, principal, or any other amount due under the Bonds, shall be two (2) Business Days immediately preceding the relevant Payment Date or such other date as the Issuer may duly notify PDTC. The Record Date shall be the reckoning date in determining the Bondholders entitled to receive interest, principal, or any other amount due under the Bonds. No transfers of the Bonds may be made during the Closed Period.

The Issuer shall ensure that so long as any of the Bonds remain outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign in its duties or be removed without a successor having been appointed.

9. No Sinking Fund

The Issuer has not established and currently does not intend to establish a sinking fund for the payment of the Bonds.

10. TAXATION

10.1. Payment of Additional Amounts – Taxation

Interest income on the Bonds is subject to a withholding tax at rates of between ten percent (10%) and twenty-five percent (25%) depending on the tax status of the relevant Bondholder under relevant law, regulation, or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following ("**Excluded Taxes**"):

- (a) The withholding tax applicable on interest earned on the Bonds prescribed under the Tax Code and its implementing rules and regulations as may be in effect from time to time; provided, further, that all Bondholders are required to provide the Issuer through the Bondholders' Joint Lead Underwriter and Joint Bookrunner, or PDEX Trading Participant and endorsed to the Registrar and Paying Agent their validly issued tax identification numbers, issued by the BIR;
- (b) Gross Receipts Tax under Section 121 and 122 of the Tax Code;
- (c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding;

- (d) VAT under Sections 106 to 108 of the Tax Code; and
- (e) Any applicable taxes on any subsequent sale or transfer of the Bonds by any holder which shall be for the account of such holder (or its buyer, as the holder and the buyer may have agreed upon).

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

Please see the section on "*Taxation*" in the Prospectus for a more detailed discussion on the tax consequences of the acquisition, ownership, and disposition of the Bonds.

10.2. Tax-Exempt Status or Entitlement to Preferential Tax Rate

An investor (which is referred to below as "Bondholder" (which term, for purposes of this section, includes an Applicant)) who is claiming exemption from the aforesaid withholding tax, or that it/he/she is subject to a preferential withholding tax rate shall be required to submit the following requirements, subject to acceptance by the Issuer as being sufficient in form and substance:

- (a) BIR-certified true copy of a valid, current, and subsisting tax exemption certificate, ruling or opinion issued by the BIR and addressed to the Bondholder, confirming its/his/her exemption or its/his/her entitlement to the preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto, and for tax-exempt Personal Equity Retirement Account ("**PERA**") established pursuant to PERA Act of 2008, a certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator;
- (b) with respect to tax treaty relief, the Issuer may apply the preferential tax treaty rate on the interest income of the non-resident foreign Bondholder by relying on the submission by such Bondholder of the following documents before the interest income is paid or, if the Bondholder is a fiscally transparent entity, on the submission of each of the Bondholder's owners or beneficiaries:
 - (i) three (3) originals of a duly signed and executed application form for tax treaty purposes (BIR Form 0901-I (Tax Treaty Relief Application for Interest Income)) or if the Bondholder is a fiscally transparent entity, the following must also be attached to the duly signed and executed BIR Form 0901-I: (a) a copy of the law of the foreign country showing that tax is imposed on the owners or beneficiaries of the foreign fiscally transparent entity; (b) list of owners/beneficiaries of the foreign entity; and (c) proof of ownership of the foreign entity, in the form acceptable for recognition under Philippine laws;
 - (ii) an authenticated or apostilled tax residency certificate/s (TRCs) duly issued by the relevant foreign tax authority in favor of the Bondholder, or if the Bondholder is a fiscally transparent entity, in favor of each of the Bondholder's non-resident foreign owners or beneficiaries, in the form acceptable for recognition under Philippine laws, and which should be updated for such relevant years as required under existing Philippine tax rules and regulations and/or the terms and conditions in the BIR approval document/s;
 - (iii) the relevant provision of the applicable tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer; and
 - (iv) three (3) originals of the duly notarized and consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of the authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder or the Bondholder's owners or

beneficiaries is/are not doing business in the Philippines to support the applicability of a tax treaty relief.

Prior to the payment of subsequent interests due, the Issuer may apply the preferential tax treaty rate on the interest income of the non-resident foreign Bondholder upon the submission of the following documents:

- (i) three (3) originals of a duly signed and executed application form for tax treaty purposes (BIR Form 0901-I (Tax Treaty Relief Application for Interest Income));
- (ii) an authenticated or apostilled tax residency certificate/s (TRCs) duly issued by the relevant foreign tax authority in favor of the Bondholder, or if the Bondholder is a fiscally transparent entity, in favor of each of the Bondholder's non-resident foreign owners or beneficiaries, in the form acceptable for recognition under Philippine laws, if the validity period of the previously issued tax residency certificate has already lapsed; and
- (iii) other additional documents as may be required by the Issuer or pursuant to applicable tax regulations, which shall be submitted by the Bondholder or Registrar and Paying Agent to the Issuer no later than the first (1st) day of the month when such subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto.

Failure to submit these documents will lead to withholding using the regular tax rates prescribed under the Tax Code, as amended, for non-resident foreign corporations or non-resident aliens not engaged in trade or business in the Philippines, as the case may be, and not the treaty rate.

If the tax treaty rate was applied by the Issuer based on the representations and supporting documents provided by the Bondholder, the Bondholder (either directly or through its duly authorized representatives) will file with the BIR's International Tax Affairs Division ("ITAD") a request for confirmation of the use of the tax treaty rate no later than the last day of the fourth (4th) month following the close of the relevant taxable year after the payment of the withholding tax with supporting documents specified in Revenue Memorandum Order No. 14-2021 and in relation to Revenue Memorandum Circular No. 77-2021 and its allied BIR issuances, as may be amended from time to time. In relation thereto, the Issuer requires that copies of the BIR-stamped "Received" request for confirmation (with the complete accompanying documents) be provided by the Bondholder to the Issuer within sixty (60) days from the payment of the interest income to the Bondholder (either directly or through its duly authorized representatives), and without need of prior request or demand from the Issuer. The Bondholder shall submit to the Issuer the original of the Certificate of Entitlement to Treaty Benefit issued by the BIR within ten (10) days from the Bondholder's receipt of the Certificate of Entitlement to Treaty Benefit. The Bondholder shall ensure compliance with the requisites under the Certificate of Entitlement to Treaty Benefit for entitlement to the tax treaty benefits.

If the BIR determines that the withholding tax rate used is lower than the applicable tax rate that should have been applied, or that the non-resident taxpayer is not entitled to treaty benefits, the request for confirmation will be denied and the BIR will require the Issuer to pay the deficiency taxes with penalties. In such case, the Bondholder, as the ultimate income earner, shall either advance to the Issuer or reimburse the Issuer, at the option of the Issuer, the total amount of deficiency taxes and penalties imposed by the BIR, as well as all other reasonable and necessary fees that may be incurred by the Issuer as a result of the denial of the BIR application.

In case the Issuer used the regular tax rate under the Tax Code, the non-resident foreign Bondholder may file a tax treaty relief application with ITAD after it has received the interest income with supporting documents specified in Revenue Memorandum Order No. 14-2021 in relation to Revenue Memorandum Circular No. 77-2021. If the BIR determines that the withholding tax rate applied is higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits, and the Bondholder may apply for a refund of excess withholding tax with the BIR within the

two (2)-year period provided in Section 229 of the Tax Code. The claim for refund of the Bondholder may be filed simultaneously with the tax treaty relief application.

- (c) a duly notarized undertaking substantially in the form attached as Schedule 4 to the Registry and Paying Agency Agreement or in a form acceptable to the Issuer executed by:
 - (i) the Bondholder, or in respect of juridical entities (save for a universal bank which is covered by item (ii) below), the corporate secretary or any authorized representative of such Bondholder, who is in possession of the relevant exemption documents as its authorized custodian, or who has personal knowledge of the exemption or entitlement to preferential tax treatment and will have personal knowledge of any amendment, revocation, expiration, change or any circumstance affecting the validity of the exemption or preferential tax treatment, based on his official functions, if the Bondholder purchases or holds the Bonds for its account, or
 - (ii) the trust officer, if the Bondholder is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (e.g., Employee Retirement Fund, etc.),

in each case:

- (i) declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and Paying Agent:
 - (1) of any suspension, revocation, amendment, or invalidation (in whole or in part) of the tax exemption or preferential rate entitlement certificate, ruling, or opinion issued by the BIR;
 - (2) if there are any material changes in the factual circumstances of the Bondholder including but not limited to its character, nature, and method of operation, which are inconsistent with the basis of its income tax exemption or preferential rate entitlement; and or
 - (3) if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the Bonds being ineligible for exemption or preferential tax rate; and
- (ii) agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax;

provided, that in case of corporate, partnership or trust account investors, such investor shall also submit an original certification from the corporate secretary or an equivalent officer of the investor, setting forth the resolutions of its board of directors or equivalent body authorizing the execution of the undertaking and designating the signatories, with their specimen signatures, for the said purpose; and

- (d) such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under the applicable regulations of the relevant taxing or other authorities; provided, that, the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholders on the Interest payments to such Bondholders.

Unless properly provided with satisfactory proof of the tax-exempt status or entitlement to preferential rates of an Applicant or a Bondholder, each of the Issuer and the Registrar and Paying Agent may assume that such Applicant or Bondholder is taxable and proceed to apply the tax due on the Bonds. Notwithstanding the submission by the Applicant or Bondholder, or the receipt by the Issuer or any of its agents, of documentary proof of the tax-exempt status or entitlement to preferential rates of an Applicant or a Bondholder, the Issuer may require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to the Issuer.

Unless otherwise indicated above, the foregoing requirements shall be submitted, (i) in respect of an initial issuance of Bonds, upon submission of the Application to Purchase to any of the Joint Lead Underwriters and Joint Bookrunners who shall then forward the same to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, through the intermediary to the Registrar upon submission of the Investor Registration Form (in a form attached as Schedule 8 to the Registrar and Paying Agency Agreement) and other applicable account opening documents, in accordance with the procedures of the Registrar. A selling or purchasing Bondholder claiming tax-exempt status or preferential tax rate is required to submit, together with the account opening documents submitted to the Registry, the documents described above.

Transfers taking place in the Register of Bondholders after the Bonds are listed in PDEX may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if/and or when so allowed under and in accordance with the relevant rules, conventions, and guidelines of PDEX and PDTC and subject to the discussion above.

Failure on the part of the Bondholder to submit the aforementioned document/s within the time prescribed shall result in the application of the regular tax rates.

11. FINANCIAL COVENANTS

From the date of the Trust Agreement and for as long as the Bonds or any portion thereof remains outstanding, and unless the Majority Bondholders shall otherwise consent in writing, the Issuer undertakes to maintain the following financial ratios, with testing to be done on an annual basis:

- a Debt-to-Equity Ratio not exceeding 2.5:1;
- a Current Ratio of at least 1:1; and
- an Interest Coverage Ratio of at least 3:1.

For purposes of computing the above ratios, the following terms shall have the meanings set forth herein:

- **“Current Ratio”** means the ratio of current assets and current liabilities of the Company based on its consolidated audited financial statements.
- **“Debt-to-Equity Ratio”** means the result obtained by dividing (i) the amount of interest-bearing (current and non-current) liabilities of the Company by (ii) the total Equity of the Company, in each case as appearing in the latest consolidated audited balance sheet of the Company; provided, that if the Company issues preferred shares which are (1) either redeemable at a fixed date, or redeemable at the option of the holder of the preferred shares, and (2) the Company is obliged to make payments in the form of either interest or dividends, or the terms and conditions of the issuance of the preferred shares oblige the Company to distribute a specific percentage of profits, then such preferred shares shall be categorized as liabilities falling under (i) hereof, otherwise, it shall be classified as part of Equity when computing Debt-to-Equity Ratio.

For purposes of calculating the Debt-to-Equity Ratio, **“Equity”** means, at any date and as shown in the latest consolidated audited balance sheet of the Company, the aggregate outstanding capital stock, additional paid-in-capital, equity reserve and retained earnings.

- **“Interest Coverage Ratio”** means the result obtained by dividing (i) the twelve (12)-months trailing EBITDA plus cash balance by (ii) interest due for the next year. For purposes of calculating the Interest Coverage Ratio, **“EBITDA”** means, during the relevant period, the net earnings of the Company before deducting net interest expense, income tax, depreciation, and amortization, as determined in accordance with PFRS and based on the Company's consolidated audited financial statements.

For the avoidance of doubt, any indebtedness to be incurred to refinance, in the same currency or its equivalent amount, an existing indebtedness outstanding on the Issue Date, shall not be construed as an incurrence of additional indebtedness.

In the determination of any particular amount of indebtedness in connection with these financial covenants, guarantees, security interests or obligations with respect to letters of credit supporting indebtedness otherwise included in the determination of such particular amount shall not be included.

Testing of the financial covenants shall be done on the last Business Day of April of each year, using the fiscal year-end audited consolidated financial statements of the Company.

For the years 2022 to 2024, the Company has been compliant with the financial covenants under its existing loan/notes facility agreements.

12. NEGATIVE PLEDGE

The Issuer shall not, without the consent of the Majority Bondholders, permit any indebtedness for borrowed money to be secured by or to benefit from any mortgage, security interest, pledge, lien or encumbrance constituted on any of the Issuer's properties for the purpose of securing its or its Affiliate's obligation in favor of any creditor or class of creditors without providing the Bondholders with the same kind or class of security, the benefit of which is extended equally or ratably among them to secure the Bonds, provided that the foregoing restrictions shall not apply to any Permitted Liens.

13. EVENTS OF DEFAULT

13.1. Events of Default

Each of the following events shall constitute an "**Event of Default**" under the Bonds and the Trust Agreement:

(i) Payment Default

The Issuer defaults in the payment when due of any amount payable to the Bondholders under the Bonds or the Trust Agreement, unless such failure arises solely as a result of an administrative or technical error or a Disruption Event and payment is made within three (3) Business Days after the date such payment is due (a "**Payment Default**").

(ii) Representation/Warranty Default

Any representation and warranty of the Issuer hereof and in other Bond Agreements or any certificate or opinion submitted pursuant thereto proves to have been untrue, incorrect or misleading in any material respect as and when made and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect.

(iii) Other Default

The Issuer fails to perform, comply with, or violates any provision, term, condition, covenant or obligation contained in the Trust Agreement (other than by reason of paragraph (a) above and other paragraphs under this section on "*Events of Default*"), and any such failure, non-compliance or violation is not remediable or, if remediable, continues unremedied for a period of thirty (30) days (or such longer curing period granted to the Issuer by the Majority Bondholders) from the date after written notice thereof shall have been received by the Issuer from the Trustee; provided that this paragraph shall not apply in respect of any failure or violation that is specifically covered by the other paragraphs under this section on "*Events of Default*" and, for the avoidance of doubt, such other paragraphs shall apply accordingly.

(iv) Cross Default

The Issuer and/or any of its Subsidiaries violates any material term or condition of any contract executed by the Issuer or any of its Subsidiaries with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer or such Subsidiary within ten (10) Business Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer or such Subsidiary, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation shall, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under the Trust Agreement and the Bonds; provided however that, no event of default shall occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or exceeds Five Hundred Million Pesos (₱500,000,000.00).

(v) Insolvency Default

The Issuer or any of its Subsidiaries becomes insolvent or unable to pay its debts when due or commits or permits any act of bankruptcy, which term shall include, but shall not be limited to: (i) filing of a petition in any bankruptcy, rehabilitation, reorganization (other than a labor or management reorganization), winding up, suspension of payment or liquidation proceeding, or any other proceeding analogous in purpose and effect; (ii) appointment of a trustee or receiver of all or a substantial portion of its properties; (iii) making of an assignment for the benefit of its creditors; (iv) the admission in writing by the Issuer or such Subsidiary of its inability to pay its debts; or (v) the entry of any order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or such Subsidiary or approving any reorganization (other than a labor or management reorganization), winding-up, liquidation or appointment of trustee or receiver of the Issuer or such Subsidiary, or a substantial portion of its assets; provided, that items (i) and (ii) shall not be an Event of Default if the same shall have been dismissed or stayed by injunction or otherwise within ninety (90) days from filing of a petition in the case of item (i) or the appointment of a trustee or receiver in the case of item (ii);

(vi) Judgment Default

Any final judgment, decree, or arbitral award for the sum of money, damages or for a fine or penalty in excess of Five Hundred Million Pesos (₱500,000,000.00) or its equivalent in any other currency is entered against the Issuer and the enforcement of which is not stayed, and is not paid, discharged or duly bonded within thirty (30) calendar days after the date when payment of such judgment, decree or award is due under the Applicable Law or agreement.

(vii) Writ and Similar Process Default

Any final and executory judgment, decree or arbitral award by a court of competent jurisdiction for a sum of money, damages or for a fine or penalty in excess of Five Hundred Million Pesos (₱500,000,000.00) or its equivalent in any other currency is entered against the Issuer and the enforcement of which is not stayed, or is not paid, discharged or duly bonded within forty-five (45) days after the date when payment of such judgment, decree or award is due under the Applicable Law or agreement.

(viii) Closure Default

The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) days except in the case of: (i) strikes or lockouts or when necessary to prevent business losses; (ii) shutdowns or regular preventive repairs; or (iii) when due to fortuitous events or force majeure.

(ix) Contest

The Issuer shall contest in writing the validity or enforceability of the Trust Agreement or any other Bond Agreements or shall deny generally in writing the liability of the Issuer under the Trust Agreement or any other Bond Agreements.

(x) Illegality

Any of the Trust Agreement or the other Bond Agreements or any material portion there is declared to be illegal or unenforceable in a final and executory judgment rendered by a court of competent jurisdiction, and the Bonds are not redeemed within a period of thirty (30) days after the judgment has become final and executory; provided that this paragraph shall be without prejudice to the right of the Majority Bondholders to require early redemption of the Bonds (e.g., even prior to a final and executory judgment) pursuant to "*Early Redemption by Reason of Change in Law or Circumstance*".

13.2. Notice of Default

The Trustee shall, within thirty (30) days after the occurrence of an Event of Default, give to all the Bondholders written notice of any such Event of Default unless the same shall have been cured before the giving of such notice; provided, that in the case of a Payment Default under the section "*Events of Default*", the Trustee shall immediately notify the Bondholders upon the occurrence of such Payment Default.

The existence of a written notice required to be given to the Bondholders hereunder shall be published for at least once a week for two consecutive weeks in at least two newspapers of general circulation in the Philippines indicating in the published notice that the Bondholders or their duly authorized representatives may request any information relating to such occurrence of an Event of Default at the principal office of the Trustee upon presentation of sufficient and acceptable identification. Otherwise, the Trustee may also provide notice via the other modes of notice as provided under Section 17 of the Trust Agreement (or Section 17.2 (*Notices to the Bondholders*) of Annex A of the Trust Agreement or this section "*Description of the Bonds*").

13.3. Consequences of Default

- (a) If any one or more of the Events of Default shall have occurred and be continuing after the lapse of the period given to the Issuer within which to cure such Event of Default, if any, or upon the occurrence of such Event of Default for which no cure period is provided, (i) the Trustee upon the written direction of the Majority Bondholders, by notice in writing delivered to the Issuer, or (ii) the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the Issuer in default ("**Declaration of Default**") and declare the principal of the Bonds then outstanding, together with all accrued and unpaid interest thereon and all amounts due thereunder, to be due and payable not later than five (5) Business Days from the receipt of the Declaration of Default ("**Default Payment Date**") with a copy to the Registrar and Paying Agent who shall then prepare a payment report in accordance with the Registry and Paying Agency Agreement. Thereupon, the Issuer shall make all payments due on the Bonds in accordance with the Registry and Paying Agency Agreement.
- (b) All the unpaid obligations under the Bonds, including accrued interest, and all other amounts payable thereunder, shall be declared to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer.

13.4. Penalty Interest

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, or otherwise, is not paid on the relevant due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty interest on the defaulted amount(s) at the rate of 12% *per annum* (the "**Penalty Interest**") from the time the amount fell due until it is fully paid in accordance with the Terms and Conditions of the Bonds and the Trust Agreement.

Provided there is failure to pay as indicated above, the Penalty Interest shall be payable notwithstanding that there is no, or even prior to a, Declaration of Default.

13.5. Payments in the Event of Default

Upon the occurrence of any Event of Default, and provided that there has been a Declaration of Default and acceleration of payment of the Bonds by the Majority Bondholders, then in any such case:

- (a) the Issuer will pay the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest, where applicable, based on the payment report no later than the Default Payment Date. The Issuer also undertakes that it shall give the Trustee written notice of its intention to make any payments under this paragraph (a); and
- (b) the Trustee shall have the right to require the Registrar and Paying Agent, upon demand in writing, to do the following:
 - (i) to hold all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee;
 - (ii) deliver all evidence of the Bonds and all sums, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such demand; provided, that such demand shall be deemed not to apply to any documents or records which the Registrar or Paying Agent is not allowed to release by any law or regulation; and/or
 - (iii) subject to the terms of the Registry and Paying Agency Agreement, apply any money received from the Issuer pursuant to this section in the order of preference provided in the “*Description of the Bonds – Application of Payments*” below.

13.6. Application of Payments

Any money collected or delivered by the Trustee as a consequence of a Declaration of Default and any other funds held by it, subject to any other provision of the Trust Agreement relating to the disposition of such money and funds or to the Registry and Paying Agency Agreement, shall be applied by the Trustee in the order of preference as follows:

- (a) *First:* to the *pro rata* payment to the Trustee, the Registrar and Paying Agent and PDEx of the costs, expenses, fees, and other charges of collection, including reasonable compensation to them, their agents, attorneys, and all expenses and liabilities incurred, or disbursements made by them, without gross negligence or bad faith in carrying out their respective obligations under their respective agreements with the Issuer in connection with the Bonds.
- (b) *Second:* to the payment of the interest in default, in the order of the maturity of such interest with Penalty Interest.
- (c) *Third:* to the payment of all other outstanding interest, in the order of maturity of such interest based on the information on Bondholders reflected in the relevant registry account to be provided by the Registrar and Paying Agent in accordance with the Registry and Paying Agency Agreement.
- (d) *Fourth:* to the payment of the principal amount of the Bonds then due and payable based on the information on Bondholders reflected in the relevant registry account to be provided by the Registrar and Paying Agent in accordance with the Registry and Paying Agency Agreement.
- (e) *Fifth:* the remainder, if any, shall be paid to the Issuer, its successors, or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Bonds shall require the written conformity of the Trustee. The Paying Agent shall render a monthly account of such funds under its control.

14. PRESCRIPTION

Claims in respect of principal and interest or other sums payable under the Bonds shall prescribe unless the claim is made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

15. REMEDIES

15.1. General

Subject to the discussion below under “*Description of the Bonds – Ability to File Suit.*”

- (a) all remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement, and
- (b) unless the claim has already prescribed as set out in Section 10.8 of the Trust Agreement (or relates to Section 14 (*Prescription*) of Annex A of the Trust Agreement or of this section “*Description of the Bonds - Prescription*”), no delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Agreement to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

15.2. Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer under the Trust Agreement on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder unless:

- (a) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds;
- (b) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter's name;
- (c) the Trustee for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and
- (d) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders,

it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no Bondholder shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner therein provided and for the equal, ratable, and common benefit of all the Bondholders. For the protection and enforcement of this ability to file suit, each Bondholder and the Trustee shall be entitled to such relief as can be given under Applicable Law.

15.3. Waiver of Default by the Bondholders

The Majority Bondholders (a) may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Trust Agreement, or (b) may, on behalf of the Bondholders, waive any past default except the Events of Default defined as a Payment Default, Insolvency Default or Closure Default, and its consequences. In case of any such waiver, the Issuer, the Trustee, and the Bondholders shall be restored to their former positions and rights under the Trust Agreement; provided, that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

16. SUBSTITUTION

Substitution of the Bonds is not contemplated.

17. TRUSTEE; NOTICES

The following discussion is qualified by the more detailed information as contained in the Trust Agreement.

17.1. Notice to the Trustee and the Issuer

All documents required to be submitted to the Trustee or the Issuer and all other notices, requests and other communications must be in writing and will be deemed to have been duly given only if delivered personally, mailed (first class postage prepaid), or emailed to the relevant parties at the following addresses or email addresses, and addressed to the individuals named below:

To the Issuer:

Cebu Landmasters, Inc.
10th Floor, Park Centrale Tower
Jose Ma. Del Mar St.
B2 L3, Cebu IT Park
Brgy. Apas, Cebu City
Philippines

Attention:	B. Grant L. Cheng Chief Finance Officer
Telephone No:	+63-32-231-4870
Email:	grant_cheng@cebulandmasters.com

To the Trustee:

BPI Asset Management and Trust Corporation
27th Floor, Ayala Triangle Gardens
Tower 2, Paseo de Roxas corner Avenue
Makati City, Philippines

Attention:	Raquel G. De Castro / Jerizza Mae P. Remoreras Assistant Vice President / Senior Manager
Telephone No:	09177036808 / 09171864812
Email:	rgdecastro@bpi.com.ph

All such notices, requests and other communications shall be deemed to have been personally given on the earlier of: (a) the date of receipt (if delivered personally), (b) ten (10) calendar days after posting (if delivered by mail), or (c) the date of transmission (if transmitted by electronic mail and there is no automated failure of delivery notice to the sender within twenty-four (24) hours of such transmission). Each of the Trustee and the Issuer may from time to time change its address or other information for

the purpose of notices hereunder by giving notice specifying such change to the other party pursuant to the notice procedure under this section.

Any notice, report or communication received on a non-working day or after business hours in the place of receipt will only be deemed given on the next working day in that place.

17.2. Notice to the Bondholders

Except where the Bonds and the Bond Agreements specifically require another party to send notice to the Bondholders, the Trustee shall send any and all notices to the Bondholders as may be required or necessary under the Bonds and the Bond Agreements to their contact details as set forth in the Registry of Bondholders, it being understood, however, that for purposes of fulfilling its obligations to deliver such notices, the Trustee shall be entitled to rely on the Registry of Bondholders in determining the Bondholders entitled to notice and their respective contact details. Further, while the Trustee shall exert best efforts to meet the periods relative to sending of notices as provided in the Trust Agreement, it shall not be liable for delays that are outside its control.

Except where a specific mode of notification is provided for in the Bond Agreements, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) e-mail; (iii) ordinary mail; (iv) by publication for at least once a week for two consecutive weeks in at least two newspapers of general circulation in the Philippines; (v) personal delivery to the address of record in the Registry of Bondholders; or (vi) disclosure through the Online Disclosure System of the PDEX. If notices to the Bondholders shall be sent by mail or personal delivery, such notices shall be sent to the mailing address of the Bondholders as set forth in the Registry of Bondholders. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) on the date of receipt of the e-mail in readable form; (iii) fifteen (15) days from mailing, if transmitted by ordinary mail; (iv) on the date of last publication, if notice is made by publication; (v) on the date of delivery, for personal delivery; or (vi) on the date of disclosure, if notice is made by disclosure through the Online Disclosure System of the PDEX.

A notice made by the Issuer to the Trustee is notice to the Bondholders. The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by the Issuer to the PDEX on a matter relating to the Bonds shall be deemed a notice to the Bondholders of said matter on the date of the first publication or the date of the disclosure, as the case may be.

17.3 Binding and Conclusive Nature

Except as provided in the Trust Agreement, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for purposes of the provisions of the Trust Agreement, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer and all the Bondholders, and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer, the Registrar and Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Agreement.

18. THE TRUSTEE

18.1. Duties and Responsibilities of the Trustee

- (a) The Trustee shall independently perform each of the following duties for the benefit of the Bondholders:
 - (i) Coordinate with the Issuer, the Joint Lead Underwriters and Joint Bookrunners, the Registrar and the Paying Agent in relation to the performance of their respective responsibilities under the relevant Bond Agreements.
 - (ii) Have custody of and hold in its name, for and on behalf of the Bondholders, the Master Certificates of Indebtedness for the Bonds.

- (iii) Monitor compliance by the Issuer with the Trust Agreement, including the Issuer's compliance or non-compliance with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement; *provided*, that such monitoring shall be based solely on a sworn certification executed by an authorized officer of the Issuer and delivered to the Trustee within seven (7) days from each Interest Payment Date, substantially in the form attached as Annex C to the Trust Agreement.
- (iv) Monitor compliance by the Registrar and the Paying Agent with their respective functions and responsibilities prescribed under the Registry and Paying Agency Agreement, and from time to time, request information from the Registrar and Paying Agent on the outstanding Bonds, list of Bondholders, and such other information necessary for the performance of the duties and powers of the Trustee under the Trust Agreement; *provided*, that such monitoring shall be based solely on a sworn certification executed by an authorized officer of the Registrar and the Paying Agent and delivered to the Trustee within seven (7) days from each Interest Payment Date, substantially in the form attached as Annex C to the Trust Agreement.
- (v) Report regularly to Bondholders any non-compliance by the Issuer with the Trust Agreement and any development with respect to the Issuer of which the Trustee may have actual notice or knowledge of based on official disclosures to PDEX, PSE, SEC and other regulatory agencies, or those which the Trustee may have been given actual notice or knowledge of that adversely affects the interest of the Bondholders, including any default by the Issuer on any of its obligations of which the Trustee may have actual notice or knowledge, and inform the Bondholders, upon the recommendation of legal counsel, of the alternative courses of action that they may take to protect their interest; *provided*, that for purposes hereof, the Trustee shall, without need of any further act or notice to the Issuer, publish a notice once in a newspaper of general circulation, binding upon all the Bondholders wherever situated or located, that the Bondholders or their duly authorized representatives may obtain a report regarding the Bonds at the principal office of the Trustee upon presentation of sufficient and acceptable identification. If the foregoing notice via publication is not practicable, the Trustee may issue the relevant notice via the other modes of notification as provided under Section 17.1 of the Trust Agreement (or Section 17.2 (*Notice to the Bondholders*) of Annex A of the Trust Agreement or of this section "*Description of the Bonds – Notice to the Bondholders*"). Upon advice of legal counsel, the Trustee shall inform the Bondholders of the alternative courses of action that they may take to protect their interest.
- (vi) Act on behalf of the Bondholders including calling for and/or attending meetings of the Bondholders in the manner set out in this section. A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of the Bonds under any under any provisions of the Trust Agreement or under Applicable Law or in respect of any matter related to the Bonds.
 - (1) A meeting (either a face-to-face meeting or a meeting held through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication) of the Bondholders, for purposes of taking any actions authorized under the Trust Agreement or under Applicable Law or in respect of any matter related to the Bonds may be called by the following: (a) the Trustee, on its own accord or upon the written request of the Issuer, or (b) the Bondholders representing more than twenty-five percent (25%) of the outstanding principal amount of the Bonds. The meeting may be held at such time and at such place or via such mode (as applicable) as the Trustee shall determine.
 - (2) Unless otherwise provided in the Trust Agreement, the Trustee shall give notice of every meeting of the Bondholders (which notice must state the purpose thereof in reasonable detail and set forth the time, place, mode (as applicable), requirements and procedures for participating and voting in

meetings held through remote communication, and purpose of such meeting in reasonable detail) to the Issuer and each of the registered Bondholders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting and shall publish such notice once in a newspaper of general circulation; provided that, if the purpose of the meeting is to take any decision or action in respect of an Event of Default or potential Event of Default or the issuance of a Declaration of Default, the notice shall be made at least five (5) days prior to the date fixed for the meeting; provided further that, if the foregoing notice via publication is not practicable, the Trustee may issue the relevant notice via the other modes of notification as provided under Section 17.1 of the Trust Agreement (or Section 17.2 (*Notice to the Bondholders*) of Annex A of the Trust Agreement or of this section "*Description of the Bonds – Notice to the Bondholders*").

The Trustee shall fix the record date for determining the Bondholders entitled to notice and vote during the meeting, which record date shall not be earlier than forty-five (45) days before the date of the meeting; provided that, if the purpose of the meeting is to take any decision or action in respect of an Event of Default or potential Event of Default or the issuance of a Declaration of Default, the record date shall not be earlier than fifteen (15) days before the date of the meeting.

- (3) Failure of the Trustee to call a meeting upon the written request of either the Issuer or the Bondholders representing more than twenty-five percent (25%) of the outstanding principal amount of the Bonds within ten (10) Business Days from receipt of such request shall entitle the requesting party to send and publish the appropriate notice of the Bondholders' meeting and fix the record date for determining the Bondholders entitled to attend and vote in accordance with the procedure in accordance with Section 18.1(a)(vi)(2) and Section 19.2 (*Notice of Meetings*) of Annex A of the Trust Agreement or of this section "*Description of the Bonds*."
- (4) The presence of the Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders based on the list of Bondholders prepared by the Registrar in accordance with the Registry and Paying Agency Agreement, which list shall include (a) the complete names of the Bondholders (including the name of the authorized representative of the Bondholder, where applicable), (b) the amount of Bonds held by the Bondholders as of the relevant record date, (c) the complete address and contact details of the Bondholders, (d) the specimen signatures of the Bondholders' authorized signatories, and (e) such other information necessary for the performance of the duties and powers of the Trustee under the Trust Agreement as may be requested by the Trustee. The Registrar shall, and the Issuer shall cause the Registrar to, provide the Trustee with a list of Bondholders at least five (5) Business Days upon receipt of written request from the Trustee.
- (5) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Majority Bondholders as provided in Section 18.1(a)(vi)(3) and Section 19. (*Failure of the Trustee to Call a Meeting*) of Annex A of the Trust Agreement or of this section "*Description of the Bonds*" in which case the Issuer or the Majority Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting. The elected secretary shall take down the minutes of the meeting, covering all matters presented for resolutions by and the results of the votes cast by the Bondholders entitled to vote at the meeting and/or the person appointed by a public instrument in writing as proxy or agent by any such Bondholder in accordance with Section 18.1(vi)(7) and Section 19.6 (*Voting Rights*) of Annex A of the Trust Agreement or of this

section “*Description of the Bonds*”. The elected secretary shall immediately provide the Trustee with the copy of the minutes of the meeting which copy shall be made available at any time to the Issuer and all Bondholders upon receipt of written request, provided that the cost of furnishing the same to the requesting party shall be for such person’s account.

- (6) Any meeting of the Bondholders may be adjourned from time to time for a period not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.
- (7) To be entitled to vote at any meeting of the Bondholders, a Person should be a registered holder of the Bonds as reflected in the Registry of Bondholders on the relevant record date fixed pursuant to Section 18.1(a)(vi)(2) of Annex A of the Trust Agreement or of this section “*Description of the Bonds*”, as the case may be, or a Person should be appointed by a public instrument as proxy or agent by any such Bondholder (and, in case of corporate or institutional Bondholders, duly supported by the resolutions of its board of directors or equivalent body authorizing the appointment of the proxy or agent duly certified by its corporate secretary or an authorized officer) for the meeting. The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representative of the Trustee, of the Issuer and their respective legal counsels. Please refer also to Section 19.6 of Annex A of the Trust Agreement or of this section “*Description of the Bonds – Voting Rights*”.
- (8) Except as otherwise specifically provided in the Trust Agreement, all matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders (which should present or represented in a meeting at which there is a quorum).

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee.

- (9) Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined such action may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing in accordance with Section 18.1(a)(vi)(7) and Section 19.6 (*Voting Rights*) of Annex A of the Trust Agreement or of this section “*Description of the Bonds*”; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instruments and any such record of meeting of the Bondholders.
- (10) Notwithstanding the provisions in this section and other provisions of the Trust Agreement, the Trustee may make such reasonable regulations (not inconsistent with the terms and conditions of the Trust Agreement) as it may deem advisable for any meeting of the Bondholders, with regard to the proof of ownership of the Bonds, the appointment of proxies by the Bondholders, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates

and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit.

- (11) All costs and expenses incurred by the Trustee in connection with the meetings of the Bondholders shall be for the account of the Issuer and shall be paid or reimbursed by the Issuer within ten (10) Business Days from receipt of the duly supported billing statement.
 - (12) Whenever this section or any other provision of the Trust Agreement provides for a certain percentage of Bondholders who may take any action, this section or any such provision shall be construed (a) with respect to matters relating only to the Series D Bonds, Bondholders representing the relevant percentage of the outstanding principal amount of the Series D Bonds; (b) with respect to matters relating only to the Series E Bonds, Bondholders representing the relevant percentage of the outstanding principal amount of the Series E Bonds; or (d) with respect to matters affecting the Series D Bonds and Series E Bonds, Bondholders representing the relevant percentage of the outstanding principal amount of the Bonds.
- (vii) Safekeep (1) all records enumerated in Section 3.2 of the Trust Agreement, (2) copies of all submissions of the Issuer to the SEC in connection with the procurement and maintenance of the SEC Registration Documents (as such term is defined in the Trust Agreement), the Bonds Agreements, and (3) such other documents that may be deemed pertinent and as may be reasonably requested by the Trustee in the performance of its functions.
- (viii) Upon written request by the Issuer no later than 11:30 a.m. within ten (10) Business Days following the date the Trustee receives such request, send notice of any matter to the Bondholders, other than those matters the notice of which is specifically required to be given to the Bondholders by another party under the Bond Agreements.
- For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with respect to any matters that must be taken up with the Issuer.
- (ix) Prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, the Trustee shall perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such diligence, judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters, will exercise in the management of their own affairs.
 - (x) The Trustee shall submit the reports described in Section 18.4 (*Reports to the Bondholders*) of Annex A of the Trust Agreement or of this section "*Description of the Bonds – Reports to the Bondholders*".
 - (xi) The Trustee shall allow the inspection of documents described in Section 18.5 (*Inspection of Documents*) of Annex A of the Trust Agreement or of this section "*Description of the Bonds – Inspection of Documents*".
- (b) The Trustee, in the performance of its duties, shall exercise such rights and powers vested in it by the Trust Agreement, and observe due diligence required of a prudent and reasonable Person under the same circumstances, in the performance of its duties and obligations under the Trust Agreement. The Trustee may perform any of its duties under the Trust Agreement through its directors, officers, employees, agents, or attorneys-in-fact. Subject to the succeeding paragraph, the Trustee shall not be responsible for the inadequacy of the Issuer to meet and discharge any of its obligations under the Bonds or be liable for any depreciation in value or other losses of the Bonds. Neither shall the Trustee be a surety or a guarantor of the

solvency or capacity of the Issuer, any of the Joint Lead Underwriters and Joint Bookrunners, the Registrar, the Paying Agent, or any of their authorized representatives. Each Bondholder is deemed to have represented and warranted to the Trustee and to the Issuer that it has independently and, without reliance on the Trustee or the issuer, made its own credit investigation and appraisal of the financial position and affairs of the Issuer on the basis of such documents and information it has deemed appropriate and that it has subscribed to the Bonds on the basis of such independent appraisal, and that it shall continue to make its own credit appraisal without reliance on the Trustee or the Issuer.

In the absence of wilful misconduct, fraud, evident bad faith, gross negligence or breach of Applicable Law on the part of the Trustee, the Issuer and the Bondholders agree to indemnify and hold the Trustee free and harmless from and against any and all claims, liabilities, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations under the Trust Agreement.

- (c) Reliance in good faith on the information submitted by the Issuer, the Bondholders, the Joint Lead Underwriters and Joint Bookrunners, the Registrar and the Paying Agent, or any of their authorized representatives pursuant to the terms and conditions of the Bond Agreements shall absolve the Trustee from any liability. The Trustee shall be fully protected in acting in accordance with the written directions, requests, instructions, and certifications of the Issuer, the Bondholders, any of the Joint Lead Underwriters and Joint Bookrunners, the Registrar, or the Paying Agent, or any of their authorized representatives pursuant to the terms and conditions of the Bond Agreements, to the extent permitted by Applicable Law.

The Trustee may rely on any communication or document believed by it in good faith to be genuine, and may rely on the statements of any of the Issuer, the Bondholders, the Joint Lead Underwriters and Joint Bookrunners, the Paying Agent, the Registrar or any of their authorized representatives, on any matter or fact which might reasonably be expected to be within the knowledge of the latter.

The Trustee may request from the Issuer, the Bondholders, the Joint Lead Underwriters and Joint Bookrunners, the Paying Agent or the Registrar, or any of their authorized representatives, for any information and/or assistance as the Trustee may reasonably require to enable it to perform its rights, powers, duties, functions, authorities, and discretion under the Trust Agreement, including but not limited to a certification of compliance (in substantially the form attached as Annex C to the Trust Agreement) to be delivered by the Issuer on a quarterly basis to confirm the Issuer's compliance with its obligations and undertakings under the Bonds and the Trust Agreement. The Issuer shall submit the certification of compliance for the first three (3) quarters of the Issuer's fiscal year within forty-five (45) days from the end of the relevant quarter, and the annual certification of compliance within one hundred twenty (120) days from the end of its fiscal year.

The Trustee may presume that no Event of Default has occurred until it has received notice thereof and it may conclusively rely upon the certification of compliance to be delivered by the Issuer.

- (d) In coordination with the Issuer, the Trustee may seek the advice of legal counsel, and take any action in accordance with the written advice of such legal counsel; provided, however, that coordination with the Issuer shall not be necessary if there is an occurrence of an Event of Default. Any such action taken or suffered in good faith by the Trustee as a consequence of the reasonable opinion of the said legal counsel, shall be conclusive and binding upon the Issuer and the Bondholders, and the Trustee shall be fully protected from any liability for any loss or damage suffered or caused to be suffered by the Issuer and/or the Bondholders by virtue thereof, provided there is no concurrent breach by the Trustee of its obligations under the Trust Agreement.

The Trustee may assume that the Issuer has taken and obtained such necessary legal and other advice and opinion in respect of the actions taken or suffered by the Trustee in accordance with the foregoing paragraph and that the same is satisfactory to it, so that the Trustee shall have no obligation or responsibility to seek or obtain any other independent or additional advice

or opinion and shall not be liable for any loss or damage suffered or incurred by the Issuer and/or the Bondholders as a result thereof.

All costs and expenses (if any), including legal fees, incurred by the Trustee in connection with such action shall be reimbursed by the Issuer within five (5) Business Days from receipt of the duly supported billing statement.

- (e) The Trustee may refrain from doing anything under the Trust Agreement that would or might in its reasonable opinion be contrary to Applicable Law or render it liable to any Person, and until it has been indemnified or secured to its satisfaction against any and all costs, losses, expenses, or liabilities which it would or might sustain or incur as a result. The Trustee may refrain from performing any action not expressly provided in the Trust Agreement unless it is first given the proper written instructions by the Issuer and until it has been indemnified or secured to its satisfaction against any and all costs, losses, expenses, or liabilities which it would or might sustain or incur as a result, except if there is an occurrence of an Event of Default.
- (f) Except as may be necessary to perform its duties under the Trust Agreement and as required by Applicable Law, the Trustee (i) shall permanently keep privileged and confidential, separate and distinct, any information, data, documents, files, properties, funds, or any other matter which it may acquire pursuant to the Trust Agreement or obtained in the course of the performance of its duties and functions as a Trustee, (ii) shall refrain from disclosing any such information or item in any manner, whether written, verbal, telegraphic, coded, or encrypted, whether in physical, electronic, or any other form or media, and (iii) hereby undertakes not to use any such information or item for its own benefit or for the benefit of any of its clients regardless of whether or not such use can be shown to cause disadvantage, injury, or damage to the Issuer; *provided*, that where any disclosure of the foregoing information is required by Applicable Law, the Trustee shall, to the extent permitted by Applicable Law, consult with and properly apprise the Issuer of such legal requirement prior to the proposed disclosure and give reasonable opportunity to the Issuer to consider the same before the Trustee makes any decision to release it. This paragraph (f) shall survive the Trust Agreement.
- (g) For the faithful performance of its duties under the Trust Agreement, the Trustee shall not be required to furnish any bond or undertaking.
- (h) Any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee shall be party or any corporation succeeding to the business of the Trustee shall be the successor of the Trustee hereunder without the need for the execution or filing of any paper or any further act on the part of any parties hereto, anything to the contrary notwithstanding; provided that such successor trustee shall be eligible to act as trustee under the provisions of the Trust Agreement and under Applicable Law.
- (i) The Trustee shall collect, process, retain, share, dispose and destroy the personal and/or sensitive personal information (the “**Personal Information**”) of the Bondholders in accordance with the Data Privacy Act of 2012 and its Implementing Rules and Regulations, as the same may be amended from time to time. The Trustee shall not sell, trade or otherwise share the Personal Information for marketing purposes to third parties without the written consent of the relevant Bondholder. The Trustee may disclose the Personal Information to:
 - (i) government or regulatory agencies if required by the Applicable Law, or if reasonably determined by the Trustee to be necessary in relation to the use of the Personal Information in connection with the provision of any service related to the Trust Agreement, and for data processing, storage, retention, collection, sharing, disposal and destruction as may be necessary for the provision of such service, anti-money laundering monitoring, combating the financing of terrorism, review and reporting, or for purposes of complying with any law or regulation, for law enforcement purposes, national security or public interest (the “**Purpose**”);

- (ii) its employees, directors, officers, representatives, agents, advisors, counsels, and service providers as the Trustee deems it reasonably necessary in relation to the Purpose; and
- (iii) its Subsidiaries and Affiliates as well as employees, directors, officers, representatives, agents, advisors, counsels, and service providers of such Subsidiaries and Affiliates, as the Trustee deems it reasonably necessary in relation to the Purpose.

In addition to the above, the Trustee is appointed as trustee for and on behalf and benefit of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement.

Except as may be otherwise provided in the Trust Agreement, the Trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under the Trust Agreement if there is reasonable ground to believe that the repayment of such funds or liability is not reasonably assured to it under the terms of the Trust Agreement.

The Trust Agreement provides for other obligations of the Trustee and terms and conditions applicable to the Trustee's discharge of its functions under the agreement.

18.2. Resignation and Change of Trustee

- (a) The Trustee may at any time resign by giving at least ninety (90) days' prior written notice to the Issuer of such resignation (or such lesser period as may be agreed by the Issuer).
- (b) Upon receipt of such notice of resignation of the Trustee, the Issuer shall immediately appoint a replacement trustee, who shall be acceptable to the Issuer, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the replacement trustee. If no replacement trustee shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a replacement trustee, or any Bondholder who has been a bona fide holder for at least the immediately preceding six (6) months may, for and in behalf of the Bondholders, petition any such court for the appointment of a replacement. Such court may thereupon after notice, if any, as it may deem proper, appoint a replacement trustee.

Subject to paragraph (e) below, a replacement trustee must possess all the qualifications required under pertinent laws and the Trust Agreement.

- (c) In case at any time the Trustee (i) shall fail to comply with the provisions of the Trust Agreement in relation to conflict of interest, after written request therefor by the Issuer or by any Bondholder, (ii) shall cease to be eligible in accordance with the provisions of the Trust Agreement or Applicable Law and shall fail to resign after written request therefor by the Issuer or by any Bondholder; (iii) in the reasonable opinion of the Issuer, has committed fraud, bad faith, willful misconduct or gross negligence or has otherwise violated Applicable Law, in each case, in the performance of any material obligation under the Trust Agreement; or (iv) shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer may within thirty (30) days therefrom remove the Trustee, and appoint a replacement trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the replacement trustee. If the Issuer fails to remove the Trustee and appoint a replacement trustee, any Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a replacement trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a replacement trustee.

- (d) The Majority Bondholders may at any time remove the Trustee for just and reasonable cause, and with consent of the Issuer (provided that no consent of the Issuer shall be required if there has been an occurrence of an Event of Default), appoint a replacement trustee, by the delivery to the Trustee so removed, to the replacement trustee and to the Issuer of the evidence (as provided for in the Trust Agreement) of the action in that regard taken by the Majority Bondholders, which removal shall take effect thirty (30) days from receipt of such notice by the Trustee; provided, that if no replacement trustee shall have been appointed within ninety (90) days from the receipt of the Issuer of the written evidence (as provided for in the Trust Agreement) of the action taken, the Majority Bondholders may appoint a replacement trustee without the consent of the Issuer. This is without prejudice to whatever remedies may be available to the Majority Bondholders under the law or in equity.
- (e) Any resignation or removal of the Trustee and appointment of a replacement trustee pursuant to any of the provisions of the Trust Agreement shall become effective upon the earlier of: (i) the acceptance of appointment by the replacement trustee as provided in the Trust Agreement; and (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement; provided, however, that until such replacement trustee is qualified and appointed, the outgoing Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the replacement trustee promptly upon the appointment thereof by the Issuer.
- (f) Within fifteen (15) days from the effectiveness of the resignation or removal of the outgoing trustee and the appointment of the replacement trustee, the outgoing trustee shall transfer and turn over to the replacement trustee, and shall make an accounting of, all the assets, documents or instruments which are in the custody of the outgoing trustee, if any, provided, that if the outgoing trustee does not receive any objections on the final accounting report within thirty (30) days from submission thereof, they shall be deemed to have absolutely and unconditionally accepted the accuracy of the final accounting report.

18.3. Replacement Trustee

- (a) The replacement trustee must have the following qualifications:
 - (i) it is a financial institution duly organized, validly existing, in good standing under and by virtue of the laws of the Philippines with full powers and authority to undertake its duties as trustee and duly authorized by the BSP to engage in trust and other fiduciary business;
 - (ii) it must be a third party that has no Subsidiary or Affiliate or any other relationship with the Issuer which would undermine its independence, including any conflict of interest under Section 11.1(c) of the Trust Agreement; and
 - (iii) it must have an adequate risk management and must be sufficiently capitalized as evidenced by its compliance with the risk-based capital adequacy ratio prescribed under applicable BSP regulations.
- (b) Any replacement trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor trustee an instrument accepting such appointment, and thereupon the resignation or removal of the outgoing trustee shall become effective and such replacement trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor under the Trust Agreement. The foregoing notwithstanding, on the written request of the Issuer or of the replacement trustee, the trustee ceasing to act as such shall execute and deliver an instrument transferring to the replacement trustee, all the rights, powers and duties of the trustee so ceasing to act as such. Upon request of any such replacement trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such replacement trustee all such rights, powers and duties.
- (c) Upon acceptance of the appointment by a replacement trustee as provided in this section, the Issuer shall notify the Bondholders in writing and/or by publication once in a newspaper of general circulation in Metro Manila, Philippines, of the replacement of such replacement trustee

to the trust provided in the Trust Agreement. If the Issuer fails to notify the Bondholders within ten (10) days after the acceptance of appointment by the replacement trustee, the latter shall cause the Bondholders to be notified at the expense of the Issuer.

18.4. Reports to the Bondholders

Only upon the existence of either (a) and (b) below, the Trustee shall submit to the Bondholders on or before the tenth Business Day after the Issue Date and March 1 of each year from the Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

- (a) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report which shall be based on the report to be given by the Paying Agent to the Trustee upon request by the Trustee through the Issuer; and
- (b) any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Registrar and Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, the remaining unpaid amounts of such advance is at least ten percent (10%) of the aggregate outstanding principal amount of the Bonds at such time.

18.5. Inspection of Documents

Upon due notice to the Trustee, the following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

- (a) the Trust Agreement,
- (b) the Registry and Paying Agency Agreement,
- (c) the Articles of Incorporation and By-Laws of the Issuer, and
- (d) the Registration Statement of the Issuer with respect to the Bonds subject of this Offer, and the Prospectus.

19. MEETINGS

19.1. Meetings of Bondholders

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of the Bonds under any other provisions of the Trust Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

The following discussion is qualified by the more detailed information as contained in the Trust Agreement.

19.2. Notice of Meetings

A meeting (either a face-to-face meeting or a meeting held through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication) of the Bondholders for purposes of taking any actions authorized under the Trust Agreement or under Applicable Law or in respect of any matter related to the Bonds may be called by the following: (a) the Trustee, on its own accord or upon the written request of the Issuer, or (b) the Bondholders representing more than twenty-

five percent (25%) of the outstanding principal amount of the Bonds. The meeting may be held at such time and at such place or via such mode (as applicable) as the Trustee shall determine.

Unless otherwise provided in the Trust Agreement, the Trustee shall give notice of every meeting of the Bondholders (which notice must state the purpose thereof in reasonable detail and set forth the time, place, mode (as applicable), requirements and procedures for participating and voting therein) to the Issuer and each of the registered Bondholders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting and shall publish such notice once in a newspaper of general circulation; provided that, if the purpose of the meeting is to take any decision or action in respect of an Event of Default or potential Event of Default or the issuance of a Declaration of Default, the notice shall be made at least five (5) days prior to the date fixed for the meeting; provided further that, if the foregoing notice via publication is not practicable, the Trustee may issue the relevant notice via the other modes of notification as provided under Section 17.1 of the Trust Agreement (or Section 17.2 (*Notice to the Bondholders*) of Annex A of the Trust Agreement or of this section "*Description of the Bonds – Notice to the Bondholders*").

The Trustee shall fix the record date for determining the Bondholders entitled to notice and vote during the meeting, which record date shall not be earlier than forty-five (45) days before the date of the meeting; provided that, if the purpose of the meeting is to take any decision or action in respect of an Event of Default or potential Event of Default or the issuance of a Declaration of Default, the record date shall not be earlier than fifteen (15) days before the date of the meeting.

All costs and expenses incurred by the Trustee in connection with the meetings of the Bondholders shall be for the account of the Issuer and shall be paid or reimbursed by the Issuer within ten (10) Business Days from receipt of the duly supported billing statement.

19.3. Failure of the Trustee to Call a Meeting

Failure of the Trustee to call a meeting upon the written request of either the Issuer or the Bondholders representing more than twenty-five percent (25%) of the outstanding principal amount of the Bonds within ten (10) Business Days from receipt of such request shall entitle the requesting party to send and publish the appropriate notice of the Bondholders' meeting and fix the record date for determining the Bondholders entitled to attend and vote in accordance with the procedure set forth under Section 18.1(a)(vi)(2) and Section 19.2 (*Notice of Meetings*) of Annex A of the Trust Agreement or of this section "*Description of the Bonds – Notice of Meetings*."

19.4. Quorum

The presence of Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders based on the list of Bondholders prepared by the Registrar in accordance with the Registry and Paying Agency Agreement, which list shall include (a) the complete names of the Bondholders (including the name of the authorized representative of the Bondholder, where applicable), (b) the amount of Bonds held by the Bondholders as of the relevant record date, (c) the complete address and contact details of the Bondholders, (d) the specimen signatures of the Bondholders' authorized signatories, and (e) such other information necessary for the performance of the duties and powers of the Trustee under the Trust Agreement as may be requested by the Trustee. The Registrar shall, and the Issuer shall cause the Registrar to, provide the Trustee with a list of Bondholders and the foregoing information at least five (5) Business Days upon receipt of written request from the Trustee.

19.5. Procedure for Meetings

- (a) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Majority Bondholders as provided under Section 18.1(a)(vi)(3) and Section 19.3 (*Failure of the Trustee to Call a Meeting*) of Annex A of the Trust Agreement or of this section "*Description of the Bonds – Failure of the Trustee to Call a Meeting*" in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting. The elected secretary shall take down the minutes of the meeting, covering all matters presented for resolutions by and the

results of the votes cast by the Bondholders entitled to vote at the meeting and/or the Person appointed by a public instrument as proxy or agent by any such Bondholder in accordance with the procedure set forth in Section 18.1(vi)(7) and Section 19.6 (*Voting Rights*) of Annex A of the Trust Agreement or of this section "*Description of the Bonds – Voting Rights*". The elected secretary shall immediately provide the Trustee with a copy of the minutes of the meeting which copy shall be made available at any time to the Issuer and all Bondholders upon receipt of written request, provided that the cost of furnishing the same to the requesting party shall be for such person's account.

- (b) Any meeting of the Bondholders may be adjourned from time to time for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called, and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

19.6. Voting Rights

To be entitled to vote at any meeting of the Bondholders, a Person should be a registered holder of the Bonds as reflected in the Registry of Bondholders on the relevant record date fixed by the Trustee, the Issuer or the Majority Bondholders (as the case may be) pursuant to the Trust Agreement, or a Person appointed in writing by a public instrument as proxy or agent by any such Bondholder (and, in case of corporate or institutional Bondholders, duly supported by the resolutions of its board of directors or equivalent body authorizing the appointment of the proxy or agent duly certified by its corporate secretary or an authorized officer) for the meeting. Bondholders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000.00) interest. The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting, the Trustee, and any representative of the Issuer and its legal counsel.

19.7. Voting Requirement

Except as otherwise specifically provided in the Trust Agreement, all matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders (which should be present or represented in a meeting at which there is a quorum).

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee.

19.8. Evidence Supporting the Action of the Bondholders

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing in accordance with the procedure set forth in Section 18.1(a)(vi)(7) and Section 19.6 (*Voting Rights*) of Annex A of the Trust Agreement or of this section "*Description of the Bonds – Voting Rights*", or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

19.9. Role of the Trustee in Meetings of the Bondholders

Notwithstanding the provisions in this section and other provisions of the Trust Agreement, the Trustee may make such reasonable regulations (not inconsistent with the Trust Agreement) as it may deem advisable for any meeting of the Bondholders, with regard to proof of ownership of the Bonds, the appointment of proxies by the Bondholders, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates

and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit.

20. NON-RELIANCE

Each Bondholder also represents and warrants to the Trustee and to the Issuer that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Bonds and on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all claims, liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations under the Trust Agreement, except for its gross negligence, fraud, evident bad faith, willful misconduct, or breach of Applicable Law on the part of the Trustee.

21. EXECUTION OF AMENDMENTS OR SUPPLEMENTAL AGREEMENTS

The Issuer and the Trustee may, without prior notice to or the consent of the Bondholders or other parties, amend or waive any provisions of the Trust Agreement if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency; provided, in all cases, that such amendment or waiver does not adversely affect the interests of the Bondholders; provided, further, that all Bondholders are notified of such amendment or waiver.

With the consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors or the committee of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental to the Trust Agreement for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of the Trust Agreement; provided, that no such supplemental agreement shall:

- (a) without the consent of all Bondholders affected thereby: (i) extend the maturity date of the Bonds; or (ii) reduce the principal amount of the Bonds, or (iii) reduce the rate or extend the time of payment of interest and principal thereon;
- (b) impair the right of any Bondholder to (i) receive payment of principal of and interest on the Bonds on or after the due dates therefore, or (ii) to institute suit for the enforcement of any payment on or with respect to such Bondholder;
- (c) affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders;
- (d) make any Bond payable in money other than that stated in the Terms and Conditions;
- (e) subordinate the Bonds to any other obligation of the Issuer;
- (f) amend or modify the provisions of the Terms and Conditions on Taxation, the Events of Default or the provisions under "*Description of the Bonds - Waiver of Default by the Bondholders*";
- (g) reduce the percentage of the Bondholders required to be obtained under the Trust Agreement for their consent to or approval of any supplemental agreement or any waiver provided for in the Trust Agreement, without the consent of all the Bondholders; or
- (h) make any change or waiver of the conditions under this section (*Description of the Bonds - Execution of Amendments or Supplemental Agreements*).

It shall not be necessary to obtain the consent of the Bondholders under this section (*Description of the Bonds - Execution of Amendments or Supplemental Agreements*) for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant hereto shall be conclusive and binding upon all Bondholders and upon all future holders and owners of the Bonds or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement pursuant to the provisions of this section (*Description of the Bonds - Execution of Amendments or Supplemental Agreements*), the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

22. GOVERNING LAW

The Bond Agreements are governed by and are construed in accordance with Philippine law.

23. VENUE

Any suit, action, or proceeding arising out of, or relating to, the Bonds or the Trust Agreement shall be brought in any competent court in the City of Makati, to the exclusion of all other courts and venues, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer, the Trustee and the Bondholders expressly waiving other venue.

24. WAIVER OF PREFERENCE

The obligations created under the Bonds and the Trust Agreement shall not enjoy any priority of preference or special privileges by virtue of Article 2244, paragraph 14(a) of the Civil Code of the Philippines over any debt of the Issuer. Accordingly, whatever priorities or preferences that the Bonds and the Trust Agreement may have, or any Person deriving a right hereunder may have under Article 2244, paragraph 14(a) of the Civil Code of the Philippines, are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14(a) of the Civil Code of the Philippines shall be automatically revoked or deemed not given should any bank, lender or creditor to the Issuer or any claimant against the Issuer have a preference or priority over amounts owing under their respective agreements as a result of a notarization, and the Issuer has not either procured a waiver of this preference to the satisfaction of the Trustee in respect of the Bonds and the Trust Agreement, or equally and ratably extend such preference to the Bondholders and the Trustee in respect of the Bonds and the Trust Agreement.

DESCRIPTION OF BUSINESS

Business Development

CLI is the leading residential developer in VisMin. The Company's story commenced with a vision to provide quality homes for everyday Filipinos. Jose R. Soberano III founded CLI and incorporated the Company on September 26, 2003. On June 2, 2017, the Company was listed on the PSE with "CLI" as its ticker symbol. A total of 430,000,000 shares were issued and fully subscribed at ₱5.00 per share. CLI's initial public offering was instrumental in this growth, as it raised ₱2.15 billion of fresh capital from investors – boosting its expansion in new locations and fueling its various projects.

As of September 30, 2024, CLI has a total of 124 projects in different development stages and established a diverse portfolio of residences, offices, hotels, mixed-use properties, and townships across 17 key cities in the VisMin region.

In 2024, an independent study by Colliers International reaffirmed CLI's leading position in the VisMin residential market. The study identified CLI as the top residential developer in the region, having the largest market share among real estate firms. With a 19% overall residential share in net take-up value, CLI continues to grow market share in key VisMin cities, indicating increasing consumer confidence and recognition in the market.

This success was further validated at the PropertyGuru Philippines Property Awards, where CLI was named Best Developer in Mindanao for the fourth consecutive year, among other notable awards and commendations from various institutions. The Company's commitment to high governance standards was also acknowledged with a 2 Golden Arrow award from the ICD for the second year running, further reinforcing CLI's reputation for sound corporate governance.

CLI's vision extends beyond the present accomplishments. The Company remains steadfast in its pursuit of expansion and innovation. CLI's robust growth strategies aim to further solidify its market leadership, foster strategic partnerships, and explore new avenues for sustainable development and community enhancement.

Business of the Issuer

The Company's operating segments are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets:

- Real Estate Segment – covers the development and sale of residential, condotel and office units to individual and corporate buyers.
- Rental Segment – includes leasing of office and commercial spaces to corporate organizations.
- Management Services Segment – focuses on the management of real estate projects and upkeep services to condominium corporations and homeowners' associations.
- Hotel Operations Segment – related to the management of hotel business operations that caters to hotel guests and condotel owners.

The following table sets forth each segment's contribution to the Company's total revenues for the period ended September 30, 2024 and the years ended December 31, 2023, 2022, and 2021:

Business Segment	For the nine (9) months ended 30 September		For the years ended December 31					
	2024		2023		2022		2021	
	In P millions	%	In P millions	%	In P millions	%	In P millions	%
Real Estate	12,460	88.3%	18,508	98.4%	15,439	98.6%	10,996	98.5%

Business Segment	For the nine (9) months ended 30 September		For the years ended December 31					
	2024		2023		2022		2021	
	In ₱ millions	%	In ₱ millions	%	In ₱ millions	%	In ₱ millions	%
Interest income from real estate sales	1,344	9.5%	-	-	-	-	-	-
Hotel Operations	149	1.1%	139	0.7%	83	0.5%	49	0.4%
Rental	114	0.8%	112	0.6%	79	0.5%	74	0.7%
Management Services	46	0.3%	59	0.3%	55	0.4%	43	0.4%
Total	14,112	100.0%	18,818	100.0%	15,657	100.0%	11,162	100.0%

As of the first nine (9) months of 2024, residential projects made up the majority of the Company's operations and project portfolio. Real estate revenues recorded a significant 10% y-o-y increase in revenue to ₱12.46 billion from ₱11.31 billion. Higher construction progress, commercial lot sales and more units that qualified for revenue recognition were the drivers for the improvement.

The Company's fastest growing and most popular brand is Casa Mira Series, catered specifically to the economic market, which reported a revenue of ₱5.00 billion, driven by Casa Mira South Ph3A2, Casa Mira Towers LPU Davao, Casa Mira Iloilo, Casa Mira Towers CDO, and Casa Mira Towers Mandaue.

Another established brand of CLI that targets the mid-market is the Garden Series. Subdivisions under this brand are called Velmiro, while condominium projects are known as Garden Residences. Revenue from the said segment grew 10% y-o-y from ₱3.30 billion to ₱3.63 billion. This increase was mainly attributable to The East Village, the first residential project of CLI's Davao Global Township ("DGT") and Mandtra Residences in Cebu.

CLI's Premier Masters, catered to the premier market, are high-end developments which are in prime urban areas, offering a holistic lifestyle and world-class living. This segment recorded revenues of ₱3.94 billion, an increase of 63% y-o-y from ₱2.40 billion mainly driven by Costa Mira Beachtown Mactan, Costa Mira Panglao, Calle 104 in Cebu, Citadines Paragon in Davao, and One Paragon Place also in Davao.

The Company's JVs and subsidiaries has contributed the following to the Company's performance:

In Million Pesos (₱)	For the nine (9) months ended September 30	For the year ended December 31		
	2024	2023	2022	2021
Revenues				
Real estate sales	5,209	3,815	1,513	1,660
Hotel operations	98	83	49	55
Rental	19	10	9	-
Management services	46	58	45	35
Total Revenue	5,373	3,966	1,616	1,750
Cost	2,817	2,069	1,077	955
Gross Profit	2,555	1,897	539	794
Net Profit	1,506	879	87	380

The Company mainly caters to domestic demand but also captures some foreign customers. The following table approximates the sales mix per nationality:

Nationality	%
Filipino	95%
American	2.64%
Australian	0.07%
British	0.41%
Canadian	0.07%
Chinese	0.07%
Colombian	0.14%
French	0.07%
Hong Kong	0.07%
Japanese	0.14%
Korean	0.20%
Moldovan	0.07%
New Zealand	0.20%
Panamanian	0.07%
Singaporean	0.34%
Swiss	0.20%
Arab	0.20%
Italian	0.07%
Total	100%

Strengthening Leadership in the VisMin Region

CLI has rapidly grown from its humble beginnings on a single three (3)-hectare land in Balamban. The Company has evolved into a fully integrated real estate developer with a growing, highly varied portfolio of residences, offices, retail spaces, hotels, mixed-use developments, and townships spanning VisMin.

The Company has successfully expanded its residential offerings into the high-end segment with the Premier Masters selections. Its lineup of premium projects includes high-rises such as Base Line Premier, 38 Park Avenue, Astra Center, and Paragon Center, that are designed for holistic living in prime urban locations. Garden Series, which promises open spaces and well-designed homes like Mivela Garden and Velmiro Greens Bohol cater to the middle market. Casa Mira remains to be the Company's flagship business as it caters to the affordable and economic housing sector where demand is most robust and persistent. The Villa Casita line serves the socialized housing market. In 2023, CLI introduced its newest market segment called "Mirani". This brand is designed to cater to the more affordable housing segment with a price range of around ₱1.90 to ₱2.90 million. In June 2023, CLI launched Mirani Steps in Danao, its pioneer project under the newest brand. The project has sold out by 48.37% within three (3) months of launch.



In 2021, CLI signed a Memorandum of Agreement (“MOA”) to acquire 14.3 hectares of Xavier University – Ateneo de Cagayan’s Manresa Property in uptown CDO. Proceeds of CLI’s purchase was used by Xavier University to develop the new Xavier University Masterson Campus. CLI plans to build developments as an essential part of the master plan, integrated into this university community. The new 21-hectare Xavier University Masterson Campus is envisioned to catalyze further development of CDO as Northern Mindanao’s education hub with a sustainable and New Normal-ready Campus Master Plan. In 2023, CLI obtained the ECC from the DENR to proceed with the development. Land development is currently underway, while construction is forecasted to be completed by the third quarter of 2025.



Furthermore, the Company is actively engaged in ongoing negotiations with landowners in Cebu, Iloilo and Bacolod, underscoring its commitment to fortify its presence in estate developments. This proactive approach reflects the Company’s strategic vision for more estate development projects in the future.

Distribution methods of the products or services

Residential products from the Company are offered to a broad variety of customers by several sales teams and accredited brokers and agents.

CLI has one of the industry-leading sales support teams. With over 73 sales support personnel, this team collaborates, coordinates, and supports the over 11,000-strong accredited broker/agent network of CLI. This is CLI’s strategy in working harmoniously with the seller community by assisting the brokers 24/7 from sales origination to closing and working with these brokers to address any client inquiries.

Completed Projects

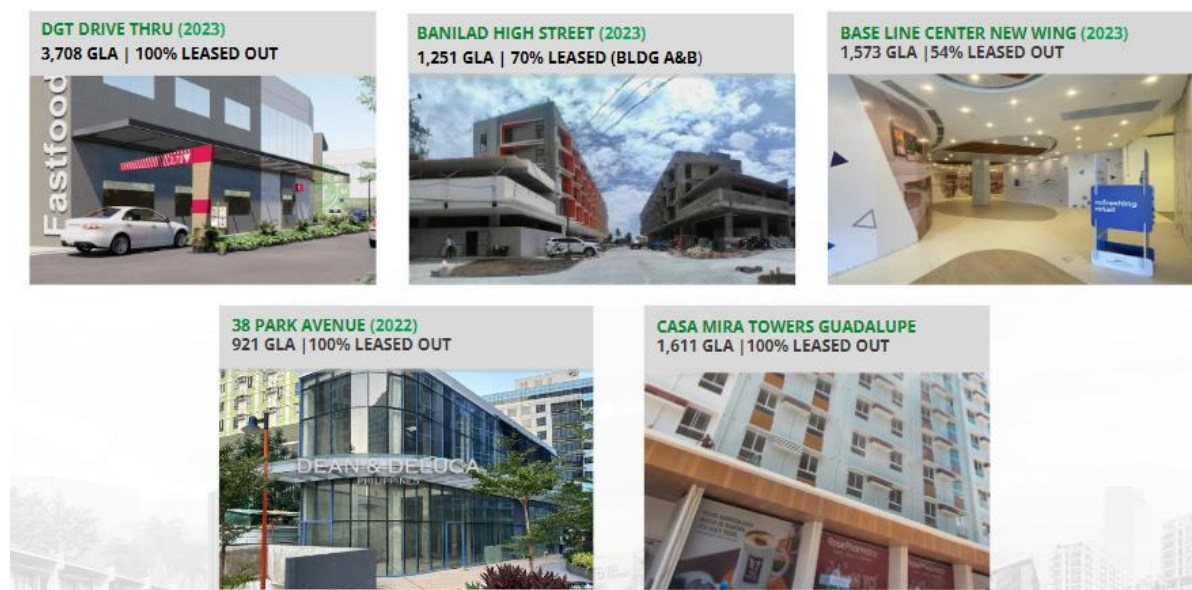
Vertical and horizontal residential, mixed-use, office, hotel, and retail projects make up the 52 completed developments of the Company.

CLI has successfully completed 45 residential projects in Cebu, Bacolod, CDO, and Davao. One of these projects, the three (3)-tower MesaVerte Garden Residences, marked its first expansion outside of its base in Cebu, and it was turned over in 2020. Other projects, such as MesaTierra Garden Residences in Davao, MesaVirre Garden Residences A & B in Bacolod, and 38 Park Avenue in Cebu, among others, started their buyer turnovers in 2021 and 2022. Throughout the year, CLI has been turning over projects in Cebu, including Casa Mira Towers Guadalupe, Baseline Prestige, and Mivela Tower 1. As of September 30, 2024, its completed residential developments were 98% sold out.

In addition to its residential developments, the Company owns three (3) operational office buildings and various leasable spaces, with Park Centrale in IT Park, Cebu serving as its headquarters. This development has maintained full occupancy since completion and received the prestigious Best Commercial Development in Cebu award from the Philippine Property Awards in 2014.

Latitude Corporate Center, a 24-storey structure completed in 2020, stands tall in the heart of Cebu's business district. Benefiting from the return of sectors like IT-BPO from work-from-home arrangements to office spaces, the Company is confident that this 5-Star BERDE-certified green building, is positioned well to meet such a rebound.

In terms of retail as of the first nine (9) months of 2024, CLI significantly expanded its GLA to 40,575 sq.m., a 13% increase from 35,772 sq.m. at the beginning of the year. This growth is attributed to the successful turnover of Banilad Highstreet, 38 Park Avenue retail, Baseline Center phase 2, and Drive-Thru spaces in Davao Global Township.



With the goal of diversifying its portfolio, the Company entered the hospitality sector in 2019 with the opening of Citadines Cebu City, a 180-room serviced residence in partnership with The Ascott Limited as the hotel manager. Situated strategically within the Company's mixed-use lifestyle hub, Base Line Center, this project reflects CLI's strategy to broaden its product scope and create reinforcing value across business units.

As of September 30, 2024, the Company's completed projects are 98% sold-out, with only ₱2.40 billion remaining in inventory in terms of sales value. Looking ahead, CLI is preparing to grow within the VisMin real estate market, with plans to introduce new projects in key locations, expand into new markets, and cater to diverse demographics.

No.	Project	Location	Construction	Type	Market	No. of Units	Sold Units	Completion
1.	San Jose Maria Village – Balamban	Balamban, Cebu	Horizontal	Residential	Mid-Market Garden Series	231	228	2006
2.	San Jose Maria Village – Minglanilla	Minglanilla, Cebu	Horizontal	Residential	Mid-Market Garden Series	145	145	2008
3.	San Jose Maria Village – Toledo	Toledo City, Cebu	Horizontal	Residential	Mid-Market Garden Series	144	106	2010
4.	Asia Premier Residences	Cebu City	Vertical	Residential	High-End Premier Masters	88	88	2012
5.	San Jose Maria Village – Talisay	Talisay City, Cebu	Horizontal	Residential	Mid-Market Garden Series	96	96	2012
6.	Base Line Residences	Cebu City	Vertical	Residential	High-End Premier Masters	201	201	2013
7.	Midori Plains	Minglanilla, Cebu	Horizontal	Residential	Mid-Market Garden Series	370	370	2014
8.	Midori Residences	Mandaue City, Cebu	Vertical	Residential	Mid-Market Garden Series	396	396	2014
9.	Park Centrale Tower	Cebu City	Vertical	Office	Office	55	55	2015
10.	Villa Casita Balamban	Balamban, Cebu	Horizontal	Residential	Socialized Villa Casita	101	98	2015
11.	Casa Mira Linao (Phase 1 and 2)	Minglanilla, Cebu	Horizontal	Residential	Economic Casa Mira	725	725	2016
12.	Mivesa Garden Residences (Phase 1)	Cebu City	Vertical	Residential	Mid-Market Garden Series	479,477	473,477	2016
13.	Mivesa Garden Residences (Phase 2)	Cebu City	Vertical	Residential	Mid-Market Garden Series	458	451,457	2016
14.	Velmiro Heights (Phase 1)	Minglanilla, Cebu	Horizontal	Residential	Mid-Market Garden Series	348	347	2016
15.	Casa Mira Linao (South Phase 1 and 2)1A	Minglanilla Naga, Cebu	Horizontal	Residential	Economic Casa Mira	725,342	725,341	2018
16.	Casa Mira Towers Labangon Tower 1South Phase 1B	Naga, Cebu City	Horizontal	Residential	Economic Casa Mira	272,667	270,667	2018
17.	Casa Mira Towers	Cebu City	Vertical	Residential	Economic Casa Mira	414,272	411,272	2018

No.	Project	Location	Construction	Type	Market	No. of Units	Sold Units	Completion
	Labangon Tower 21							
18.	Base Line HQC ^a sa Mira South ^o Phase 1A	Naga, Cebu City	Vertical	Office	Office	34,260	34,260	2019
19.	Base Line Premier Casa Mira South Phase 1B	Naga, Cebu City	Vertical	Residential	High-end Premier Masters	667,379	667,379	2019
20.	Base Line Retail	Cebu City	Vertical	Mixed-Use	Retail	0		2019
21.	Ca ^a a Mira South ^o Phase 2A	Naga, Cebu	Horizontal	Residential	Economic Casa Mira	494	494,491	2019
22.	Casa Mira South Phase 2B	Naga, Cebu	Horizontal	Residential	Economic Casa Mira	250	249	2019
23.	Casa Mira Towers Labangon Tower 2	Cebu City	Vertical	Residential	Casa Mira	414	414	2019
24.	Citadines Cebu City	Cebu City	Vertical	Hospitality	Hotel	5,918 sq.m.		2019
25.	Citadines Cebu City	Cebu City	Vertical	Residential	High-end Premier Masters	74	73	2019
26.	Guadalupe Pinamalayan Socialized Housing Project	Mindoro	Horizontal	Residential	Socialized Villa Casita	338	305	2019
27.	MesaVerte Residences Tower 1	CDO City, Misamis Oriental	Vertical	Residential	Mid-Market Garden Series	252	249	2019
28.	MesaVerte Residences Tower 2	CDO City, Misamis Oriental	Vertical	Residential	Mid-Market Garden Series	252	252	2019
29.	MesaVerte Residences Tower 3	CDO City, Misamis Oriental	Vertical	Residential	Mid-Market Garden Series	294	292	2019
30.	Latitude Corporate Center	Cebu City	Vertical	Office	Office	70	58	2020
31.	Mivesa Garden Residences (Phase 3)	Cebu City	Vertical	Residential	Mid-Market Garden Series	576	576	2020
32.	Villa Casita North	Bogo City, Cebu	Horizontal	Residential	Socialized Villa Casita	663	658	2020
33.	Casa Mira Coast	Dumaguete City	Horizontal	Residential	Economic Casa Mira	543	543	2021

No.	Project	Location	Construction	Type	Market	No. of Units	Sold Units	Completion
34.	MesaTierra Garden Residences	Davao City	Vertical	Residential	Mid-Market Garden Series	677	668	2021
35.	MesaVirre Building A	Bacolod City, Negros Occidental	Vertical	Residential	Mid-Market Garden Series	294	290	2021
36.	MesaVirre Building B	Bacolod City, Negros Occidental	Vertical	Residential	Mid-Market Garden Series	442	425	2021
37.	38 Park Avenue	Cebu City	Vertical	Residential	High-end Premier Masters	764	731	2023
38.	Base Line Lyf Hotel	Cebu City	Vertical	Hospitality	Hotel	159		2023
39.	Base Line Prestige	Cebu City	Vertical	Residential	High-end Premier Masters	351	351	2023
40.	Casa Mira Bacolod	Bacolod City, Negros Occidental	Horizontal	Residential	Economic Casa Mira	431	336	2023
41.	Casa Mira Iloilo	Iloilo City, Panay	Horizontal	Residential	Economic Casa Mira	1,109	1,076	2023
42.	Casa Mira South (Phase 3A)	Naga, Cebu	Horizontal	Residential	Economic Casa Mira	162	161	2023
43.	Casa Mira South (Phase 3B)	Naga, Cebu	Horizontal	Residential	Economic Casa Mira	458	454	2023
44.	Casa Mira Towers Guadalupe T1	Cebu City	Vertical	Residential	Economic Casa Mira	544	543	2023
45.	Davao Global Township	Davao City	Estate	Townships	Estate	0		2023
46.	MesaVirre Building C	Bacolod City, Negros Occidental	Vertical	Residential	Mid-Market Garden Series	336	300	2023
47.	The Pad	Banilad, Cebu	Vertical	Hospitality	Dorm	258		2023
48.	The Park @ 38 Park Avenue	Cebu City	Vertical	Mixed-Use	Retail	1,899 sq.m.		2023
49.	Velmiro Greens Bohol (Phase 1)	Dauis, Bohol	Horizontal	Residential	Mid-Market Garden Series	204	201	2023
50.	Velmiro Plains	Bacolod City,	Horizontal	Residential	Mid-Market Garden Series	342	336	2023

No.	Project	Location	Construction	Type	Market	No. of Units	Sold Units	Completion
	Bacolod	Negros Occidental						
51.	Velmiro Uptown CDO	CDO City, Misamis Oriental	Horizontal	Residential	Mid-Market Garden Series	395	391	2023
52.	Citadines Bacolod	Bacolod City, Negros Occidental	Vertical	Hospitality	Hotel	200		2024

Ongoing Projects and Newly Launched Projects (Projects Under Construction)

CLI has 72 ongoing projects in various stages of construction as of the third quarter of 2024. These projects are spread out over 17 key cities in the VisMin region.

Among the projects that are currently being develop, 54 of these have a total project sales value of ₱92.42 billion. These projects have 23,634 units of which 95% were already sold and the aggregate sales value of remaining inventory amounts to ₱7.50 billion. CLI prioritizes a strategy of selling projects at high velocity, with a quick turnover of its developments, and swift movement from pre-selling to construction and delivery. Continuing sales efforts are being made to sell out the projects as they get closer to completion. The Company leverages on this market absorption of its products to cultivate the 1,795 accredited REBs and 11,000 sales agents across the VisMin region who continuously support CLI.

Investing in capital to support recurring revenue from both hospitality and leasing businesses is one of the strategies that CLI is currently aggressively pursuing while banking on the region's future growth. CLI's long-term strategy is to build up its office, retail, and hospitality portfolio's GLA to 200,000 sq.m. – eventually contributing to 10% of the growing top line within the next five (5) years.

The Company is currently constructing six (6) hospitality projects with a total of 1,198 room keys, and various office and commercial projects totaling a GLA of over 70,000 sq.m. More projects are in the pipeline at the planning and design stage to meet CLI's strategy to continue its build-up of its recurring income portfolio.

No .	Project	Location	Constru ction	Type	Use	No. of Units	Sold Units	% of completion	Completi on Date
1	Astra Lifestyle Mall	Mandaue City, Cebu	Vertical	Mixed-Use	Retail	13,464 sq.m.		85%	2025
2	Banilad High Street Retail	Banilad, Cebu	Vertical	Mixed-Use	Commercial	1,033 sq.m		98%	2025
3	Casa Mira Dumaguete (Phase 1)	Dumaguete City, Negros Oriental	Horizontal	Residential	Casa Mira	517	517	99%	2025
4	Casa Mira Linao (Phase 3)	Minglanilla, Cebu	Horizontal	Residential	Casa Mira	126	125	99%	2025
5	Casa Mira Ormoc	Ormoc	Horizontal	Residential	Casa Mira	685	685	95%	2025
6	Casa Mira South Phase 3A.2	Naga, Cebu	Horizontal	Residential	Casa Mira	437	434	97%	2025
7	Casa Mira South Phase 4A	Naga, Cebu	Horizontal	Residential	Casa Mira	229	195	99%	2025
8	Casa Mira South Phase 4B.1	Naga, Cebu	Horizontal	Residential	Casa Mira	198	197	90%	2025

No.	Project	Location	Construction	Type	Use	No. of Units	Sold Units	% of completion	Completion Date
9	Casa Mira South Phase 4B.2	Naga, Cebu	Horizontal	Residential	Casa Mira	174	158	95%	2025
10	Casa Mira Towers - Bacolod	Bacolod City, Negros Occidental	Vertical	Residential	Casa Mira	706	703	90%	2025
11	Casa Mira Towers CDO Tower 1	CDO City, Misamis Oriental	Vertical	Residential	Casa Mira	444	443	97%	2025
12	Casa Mira Towers CDO Tower 2	CDO City, Misamis Oriental	Vertical	Residential	Casa Mira	542	542	97%	2025
13	Casa Mira Towers Guadalupe T2	Cebu City	Vertical	Residential	Casa Mira	234	231	99%	2025
14	Casa Mira Towers LPU	Davao City	Vertical	Residential	Casa Mira	930	930	99%	2025
15	Casa Mira Towers Mandaue (Phase 1)	Mandaue City, Cebu	Vertical	Residential	Casa Mira	821	698	99%	2025
16	Casa Mira Towers Mandaue Tower 2	Mandaue City, Cebu	Vertical	Residential	Casa Mira	407	360	95%	2025
17	Citadines Paragon	Davao City	Vertical	Residential	Premier Masters	188	184	99%	2025
18	DGT Pavilion & Retail pods	Davao City	Vertical	Mixed-Use	Commercial	4,398 sq.m.			2025
19	Mivela Garden Residences	Cebu City	Vertical	Residential	Garden Series	1,585	1479	99%	2025
20	One Astra Place Residences 1	Mandaue City, Cebu	Vertical	Residential	Premier Masters	478	478	99%	2025
21	One Paragon Convention Center	Davao City	Vertical	Mixed-Use	Retail	2,252 sq.m.		99%	2025
22	One Paragon Place	Davao City	Vertical	Residential	Premier Masters	554	551	99%	2025
23	Radisson Red	Mandaue City, Cebu	Vertical	Hospitality	Hotel	144		77%	2025
24	Velmiro Heights CDO	CDO City, Misamis Oriental	Horizontal	Residential	Garden Series	518	509	85%	2025
25	Abaca Resort	Mactan, Cebu	Vertical	Hospitality	Resort	125		48%	2025
26	Astra Corporate Center	Mandaue City, Cebu	Vertical	Office	Office	66	12	97%	2025
27	Casa Mira Towers Guadalupe T3	Cebu City	Vertical	Residential	Casa Mira	453	452	96%	2025
28	Citadines Paragon	Davao City	Vertical	Hospitality	Hotel	263		99%	2025
29	LPU Town Davao	Davao City	Vertical	Mixed-Use	Commercial	0			2025
30	Magspeak Mountain Resort	Balamban, Cebu	Horizontal	Hospitality	Resort	32		5%	2025

No .	Project	Location	Construction	Type	Use	No. of Units	Sold Units	% of completion	Completion Date
31	Mandtra Residences T1	Mandaue City, Cebu	Vertical	Residential	Garden Series	595	564	85%	2025
32	Mandtra Residences T3	Mandaue City, Cebu	Vertical	Residential	Garden Series	599	536	80%	2025
33	One Astra Place Residences 2	Mandaue City, Cebu	Vertical	Residential	Premier Masters	533	533	97%	2025
34	Patria de Cebu Hotel	Cebu City	Vertical	Hospitality	Hotel	167		53%	2025
35	Patria de Cebu Office	Cebu City	Vertical	Office	Office	4,562 sq.m		53%	2025
36	Patria Plaza	Cebu City	Vertical	Mixed-Use	Commercial	1,772 sq.m		53%	2025
37	Terranza Residences	Iloilo City	Vertical	Residential	Premier Masters	600	597	85%	2025
38	Costa Mira Beachtown Mactan	Mactan, Cebu	Vertical	Residential	Premier Masters	659	659	85%	2026
39	Masters' Tower	CBP Cebu	Vertical	Office	Office	4,886 sq.m		50%	2026
40	Masters' Tower Retail	CBP Cebu	Vertical	Mixed-Use	Commercial	300 sq.m		50%	2026
41	Sofitel Cebu	CBP Cebu	Vertical	Hospitality	Hotel	195			2026
42	Calle 104 Retail	Cebu City	Vertical	Mixed-Use	Commercial	4,784 sq.m		55%	2027
43	CALLE 104 T1 (RAMOS)	Cebu City	Vertical	Residential	Garden Series	325	325	55%	2027
44	CALLE 104 T2 (RANUDO)	Cebu City	Vertical	Residential	Premier Masters	192	186	55%	2027
45	Casa Mira Dumaguete Ph2	Dumaguete City, Negros Oriental	Horizontal	Residential	Casa Mira	87	87	80%	2027
46	Casa Mira Homes Danao	Danao, Cebu	Horizontal	Residential	Casa Mira	595	595	50%	2027
47	Casa Mira Homes Davao	Davao City	Horizontal	Residential	Casa Mira	806	806	71%	2027
48	Casa Mira Towers Bacolod T3	Bacolod City, Negros Occidental	Vertical	Residential	Casa Mira	327	327	63%	2027
49	Casa Mira Towers Palawan T1	Puerto Princesa, Palawan	Vertical	Residential	Casa Mira	227	226	55%	2027
50	Casa Mira Towers Palawan T2	Puerto Princesa, Palawan	Vertical	Residential	Casa Mira	253	253	55%	2027
51	Casa Mira Towers Palawan T3	Puerto Princesa, Palawan	Vertical	Residential	Casa Mira	241	239	47%	2027
52	COSTA MIRA BEACHTOWN PANGLAO T1-T2	Dauis Panglao Island, Bohol	Vertical	Residential	Premier Masters	692	629	50%	2027
53	East Village T1	Davao City	Vertical	Residential	Garden Series	414	409	80%	2027

No.	Project	Location	Construction	Type	Use	No. of Units	Sold Units	% of completion	Completion Date
54	East Village T2	Davao City	Vertical	Residential	Garden Series	314	311	80%	2027
55	East Village T3	Davao City	Vertical	Residential	Garden Series	359	358	77%	2027
56	East Village T4	Davao City	Vertical	Residential	Garden Series	387	387	77%	2027
57	Velmiro Bohol Expansion Ph2	Dauis, Bohol	Horizontal	Residential	Garden Series	52	52	55%	2027
58	Casa Mira Towers Mandaue T1	Mandaue City, Cebu	Vertical	Residential	Casa Mira	256	96	81%	2028
59	CMT Bacolod T4	Bacolod City, Negros Occidental	Vertical	Residential	Casa Mira	386	372	41%	2028
60	Cost Mira Panglao T3	Dauis Panglao Island, Bohol	Vertical	Residential	Premier Masters	364	268	25%	2028
61	East Village T5	Davao City	Vertical	Residential	Garden Series	429	429	32%	2028
62	Mandtra T2	Mandaue City, Cebu	Vertical	Residential	Garden Series	685	634	65%	2028
63	Mindara Residences (LPU Garden)	LPU Town, Davao City	Vertical	Residential	Garden Series	546	544	40%	2028
64	Mirani Steps Danao	Danao, Cebu	Vertical	Residential	Mirani	215	215	38%	2028
65	Velmiro Heights Consolacion Ph1	Consolacion, Cebu	Horizontal	Residential	Garden Series	156	154	6%	2028
66	CMT Palawan T4	Puerto Princesa, Palawan	Vertical	Residential	Casa Mira	384	343	41%	2029
67	Manresa Town	Davao City	Estate	Townships	Estate	0	-	-	-
68	Ming-Mori	Cebu City	Estate	Townships	Estate	0	-	-	-
69	Casa Mira Homes Butuan	Butuan City, Agusan Del Norte	Horizontal	Residential	Casa Mira	676	571	2%	2029
70	CMT Palawan T5	Puerto Princesa, Palawan	Vertical	Residential	Casa Mira	345	211	1%	2029
71	East Village T6	Davao City	Vertical	Residential	Garden Series	288	288	32%	2029
72	Velmiro Heights Davao	Davao City	Horizontal	Residential	Garden Series	355	355	34%	2029

Notes:

* Citadines Cebu City has a total of 180 condotel units with 74 units sold and the rest retained for the Company's recurring income portfolio.

** Mixed-use – individual components already describe its respective number of units, hotel keys and gross leasable area

*** Not applicable as the project relates to pure hotel operations

Newly launched and Pipeline projects for 2024

In the first nine (9) months of 2024, CLI launched four (4) projects with a total value of ₱8.23 billion. Among these, Casa Mira Homes Butuan, valued at ₱2.60 billion, marked CLI's initial expansion into Butuan, with a significant portion of the inventory being sold within the first month of launch, and as of now, 84% of the total stock has been sold since the launch date. Additionally, the Velmiro Heights Davao project, comprising 362 units, sold out in just two days, generating ₱2.70 billion in sales. These

achievements contributed to CLI reaching a 96% sell-out status across all projects at various stages of development, with total reservation sales amounting to ₱18.60 billion to date.

Additionally, during the first nine (9) months of 2024, CLI expanded its hospitality portfolio with the grand opening of three new hotels: lyf Cebu City at Base Line Center with 159 rooms, The Pad Co-Living in Banilad High Street with 258 rooms, and Citadines Bacolod with 200 rooms. These additions will complement Citadines Cebu City, which is operating 180 rooms, in CLI's strategy in growing its hotel portfolio. CLI is currently constructing six additional hotels to further enhance its revenue from the hospitality sector.

Moreover, CLI entered into its first international partnership by collaborating with NTTUDA, a Japanese company known for its mixed use residential and commercial developments, to establish CLI NUD Ventures, Inc. As part of this collaboration, CLI sold a lot for ₱2.00 billion to CLI NUD Ventures, Inc., for the development of a premier-grade condominium at Cebu IT Park. Their inaugural project, valued at ₱6.40 billion, is expected to launch in the second quarter of 2025. The first tower of this development will feature over 500 premium residential units, marking a significant milestone in CLI's expansion journey.

Furthermore, CLI spent ₱9.43 billion in capital expenditures, with the majority 72.5% allocated for residential development, 12.6% for investment properties, and the remaining portion for existing lot payments.

As of September 30, 2024, CLI successfully sold out 89% of the new inventory from projects launched in the previous 12 months, underscoring its ability to capture demand where it competes. CLI aims to sell the remaining units over its construction period.

Looking ahead to the coming months, CLI plans to launch more developments from its 11 pipeline projects, with an aggregate sales value of ₱24.80 billion.

CLI will be selective in acquiring high potential landbank to drive sustained revenue growth in the future. As of September 30, 2024, CLI reported a total land bank of 87.6 hectares valued at ₱10.00 billion, including the expansion site in General Santos City. During the year, CLI also developed 26.80 hectares, primarily for the Casa Mira Butuan and Velmiro Heights projects.

To support its initial expansion into Luzon, CLI has opened its first regional office outside the VisMin region, located in Makati City. This office serves as a strategic hub for the Company's growth and operations in the region, reinforcing its commitment to becoming a national developer. The Company is actively negotiating the acquisition of properties in Luzon for its initial expansion into that market. The Company is also planning to purchase an additional 47.70 hectares in Luzon and Visayas.

Residential Developments

Residential developments constitute the cornerstone of the Company's operations and project portfolio. CLI's overarching goal is to meet the persistently unmet demand for quality-built, cost-effective housing, and well-planned communities that align with the needs of the market. In response to the housing backlog and the heightened desire for safe and secure homes, the Company consistently launches new housing projects.

To effectively address diverse market segments, the Company categorizes its housing developments into distinct brands. The largest contributing brand is Casa Mira, which has emerged as the fastest growing and most popular brand in VisMin. Starting with a typically priced at ₱120,000.00 per sq.m. or ₱2.00 million per housing unit, Casa Mira caters specifically to the economic market. House and lot units under Casa Mira start at around ₱2.20 million, with lot area starting at 60 sq.m. and floor area at 42 sq.m. Over time, the Casa Mira series has become a pivotal asset, securing the largest residential market share in VisMin. Its success can be attributed to its value proposition, providing residents with reasonably priced homes in aesthetically pleasing communities, complete with several amenities more associated with higher-priced developments. These include a clubhouse with multi-purpose halls, a chapel, swimming pool, multiple basketball courts, tennis courts and children's playground.

In a strategic move to grow the Company into more segments, CLI introduced the "Mirani" brand last

July 2023. Designed to cater to the more affordable housing demand within the market spectrum with a price point of around ₱1.90 million, the Mirani brand debuted with Mirani Steps in Danao in June 2023. and is 48.37% sold out in three (3) months.

The Garden Series, targeting the mid-market segment, offers both vertical and horizontal product lines. Subdivisions under this brand are known as Velmiro, while condominium projects go by the name Garden Residences. Garden Residences condominiums feature selling prices starting at ₱140,000.00 per sq.m., with each housing unit price ranging from ₱2.50 million to ₱3.20 million for studio condominium units. Velmiro subdivisions have a 100 sq.m. lot area, with floor area of 50-100 sq.m., with a starting price of around ₱4.60 million. The Garden Series distinguishes itself by offering an upgraded array of amenities over the economic segments, including a swimming pool, multi-level clubhouse with function rooms, fitness gym, basketball court, and playgrounds situated in an expansive landscaped park.

Strategically, CLI offers Premier Masters, the high-end residential buildings with prices starting at ₱180,000.00 up to ₱300,000.00 per sq.m. These luxurious developments, located in prestigious urban areas, include Terranza Residences in Iloilo, Costa Mira Mactan, the two (2) Baseline condominiums, and 38 Park in I.T. Park Cebu.

Lastly, Villa Casita represents CLI's business in socialized housing, offering units at a price of ₱580,000.00. Through these socialized housing projects required under specific compliance terms, the Company endeavors to provide decent and affordable housing to the market segment. The list below categorizes the projects according to market segments:

Horizontal (Subdivision) Projects:

Socialized:	Villa Casita North and Villa Casita Balamban in Cebu; Guadalupe Pinamalayan Socialized Housing Project
Mirani	Mirani Steps Danao
Economic:	Casa Mira Linao and Casa Mira South in Cebu; Casa Mira Coast and Casa Mira Homes Dumaguete in Negros Oriental; Casa Mira Bacolod in Negros Occidental; Casa Mira Iloilo in Panay, Casa Mira Danao in Cebu and Casa Mira Davao
Mid-Market:	San Jose Maria Villages ("SJM"), Midori Plains and Velmiro homes in Cebu, CDO, Bacolod and Bohol.

Vertical (Condominium) Projects:

Economic:	Casa Mira Towers in Labangon Cebu, CDO, Mandaue Cebu, Guadalupe Cebu, LPU in Davao, Bacolod and Palawan
Mid-Market:	Midori Residences, Mivesa Garden Residences and Mivela Garden Residences in Cebu; MesaVerte Garden Residences CDO; MesaTierra Garden Residences in Davao; MesaVirre Garden Residences in Bacolod, Mandtra Residences in Cebu, The East Village towers in DGT Davao, Calle 104(Ramos Tower) in Cebu and Mindara Residences in Davao
High-End:	Asia Premier Residences, Base Line Residences, Base Line Premier, Base Line Prestige, 38 Park Avenue, and One Astra Place in Cebu; and One Paragon Place

in Davao, Calle 104 (Ranudo Tower) in Cebu, Costa Mira Beachtown in Cebu and Panglao Bohol.

Overall, a substantial portion of buyers of CLI's projects obtain financing either through Pag-IBIG, or through commercial banks under their home mortgage lines. The Company does not offer in-house financing. Historically, 13.4% of buyers obtained their financing through Pag-IBIG, 64.2% use commercial banks under their home loans lines and the remaining 22.4% of the buyers pay in cash.

Horizontal (Subdivision) Projects

Villa Casita Balamban

Launched in 2014, CLI's first socialized housing development is located at Buanoy, Balamban, Cebu. With a land area of 8,128 sq.m., it consists of 101 row house units with a lot area of 36 sq.m. and a floor area of 22.65 sq.m. Pre-sold units were priced at about ₱400,000.00. Villa Casita Balamban is fully developed, completed, and sold out.

Villa Casita North

The second project of the Company's Villa Casita brand offers its homeowners well-designed homes, well-planned site development, and sizable green spaces for parks and community facilities traditionally found only in mid-market or upscale developments. The development is designed to provide over 686 homes to families in the North of Cebu with a selling price of ₱480,000.00 per unit.

Guadalupe Pinamalayan Socialized Housing Project

This socialized housing project in Pinamalayan, Oriental Mindoro, was started in 2015 in collaboration with Habitat for Humanity ("**Habitat**"). The 3.9-hectare initiative includes 338 single-storey and detached units, with 77 of these going to Habitat recipients.

Mirani Steps Danao

Mirani Steps Danao, launched in June 2023, stands as the pioneer project under the newest Mirani brand by CLI. Specifically designed to meet the demand for affordable housing, these homes are envisioned to provide functional living spaces, quality finishes, and community amenities for its buyers, with a price range of around ₱1.90 million to ₱2.90 million. CLI unveiled Mirani Steps Danao, marking the inaugural venture of this brand. The project has sold out 48.37% in three (3) months since launch. The project is expected to turnover by the last quarter of 2026.

Casa Mira Linao

Launched in 2015, Casa Mira Linao is CLI's first foray into economic housing development. The project is located in the hills of Linao-Lipata, Minglanilla, Cebu on a 12-hectare property. Phases 1 and 2 comprise 725 townhouse units with floor areas ranging from 37 to 62 sq.m. and average selling price starting from ₱0.90 million to ₱1.40 million. Phases 1 and 2 are fully developed, completed, and sold out.

In 2020, CLI launched Casa Mira Linao Phase 3, which composed of 126 single-detached townhouse units with 59 sq.m. in floor areas at an average selling price of ₱3.50 million.

Casa Mira South

Launched in 2016, this economic housing development is located in Naga City and in the Municipality of San Fernando, both in Cebu Province. This 32-hectare community built on a rolling terrain that allows for expansive views and generous open spaces and amenities, is divided into four phases consisting of over 3,000 townhouse units, with each unit having floor areas ranging from 36 to 59 sq.m. Average pre-selling price ranges from ₱1.10 million to ₱1.60 million. Phases 1 and 2 are completed and turnover to unit owners is almost complete. In 2018, it was awarded as the Best Housing Development in Cebu at the Philippine Property Awards.

In 2020, CLI launched Casa Mira South Phase 3A and Phase 3B with 618 units at an average pre-selling price of ₱1.20 million to ₱2.60 million. Due to the robust demand for the project, CLI launched Phase 4 in 2022 with a total of 1,023 units and sales value of ₱2.40 billion. As of the end 2022, these projects were fully sold.

Casa Mira Coast

Casa Mira Coast, a residential economic subdivision located in Barangay Maslong, Sibulan, Negros Oriental, is a 5.3-hectare project that consists of 543 townhouses selling at ₱1.60 million to ₱2.20 million. It offers quality amenities that sets it apart from other economic housing projects. Adding to its appeal, the project has a view of the nearby coast and is only 2 kilometers away from the Dumaguete Airport.

Casa Mira Dumaguete

Launched in 2020, the second Casa Mira project in Negros Oriental is located in a 7-hectare land in Junob, Dumaguete City. Its modern architecture and design were inspired by the classic American country home. This development is split into two phases with a total of 586 house-and-lot units. Average floor range is 60 to 135 sq.m.

Casa Mira Bacolod

Casa Mira Bacolod is the 7th Casa Mira project of CLI with 431 house-and-lot units. With its accessible location, homeowners enjoy more of the conveniences brought by business establishments, malls, schools, churches, and major institutions. The development offers generous open spaces and well-planned amenities at an affordable price ranging from ₱1.70 million to ₱2.20 million. The houses range from 40 to 46 sq.m. in floor area.

Casa Mira Homes Iloilo

This 14-hectare community features a contemporary mix of townhouses and single detached units inspired by the cultural evidence of the Spanish colonial era that has been part of Philippine history. Its design and architecture mimic that of the Bahay na Bato that is one of the most iconic historical places in Iloilo. In 2020, CLI launched its first project in Iloilo City, Panay comprising 1,109 house and lots with a typical floor area of 48 sq.m. and average pre-selling price of ₱1.80 million to ₱2.70 million.

Casa Mira Homes Ormoc

Casa Mira Ormoc is the first Casa Mira brand in Leyte. It has a very strategic location, and it offers affordable townhouse units with very generous payment schemes. Casa Mira continues to expand to major key cities in VisMin and is launching its first project in Eastern Visayas. Casa Mira Homes Ormoc is a 9.13-hectare residential subdivision in Brgy. Luna Ormoc City.

Casa Mira Danao

Strategically located in Danao City, Cebu, this development in Northern Cebu will provide homes that allow buyers to maintain peace and privacy, while still having close proximity to essential establishments. CLI launched 595 units of this project in Q4 2022 with a sales value of ₱1.97 Billion. Site development works are being implemented while full completion of the project is expected to be in 2026.

Casa Mira Davao

Casa Mira Danao is located in Brgy. Magtuod with 837 house and lot units on 135,842 sq.m. of land. Launched in June 2023, it is anticipated for completion in Q1 of 2026.

SJMV

This series of villages located in the south and southwest of Cebu City paved the way for CLI in providing

affordable mid-cost quality homes to the middle market segment. SJMV offered a mix of single-detached, semi-attached townhouses and lot-only options to the buyers. SJMV-Balamban is a 3.0-hectare development with 231 units launched in 2013. SJMV-Minglanilla is a 2.9-hectare development with 145 units launched in 2007. SJMV-Toledo is a 3.0-hectare development with 144 units launched in 2009. SJMV-Talisay is a 1.9-hectare development with 96 units launched in 2010. Lots were pre-sold at ₱7,000.00 per sq.m., while house and lot units averaged at ₱1.40 million to ₱3.60 million. All SJMV projects are fully developed and completed, with both SJMV-Minglanilla and SJMV-Talisay sold out.

Midori Plains

Launched in 2011, this mid-market development is located in the Municipality of Minglanilla, Cebu. This 7.0-hectare Asian-inspired subdivision south of Cebu City has 370 residential units ranging from townhouse units with 40-sq.m. floor areas to single-detached units with an area of 77 sq.m. each. Midori Plains is fully developed, completed, and sold-out.

Velmiro Heights Cebu

This mid-market development was launched in 2013 and is located on an 8.80-hectare property in Tunghaan, Minglanilla, Cebu. This 348-unit development offers 11 different house models, ranging from townhouses to single-detached, 2-storey units. Townhouses have 60-sq.m. floor areas, while the largest unit contained 131 sq.m. of living space. Townhouses were pre-sold at an average price of ₱1.70 million while the largest single-detached unit is about ₱5.30 million. Phase 1 is now fully developed, completed, and sold, while Phase 2's 81 units are still on the market.

Velmiro Uptown CDO

Launched in 2017, Velmiro Uptown is located in Upper Canituan, CDO City, providing easy access to various establishments in the city. This 14-hectare mid-market residential subdivision has a total of 395 house-and-lot units nestled at a prime spot in CDO City. The project offers a mix of units from townhouses to single detached houses with floor areas 60 to 106 sq.m., respectively. The average selling price ranges from ₱2.40 million to ₱5.00 million. The project has started to turnover to new homeowners in 2022.

Velmiro Plains Bacolod

This 8.3-hectare development is a modern mid-market residential community comprising 342 house and lot units with floor area ranging from 60 sq.m. to 106 sq.m. Located strategically at Granada, Bacolod City, the average selling price ranges from ₱2.60 million to ₱4.20 million per house and lot.

Velmiro Greens Bohol

CLI's first development in this 3.6-hectare property in Dauis Panglao, Bohol is accessible to schools, places of worship, tourist spots, malls, beach resorts, and other major establishments. The project offers a mix of units from townhouses to single detached houses with average floor area ranging from 48 sq.m. to 67 sq.m. Average prices range from ₱2.30 million to ₱3.60 million per house and lot.

Vertical (Condominium) Projects

Casa Mira Towers Labangon

Launched in 2016, this is CLI's primary venture in the economic segment of residential condominiums. The project is located in Labangon, Cebu City on a 3,681-sq.m. property that used to be the location of the old CLI headquarters. This two-tower development on top of a commercial podium has a total of 686 residential units. It offers 20-sq.m. studio units and 1-bedroom units averaging 37 sq.m. units pre-sold at ₱1.25 million to ₱1.43 million. Construction for the development started in 2016 and was completed in 2018.

Casa Mira Towers Guadalupe

Located across the Fooda intersection of V. Ramos St., and V. Rama, Guadalupe, Cebu City, this three

(3)-tower residential condominium has a total of 1,231 condominium units and retail components. A studio room currently costs around ₱2.60 million from its pre-selling price at ₱1.58 million. Tower 1, with 544 condo units, is fully sold and unit turnovers are expected to begin in 2022. Tower 2, with 234 units, was launched in 2020 while Tower 3 was launched in 2021 with development now ongoing.

Casa Mira Towers Mandaue

Launched in 2019, Casa Mira Towers Mandaue, a four-tower mid-rise condominium located in Marciano Quizon, St, Mandaue City, Cebu, is the 8th development of CLI's Casa Mira flagship housing community. The project offers a mix of studio and one-bedroom units with prices ranging from ₱75,000.00 to ₱80,000.00 per sq.m. The Phase 1 and Phase 2 development has 659 units and 736 units, respectively. This includes Tower 1 which was launched in Q1 of 2023. The project is expected to be delivered and turned over by 2024.

Casa Mira Towers Cagayan De Oro

Casa Mira towers Cagayan De Oro is a two (2)-tower residential condominium with 986 units. Launched in 2019, the development also has its own retail spaces on the ground floor area still owned by CLI. The project had sold out in 2020, despite the nationwide community quarantines and the global pandemic.

Casa Mira Towers LPU

Located within minutes from Davao's Francisco Bangoy International Airport, Casa Mira Towers LPU is composed of two (2) residential towers with 930 condominium units. The project will have a retail component at the ground floor for retail and food outlets to cater students from Lyceum of the Philippines – Davao. This two (2)-tower project is integrated with the LPU Davao campus and serves its students, faculty, administrators and others in the school community.

Casa Mira Towers Bacolod

CLI launched its 5th Casa Mira condominium development in Bacolod City. Casa Mira Towers Bacolod is a four (4)-tower residential project that's part of a master planned CLI complex along Lacson Avenue. Within that development is a Citadines hotel, a commercial complex, and another three (3)-tower residential condominium of CLI garden series MesaVirre.

Casa Mira Towers Bacolod Towers 1 and 2 is now 100% sold, generating a sales value of ₱1.60 billion for 706 units.

Casa Mira Towers Palawan

CLI positioned its fastest selling brand in Palawan as it launched its first development in the city. The first four (4) buildings of Casa Mira Towers Palawan have 1,105 units and were able to generate ₱2.90 billion reservation sales from the expected ₱3.40 billion sales. The Palawan project has projected gross revenues of ₱6.00 billion from the seven (7) towers with Phase 1 set for completion in the last quarter of 2027.

Midori Residences

This zen-inspired twin-vertical mid-market residential condominium development is located in Mandaue City, Cebu. Its 22-sq.m. studio and 40-sq.m. 1-bedroom units were pre-sold at an average of ₱1.30 million to ₱2.60 million. Midori Residences is fully developed, completed, and fully sold out, with a total of 396 units having been sold.

Mivesa Garden Residences

Located in Lahug, Cebu City and launched in 2013, this 1.8-hectare development is a home to seven (7) mid-rise, mid-market residential buildings, and is designed as a garden-inspired community which has 60% open spaces within a convenient location. This is a three (3)-phase project with the first two (2) phases covering the first five (5) buildings. The first two (2) phases offered 937 units consisting of

studio, 1-bedroom and 2-bedroom units. Pre-selling started at ₱1.20 million for a 20-sq.m. studio unit, and up to ₱2.90 million for a 2-bedroom 48-sq.m. unit. Phases 1 and 2 are completed and delivered. Phase 3, which has a total of 576 units, is completed and its turn-over started in 2020.

Mivela Garden Residences

Mivela Garden Residences is a ₱5.30 billion project, located in Banilad, Cebu City, with four-towers and 1,585 condo units. The Best-Selling Garden Series development has generated strong buyer interest as it was 80% sold out after three weeks of selling. The project is close to major establishments and commercial spaces in the Banilad neighborhood of Cebu. Construction is underway and will be completed by the first half of 2025.

MesaVerte Residences

Launched in 2015, this is CLI's initial entry into the Mindanao market. It is located on an 8,740-sq.m. property in downtown CDO, Misamis Oriental, and 60% of the property is dedicated to open spaces. The project offers 20-sq.m. studio and 39-sq.m. 1-bedroom units which were pre-sold at ₱1.47 million and ₱2.88 million, respectively. The development is fully sold and completed.

MesaTierra Garden Residences

Located in Emilio Jacinto Extension, the heart of Davao City, this 5,094 sq.m. mid-market condominium has a total of 677 residential units priced between ₱1.60 million to ₱3.40 million. This development has various amenities like swimming pools, sky garden, playground, and workspace. This condo project is now completed and turned over.

MesaVirre Garden Residences

Launched in the first quarter of 2018, MesaVirre Garden Residences, a three (3)-tower mid-market condominium with 1,072 condo units, is CLI's first project in Bacolod. The project is only 17 minutes away from the airport, 3 kilometers from the Riverside hospital and situated near a number of malls.

Mandtra Residences

Mandtra Residences is a JV project between CLI and CHDI, Mandtra Residences offers living spaces from studio units and 1-bedroom units with balcony and terraces. This ₱3.00-billion project has a total land area of 12,405 sq.m., three (3) residential towers and a retail component in the common podium.

The East Village @ Davao Global Township

The East Village at DGT is the first residential development in the township with over 2,000 residential unit offerings spread across the six (6)-tower vertical village. The newly launched and sold-out four towers with a total of 1,474 units generated a sales value of ₱5.80 billion. The project immediately broke ground in the second quarter of 2022 and is scheduled for completion in the third quarter of 2026. The East Village is a project of YHEST Realty Development Corp., CLI's JV with the Yuson, Huang, and Tan families belonging to the Villa-Abrille families of Davao.

Asia Premier Residences

Launched in 2010, CLI's first vertical high-end residential condominium project is located at the Cebu IT Park, Cebu City. The development is also the first residential development in the area. The units ranged from studio units sized at 28 sq.m. and 3-bedroom units measuring 109 sq.m. Asia Premier Residences is fully developed and completed and has since sold out its 88 units.

Base Line Residences

This 201-unit residential condominium project is located in uptown Cebu City on Juan Osmeña Street. The project offered 23-sq.m. studio units at a pre-selling price of ₱1.59 million, while its 41-sq.m. 1-bedroom unit pre-sold at ₱3.15 million. The project was launched in 2011, and is fully developed and completed, with its 201 units having been sold out.

Base Line Premier

This development was launched in 2015 as one of the residential component of Base Line Center, a 1-hectare mixed-use development located along Juan Osmeña Street, Cebu City and right beside another CLI project, Base Line Residences. It has 379 units consisting of 24-sq.m. studio and 45-sq.m. 1-bedroom units. Studio units pre-sold at ₱2.22 million, while 1-bedroom units pre-sold at ₱4.16 million. Construction started in March 2016 and was completed in 2018.

Base Line Prestige

Within Base Line Center, this high-end residential condominium is the other residential tower to rise in the popular mixed-use development. The 351 units are accessible to various establishments. This tower has a range of amenities, from retail podiums, fitness gyms, pools, and playgrounds. Units for this project are being sold for ₱2.00 million to ₱10.00 million. The project is currently in its turnover phase to buyers.

38 Park Avenue

38 Park Avenue was launched last 2017 with a total of 764 units. This 38-floor New York inspired condominium is designed to be the highest building in Cebu I.T. Park. 38 Park Avenue presents five (5) types of condo residences: studio (24 sq.m.), one-bedroom (54 to 56 sq.m.), two-bedroom (80 sq.m.), three-bedroom (111 to 137 sq.m.), and penthouse (320 to 420 sq.m.). Turnover of the units to buyers is currently on-going.

One Astra Place Residences

Situated in the heart of A.S. Fortuna Street, one the major thoroughfares of Mandaue City, One Astra Place is the residential component of Astra Centre, a mixed-use development with residential towers, an upscale lifestyle mall, a Radison hotel, and modern office spaces. One Astra place is a 15-storey condominium that comes with amenities and features. Both the first and second residential towers were launched and are fully sold out to date. The project is scheduled to be completed by 2024.

One Paragon Place

This is a high-end residential tower integrated within The Paragon Davao, a master-planned development designed to be a lifestyle destination in Davao City. Standing 26 storeys-high, it has full range of amenities that residents can enjoy and units with panoramic views of the city. One Paragon Davao is currently 99% sold, with 547 units selling for ₱2.00 billion.

Terranza Residences

Terranza Residences is a partnership with International Builders Corp. under a JV called GGTT. The 33-storey Terranza Residences is CLI's second Iloilo City project. It is expected to be completed by 2025, bringing in as much as ₱2.40 billion in revenues. It will be home to 600 units on a 2,539-sq.m. property. The residential segment will offer one-bedroom units spanning 24 sq.m. to 174 sq.m., which may be combined, as well as penthouse units with 117 sq.m. of space to as much as 174 sq.m. The project will feature a sky lounge, a rooftop garden, a play area, fitness gym, and a helipad.

Costa Mira Beachtown Mactan

The first CLI resort living project, Costa Mira Beachtown, is located in Mactan, Cebu. The development consists of three (3) towers, the first two of which were launched in 2021 and are sold out. Because of the tremendous demand, two (2) more towers will be launched by mid-2025 and are scheduled to be completed by 2028.

Calle 104

Calle 104 is a JV project of CLI and Borromeo Brothers Estate, Inc. under CBLRV. It is located in Cebu City's Ramos and Ranudo streets. The 5,530-sq.m. property has two towers: Ramos Tower has 20

floors while Ranudo Tower has 18 floors. Ramos Tower has 325 studios and one-bedroom units, while Ranudo Tower has 192 studios and three-bedroom penthouse units. Prices of the units range from ₱3.50 million to ₱23.70 million. Calle 104, which was immediately sold-out during launch, will be completed by the fourth quarter of 2026 and is projected to bring ₱3.00 billion in gross revenues.

Costa Mira Beachtown Panglao

Costa Mira Panglao is CLI's second resort living condominium. The development is under the JV company CLI-LITE and is designed to have three towers beside the renowned Panglao beach. In November of 2022, the JV launched two towers with a total project value of ₱3.50 billion. The last tower opened for pre-selling in Q2 2023 while the whole development is set to complete by 2027.

Office Projects

In 2013, CLI opened its first office property, Park Centrale at I.T. Park Cebu, taking advantage of the growing BPO sector in Cebu. CLI's current strategy is to significantly expand its recurring revenue projects in order to deliver 200,000 sq.m. over the next five years in terms of GLA.

In 2020, the Company turned over Latitude Corporate Center, a Grade A office tower at the Cebu Business Park with a GFA of 21,000 sq.m. Building development for Astra Corporate Center (18,823 sq.m. GFA) and Patria de Cebu Office (4,562 sq.m. GFA) are currently ongoing.

Office buildings include Park Centrale Tower, Base Line HQ, Latitude Corporate Center, Astra Corporate Center, Patria de Cebu Office, and Masters Tower Cebu Office.

Park Centrale Tower

Park Centrale Tower is CLI's first office development. Located at the Cebu IT Park, the 19-storey office tower was launched in 2013 with a total GFA of 11,920 sq.m. and was completed in only two (2) years of construction. The project caters to both BPOs and executive offices. 60% of the office spaces were offered for lease, while the rest were fully sold as office condo units. In 2014, the project was awarded as the Best Commercial Development (Cebu) during the 2014 Philippines Property Awards ("PPA").

Base Line HQ

This project is the office component of the Base Line Center, a major mixed-used development of CLI. Similar to Park Centrale, the said project also caters to both BPOs and executive offices. CLI offers 57 of the 74 office units for sale, while the remaining were retained for the Company's growing leasing business. The strategic location attracted customers in the medical, legal, government, and outsourcing services.

Latitude Corporate Center

Latitude is a green building project registered with BERDE, the nationally accepted green building rating system used to measure, verify, and monitor the environmental performance of buildings that exceed existing mandatory regulations and standards in the Philippines. This 21,000-sq.m. (in GFA) development is a project of BL Ventures, a JV company of CLI and Borromeo Bros, Inc. With 24 storeys, Latitude will be the tallest office development at the Cebu Business Park. As the project developer and manager, CLI positioned this project as a three-product office development with BPO, enterprise and executive office offerings. The BERDE project was completed in 2020.

Astra Corporate Center

Part of the mixed-use project in AS Fortuna is Astra Corporate Center, the office leasing component of Astra Centre. The Office building is 15-storey high with a total of 18,823 sq.m. of GFA. The project is expected to be completed and be a source of leasing income for the Company by 2025.

Patria de Cebu Office

In 2018, CLI announced its partnership with the Archdiocese of Cebu to develop and operate a mixed-

use project on the 6,670 sq.m. property. This is based on a 40-year lease. The project will be a redevelopment of the existing Patria de Cebu, an old Spanish establishment to accommodate hotel, retail, and offices. It will have approximately 21,000 sq.m. of GFA, with 4,562 sq.m. (GFA) of office spaces. The project is expected to be completed and fully operational by the year 2025.

Masters Tower Cebu Office

On February 19, 2021, the Company unveiled its ₱4.00 billion skyscraper that is set to open in 2026. This mixed-use tower located on a 2,840 sq.m. area in the Cebu Business Park will have prime office component in anticipation of a robust economic recovery in the next few years.

The tower's office spaces from the eighth to the 12th floor anticipate the needs of locators who value efficiency and sustainability. The spaces will highlight horizontal louvers to reduce solar heat by almost 70% and to create a comfortable work environment. In addition to the louvers that reflect Cebuano craftsmanship, sky gardens in every floor and throughout the Leadership in Energy and Environmental Design ("LEED")-registered building adds a pleasant visual component to its occupants.

WorkNook

In January 2025, the Company has launched WorkNook, its first co-working space at Base Line Center in Cebu City, catering to freelancers, small businesses, and students seeking flexible workspaces. Designed for productivity and convenience, WorkNook offers private offices, co-working areas, and meeting rooms with premium amenities. This expansion strengthens CLI's commercial leasing portfolio, which saw a 47% year-on-year revenue increase, with more leasable spaces in the pipeline.

Hotel and recreational development

In addition to its residential and office developments, CLI has entered the hospitality business starting with the completion of its first hotel, Citadines Cebu City in September 2019.

The following are the projects under the hospitality business of CLI, its Subsidiaries and its associate Magspeak:

Hotel:	Citadines Cebu City, Radisson Red, Base Line Lyf Hotel, Citadines Paragon Davao, Citadines Bacolod, Mercure Hotel, Abaca Resort Mactan Cebu, and Sofitel Cebu City
Co-living:	The Pad
Resort:	Abaca Resort Mactan Cebu and Magspeak

Citadines Cebu City

Starting operations in September 2019, the project is an international serviced residence with 180 rooms of which 74 units were sold and 106 units were retained by the Company for recurring revenue. Citadines Cebu City is part of the mixed-use Base Line Center located in Juana Osmeña St, Cebu City, Cebu. It complies with international hospitality standards as it operates under the management of The Ascott Limited, the world's largest international serviced residence owner-operator.

Radisson Red

CLI partnered with another international hotel brand by signing a management contract with Radisson Hotel Group, one of the world's largest and most dynamic hotel groups, for the first Radisson RED in the Philippines. Radisson RED will be part of the Astra Centre, a major mixed-use development of CLI, along A.S. Fortuna St. in Mandaue City, Cebu. Radisson RED is intended to have 146 guest rooms with its unique designs and upscale select service offering, injects life into the hotel through informal services. The development is scheduled for completion and operations by 2025.

lyf Cebu

Launched in 2024, lyf Cebu occupies a portion of the third tower in Base Line Center. This 153-room serviced residence project targets the booming local and foreign millennial market in Cebu City. The hotel is managed by Ascott Limited, one of the world's leading international serviced residences under their eponymous lyf brand.

Citadines Paragon Davao

Located at General Douglas MacArthur Highway, Bucana Tolomo, Davao City, Citadines Paragon is a serviced apartment condotel which will be managed by Ascott. The hotel is designed to provide guests its world class amenities, such as a fully equipped kitchen, home entertainment, dining, and access to retail outlets. Citadines Paragon is set to open by 2025.

Citadines Bacolod

Citadines Bacolod is the first internationally branded hotel of Bacolod managed by Ascott Limited. The international hotel / serviced residences comprise 200 hotel units, an events hall, function rooms, meeting rooms, restaurants, bar and various hotel amenities within a 4,502 sq.m. property. The project opened mid-2024.

Mercure Hotel

In 2018, CLI announced its partnership with the Archdiocese of Cebu to develop and operate a mixed-use project on the 5,186 sq.m. property through a 40-year lease. The project will be a redevelopment of the existing Patria de Cebu to accommodate hotel, retail, and offices. This Filipino-Spanish inspired hotel development will cater to 167 guest rooms and is expected to be completed and fully operational by year 2025.

Abaca Resort Mactan Cebu

The all-suite Abaca Resort Mactan is a luxury resort in the Punta Engaño area of Mactan island that has received the highest ratings from global travel experts. With a footprint of 4,328 sq.m., the property is one of the few remaining prime properties in the area with an attractive oceanfront and just a short drive from the Mactan Cebu International Airport. CLI envisions the Abaca Resort Mactan to expand to a 125-room all-suite luxury development from its current nine rooms, to be completed in 2026.

In 2020, Abaca Boutique Resort in Cebu was nominated as Asia's Leading Boutique Beach Resort 2020 and Asia's Leading Boutique Resort 2020 in the 27th World Travel Awards.

Sofitel Cebu City

The first five (5)-star luxury hotel in Cebu will rise on one of the best corner properties with an area of 2,840 sq.m. in Cebu Business Park, Cebu City's primest central business district developed by Ayala Land. Sofitel Cebu City will be operated by multinational chain Accor, a world leading hospitality group headquartered in France. The sustainability of this LEED-registered building will be reflected in the design and operations of the 14th to the 32nd floors which will house the luxury hotel with 195 guest rooms, a grand ballroom, two restaurants, executive lounge, meeting rooms, roof deck, swimming pool, gym, and spa.

The Pad

In 2021, CLI signed a ₱360.00 million JV for a mixed-use development with co-living spaces and transient housing in Cebu near the IT Park. The Pad, with over 258 dormitory rooms, is currently turning over and was completed in 2023.

The Pad is the first entry of CLI on co-living spaces. The dormitory will have 258 semi-furnished rooms that can occupy three to four transients. The project is located along Banilad road, Cebu City which is strategically located near schools and BPOs. The Pad is integrated in the mixed-use development, Banilad Highstreet with retail and commercial spaces.

MagSpeak Resort and Villas

The 21-hectare mountain estate in Magsaysay Peak in Balamban, Cebu, with an elevation of 800 meters is owned by a JV company, MagsPeak, composed of CLI and Cebuano businessmen and fellow Caminoans, Bob Gothong, Segundino Selma Jr., Richard Ray King, and Douglas Gacasan. CLI is developing the project and will eventually operate it under its own management.

MagsPeak will be one of the starting points of the Camino de Cebu trail favored by pilgrims expressing their religious devotion. The MagsPeak to Compostela pilgrim trail is a 42-kilometer route traversing the mountainside of Manunggal Balamban down to the Municipality of Compostela, whose patron, St. James the Apostle, is also a featured saint in the MagsPeak chapel. The Camino de Cebu is based on the traditional Camino of Spain which is composed of several trails that converge on the city of Santiago de Compostela in northwestern Spain.

MagsPeak devotees can further immerse in a spiritual retreat inside the beautiful Our Lady of the Pillar Chapel which overlooks the mountains, or contemplate the 20 stations along the 800-meter-long Rosary Walk, or meditation quietly the Pieta in a garden inspired by Michelangelo or do penance by climbing the 14 stations of the Way of the Cross from the entrance to the top of MagsPeak.

MagsPeak's offers a unique hospitality experience managed by CLI's Hospitality arm, CLI Hotels & Resorts. Opening in 2025, the resort comprises 13 exclusive mountain villas and 20 hotel rooms highlighting views of the Balamban mountain landscape and the western Cebu seascape.

Mixed-use developments and Townships

With its growing brand, experience, and portfolio, CLI pursued larger scale developments in prime urban locations. They have a mix of residential, commercial, office, retail, and hospitality with MICE components.

Mixed-Use and Township:	Base Line Center, 38 Park Avenue, Astra Center, Paragon Center, Patria de Cebu, Banilad Highstreet, Masters Tower, Cebu; Manresa Town, Ming-mori Reclamation Project and Davao Global Township

Base Line Center

CLI's first major mixed-use development is the Base Line Center, a 1.6-hectare modern redevelopment in the heart of midtown Cebu. The Company removed the existing structures in the old Base Line, a well-known favorite gathering place of Cebuano families, and built a mixed-use development. The project started operations in 2019.

38 Park Avenue

CLI, through its JV, El Camino, acquired a 1.18-hectare property inside the Cebu IT Park, the largest remaining private property inside the prestigious address. This property, called 38 Park Avenue at the Cebu IT Park, will be transformed into a mixed-use urban park with a 38-storey residential tower and retail boulevard.

Astra Center

In 2017, CLI launched another major mixed-used development, the Astra Center, in the AS Fortuna Mandaue area, a growing commercial district and the major thoroughfare that connects Cebu and Mandaue. This medium-density project will feature a hotel, residential condo, office, and lifestyle mall.

Paragon Center

Another mixed-use development by CLI is the Paragon Center, a JV project in Davao that was launched in 2018. The development comprises the high-end condominium, One Paragon Place, Citadines Davao Hotel, a convention center, and a lifestyle retail strip.

Patria de Cebu

In 2018, CLI announced its partnership with the Archdiocese of Cebu to develop and operate a mixed-use project on the 6,670 sq.m. property through a 40-year lease. The project will be a redevelopment of the existing Patria de Cebu, an old Spanish establishment to accommodate hotel, retail, and offices. It will have approximately 21,000 sq.m. of GFA and is expected to be completed and fully operational by the year 2025.

Banilad Highstreet

CLI has inked a ₱360.00 million JV for a mixed-use development with co-living spaces and transient housing in Cebu nearby the IT Park. SPE, the JV company, has a long-term 20-year lease on a 7,500-sq.m. property along Banilad and nearby Cebu IT Park which houses several business process outsourcing firms. The JV is with the Farrarons family who owns two hotels and a strip mall in Cebu City. Banilad Highstreet will have commercial spaces, over 300 dormitory rooms, and other retail offerings.

Masters Tower Cebu

Set to be completed in 2026, it will offer prime office and retail spaces and the first five-star luxury hotel in the Queen City of the South. Sofitel Cebu City will be operated by multinational chain Accor, a world leading hospitality group headquartered in France. The groundbreaking of the LEED-registered Masters Tower Cebu took place in September 2021. CLI is aiming for the building's LEED Gold certification.

Manresa Town

Manresa Town is a 14.3-hectare mixed-use development that's envisioned to be a vibrant university town fully integrated with the Xavier University Masterson Campus of the Future. The campus and the adjacent university town is a collaboration between CLI and Xavier University-Ateneo de Cagayan. Manresa Town is designed to be complete with retail spaces, offices, and, most importantly, student and teacher friendly residential offerings.

Davao Global Township

CLI also entered into a JV to develop a central business district in Matina, Davao. The 22-hectare estate, called Davao Global Township, will be developed into a large-scale self-contained community with office, residential, mall and institutional uses. Its first residential condominium project, The East Villages is under construction.

Ming-mori Reclamation Project

CLI is working on the Ming-mori Reclamation Project in its pipeline projects. This master planned reclamation development covering 100 hectares was issued an ECC by the DENR on July 22, 2020, following a comprehensive two-year review. This project is a JV, MMDC, between CLI and UKC Builders. The techno business hub will be a township project to house light industrial facilities with residential, commercial areas and an integrated port facility and to generate over 75,000 jobs in the municipality while meeting sound environmental guidelines.

Competitive strengths

Leading property developer in VisMin, known for its distinguished brands and demonstrated resilience in project execution, evident during the challenges of the pandemic.

In 2024, an independent study by Colliers International reaffirmed CLI's leading position in the VisMin residential market. The study identified CLI as the top residential developer in the region, having the largest market share among real estate firms. The 19% overall residential share in net take-up value is an improvement from 16% market share in the previous year, indicating increasing consumer confidence and recognition in the market.

CLI has responded well to the increasing market demands of VisMin, outpacing other developers in finishing construction and delivering completed units to its customers. On average, CLI can convert raw land to a turned-over project in four to five years, depending on the project size.

The Company adopts a rigorous project management team approach, wherein key personnel from each business unit are given a regular platform to monitor project milestones and discuss important synergies and shared deliverables among business unit.

CLI had exhibited its capacity to execute project delivery during the height of the COVID-19 pandemic. Construction activity at the Company's 24 locations continued to advance at a modest pace while following local health protocols and required permitting to continue its site operations. This effort was motivated by the Company's dedication to deliver quality real estate developments on schedule to its customers. By the end of 2021, the economy had gradually reopened, allowing CLI to resume full swing in construction, with catch-up measures being implemented to make up for any delays brought about by the pandemic lockdowns.

Strategic location selection to provide value-for-money proposition to customers

The criteria for choosing a location for CLI are very rigid. The Company continues to be on the lookout for properties of high value appreciation potential. CLI's site quality has always been a catalyst for its excellent sales success, whether for a high-end condominium project or an affordable housing project. CLI has projects in the region's most valuable real estate major key areas in Cebu, Iloilo, Bacolod, CDO, and Davao. The Company looks at locations within a two-kilometer radius of the closest highway for its mid-market and affordable housing developments. The Company has enhanced the facilities in the neighborhoods where its housing developments are located. This has always proved to be a win-win for the residents as well as the local neighborhood.

CLI's experience with the city and its communities, as a native developer, allows the Company to choose the best locations for its projects and to cater to the market's needs and tastes. San Jose Maria Village, Balamban, CLI's first project, was established when CLI's founder, Mr. Jose R. Soberano III, recognized that there was a ready demand for affordable housing among employees of Balamban's manufacturing companies.

Because of CLI's proven track record, landowners who wish to sell or develop their properties jointly find it easier to approach and work together with the Company. This is evidenced by the number of proposals from landowners regularly received by CLI to buy or develop their properties.

CLI gives its clients more value for their investments. Its properties are distinguished by the quality of its locations, award-winning planning and design, generous amenities, timely and quality construction, and industry-best customer service, after-sales, and property management support at very competitive prices. The Company has a strong pipeline in various affordability levels and will strive to continuously improve its products' value proposition. As a success criterion and as practiced, CLI has always projected its initial pre-selling prices to appreciate by at least 20-25% by the time the construction is completed. As an indication of the positive market response, a number of its projects have set selling records in the markets where they are launched, and 98% of the inventory from its completed projects has been sold out.

Highly diversified and expanding project portfolio catering to diverse socio-economic markets

CLI is a fully integrated RED with a highly diversified expanding portfolio of residences, offices, retail spaces, hotels, mixed-use developments, and townships across 17 major locations in VisMin, which includes Greater Cebu, Bohol, Dumaguete, CDO, Davao, Iloilo, Bacolod, Ormoc, Butuan, Palawan, and Gensan, among others.

During the pandemic, the Company was able to maintain earnings stability because of its wide portfolio of projects that addressed the demands of consumers from various socioeconomic strata. In 2020, CLI expanded its affordable housing offerings to address the rising need for high-quality housing where everyone can feel safe and comfortable in their residence, which serves as a hub for work, school, and recreation.

With the market's growing need for safe and secure homes, CLI launched the "Embrace Home" campaign to emphasize the value of homes. CLI also quickly made available online platforms where buyers can purchase quality homes under flexible and comfortable payment terms and enticing promos. The Company took prompt action to continue its excellent services to its stakeholders, homeowners, and surrounding communities through technology. CLI quickly adapted to change to strengthen the Company's digital presence, to attend to the stakeholders' concerns despite all the limits COVID-19 has given.

Experienced management team and organizational culture

The Company aims to grow its workforce in line with high standards of professionalism, as it has over the last 20 years. The Group has grown from two employees to a dynamic team of 1,068 executives, managers, officers, and staff, with an average age 46 and over 250 years combined cumulative professional experience in their respective fields, who have contributed to the Company's culture of excellence and strong corporate governance. CLI's customer-first attitude and family-oriented team enables it to achieve high stakeholder satisfaction and establish strong brand equity.

CLI is led by a family of real estate professionals. Its founder, Chairman of the Board of Directors, President and CEO, Jose R. Soberano III, was a former executive at Ayala Land, where he played an integral role in the development of Cebu Business Park and Cebu IT Park, the two most valuable commercial districts in Cebu City up to this day. CLI has grown its talent pool with the addition of knowledgeable accounting and finance, business development, engineering, legal, marketing, and sales professionals with extensive experience and success in their respective professional careers. CLI's key executives have had prior experience in reputable companies from related industries such as real estate development, construction, power, banking, business process outsourcing, consulting, and others.

Corporate Social Responsibility

CLI's corporate social responsibility agenda is pursued through the CLFI, the CSR arm of the company, with focus on 1) Socialized Housing and Integrated Social Development, 2) Environment, 3) Education, and 4) Livelihood/Enterprise Development.

Socialized Housing Development and Integrated Development

CLI, through its socialized housing projects, provides decent and affordable housing to hundreds of homeless and informal settler families. To date, CLI's completed projects include Villa Casita Balamban, Pinamalayan Housing, and Villa Casita North. The Company has also contributed to public infrastructures such as access roads, drainage systems, public markets, and transport terminals.

To better tackle every growing housing backlog in the country and to incorporate more sustainable socialized housing projects within the city, in 2021, CLFI team created a three (3)-way collaboration among the Company, the Cebu City local government, and the Philippine National Government through the DHSUD in developing a 5-storey, 100-unit housing project for informal settlers, called Sugbo Walk up One located in Lorega San Miguel, Cebu City. Each dwelling unit has an area of 23.75 sq.m. Beneficiaries are informal settlers who live along rivers, creeks, coastal areas, and other danger zones.

Going beyond construction, CLI assisted partner LGU with the beneficiary selection, social preparation, and provided training in property management to prepare them for turnover and better integrate social development. The Company continues to assist the LGU in the pre-settlement process, providing guidance as the beneficiary community transitions from horizontal to vertical living. As of 2023, CLI has developed and turned over one mid-rise building to Cebu City LGU and has started constructing the next building with 90 units that will benefit informal settler families hit by a major fire incident in 2019 in Brgy. Tipolo, Mandaue City. CLI plans to develop more socialized housing projects in the Visayas-Mindanao region.

Education: LEAP Scholarship Program

In the area of education, the Company, through its corporate foundation, CLFI, launched the LEAP targeting CLI employee dependents. At present, CLI has 13 scholars taking up Architecture, IT,

Engineering and Business courses at the University of San Carlos. CLI continues to expand its education program to include community-based skills training for livelihood and employment for identified beneficiaries.

Environment: Ecosystems Protection

On the aspect of biodiversity management, CLI through its partnership with LGU and a Civil Society Organizations, has planted 242,335 trees, as of end of 2023. The tree-growing program serves to enhance local forest and mangrove sites and supports the livelihood of farmers and fisherfolks in various locations. In addition, CLI assisted coastal barangays in the Municipality of Minglanilla to fabricate and deploy trash trap systems in the area's major riverway, which has helped prevent waste from reaching the coastal waters. CLI continues to engage and support farmers and fisherfolks organizations through its tree growing and other environmental initiatives under the GROW program.

Enterprise Development / Livelihood

CLI, through the foundation's program known as LAMBO, provides assistance to local start-up small businesses in some of the Company's neighbouring communities. In 2022, the Foundation assisted one of the homeowners' associations in a relocation site in Brgy. Paknaan, Mandaue City through the formation of a consumer's cooperative. CLI provided guidance on the coop formation requirements and livelihood training sessions to prepare the coop for its small business. In 2023, CLI assisted a vegetable farmers' cooperative BUKID-Multi-purpose Cooperative in Brgy Sunog, Balamban, Cebu by providing resources and by promoting and patronizing their farm-fresh produce. The coop has benefited from the monthly '*Tabo sa CLI*' events that cater to the needs of CLI employees, customers, and homeowners. This farm-to-market program benefited the farmers with higher income and is expected to expand with more residential communities to be served. Brgy. Punta Engano is also among the communities assisted by the Foundation by organizing the womenfolk into a barangay-registered organization which will be the Company's beneficiary for livelihood programs in Lapu-Lapu City, Cebu. CLI provided seed funds for livelihood through its Community Entrepreneurial Challenge benefiting two communities in Mandaue City and one in Punta Engano, Lapu-Lapu City.

CLI continues to create value for its communities as it strengthens its relationship with 21 key cities and municipalities, particularly in 48 barangays across the VisMin regions.

Strategic JV partnerships

CLI takes pride in its ability to collaborate with and deliver great value to its JV partners. CLI is the project manager and developer in all its JVs. These JVs enable the Company to position itself in strategic locations such as Cebu Business Park through BL Ventures, and Cebu IT Park through El Camino.

CLI's JV partnerships are typically of a closer and more collaborative nature than the norm, where it treats its JV partners as true and equal business partners. Its collaboration results in better-suited products in the markets they are launched in, while benefiting from the market intelligence of its partners. Product execution and delivery are also improved by leveraging the professional and regulatory networks of its partners.

Collaborating with a JV partner also facilitated the Company's forays into new markets such as Davao, Bacolod, and Iloilo. After the success of MesaTierra, the Company entered into new partnerships with YHES to develop Paragon Center and with YHEST to develop Davao Global Township, both in Davao.

Another JV company, CHDI with Ixidor Holdings, Inc. as a partner, is set to develop a mid-market, mixed-use, multi-tower condominium project in Mandaue City, Cebu as its first project. It is called Mandtra Residences. It has also acquired a strategic landbank in Talamban, Cebu, just outside the prestigious Prisinta North subdivision, from Aboitiz Land. The project is a high-end, mid-rise mixed-use development currently in the planning and design stages.

After the success of Latitude Corporate Center, CLI and Borromeo Bros. partnered afresh to develop another project in another prime location within Cebu City. CBLRV was incorporated in 2020 to develop a mixed-use multi-tower residential condominium in Ramos Cebu City.

Additionally, CLI recently signed a JV agreement with prominent Iloilo businessman Alfonso Tan, chairman of International Builders Corporation, for a high-rise residential tower on a prime corner lot in Iloilo City's downtown area. The tower will be the first condominium offering in the highly accessible location.

CLI created two (2) JV partnerships in 2021. SPE was formed to build the 7,500-sq.m. property. A great location along Banilad Cebu City will be transformed into a mixed-use development with retail spaces and a 300-room dormitory. In addition, the Company formed CLI-LITE, a JV with Jun Lim of Lite Shipping Corp., to develop 4 has. of property in Panglao, Bohol, into a residential condominium project launched in 2022 and 2023.

In October 2023, CLI entered into a partnership with NTTUDA, an international developer known for commercial properties, including office buildings, residences, and mixed-use developments in Southeast Asia. This JV is geared towards the development of premium-grade residential towers in the heart of Cebu City.

The Company's successful JV partnerships in its past and present projects underscores CLI's prominence as a preferred JV partner because of the priority it gives to its partners, its transparency in terms of project planning and accountability, and its quick execution and delivery of projects. The fast business development cycle it implements makes the Company attractive to its current and future JV partners.

Financial strength: Strong profitability, prudent financial management and a healthy balance sheet

CLI's Net Profit to its shareholders has increased at a compound annual growth rate of 24.3% from its first public offering in 2017 to the recent full year 2023. The Company has continually proven great profitability and prudent financial management throughout its expansion. CLI's gross profit and Net Profit increased steadily while maintaining good margins and debt management discipline.

For the year ended 2021, CLI recorded ₱2.61 billion Net Profit attributable to Parent shareholders, an increase of 42% from ₱1.85 billion y-o-y. CLI's topline grew by 35% to ₱11.16 billion from ₱8.30 billion in 2020 driven by significant construction accomplishments and robust sales, which have further resulted in a ₱25.00 billion or 23% increase in unrecognized revenue for future recognition, based on its audited financial statements. The Company also maintained prudent debt management during the year. The Net Debt to Equity ratio remained at modest levels standing at 1.72x while lowering the cost of borrowing to 4.75% from 4.96% in 2020.

In 2022, CLI recorded Net Profit to Parent shareholders of ₱3.17 billion, an increase of 21% from ₱2.61 billion in 2021, the remainder after tax adjustments for the year were factored out.

In 2023, CLI showcased a commendable financial performance, reporting a consolidated Net Profit of ₱4.64 billion. This figure reflected a significant y-o-y increase of 29% from the previous period's ₱3.61 billion. Furthermore, the Net Profit attributable to the Parent company of CLI demonstrated a solid growth of 13%, reaching ₱3.58 billion compared to ₱3.17 billion in the same period last year. The notable earnings expansion can be attributed to the Company's robust performance across all revenue streams which led to CLI's Revenues increasing by 20% to ₱18.82 billion from ₱15.66 billion the previous year. This is supported by higher construction progress and higher sales take-up. Using the weighted average of 3,465,201,467 shares, EPS was ₱1.03 for the year 2023 as compared with the same period last year of ₱0.92, a 12% increase.

As of September 30, 2024, the Company demonstrated a steady topline in the first nine (9) months of 2024, with Revenues increasing by 9% to ₱14.11 billion from ₱12.93 billion in the same period last year. This growth was driven by lot sales and expansion across all business segments, highlighting robust market demand. Consequently, the company sustained its earnings momentum with Net Profit to Parent, rising from ₱2.18 billion to ₱2.32 billion - reflecting a 7% normalized growth year-on-year in alignment with the updated PFRS.

The Company also prides itself in its cost discipline. While CLI utilizes contractors for its projects, it purchases its own raw materials and employs a dedicated project management team to ensure that

quality and costs meet the Company's requirements.

CLI also has one of the most organized and responsive accounts receivable and customer support departments in the industry. The delinquency rate improved to 2.58% in September 2024 from 1.15% from September 2023, 3.82% in 2022, and 5.21% in 2021.

CLI also has a dedicated accounts management team who facilitates the take-out process, whether through a bank mortgage or a cash payout for the contract balance.

In respect of its debt management, CLI endeavors to match its debt maturity profile with the cashflow it is generating from the very projects being funded. CLI's cash cycle is typically four to five years depending on the project type. So especially in a rising interest rate environment, the proceeds to be raised from the Bonds are intended to be a means to carry out CLI's ongoing strategy of moving its debt maturity profile towards the longer end of the curve and at the same time mitigating the impact of higher borrowing costs since the Bonds involve fixed interest rates.

Operational excellence

CLI has a fully integrated real estate set-up encompassing different areas, namely, acquisitions, business development, technical planning, engineering and project management, sales and marketing, documentation and licensing, legal services, customer service, and property management. The Company prides itself on its hands-on and personalized approach, which allows itself to respond effectively to its clients and industry partners.

Construction

For each horizontal and vertical development, CLI engages various general and specialty contractors with both local and national experience. With over 200 engineers in its roster, CLI handles the project and construction management aspect of every project and manages the various contractors and sub-contractors that are utilized. As the project manager, CLI controls the delivery of its projects with priority on promptness, quality, and professionalism. CLI does not have any in-house construction or any affiliated general contracting business.

Sales

CLI has one of the industry-leading sales support teams. With over 73 sales support personnel, this team collaborates, coordinates, and supports the over 11,000-strong accredited broker/agent network of CLI. This is CLI's strategy in working harmoniously with the seller community by assisting the brokers 24/7 from sales origination to closing. CLI works alongside brokers in addressing the client inquiries until closing.

Key Strategies

Expansion to key cities in the VisMin

Regional Developments:

Bohol	: Velmiro Plains Bohol Ph1-2
Dumaguete	: Casa Mira Coast, Casa Mira Dumaguete Ph1-2
Bacolod	: MesaVirre Garden Residences A-C, Casa Mira Granada, Velmiro Plains, Casa Mira Towers Bacolod T1-T4
Iloilo	: Casa Mira Iloilo, Terranza residences
Palawan	: Casa Mira Towers Palawan T1-T4
Ormoc	: Casa Mira Ormoc

CDO	: MesaVerte Garden Residences, Velmiro Uptown CDO, Casa Mira Towers, Velmiro Heights CDO
Davao City	: MesaTierra Garden Residences, The Paragon Center, Davao Global Township, Casa Mira Towers LPU, The East Village T1-T4 Casa Mira Homes Davao, Mindara residences

In 2015, CLI embarked on its regional expansion when it launched MesaVerte Residences in CDO. This is the mid-market condominium offering of CLI with three 15-storey residential towers having a total of 798 units which almost sold out in less than a year of pre-selling. In 2018, the Company then introduced its mid-market horizontal project in the same city – Velmiro Uptown CDO. The subdivision's master plan shows an inventory of 396 units intended to meet the housing demand in the area.

In CDO, the Company set up its first satellite sales, administrative, and engineering offices. The Company found a unique advantage in being homegrown, as it can distinguish itself further in these new regional markets with similar local dynamics as that of Cebu's.

In 2016, CLI successfully set its foothold in Davao by launching MesaTierra Garden Residences, a 22-storey residential condominium.

In 2017, CLI strengthened its market presence in Davao by entering into two (2) new JVs to develop the Paragon Center and Davao Global Township, a 22-hectare estate project. The Company then launched Casa Mira Coast, a 5-hectare property in Sibulan, Negros Oriental. After the successful launch of its first Casa Mira brand outside Cebu, CLI expanded its footprint from Negros Oriental to Negros Occidental by introducing MesaVirre Garden Residences, a three-tower residential condominium project in Bacolod City.

In 2018, the Company launched Astra Center, its first mixed-used building in Mandaue, Cebu. The Astra Centre is composed of Astra Centre Mall, Radisson RED, One Astra Place and Astra Corporate Centre.

In 2019, the Company acquired Abaca Resorts Mactan and Lowaii Marine Cebu Resort in Mactan, Cebu to increase revenues from its hotel segment. CLI entered into a JV with an Aboitiz Company, to develop Mandtra Residences, a mid-market, mixed-use, multi-tower condominium project in Mandaue City, Cebu.

In 2020, CLI sets footprint in Bohol and Iloilo with the successful launching of Velmiro Greens Bohol, a 3.6-hectare modern mid-market horizontal development in Jaro Daus, Panglao, Bohol, and Casa Mira Iloilo, 14.4-hectare economic subdivision project in Jaro, Iloilo City with 1,188 housing units. With the fully take-up Casa Mira Coast in Sibulan, Negros Oriental, the Company launched Casa Mira Dumaguete, a 6.1-hectare project to develop 586 economic horizontal housing units. CLI also launched Casa Mira Towers LPU, a 930-unit economic condominium project, as a housing option for students in Lyceum of the Philippines University.

In 2021, CLI launched its first project in Ormoc, Casa Mira Ormoc is the first Casa Mira brand in Leyte. It has a very strategic location, and it offers affordable townhouse units with very generous payment schemes. Casa Mira continues to expand to major key cities in VisMin and is launching its first project in Eastern Visayas. Casa Mira Homes Ormoc is a 9.13-hectare residential subdivision in Brgy. Luna Ormoc City.

In 2022, CLI purchased 17.2 hectares of land in Butuan City to be developed into Casa Mira Butuan by Q1 2024. During 2023, the company also expanded to General Santos City by purchasing 21 hectares of land. The company envisions launching both its Casa Mira and Velmiro brands as entry points to the Gensan market. To date, planning and permitting is ongoing for the said project.

CLI has several strategic land acquisitions lined up in greater Cebu, Bacolod, CDO, and Davao. CLI continues to pursue its aggressive plans to establish and deliver quality developments across the VisMin region. Strengthening its expansion in Luzon, CLI has opened its first regional office outside the

VisMin region, located in Makati City, to support its growth and operations in the area.¹⁴ Further, CLI is actively engaged in negotiations with landowners in NCR and Greater Manila Area as part of its strategic efforts to expand its footprint in Luzon.

Building recurring income developments

As CLI set its sight on a long-term growth trajectory, the Company is committed to growing its recurring income portfolio. In 2013, CLI launched its first office building in Cebu IT Park. The project, Park Centrale Tower, was designed to host both BPO and executive offices (office condominium units). With its Grade A design and features, Park Centrale Tower was awarded as the Best Commercial Development in Cebu in the 2014 PPA.

In 2015, CLI made another significant step in growing its recurring income portfolio when it launched its Phase 1 of Base Line Center, a redevelopment of one of the largest remaining properties in the prime midtown Cebu area. The project is a mix of retail, office, hotel, and residential project.

In 2016, CLI launched Latitude Corporate Center, a JV development under BL CBP Ventures Inc. This is a 24-storey Grade A office building offering future-ready spaces for businesses with a 13,000 sq.m. GLA.

In 2017, the Company launched 38 Park Avenue, a residential high-rise project with 3,000 sq.m. of retail space located in the last 1.18-hectare patch of green in Cebu I.T. Park, one of the Philippines' top 20 prime real estate properties.

In 2018, the Company launched Astra Center, a mixed-use development located in Mandaue City designed to have a boutique mall, hotel, office, and residential tower adding over 30,000 sq.m. GLA.

The first hotel business of the Company started operations in September 2019 allowing CLI to recognize a new stream of revenue from the segment. Citadines Cebu City, the 180-room condotel, is operated and managed by Ascott International Management Pte Ltd., the world's largest international serviced residence owner-operator.

In 2021, CLI launched Masters Tower, the project is a 31-storey hotel and office tower that will establish a destination within Cebu Business Park and bolster Cebu's status as an international city. It will be the tallest tower in the district, with over 7,000 sq.m. of Class A office space and the first 5-star hotel in Cebu, Sofitel Cebu City. The property is located on a 2,840-sq.m. area in the Cebu Business Park and will be among the top three tallest structures in the metropolis, which would top off at 192 meters above sea level.

CLI's current recurring income assets include BPO floor space, executive office space, residential units, and various commercial and retail units in its condominium projects. These assets are now delivering a lease income to CLI amounting to ₱113.55 million as of September 2024 with their combined GLA of 40,575 sq.m. At present, the Company's rental leased rate is at 71% after the newly delivered spaces from Latitude Corporate Center, DGT Drive thru, Banilad High street, Baseline Center new wing, 38 Park Avenue, Casa Mira Towers Guadalupe were substantially leased out. Several under construction commercial developments that will further boost its recurring income includes Astra Center, Patria de Cebu, DGT Commercial Center, Masters Tower among others. These new developments are designed to boost the recurring income of the Company by 2025 by integrating a hotel, commercial center, office, and residential tower into one development.

Vertical integration – property management services

On April 20, 2017, CLPM, a wholly owned subsidiary of the Company, was incorporated to provide property management services to housing, condominium and office projects developed by the Company. With the goal of making CLPM a self-sustaining and revenue generating business unit, CLPM is envisioned to eventually offer and expand its services to outside clients. Currently, CLPM is managing 30 projects with revenue for the period ending December 31, 2023, 2022, and 2021 are

¹⁴ See CLI expands to Luzon with new Makati office available at <https://www.philstar.com/the-freeman/cebu-business/2025/01/27/2417183/cli-expands-luzon-new-makati-office>.

₱59.22 million, ₱55.47 million, and ₱42.97 million respectively. During the first nine (9) months of 2024, property management fees reached ₱45.86 million.

Growing the affordable housing brands (Casa Mira, Mirani, and Garden Series)

The Casa Mira brand of CLI is designed to answer the underserved demand in the affordable housing sector. And even after the pandemic, Casa Mira remained CLI's fastest selling and most sought-after brand. Unit prices range from ₱1.80 million to ₱3.00 million. Correspondingly, the monthly amortizations range from as low as ₱6,000.00 to as high as ₱15,000.00. This caters to households with monthly incomes of ₱15,000.00 to ₱30,000.00.

Despite the pandemic, strong housing demand in VisMin enabled CLI to sell a number of housing units from Casa Mira which accounted for 69% of the Company's reservation sales in 2020 amounting ₱14.23 billion. In 2021, as the economy reopens, demand for the Casa Mira brand remains resilient, accounting for 41% of the ₱16.52 billion reservation sales that the Company recorded during the year. In 2022, Casa Mira accounted for 32% or ₱5.88 billion of the total reservations sales for the year. With the new launches in 2024, Casa Mira segment led the sales with 52% of total sales during the nine months of the year, primarily from Casa Mira Davao, Casa Mira Danao, and Casa Mira Towers in Palawan and Bacolod.

The Garden Series, targeting the mid-market segment, which open open spaces and well-designed homes, are available in both vertical and horizontal product lines. The Company foresees a growing demand for new, well-built, well-planned, and strategically located homes for the mid-market segment – homebuyers who can afford a monthly equity payment of ₱8,000.00 to ₱15,000.00 and an annual income of ₱400,000.00 to ₱800,000.00.

By 2025 onwards, CLI will roll out the Casa Mira and Garden Series brands in its newly acquired expansion sites in Butuan and Gensan, and also in existing sites as additional phases and towers. The Company sees this as a great opportunity to tap into the classes B, C, and D markets where most of the working population belongs to. With the Philippines' young and growing workforce, the need for affordable permanent housing options will continue to escalate.

Capitalizing on pipeline projects

CLI continues to position for growth with a robust pipeline of over 11 projects valued at ₱24.80 billion slated for the upcoming year. Underlining its commitment to expansion, CLI continues its proactive search for high-potential landbank across VisMin, ensuring a continuous and strategic approach to securing opportunities for future development. This foresighted land acquisition approach solidifies CLI's position for sustained growth and innovation in the real estate sector.

Establishing and leveraging strategic partnerships, alliances, JVs, and cooperation

CLI will also continue to pursue local partnerships that will serve to enhance its expansion plans. The Company has proven that strategic alliances can provide a winning formula for securing strategic locations and entering new markets for as long as the JVs are executed with best practices. Its existing JVs are BL Ventures, CCLI, Cebu BL-Ramos Ventures Inc., CHDI, CPH, El Camino, GGTT, MGR, YHESPH, YHEST, YES, and YHES.

SPE and CLI-LITE, Inc. are CLI's new JV agreements for 2021. In addition, the business expanded its stake in MMDC from 20% to 78%, making it the JV's project manager and principal developer.

In October 2023, CLI initiated a strategic partnership with NTTUDA, a Japanese entity recognized for its expertise in developing commercial properties such as office buildings, residences, and mixed-use developments across Southeast Asia. This collaborative venture is specifically designed for the development of premium-grade residential towers situated in the heart of Cebu City. The partnership between CLI and NTTUDA signifies a shared commitment to delivering high-quality real estate solutions and marks a significant milestone in elevating the standards of residential developments in the region.

Corporate Organization

CLI is presently engaged in real estate-related activities such as real estate development, sales, leasing, and property management. Its real estate portfolios include residential condominium units, subdivision house and lots, and townhouses as well as hotels, office projects, retail spaces, and townships.

In 2016, AB Soberano, formerly AB Soberano International Corporation, one of CLI's stockholders, assumed control of CLI by acquiring an additional 400,000,000 shares of CLI and became the parent company of CLI. ABS is a holding company and is incorporated and domiciled in the Philippines. The registered office and principal place of business of AB Soberano is located at 2nd Street Villa San Lorenzo, Quijada Street, Barangay Guadalupe, Cebu City.

On January 6, 2017, the board of directors approved CLI's application for the registration of 1,714 million of its common shares with the SEC and application for the listing thereof in the PSE. The board of directors' approval also covered the planned initial public offering of 430 million unissued common shares of CLI. CLI's shares were listed in the PSE on June 2, 2017.

On February 26, 2021, the Company increased its authorized capital stock to ₱10.00 billion common shares and ₱100.00 million voting preferred shares.

On July 14, 2021, CLI distributed stock dividends of 123% per share. This resulted in an increase in total outstanding shares after the stock dividends to 3,461,851,997. This is net of the total shares held under treasury as of the end of December 31, 2021, amounting to 161,600,000 shares.

On January 4, 2024, the SEC issued and released the Certificates of Filing of Amended Articles of Incorporation, both dated December 29, 2023, which approved CLI's applications for amendment of its Articles of Incorporation to create a new class of preferred shares through the reclassification of 1.0 billion unissued common shares with a par value of ₱1.00 per share to 1.0 billion Series "A" preferred shares with a par value of ₱1.00 per share. The SEC applications are in line with the approval of the Board of Directors during the special board meeting held on April 25, 2023, and approval of the Stockholders during the Annual Stockholders' meeting held on June 1, 2023 on the amendment of Article VII of CLI's Articles of Incorporation, including the creation of the new class of preferred shares. As a result of the reclassification and amendment of the Articles of Incorporation, CLI's authorized capital stock now comprises ₱9.00 billion common shares, ₱1.00 billion Series "A" Preferred Shares, and ₱100.00 million Series "B" Preferred Shares.

Article VII of CLI's latest Amended Articles of Incorporation grants to its Board of Directors the express authority to determine, fix, and approve all other features, salient and commercial terms, issuance and redemption features, and all other terms and conditions of the Series "A" preferred shares, including any tranche or sub-series thereof.

In relation thereto, and during its special board meeting held on January 8, 2024, the CLI Board of Directors approved and authorized the Company's public offering of 3,000,000 Series "A" Preferred Shares with an oversubscription option of up to 2,000,000 Series "A" Preferred Shares at an offer price of ₱1,000.00 per share. The CLI Board of Directors also approved the terms and conditions of the offer shares during the same board meeting.

On April 12, 2024, the Company successfully raised ₱4.28 billion through the sale of Series A-1 and Series A-2 preferred shares. The shares were listed on the Philippine Stock Exchange (PSE) under the ticker symbols CLIA1 and CLIA2. The offering was 1.43 times oversubscribed relative to its firm offer amount, with dividend rates set at 7.59% p.a. for Series A-1, which may be redeemed by CLI after four (4) years, and 8.25% p.a. for Series A-2, which may be redeemed by CLI after seven (7) years, from their issue date.

Due to CLI's continued strong financial performance, the Board of Directors declared a regular dividend of ₱0.15 per share and a special dividend of ₱0.03 per share on March 18, 2024. These dividends were distributed to shareholders of record as of April 17, 2024, with payment made on May 3, 2024.

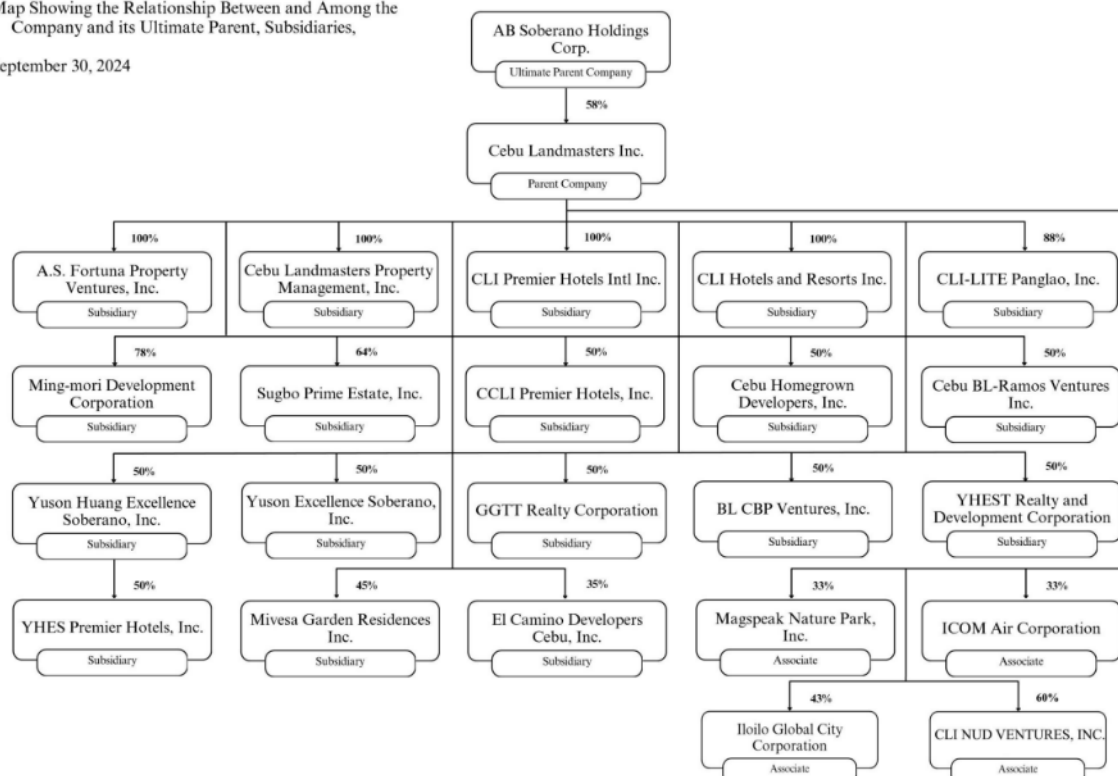
CLI and its Subsidiaries are not involved in any bankruptcy, receivership, or similar proceedings, and

have no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

Subsidiaries and Affiliates

Corporate structure

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between and Among the
Company and its Ultimate Parent, Subsidiaries,
September 30, 2024



The Company holds ownership interests in the following Subsidiaries and associates as of December 31, 2024:

Entity	Effective Percentage of Ownership	
	2024	2023
<i>Subsidiaries</i>		
(1) A.S. Fortuna Property Ventures, Inc. (ASF)	100%	100%
(2) CLI Hotels and Resorts, Inc. (CHR)	100%	100%
(3) CLI Premier Hotels Intl. Inc. (CPH)	100%	100%
(4) Cebu Landmasters Property Management, Inc. (CLPM)	100%	100%
(5) CLI-LITE Panglao Inc. (CLI-LITE)	88%	88%
(6) BL CBP Ventures, Inc. (BL Ventures)	50%	50%
(7) Yuson Excellence Soberano, Inc. (YES)	50%	50%
(8) Yuson Huang Excellence Soberano, Inc. (YHES)	50%	50%
(9) YHEST Realty and Development Corporation (YHEST)	50%	50%
(10) CCLI Premier Hotels, Inc. (CCLI)	50%	50%
(11) YHES Premier Hotel Inc. (YHESPH)	50%	50%
(12) Mivesa Garden Residences, Inc. (MGR)	45%	45%
(13) El Camino Developers Cebu, Inc. (El Camino)	35%	35%
(14) Cebu Homegrown Developers, Inc. (CHDI)	50%	50%
(15) Cebu BL-Ramos Ventures, Inc. (CBLRV)	50%	50%
(16) Ming-Mori Development Corporation (MMDC)	78%	78%
(17) GGTT Realty Corporation (GGTT)	50%	50%
(18) Sugbo Prime Estate, Inc. (SPE)	64%	64%

Entity	Effective Percentage of Ownership	
	2024	2023
<i>Associates</i>		
(19) Magspeak Nature Park, Inc. (Magspeak)	25%	25%
(20) Icom Air Corporation (ICOM)	33%	33%
(21) Iloilo Global City Corporation (IGCC)	43%	-
(22) CLI NUD Ventures, Inc. (CLI NUD)	60%	-

- (1) ASF was incorporated as a JV on March 9, 2017 to facilitate the acquisition of a 9,989-sq.m. property along AS Fortuna Avenue for the development of the Astra Center Mandaue, a mixed-use development in the AS Fortuna Mandaue area that will house a hotel, residential, and office development and a boutique mall. CLI acquired all the ownership interest of its business partners at the end of 2017 which made ASF its wholly owned subsidiary as of December 31, 2017. Its principal office is located on the 10th Floor, Park Centrale Tower, J.M. Del Mar St., Cebu IT Park, Brgy. Apas, Cebu City.
- (2) CHR was incorporated on August 4, 2022 as a wholly-owned subsidiary of CLI and is engaged to run and manage the Group's various hotel projects. Its principal place of business is located in Cebu City. As of December 31, 2022, CHR has yet to start commercial operations.
- (3) CPH, a wholly owned subsidiary of the Company, was incorporated on August 26, 2016 to take charge of Citadines Cebu City and the Company's future hotel developments. The commercial operations started on September 14, 2019. Its principal office address is at 10th Floor, Park Centrale Tower, J.M. Del Mar St., Cebu IT Park, Brgy. Apas, Cebu City.
- (4) CLPM, a wholly owned subsidiary of the Company, was incorporated on April 20, 2017, to provide property management services initially to housing and condominium projects developed by the Company. It is envisioned to eventually offer and expand its services to outside clients. CLPM started commercial operations on September 1, 2017. Its principal office address is at 10th Floor, Park Centrale Tower, J.M. Del Mar St., Cebu IT Park, Brgy. Apas, Cebu City.
- (5) CLI-LITE was incorporated on July 19, 2021, as an undertaking by CLI and two other corporations for the development of a mixed-use project with residential condominiums and a possible hotel component in Panglao Island, Bohol. The principal place of business of CLI-LITE is located in Cebu City.
- (6) BL Ventures was incorporated on February 3, 2016, to develop Latitude Corporate Center, a 24-storey office development at the Cebu Business Park. BL Ventures was a JV of the Company and Borromeo Bros, Inc. Its principal office address is at AB Soberano Bldg., Salvador Ext., Labangon, Cebu City.
- (7) YES was incorporated on December 15, 2016 to mark the Company's entry into the Davao market. It is a JV between the Company and Yuson Comm. Investments Inc. to undertake the development of MesaTierra Garden Residences, a 21-storey residential condominium, and two other mixed-use projects in Davao City. It will also engage in real estate brokering to facilitate the marketing and sale of the JV developments in Davao. Its principal office address is at Suite A, 204 Plaza De Luisa Complex, 140 R. Magsaysay Ave., Davao City.
- (8) YHES was incorporated on November 10, 2017, to develop the Paragon Davao, a 1.9-hectare property in Riverside Davao. The development will become a mixed-use real estate which will include a residential, retail, hotel, and convention center. YHES Inc., is a JV of CLI, Yuson Strategic Holdings Inc., and Davao Filandia Realty Corp. Its principal office is located at MesaTierra Garden Residences Showroom, E. Quirino Avenue, Davao City.
- (9) YHEST was incorporated on August 10, 2018 to develop the Davao Global Township. It is a JV between CLI, Yuson Strategic Holdings Inc., Davao Filandia Realty Corp., Plaza De Luisa Development Inc., Yuson Newtown Corp., and Davao Primeland Properties Corp. Its principal

address is at MesaTierra Garden Residences Showroom, E. Quirino Avenue, Davao City.

- (10) CCLI was incorporated on November 12, 2018, as an undertaking between CLI and Capitaine, Inc. for the development of Citadines hotel in Bacolod City. The Citadines hotel is planned to be managed by Ascott. The principal place of business of CCLI is located at 2nd floor MesaVirre showroom in Bacolod City.
- (11) YHESPH was incorporated on October 28, 2019, as a wholly owned subsidiary of YHES that will engage in hotel business. Its ultimate parent is CLI which owns 50% of YHES. YHESPH has not yet started its commercial operations.
- (12) MGR was incorporated on March 13, 2017 to develop Towers 6 and 7 (Phase 3) of Mivesa Garden Residences, a real property development project located on a 3,000-sq.m. property to be registered in the Company's name. Its principal office is located on the 10th Floor, Park Centrale Tower, J.M. del Mar St., Cebu IT Park, Brgy. Apas, Cebu City. CLI holds a 45% stake in MGR.
- (13) EL Camino was incorporated on August 15, 2016, to develop a 1.17-hectare property inside the Cebu IT Park, and to construct (1) 38 Park Avenue at the Cebu IT Park, a 38-storey high-end residential condominium, and (2) Park Avenue Corporate Center, a Grade A office building with over 20,000 sq.m. of leasable area. Its principal office address is at Base Line Center, Juana Osmeña St., Brgy. Kamputhaw, Cebu City. The Company has a 35% stake in El Camino.
- (14) CHDI, a JV of Aboitiz Land and CLI, was recently incorporated on December 5, 2019 to develop a high-rise mixed-use condominium complex, with sellable and leasable units, in a 12,405 sq.m. lot area in Mandaue City, Cebu. The Company has a 50% stake in Aboitiz CLI Cebu Developers, Inc.
- (15) CBLRV was incorporated on February 21, 2020, as an undertaking between CLI and BBEI and is engaged in the development of a mixed-use condominium tower in Cebu City. Its principal place of business is located in Cebu City.
- (16) MMDC was incorporated on August 1, 2013, to undertake and execute land reclamation projects, submit bids, and accept awards for reclamation projects, and manage, hold, and sell reclaimed land and other real property. MMDC is the private consortium that has proposed to undertake the Ming-Mori Reclamation Project of the Municipality of Minglanilla, which involves the development of the Minglanilla TechnoBusiness Hub, a 100-hectare techno-business park in the progressive town of Minglanilla, a mere 30 minutes away from Cebu City. The Company has increased its stake to 78% from 20% in MMDC in 2021. This transaction enabled CLI to become the project manager and principal developer of the reclamation project.
- (17) GGTT was incorporated on March 26, 2003 and is engaged to construct a residential condominium project in its principal place of business in Iloilo City. On June 16, 2020, CLI acquired 50% ownership in GGTT to obtain a controlling interest in the company, however, the transaction was accounted for by the Group as an asset acquisition as discussed in Note 7 in the Audited Financial Statements. During the first quarter of 2021, GGTT started commercial operations, and is now considered as a subsidiary of CLI.
- (18) SPE was formed in 2019 as a one-person corporation and was converted into an ordinary stock corporation ("**OSC**") after entering into a JV with CLI on March 4, 2021, for the development of a dormitory with retail and warehouse spaces. The principal place of business of SPE is in Cebu City.
- (19) Magspeak was incorporated on October 21, 2011, to acquire, lease and develop lands into nature and eco-tourism parks in Balamban Cebu, and to manage, and operate the same. CLI holds a 25% stake in Magspeak.
- (20) ICOM was incorporated in December 2020 as an undertaking of CLI and various individual stockholders to import aircraft(s) and operate a transportation business in the Philippines. ICOM's principal place of business is located in Iloilo City.

- (21) IGCC was incorporated in 2023 as an undertaking between CLI and two other corporations and is engaged in the development of a mixed-use condominium tower in Iloilo City. Its principal place of business is also located in Iloilo City.
- (22) CLI NUD was incorporated on April 5, 2024 as an undertaking among CLI and NTTUDA for the development of a condominium project in Cebu City. The principal place of business is located at Cebu City. Despite CLI's legal ownership of 60% of CLI NUD, CLI NUD was accounted under equity method because half of its ownership in CLI NUD is classified as held for sale.¹⁵ The 30% will be sold to another purely Filipino entity.

CLI also has an 18% stake in Tagbilaran Waterfront Development Corporation, which was incorporated on July 4, 2019 as a joint undertaking for the development of a reclamation project in Bohol.

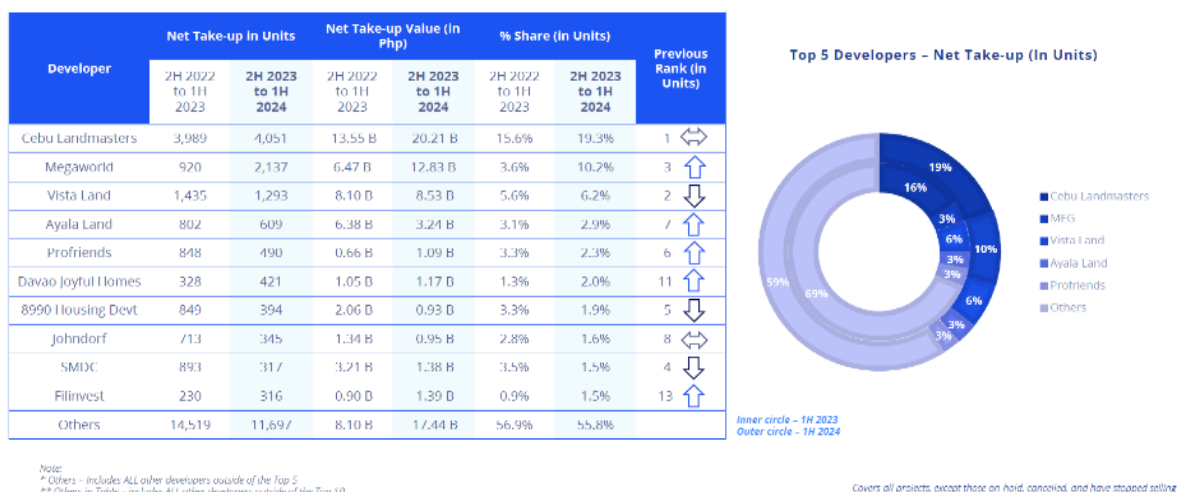
On February 20, 2025, CLI received a digital copy of the SEC Certificate of Incorporation for CLI MAC Developers, Inc. ("**CLI MAC**"), dated the same day. CLI MAC is a joint venture between the Company and Martinez Agricultural Corporation ("**MAC**"), with the Company holding a 60% ownership interest and MAC holding 40%. The joint venture aims to develop properties into a mixed-use project featuring residential condominiums and a retail component.

On February 26, 2025, CLI's Board of Directors also approved the establishment of another wholly-owned subsidiary, CLI Luzon Ventures, Inc., subject to its formal incorporation and registration with the various government regulators.

Real Estate Landscape in VisMin

Based on Colliers Philippines' 2024 Real Estate Market Study, it was reported that CLI remained as "*The Leading Residential Developer in VisMin*", with the largest market share based on net sales take up among real estate firms that provide condominiums and house and lot projects in the region. The 2024 study shows that CLI leads the residential market with a 19% share of the overall residential market of the region. This is a 3% increase from last year's 16% share from the market research areas.

Figure 1. VisMin Residential Market Share

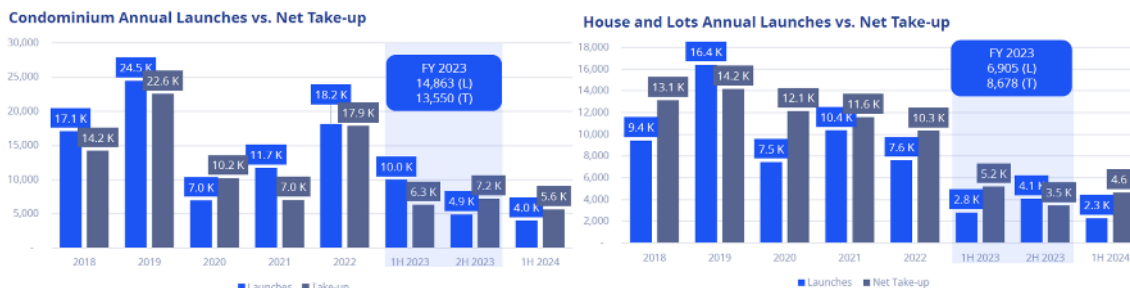


Source: Colliers Philippines

¹⁵ Legal control of CLI NUD remains with CLI. While the other shareholder does not exercise control over CLI NUD, it retains approval rights over certain corporate actions.

Figure 2. Launches vs. Net Take-Up

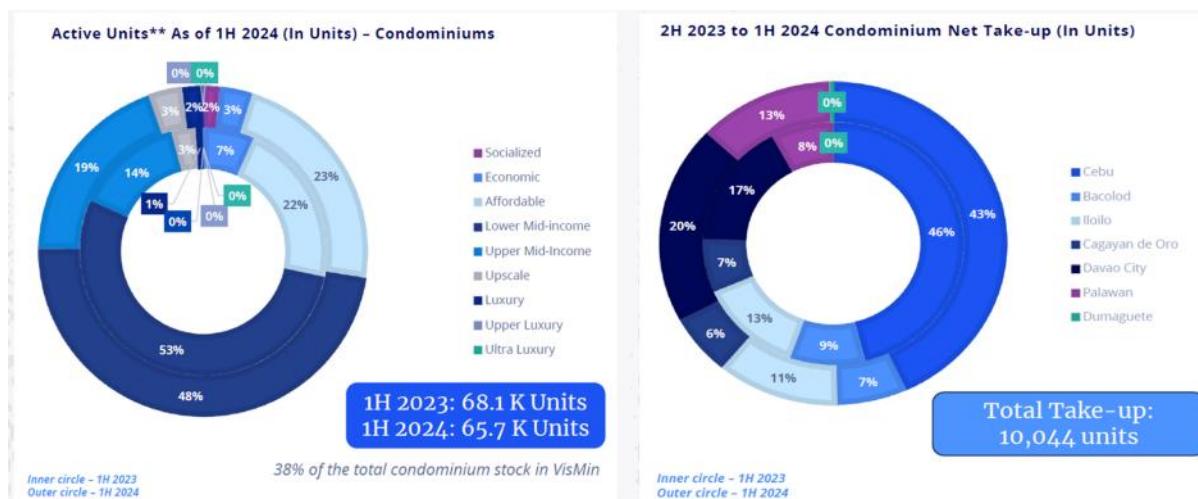
The 2024 Colliers Market Study also shows that launches are still on a downward trend due to increasing prices of land.



Source: Colliers Philippines

Figure 3. Supply of Condominiums

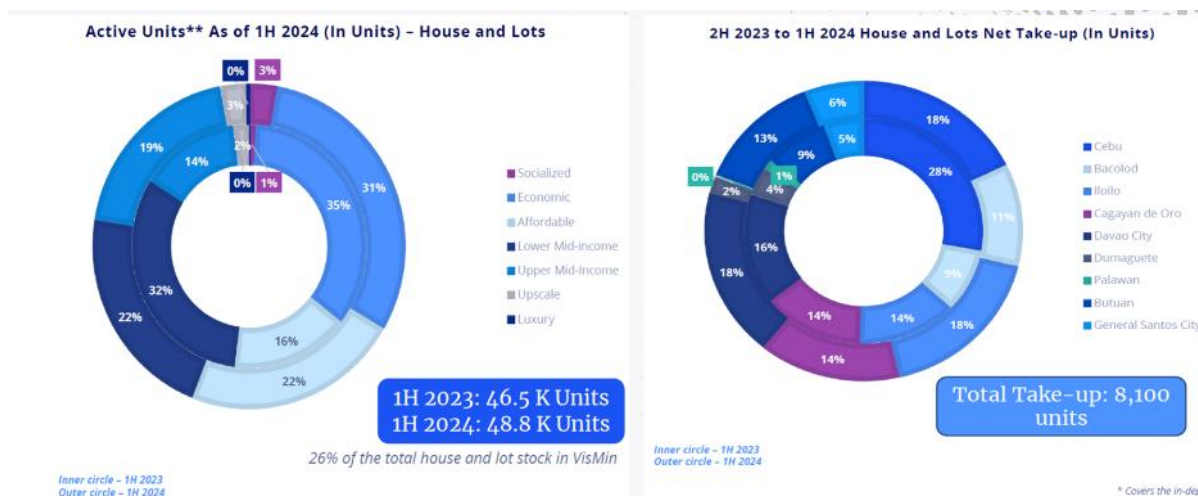
Overall condominium supply is largely for the lower mid-income market, with bulk of take up from Cebu.



Source: Colliers Philippines

Figure 4. Supply of House and Lots

26% of H&L supply in VisMin are active and are largely for economic & lower mid-income markets, with bulk of take up from Cebu



Source: Colliers Philippines

Figure 5. Pricing and Performance - Vertical Market (Including Palawan)

Among the research areas, Davao has the highest average price per sq.m. followed by CDO. Cebu comes third.

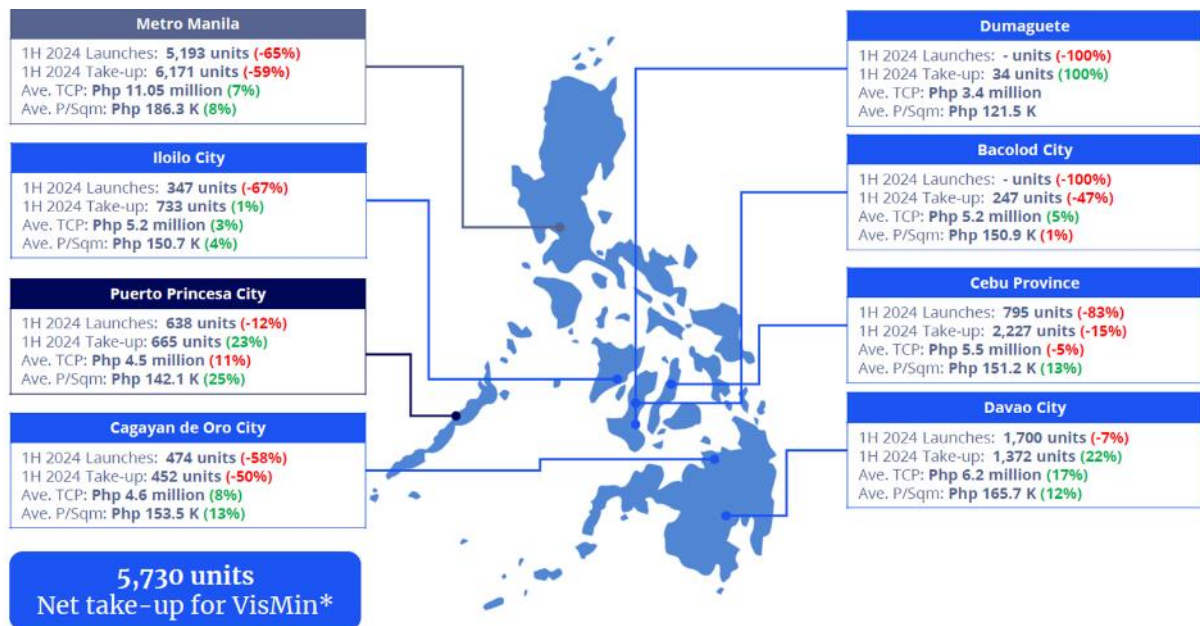


Figure 6. Pricing and Performance - Horizontal Market (Including Palawan)

Among the research areas, Davao has the highest average TCP followed by Cebu.

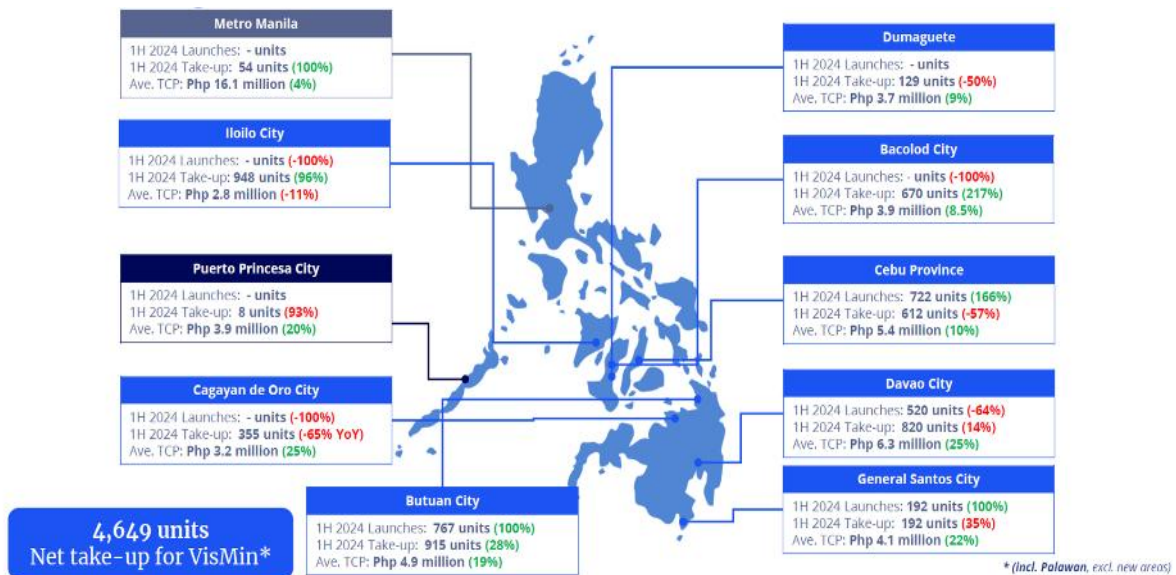


Figure 7. Cebu Office Supply, Demand and Vacancy

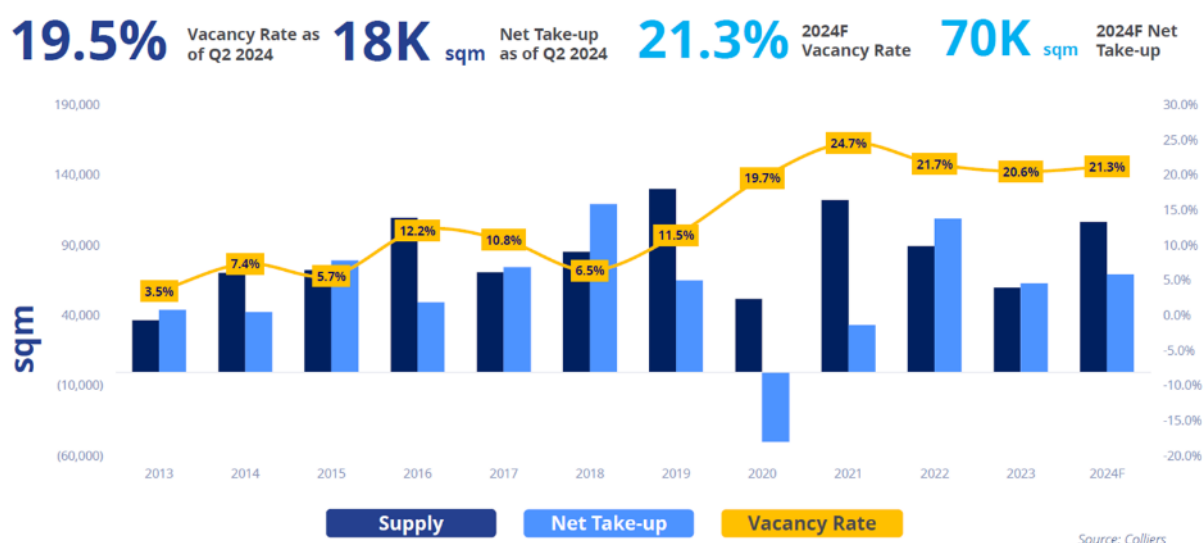


Figure 8. Hospitality Overall Stock and Breakdown in Metro Cebu

A total of 81 establishments remain operating after the pandemic in Metro Cebu, with Cebu City still having the greatest number of hotels with 45. Mandaue meanwhile, recorded the lowest number with 10 hotels.

Bulk of the establishments are 3-star hotels, with a total of 55 hotels falling under this category. This is enough to account for 68% of the total identified stock in terms of count.

This is also evident when looking at Cebu City alone, with 60%, or 27 of the total identified hotels in the city being 3-star hotels.

Looking at the available rooms, a total of 11,943 rooms were identified in the Tri-City of Cebu, with Cebu City accounting for 6,528 rooms or 55% of the total stock.

Again 3-star hotels dominate the market accounting for 49% (5,836 units) of the identified room stock.

Location / Star Rating	Number of Operating Rooms	% Share in the market	Location / Star Rating	Number of Operating Rooms	% Guest Rooms	% Suite Rooms
Cebu City	6,957	47%	Cebu City	6,957	90%	10%
5-Star	1,081	16%	5-Star	1,081	93%	7%
4-Star	2,542	37%	4-Star	2,542	89%	11%
3-Star	3,334	48%	3-Star	3,334	89%	11%
Lapu-Lapu	6,374	43%	Lapu-Lapu	6,374	84%	16%
5-Star	1,548	24%	5-Star	1,548	92%	8%
4-Star	1,277	20%	4-Star	1,277	59%	41%
3-Star	3,549	56%	3-Star	3,549	89%	11%
Mandaue City	1,523	10%	Mandaue City	1,523	87%	13%
4-Star	810	53%	4-Star	810	79%	21%
3-Star	713	47%	3-Star	713	96%	4%
Grand Total	14,854		Grand Total	14,854	87%	13%

Source: Colliers Philippines

Competitors

CLI is within the field of top industry players and local developers across its product range. The Company goes head-to-head with national players such as Vista Land, Megaworld Corporation, SM Development Corporation, Ayala Land Inc., 8990 Holdings, Aboitiz Land Inc., and DMCI Holdings Inc.

The Company also competes with established local developers in Cebu, and other parts of VisMin, like Profriends Inc., Primary Homes Inc., Wee Community Developers Inc., Johndorf Ventures Corporation,

and Grand Land Inc.

The Company's direct competitors in the different markets tend to be the local developers entrenched in those cities. But the Company's advantage is the breadth and quality of its offerings while delivering them at the same competitive price points in their respective markets.

CLI uses its fundamental competencies – hands-on personalized service, local (*i.e.*, VisMin) real estate experience, strategic location selection, and responsible development – as well as its aggression, business productivity, and best value projects – to leverage itself against competitors.

Suppliers

Through a pre-qualification and bidding procedure, CLI obtains construction materials and services from third-party suppliers and partners both locally and nationally that fulfill the Company's stringent quality requirements. The Company does not foresee a shortage in raw materials or services for its operations as it establishes strong partnership with various stable and resilient suppliers and contractors.

The Company evaluates suppliers who can deliver the best value at the highest quality and at the lowest cost through its supply chain management team. CLI also selects suppliers that can provide safe and on-time delivery, as well as the ability to adapt and innovate in order to suit the Company's needs. Simultaneously, the Company has the appropriate internal controls, organizational structure, and financial sustainability to ensure the supplier's continued delivery as contracted.

On a project-by-project basis, the Company engages contractors to do land development and project construction. While CLI used to outsource architectural and engineering services for all its projects, the Company began undertaking engineering and architectural design to be developed internally allowing the Company to save on costs.

The following are the Company's top contractors and suppliers:

Supplier	Product / Service
Steelasia Manufacturing Corporation	Manufacturer of Deformed Bars
Vic Enterprises	Supplier of Cement & Hardware Materials
Filmon Hardware, Inc.	Sanitary and Hardware Materials
WSG Properties of Visayas, Inc.	Supplier of Cement, Rebars, & Hardware Materials
Phelps Dodge Philippines Energy Products Corp	Supplier of Electrical Wires and Cables
Worldwide Interiors Design Center	Supplier of Finishing Materials
Matimco Incorporated	Supplier of Wooden Doors
Cohaco Merchandising & Dev.	Supplier of Cement
Cebu Oversea Hardware Co., Inc	Supplier of Finishing Materials
Emerald Vinyl Corp.	Manufacturer of PVC Pipes
Dakay Construction & Development	General Construction Works
Carwill Construction Incorporated	General Construction Works
Castcrete Builders Inc	General Construction Works
Young Builders Corporation	General Construction Works

Supplier	Product / Service
Fasclad Inc.	Glass and Aluminum Works
JITS Construction Corporation	General Construction Works
IVM Phils. Services & Contractor	Electrical Works
RKF Industrial & Installation	Plumbing/Sanitary Works
Cigin Construction & Development KPI Elevators, Inc.	Land Development Works Conveying Systems

As mentioned above, CLI engages third-party suppliers and contractors through a pre-qualification and bidding procedure thus, CLI is not and does not anticipate to be dependent upon one or limited number of suppliers and contractors.

Construction Contracts

For each horizontal and vertical development, the Company engages various general and specialty contractors with both local and national experience. Majority of the Company's construction contracts pertain to general construction works and house construction. For this purpose, the Company executes standard construction contracts which contains provisions governing the relationship, rights, and obligations of the parties, including the contractor's scope of work, bonds and insurances, completion time, and responsibility of the contractor for any damage or destruction of works until final acceptance.

With over 170 engineers in its roster, the Company handles the project and construction management aspect of every project and manages the various contractors and sub-contractors that are utilized. As the project manager, the Company controls the delivery of its projects with priority on promptness, quality, and professionalism. The Company does not have any in-house construction or any affiliated general contracting business.

Customers

CLI caters to several real estate categories – residential, retail, offices, and hotels. Among the four categories, the Company's experience in the industry has been primarily focused on residential development which comprises 83.68% of total current projects.

Of the Company's real estate developments, 28% of CLI's horizontal and vertical projects serve the needs of the mid-market. Fast-selling projects like Midori Residences, Midori Plains, Velmiro Heights, Mivesa Residences, MesaVerte Garden Residences, Velmiro Uptown CDO, and Mivela Garden Residences show the growing demand for new, well-built, well-planned, and strategically located homes for the mid-market segment. CLI's mid-market clients are those who can afford a monthly equity payment of ₱8,000.00 to ₱15,000.00 and an annual income of ₱400,000.00 to ₱800,000.00.

The Company also caters to the upper-mid market segment who can afford a monthly equity of ₱15,000.00 to ₱20,000.00 and earning ₱1.00 million to ₱3.00 million annually. These market segments prefer units at a price range of ₱5.00 million and above.

Casa Mira and Garden Series, CLI's best-selling brands, comprise 32% and 54% of the Company's reservation sales during the nine (9) months of 2024. High-end residential developments are at 10%, driven by the ongoing sales from Costa Mira Beachtown Mactan and Panglao.

Employment Profile	%	Citizenship	%	Marital Status	%
Locally employed	58%	Filipino	97%	Married	43%
OFW	30%	Foreigner	3%	Single	50%

Employment Profile	%	Citizenship	%	Marital Status	%
Self-Employed	12%			Others	7%

For its leasing business, the Company's top lessees include BPO companies, supermarkets, service providers and food establishments.

CLI is committed to continuously addressing the growing needs and demand of the market in each segment the Company caters to. CLI aims to constantly innovate, and remain consistent with the quality of the developments, the selection of location and the hands-on service that goes along with it.

The Company has over 216,000 different live sales contracts and no single contract accounts for 20% or more of CLI's sales. These are all different and distinct individual buyers.

CLI has a wide customer base and thus, is not dependent on a single or a few customers. Consequently, the Company is of the view that the loss of one or a few customers (e.g., cancellations of purchase, lease contracts) will not have a material adverse effect on the Company and its Subsidiaries.

CLI uses standard Contracts to Sell for the sale of its units, whether house and lot, condominiums, condotels, or offices. It contains all the necessary terms and provisions until such time that a deed of absolute sale can be executed by both parties. A deed of absolute sale is executed upon the complete submission of necessary documents, full payment of the purchase, the proper subdivision of the mother titles and other such necessary administrative procedures to ensure the eventual transfer of the individual title to the respective buyers. No one sales contract contributes to more than 1% of the Company's overall revenues.

Leases for retail spaces within CLI's mixed-use developments, as well as office spaces within its office developments are generally short-term ranging from one to three years, with renewability clauses. Leases are fixed rates with predetermined escalation clauses. No one leasing contract or tenant group contributes to more than 1% of the Company's overall revenues.

Related Party Transactions

RPTs are transfers of resources, services, or obligations between CLI and its Subsidiaries (the "Group") and its related parties, regardless of whether a price is charged.

Below are RPT transactions of the Company as of September 30, 2024:

Name of Related Party	Nature of Relationship	Net Receivable (Payable) Balance as of 30 September 2024	Other relevant terms (e.g., nature of RPT; repayment)
BL Ventures	Subsidiary; JV	104,977,076.05	Management fees and shareholder loans
El Camino.	Subsidiary; JV	9,179,068.96	Management fees
YES	Subsidiary; JV	2,730,886.94	Management fees and intercompany advances
CBLRV	Subsidiary; JV	3,047,147.92	Management fees and shareholder loans
CHDI	Subsidiary; JV	34,816,240.34	Management fees and shareholder loans
GGTT	Subsidiary; JV	25,893,247.67	Management fees and shareholder loans
CPH	Subsidiary; JV	65,197,898.38	Management fees and shareholder loans
YHES	Subsidiary; JV	2,341,011.12	Management fees and intercompany loans
YHEST	Subsidiary; JV	12,795,630.71	Management fees and intercompany loans

Name of Related Party	Nature of Relationship	Net Receivable (Payable) Balance as of 30 September 2024	Other relevant terms (e.g., nature of RPT; repayment)
CLI-LITE	Subsidiary; JV	1,326,783.59	Management fees
SPE	Subsidiary; JV	2,601,275.18	Management fees
MGR	Subsidiary; JV	17,173.73	Management fees
Total		₱264,923,440.59	

The Group's RPT also includes advances to related parties, real estate sales to the ultimate parent company, real estate sales to key management personnel, key management personnel compensation, and CLI's retirement fund.

Advances to related parties pertain to cash advances to shareholders, entities under common ownership and associates. Balance as of September 30, 2024 amounts to ₱51,378,201.00 and is presented as due from related parties in the consolidated statements of financial position.

Real estate sales to the ultimate parent company include CLI's sales of condominium units to AB Soberano. Outstanding balance as of September 30, 2024 amounts to ₱1,120,954,534.00 and is presented as part of Contract Receivables under the Receivables account in the consolidated statements of financial position.

Real estate sales to key management personnel include CLI's sales of condominium units to key management personnel. No outstanding balance as of September 30, 2024.

Key management personnel compensation pertains to short term benefits and post-employment benefits totaling ₱108,715,050.00 for the quarter ended September 30, 2024.

CLI's retirement fund for its defined post-employment plan is administered and managed by a trustee bank. The fair value of plan assets consists of the contributions to the plan and interest earned. The plan assets do not comprise investment in any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Pursuant to CLI's RPT Policy, related parties include: (a) a person or close member of that person's family who has control or joint control of the Company; or is a key management personnel of the Company, its parent, subsidiaries or affiliates; (b) a substantial shareholder, who is any person who is directly or indirectly the beneficial owner of more than 10% of any class of its equity security; (c) an entity is a related party if it and the Company are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others); the entity is an associate or JV of CLI or vice-versa, or an associate or JV of a member of a group of which the other entity is a member; the entity is a post-employment benefit plan; the entity has a management contract or any arrangement granting power to the Company to direct or cause the direction of management and policies of the entity, or vice-versa.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form. The Office of the CFO, together with the Compliance Officer, undertakes regular identification, review, and evaluation of the Company's related parties and RPTs, which are submitted to the Board RPT Committee either for information or approval, depending on whether the RPT breaches the RPT threshold set by the Company or is otherwise a Material RPT.

Pursuant to its RPT Policy, CLI sets an RPT threshold of ₱50.00 million. RPTs involving an amount of at least ₱50.00 million, or its equivalent are submitted to the RPT Committee for review and pre-approval. If approved, these are then endorsed to the CLI Board for subsequent approval and/or ratification.

All RPTs breaching the ₱50.00 million threshold have been approved by the RPT Committee and CLI Board, and as supported by its respective minutes of meetings and committee/board resolutions. For

the period ending September 30, 2024, this included the approval of shareholder advances to related party JV entities, and procurement of contracted services from other related parties.

Further thereto, CLI also observes the 10% Material RPT threshold as prescribed by the SEC. Material RPT pertains to any RPT, either individually or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of CLI's total assets based on its latest AFS.

All individual material RPTs and aggregate material RPTs shall be approved by at least two-thirds vote of the Board of Directors, with at least a majority of the independent directors voting to approve the material RPT. In case a majority of the independent directors' vote to approve the material RPT is not secured, it may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. Before the execution of a material RPT, the Board may appoint an external independent party to evaluate the fairness of the terms thereof and evaluate if the transaction is done on normal market terms. Within three calendar days from the execution of any material RPT, CLI, through the Corporate Secretary, shall submit an Advisement Report to the SEC.

Other RPTs not breaching the ₱50.00 million RPT threshold, or the 10% Materiality threshold are still required to be disclosed and reported to the Board RPT Committee through quarterly RPT reports prepared and presented by the CFO and the Compliance Officer, for information purposes only. RPTs of this nature do not require approval of the RPT Committee and/or the Board of CLI.

Please refer to the discussion on "*Certain Relationships and Related Transactions*" under the section on "*Management and Certain Security Holders*".

Government approvals/regulations

The Company and its Subsidiaries secure various government approvals, permits, and licenses required and necessary for their business operations, including their respective projects, as part of their ordinary course of business. CLI does not foresee any material adverse effect of existing and future government regulations on the business of CLI and its Subsidiaries.

As of the date of this Offer Supplement, CLI and its Subsidiaries have obtained the required and necessary material governmental approvals, permits, and licenses issued by the relevant government bodies or agencies. For those required for specific ongoing projects, CLI or the relevant Subsidiaries has either secured such governmental approvals, permits and licenses or is currently processing said permits and are pending issuance by the relevant government agency.

The effects of existing and probable governmental regulations on the business are further discussed in the section "*Regulatory Framework*."

Project Development

The table below refers to the amount spent on project development activities, and its percentage to revenues during each of the last three (3) fiscal years.

In Million Pesos (₱)	As of nine (9) months ended September 30	As of the years ended December 31		
	2024	2023	2022	2021
Revenue	₱14,112	₱18,818	₱15,657	₱11,162
Capital Expenditures on Project Development	₱6,838	₱10,536	₱7,625	₱7,792
Ratio	48.45%	55.99%	48.70%	69.81%

Capital Expenditures refers to actual cash disbursements made by the Company on its developments.

Health, Safety, and Environmental Matters

The Company is subject to a number of laws and regulations relating to the protection of the

environment and human health and safety, including those governing air emissions, water, and wastewater discharges, and odor emissions and the management and disposal of hazardous materials. The Company applies its quality standards uniformly across all its production and distribution facilities.

Effect of Compliance

Companies are faced with a high cost of compliance, but in general the benefits outweigh the cost. For FY2023, the costs of compliance with environmental laws and development of green features and other initiatives to mitigate environmental impacts amounted to more than ₱40.33 million recorded as part of operating expenses and as project cost. The capitalized costs primarily pertain to costs on sewage treatment plants electro-mechanical system works, green building certifications, construction of material recovery facility, solid waste recycling, topographic survey, geotechnical investigation/engineering and geohazard assessments, soil investigation, drainage impact assessment, tree growing program and other expenses related to the ECC post conditions compliance requirements, while the operational costs pertain to permits and licenses. .

Given the scale of the Company's operations, environmental compliance is a means for CLI to ensure that impacts of environmental risks are mitigated. The Company's land development activities have direct impacts on the environment. The Company's use of materials, water, and waste can affect soil and water as well as biodiversity and habitats while emissions from construction and operations have an impact on air quality.

In response to the Company's potential environmental impacts, CLI established a team dedicated to managing and monitoring compliance. The External Affairs / Permits and Licenses Department, the Company's Strategic Business Units, and CLI Property Management and Engineering ensure that the Company complies with relevant environmental laws. The Company's in-house Pollution Control Officers submit a quarterly Self-Monitoring Report and bi-annual Compliance Monitoring Report to the DENR-Environmental Management Bureau ("**EMB**").

The Company neither had recorded cases of nor received sanctions for non-compliance with environmental laws and/or regulations in 2023. This attests to the effectiveness of the Company's mechanisms in ensuring compliance. In the future, the Company aims to improve its system by investing in internal training and third-party advisories to monitor full compliance to the environmental laws and regulations and correct any non-compliance issues that may occur.

For CLI, compliance to sustainability, particularly environmental, social, and governance standards and regulatory requirements has helped the Company make better and more efficient decision making. This exercise has served to reinforce CLI's risk assessment and management. Social and environmental data baselining and compliance monitoring have supported the establishment of the Company's sustainability strategy aligned to its enterprise risk management.

CLI continues to work towards business process improvement and business model innovation and explore strategies on how sustainable practices can best be applied or embedded in the value creation process. All these add value in the process of risk identification and mitigation, thereby reducing identified corporate risks.

ESG Reporting Process and Governance



Being a publicly listed company, CLI has complied with the requirements of the SEC on the aspect of Sustainability and Environmental, Social and Governance (“ESG”) reporting. CLI published its first Integrated Report covering 2022 performance. Having been able to systematically account its positive and negative impacts, the Company’s financial, natural, social, manufactured, and human capitals and other non-financial metrics have driven the Company to identify aspects that are most material to the business and to its stakeholders, thereby having the mindset of going beyond compliance, through process improvements that allow the Company to reduce its negative impacts and increase its economic contribution in the local communities where it conducts business.

Enhancing Brand Value and Market Leadership

Reporting on financial and non-financial metrics draws the attention not just of investors but also of its consumers. The Company recognizes that society demands more companies serve a higher purpose than just delivering a strong financial performance. By complying with the requirements of balanced reporting, the Company’s stakeholders and the external public are informed about its impacts, performance, and contributions. Compliance with social, environmental, and other regulatory and statutory requirements has propelled CLI to develop more products, more than half of which are addressing a housing demand in the VisMin region. CLI believes that its compliance submissions have helped it to maintain a strong presence in the VisMin markets.

With the Company’s strong relationships with partner LGUs, broker community, and its JV partners, CLI is considered a trusted brand. CLI has 19% market share in the VisMin in terms of overall net-take up of residential units for vertical and horizontal developments, according to a survey undertaken by Colliers Philippines in the first half of 2024. As a result, CLI has strengthened its position as the leading residential developer in the VisMin region.

CLI has responded well to the increasing market demands of VisMin, outpacing other developers in finishing construction and delivering completed units to its customers.

In 2024, an independent study by Colliers International reaffirmed CLI's leading position in the VisMin residential market. The study identified CLI as the top residential developer in the region, having the largest market share among real estate firms. With a 19% overall residential share in net take-up value, CLI continues to grow market share in key VisMin cities, indicating increasing consumer confidence and recognition in the market.

This success was further validated at the PropertyGuru Philippines Property Awards, where CLI was

named Best Developer in Mindanao for the fourth consecutive year, among other notable awards and commendations from various institutions. The company's commitment to high governance standards was also acknowledged with a 2 Golden Arrow award from the ICD for the second year running, further reinforcing CLI's reputation for sound corporate governance.

CLI Workforce, Customers, and Communities

On the aspect of talent acquisition, being purpose-driven and compliant to regulatory and statutory requirements, especially on labor laws, has definitely given CLI a competitive advantage. By defining the Company's priority areas through a materiality process, CLI is provided guidance and as a result the Company is able to attract and retain top caliber talents. Employee engagement activities use themes that relate to sustainability, safe, and healthy workplace practices, and cultivating a culture of innovation among departments and cross-functional teams. All these programs help attract, continue to develop, and retain talents within the organization.

On the aspect of health and safety, CLI recognizes that consumer behavior has dramatically changed in recent years, especially with the onset of the pandemic. Society has been driven to pay more attention to health, safety, and environmentally healthy lifestyle. Compliance and reporting on DOLE-mandated safety protocols and other pandemic response programs have resulted in better work conditions, lesser exposure to diseases and COVID-19 cases, reduced absences and therefore, better productivity which result in better operational and financial performance.

While CLI grows its business, it has built and strengthened its relationships by partnering with local communities and complying with requirements of LGUs and national government agencies. This serves as the Company's social and relationship capital that gives it social license to do business in the local area.

Resource Use, Managing Impacts, and Biodiversity Management

With the significant increase in oil price brought about by the Russia-Ukraine war and with continuing water supply issues in the local areas, there is a need to reduce the Company's resource consumption, including the need to be less energy-dependent. The necessity of introducing energy and water saving initiatives was further driven by the Company's data management tools that will allow it to target reduction of energy and water use in its real estate project developments. In addition, compliance with environmental laws and standards has propelled the Company to introduce product design innovations or the application of green building features in its projects that will help reduce consumption. In addition, compliance to post-conditions of its ECCs have driven the Company to assess, protect, and enhance its ecosystems within or adjacent to its developments and even focus on climate change-related financial impacts as the Company develops more projects in the future.

Contribution to United Nations' Sustainable Development Goals ("UN SDG")

Focus on UN SDG contributions ensures that CLI's products, programs, and initiatives contribute to the alignment and achievement of global sustainability goals. This means that the Company's products, programs, and initiatives address local issues and contribute to the local economic development of the area where the Company does business, without losing sight of the overall global issues that face the world today.

Employees

The Group has a total of 1,068 employees, broken down in entities and department as follows as of September 30, 2024:

Department/Company	Employees
Parent Company	
Engineering	194
Sales	79
Accounting and Tax	83

Department/Company	Employees
Treasury	84
Business Development	23
Technical Planning	29
Permits & Licenses	17
Registration and Records Management	48
Property Management	57
Accounts Management	60
Customer Care	54
Human Resources & Admin	31
Marketing	20
Supply Chain Management	20
Corporate Finance	15
IT	6
Legal	8
Internal Audit	5
Commercial Leasing	13
Digital Innovation	13
CLI Hotels & Resorts	7
Sustainability and Foundation	5
Top Management	6
Total	877
Subsidiaries	
CLPM	130
CLI Premier Hotels	40
Sugbo Prime Estate	20
CLI Foundation and Sustainability	1
Total	191
GRAND TOTAL	1,068

The Company maintains a competent and dynamic team of professional executives and managers engaged in the management of the business. Efforts to professionalize the Company over the last 18 years are evident as the Company has grown from two employees to a dynamic team of executives, managers, officers, and staff instilled with the Company's brand of professional work ethics and strong corporate values.

The Company has 1,068 number of full-time employees as of September 30, 2024, across all business segments and administrative functions.

CLI employees are not subject to collective bargaining agreements. Its employees have not been on strike in the past three years, nor are they threatening to strike.

The Board of Directors of CLI, during its Special Board meeting on October 6, 2021, approved the Executive Stock Option Plan ("ESOP") for qualified officers. This is a type of performance incentive, where options are granted to purchase the shares of the Company at a discount. There are no other rights and benefits granted to the subscribers of shares under the ESOP other than the typical rights and benefits available to ordinary shareholders.

The shares that may be exercised from these options will be sourced from the treasury shares of the Company or from publicly traded shares. The objectives of the plan are: (a) to attract, retain, and motivate talented and key employees; (b) to encourage employees to align individual performance with Company objectives; and (c) to reward employee performance with stockholdings in proportion to their contribution to the Company.

Each level has a predetermined number of shares exercisable per year with a four-year vesting period. The exercise price is the higher of ₱2.25 or current market price with a 15% discount. The current market price is computed as the average closing price for the last five trading days.

Shares bought under the ESOP cannot be sold, assigned, or transferred in any manner for at least six months from the exercise date.

Voting and dividend rights vest upon the issuance of the shares to the employees.

Other than the ESOP, CLI also has a Savings Program Prior to Normal Retirement (“**SPP**”) which is incorporated in its Amended Retirement Plan. The SPP serves as the retirement plan for all CLI regular employees who resign prior to the optional retirement age of 60 years old or the mandatory retirement age of 65 years old. The equivalent of 5% of the employee’s basic salary is set aside by CLI every month while the employee remains in the employ of CLI.

Upon resignation, the employee will be entitled to his or final balance as follows:

Vested Benefit %	Number of Continuous Service (from January 1, 2015)
0%	Less than 5 years
50%	5 years
60%	6 years
70%	7 years
80%	8 years
90%	9 years
100%	10 years and above

Given the above, a qualified CLI employee will be entitled to and avail either the 1) Normal Retirement benefits as mandated by law or 2) the Vested Benefits under the SPP, whichever is higher.

DESCRIPTION OF PROPERTIES

Land Inventory

Using its location selection criteria, the Company and its Subsidiaries have invested in properties located in strategic areas in VisMin which they believe to have high future appreciation potential for its existing and future development projects. The table below enumerates the parcels of land owned by the below entities.

Location	Primary use	Ownership	With Security Interest?	Total Area (in sq.m)
Minglanilia Cebu	Residential	CLI	No	18,369
Naga San Fernando, Cebu	Residential	CLI	No	16,718
IT Park, Lahug Cebu	Residential	El Camino	Yes	5,828
Matina Davao City	Residential	YHEST	No	200,200
Riverside Davao City	Residential	YHES	No	20,247
Mactan Cebu	Residential	CLI	Yes	12,641
Puerto Princesa, Palawan	Residential	CLI	No	6,478
Juana Osmeña St, Cebu City	Residential	CLI	No	913
AS Fortuna	Residential	CLI	No	387
Tabok, Mandaue City	Residential	CHDI	No	24,623
Panglao, Bohol	Residential	CLI-LITE	No	27,166
Manresa, CDO	Residential	CLI	No	143,477
Bogo, Cebu	Residential	CLI	No	23,128
Danao, Cebu	Residential	CLI	No	7,730
Consolacion, Cebu	Residential	CLI	No	53,023
Talamban, Cebu	Residential	CHDI	No	47,017
Butuan City	Residential	CLI	No	65,497
Banilad, Cebu	Residential	CLI	No	1,181
Gensan City	Residential	CLI	No	210,093
Total				884,716

Other Assets

As of September 30, 2024, the Company's other properties consist of Property and Equipment and Investment Property amounting to ₱8.57 billion and ₱17.34 billion, respectively.

For the carrying amounts and movements of the Company's Other Assets, please refer to Notes 10 and 12 in the Reviewed Interim Consolidated Financial Statements as of September 30, 2024.

Rental Properties

In addition to its land inventory, the Company owns several rental properties, including available

commercial and retail spaces in its completed projects, which are currently used by the Company, or leased out to third parties to generate recurring income.

Among the projects with commercial spaces leased out to tenants are:

Project	Location	Type	GLA (In sq.m.)
38 Park Avenue	Cebu IT Park, Cebu	Retail	903
Asia Premier Residences	Cebu IT Park, Cebu	Residential and Retail	1,033
Banilad High Street	Banilad Road, Cebu	Retail	1,311
Base Line Center Phase 1	Juana Osmeña St., Cebu	Office and Retail	5,357
Base Line Center Phase 2	Juana Osmeña St., Cebu	Office and Retail	1,561
Base Line Center HQ	Juana Osmeña St., Cebu	Office and Retail	837
Base Line Residences	Juana Osmeña St., Cebu	Residential and Retail	265
Casa Mira South	Naga, Cebu	Retail	193
Casa Mira Towers Guadalupe	Guadalupe, Cebu	Retail	1,611
Casa Mira Towers Labangon	Labangon, Cebu	Retail	818
Davao Global Township	Matina, Davao	Office and Retail	8,713
Latitude Corporate Center	Cebu Business Park	Office and Retail	11,969
MesaTierra Garden Res	Davao	Retail	82
MesaVerte Residences	Osmeña Ext., CDO	Retail	155
Midori Residences	AS Fortuna Mandaue, Cebu	Residential and Retail	42
Mivesa Residences	Lahug, Cebu	Residential and Retail	246
Old Patria	P. Burgos St., Cebu	Office and Retail	632
Park Centrale	Cebu IT Park, Cebu	Office and Retail	4,279
Velmiro Heights	Tunghaan, Minglanilla	Residential	566
TOTAL			40,573

The Company's residential leases have an average term of one year, while the Company's commercial leases have an average term of three to five years, both renewable upon mutual agreement of parties. Sixty days' notice is required from tenants for the extension or pre-termination of their leases, and a two-month security deposit is paid at the commencement of the lease. The Company charges rent as a fixed rent per sq.m., which may be subject to an escalation clause.

In its leases with its related entities, the Company observes arm's length commercial terms and considers the current rentals payable by tenants of the condominium units and parking slots that are operational at presently reflect prevailing market rents.

Leased Properties

The Company leases, from third parties, properties for use as office space and staff houses of its

employees located on sites outside of Cebu.

In 2019, with the approval of the National Historical Commission of the Philippines, CLI entered into a 40-year lease contract with the Archdiocese of Cebu to redevelop Patria de Cebu, a 6,670 sq.m. property in downtown Cebu. This mixed-use development's concept and design is inspired by Filipino-Spanish culture, history, and architecture.

In 2020, the Company signed a 43-year lease contract to develop Masters Tower Cebu, a mixed-use tower located at Cebu's preferred business address, Cebu Business Park. The project will be on a 2,840 sq.m. property and will offer prime office and retail spaces and the first five-star luxury hotel in Cebu City. Sofitel, Cebu City will be operated by multinational chain Accor, a world leading hospitality group headquartered in France.

SPE was formed in 2021 by CLI and the Farrarons family as a JV. The JV will build a mixed-use development on a leased property with a 22-year term remaining. The project, now named Banilad High Street, will include retail areas as well as a 300-room dormitory.

The properties being leased by the Company and its subsidiaries are summarized as follows:

Property	Area (sq.m)	Lease rate	Location	Start of Term	Term	Renewal Options
Land	6,670	Monthly rent of ₱150.00 per sq.m. with 5% escalation every two years	Colon, Cebu City	2019	40 years	None
Land	2,804	Monthly rent of ₱1,000.00 per sq.m. with 5% escalation every two years	Cebu Business Park	2019	43 years	None
Land	7,595	Monthly rent of ₱132.00 per sq.m. with 5% escalation annually	Banilad, Cebu City	2021	22 years	With option for renewal (i.e., 30 days prior to the expiration)
Land	4,034	Monthly advance rent of ₱70.98 in the first 3 years, and monthly rent of ₱79.50 per sq.m. with 2.5% escalation annually thereafter	Mandaue City	2022	30 years	With option to renew for another 30 years after expiration

Mortgage, Liens, and Encumbrances

CLI has 124 principal owned properties valued at ₱38.72 billion and located across VisMin with 95 residential projects, 6 office buildings, 10 hotels, 10 mixed-use projects and 3 estates. Of these properties, ₱32.44 billion are mortgaged with different local bank partners whose development loans are not yet fully paid while ₱6.28 billion are clean and free of any lien.

In ₱ Billions	Mortgaged	Clean	Total
Real Estate Inventories	10.74	2.08	12.82
Property and Equipment	7.18	1.39	8.57

In ₱ Billions	Mortgaged	Clean	Total
Investment Properties	14.52	2.81	17.33
Grand Total	32.44	6.28	38.72

Please see above table under the heading “*Land Inventory*” in this section “*Description of Property*” for the parcels of land subject of a security interest.

Under Section 18 of Presidential Decree No. 957, no mortgage on any unit or lot shall be made by the owner or developer without prior written approval of the Housing and Land Use Regulatory Board of the Philippines (“**HLURB**”) (now DHSUD). Accordingly, before the Company mortgages properties being used for its condominium or subdivision projects, it ensures compliance with the said law and its implementing regulations.

Properties of the Company and its Subsidiaries, in which particular projects have been developed, are also subject to restrictions arising from the nature of such projects. For instance, certain properties over which a condominium building project has been constructed would have restrictions annotated on the title of such property arising from the Master Deed restrictions on the use of the property for condominium use.

Property under mortgage restricts the debtor from selling, alienating, incurring, taking on, or allowing to exist any other mortgage, lien, pledge, or other charge or encumbrance upon or with respect to any or all of the debtor’s present or future fixed assets, machineries, and equipment other than in the normal course of its business. Additionally, in order for a property to be free of restrictions, the debtor is required to obtain prior approval from the bank (creditor) and the related loan obligation on which the property is mortgaged must be fully satisfied.

Within the next 12 months, the Company intends to purchase parcels of land for expansion projects in the cities of Cebu, Ormoc, CDO, and General Santos, which are still pending negotiations with their respective landowners. Acquisition prices are still being negotiated and will be determined in full after the contracts are executed. These sites will be purchased with funds that CLI has generated internally.

Likewise, properties being leased by the Company are subject to typical lease-related limitations on usage, *i.e.*, for office use only.

Insurance

CLI procures insurance coverage required by relevant laws and regulations for its real and personal properties and requires contractors to submit performance offer shares, marine insurance policies, and other sureties for its covered activities. Throughout the construction stage, the Company also maintains a contractor’s All-risk Insurance for each of its projects, subject to customary deductibles and exclusions. For completed projects, the Company likewise requires homeowner’s associations and condominium corporations to obtain fire and allied risks insurance as part of the master deed for these projects.

Intellectual Property

CLI ensures compliance with intellectual property laws and regulations, including guidelines and issuances of the Intellectual Property Office of the Philippines (“**IPOPHL**”). CLI recognizes the importance of its trademarks as among its valuable assets and helps distinguish CLI’s products and services from competitors. Thus, protection of its trademarks is a priority of CLI.

The following are among the material trademarks owned by the below entities, and these trademarks are registered accordingly with IPOPHL:

Trademark	Holder	Registration Number	Date of Registration
CEBU LANDMASTERS 	CEBU LANDMASTERS, INC.	4/2016/503726	2017-01-12
M MASTERS TOWER CEBU BY CEBU LANDMASTERS 	CEBU LANDMASTERS, INC.	4/2021/503998	2021-07-02
CASA MIRA MORE FOR THE FILIPINO FAMILY 	CEBU LANDMASTERS, INC.	4/2020/514876	2021-07-02
CASA MIRA HOMES 	CEBU LANDMASTERS, INC.	4/2020/514874	2021-07-02
CASA MIRA TOWERS 	CEBU LANDMASTERS, INC.	4/2020/514877	2021-07-02
38 PARK AVENUE 	CEBU LANDMASTERS, INC.	4/2021/527846	2022-05-09
LATITUDE CORPORATE CENTER 	CEBU LANDMASTERS, INC.	4/2016/505104	2017-02-09

Trademark	Holder	Registration Number	Date of Registration
CASA MIRA 	CLI	4/2016/5037 27	2017-01-19
BASE LINE CENTER 	CEBU LANDMASTERS, INC.	4/2016/5037 28	2017-01-19
MANDTRA RESIDENCES 	CEBU HOMEGROWN DEVELOPMENT, INC.	4/2020/5148 75	2021-04-23
TERRANZA RESIDENCES 	GGTT	4/2020/5148 73	2021-07-02
YHEST REALTY AND DEVELOPMENT CORP. 	YHEST	4/2019/5020 22	2019-09-22
YES INC. 	YES, INC.	517148	2022-10-20
MESATIERRA GARDEN RESIDENCES 	YES, INC.	517145	2023-05-12

Trademark	Holder	Registration Number	Date of Registration
ONE PARAGON PLACE  ONE PARAGON PLACE	YHEST	517247	2023-02-19
DAVAO GLOBAL TOWNSHIP  DAVAO GLOBAL TOWNSHIP	YHEST	516023	2022-10-03
CALLE 104 	CEBU BL RAMOS VENTURES, INC.	523730	2023-02-16
COSTA MIRA BEACHTOWN 	CEBU LANDMASTERS, INC.	527430	2023-04-22
MIRANI HOMES 	CEBU LANDMASTERS, INC.	527492	2023-04-23
MIRANI STEPS 	CEBU LANDMASTERS, INC.	527496	2023-04-23
Pristina Town 	CEBU HOMEGROWN DEVELOPERS, INC.	518962	2024-10-28

MATERIAL PERMITS

CLI and its Subsidiaries are in possession of the material permits required for the conduct of their respective businesses. Details of these material permits are set out in the table below.

A. Corporate Permits

1. CLI

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS200321240	September 26, 2003	50 years from date of incorporation (deemed perpetual upon effectivity of RCC)
Certificate of Registration	BIR	8RC0001425996E	November 12, 2003	Not Applicable
Business Permit	LGU	82314	May 28, 2024	2024-2025
Employer Data Form	Pag-IBIG	2011-0575-0005		Not Applicable
Certificate of Registration	SSS	06-1692314-4		Not Applicable
PhilHealth Certificate of Registration	PhilHealth	201722300228		Not Applicable
PEZA Certificate of Registration	PEZA	No.13-48	March 18, 2013	Not Applicable
DOLE Certificate of Compliance on Occupational Safety & Health Standards	DOLE	Establishment Code: AOZGOD7XZ7	Not Applicable	Not Applicable

2. A.S. Fortuna Property Ventures, Inc.

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS201708536	March 09, 2017	50 years from date of incorporation (deemed perpetual upon effectivity of

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
				RCC)
Certificate of Registration	BIR	2RC0001171343	March 09, 2017	Not Applicable
Business Permit	LGU	Retired		

3. CPH

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS201619652	August 26, 2016	50 years from date of incorporation (deemed perpetual upon effectivity of RCC)
Certificate of Registration	BIR	2RC0001674040	September 15, 2016	Not Applicable
Business Permit	LGU	146369	December 14, 2023	2023-2024*

* Awaiting issuance of renewed business permits

4. CLPM

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS201713404	April 20, 2021	50 years from date of incorporation (deemed perpetual upon effectivity of RCC)
Certificate of Registration	BIR	081RC2021000 0001175	November 11, 2021 (Date OCN generated)	Not Applicable
Business Permit	LGU	150483	June 09, 2023	2023-2024*

* Awaiting issuance of renewed business permits

5. CLI-LITE

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	2021070019653-04	July 19, 2021	Perpetual existence
Certificate of Registration	BIR	081RC20210000000016	August 02, 2021	Not Applicable
Business Permit	LGU	180470	May 08, 2024	2024-2025

6. BL Ventures

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS201633170	February 03, 2016	50 years from date of incorporation (deemed perpetual upon effectivity of RCC)
Certificate of Registration	BIR	2RC0001768639	February 29, 2016	Not Applicable
Business Permit	LGU	143061	May 21, 2024	2024-2025

7. YES

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS201629294	December 15, 2016	50 years from date of incorporation (deemed perpetual upon effectivity of RCC)
Certificate of Registration	BIR	2RC0001284982	January 26, 2017	Not Applicable
Business Permit	LGU	B-142483-3	January 28, 2025	December 31, 2025

8. YHES

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS201738792	November 22, 2017	50 years from date of incorporation (deemed perpetual upon effectivity of RCC)
Certificate of Registration	BIR	2RC0001692104	November 23, 2017	Not Applicable
Business Permit	LGU	B-149693-3	January 24, 2025	December 31, 2025

9. YHEST

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS201817011	August 10, 2018	50 years from date of incorporation (deemed perpetual upon effectivity of RCC)
Certificate of Registration	BIR	2RC0001692107	August 08, 2018	Not Applicable
Business Permit	LGU	B-154322-2	January 24, 2025	December 31, 2025

10. CCLI

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS201845177	November 12, 2018	50 years from date of incorporation (deemed perpetual upon effectivity of RCC)
Certificate of Registration	BIR	2RC0001715071	December 04, 2018	Not Applicable
Business Permit	LGU	202437994	February 29,	December 31,

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
			2024	2024*

* Awaiting issuance of renewed business permits

11. YHESPH

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS201963199	October 28, 2019	50 years from date of incorporation (deemed perpetual upon effectivity of RCC)
Certificate of Registration	BIR	2RC0001702386	November 05, 2019	Not Applicable
Business Permit	LGU	B-173775-5	January 24, 2025	December 31, 2025

12. MGR

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS201708851	March 13, 2017	50 years from date of incorporation (deemed perpetual upon effectivity of RCC)
Certificate of Registration	BIR	2RC0001719384	March 13, 2017	Not Applicable
Business Permit	LGU	149645	February 21, 2025	December 31, 2025

13. El Camino

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS201618500	August 15, 2016	50 years from date of incorporation (deemed perpetual upon

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
				effectivity of RCC)
Certificate of Registration	BIR	2RC0001262861	September 15, 2016	Not Applicable
Business Permit	LGU	146215	November 20, 2023	2023-2024*

* Awaiting issuance of renewed business permits

14. CHDI

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS20190000715	December 05, 2019	Perpetual existence
Certificate of Registration	BIR	2RC0001769142	December 26, 2019	Not Applicable
Business Permit	LGU	171527	May 03, 2024	2024-2025

15. CBLRV

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS202061326	February 21, 2020	50 years from date of incorporation (deemed perpetual upon effectivity of RCC)
Certificate of Registration	BIR	2RC0001814382	March 04, 2020	Not Applicable
Business Permit	LGU	172556	June 04, 2024	2024-2025

16. MMDC

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS201331552	August 01, 2013	50 years from date of incorporation (deemed perpetual upon effectivity of

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
				RCC)
Certificate of Registration	BIR	2RC0001007496	September 03, 2013	Not Applicable
Business Permit	LGU	143734	May 09, 2024	2024-2025

17. GGTT

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	CS200306422	August 17, 2020 (amended AOI)	50 years from date of incorporation (deemed perpetual upon effectivity of RCC)
Certificate of Registration	BIR	2RC0000670891	August 07, 2009	Not Applicable
Business Permit	LGU	E-2025-05425	January 21, 2025	December 31, 2025

18. SPE

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	OPC20190000093	November 22, 2021 (SEC approval date on conversion of OPC to OSC)	Perpetual existence
Certificate of Registration	BIR	081RC2022000000 0898	March 15, 2022 (date OCN generated)	Not Applicable
Business Permit	LGU	183512	November 07, 2023	2023-2024*

* Awaiting issuance of renewed business permits

19. CLI NUD

Name of License / Permit	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	2024040144981-28	April 05, 2024	Perpetual existence
Certificate of Registration	BIR	081RC202400000 02028	April 18, 2024 (date OCN generated)	Not Applicable
Business Permit	LGU	199461	August 05, 2024	2024-2025

B. Completed Project Permits

1. San Jose Maria Village – Balamban

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	0011	December 2, 2009	None
HLURB COR	DHSUD	27120	February 16, 2016	None
LTS	DHSUD	030154	February 16, 2016	None
ECC	DENR	070405-250255212	May 25, 2004	None

2. San Jose Maria Village – Minglanilla

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	REM-43-10-1406	November 15, 2006	None
HLURB COR	DHSUD	16540	May 3, 2007	None
LTS	DHSUD	17981	May 3, 2007	None
ECC	DENR	070607-280131212	June 28, 2006	None

3. San Jose Maria Village – Talisay

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	07-10-122-DP	February 10, 2011	None
HLURB COR	DHSUD	20814	March 29, 2011	None

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
LTS	DHSUD	21847	March 29, 2011	None
ECC	DENR	ECC R07 1003 0067	March 5, 2010	None

4. San Jose Maria Village – Toledo

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	07 -008- 0212	December 9, 2008	None
HLURB COR	DHSUD	20712	December 14, 2009	None
LTS	DHSUD	21743	December 14, 2009	None
ECC	DENR	070707-130238212	August 2, 2007	None

5. Villa Casita Balamban

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	Not Applicable	January 29, 2008	None
HLURB COR	DHSUD	27120	February 16, 2016	None
LTS	DHSUD	030154	February 16, 2016	None
ECC	DENR	E07-2018-0079	June 29, 2018	None

6. Midori Plains

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	REM-43-10-1949	November 25, 2011	None
HLURB COR	DHSUD	20911	April 18, 2012	None
LTS	DHSUD	25470	April 18, 2012	None
ECC	DENR	ECC-R07-1108-0183	August 12, 2011	None

7. Asia Premier Residences

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	DP No. 07-010-0226	February 2, 2010	None
HLURB COR	DHSUD	20726	March 12, 2010	None
LTS	DHSUD	21759	March 12, 2010	None
ECC	DENR	ECC-R07-1001-0008	February 3, 2010	None

8. Base Line Residences

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-015-0362	April 28, 2015	None
HLURB COR	DHSUD	20878	December 5, 2011	None
LTS	DHSUD	25434	December 5, 2011	None
ECC	DENR	ECC-R07-1106-0121	June 15, 2011	None

9. Midori Residences

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-12-0171	April 10, 2012	None
HLURB COR	DHSUD	23912	December 13, 2012	None
LTS	DHSUD	26266	December 13, 2012	None
ECC	DENR	ECC-R07-1111-0284	November 25, 2011	None

10. Park Centrale Tower

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-013-0296	February 6, 2013	None
HLURB COR	DHSUD	23943	September 11, 2013	None

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
LTS	DHSUD	27137	September 11, 2013	None
ECC	DENR	ECC-R07-1301-0003	January 31, 2013	None

11. Mivesa Garden Residences (Phase 1)

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-013-0303	May 28, 2013	None
HLURB COR	DHSUD	029535	March 3, 2015	None
LTS	DHSUD	029535	March 3, 2015	None
ECC	DENR	ECC-R07-1308-0187	August 23, 2013	None

12. Mivesa Garden Residences (Phase 2)

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-17-0422	June 7, 2017	None
HLURB COR	DHSUD	029535	March 3, 2015	None
LTS	DHSUD	029535	March 3, 2015	None
ECC	DENR	ECC-R07-1308-0187	August 23, 2013	None

13. Velmiro Heights (Phase 1)

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	REM-43-10-2036	December 12, 2013	None
HLURB COR	DHSUD	26338	January 19, 2015	None
LTS	DHSUD	029524	January 19, 2015	None
ECC	DENR	ECC-R07-1312-0282	December 23, 2013	None

14. Casa Mira Linao (Phase 1 and 2)

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	REM-43-1-2039	November 25, 2014	None
HLURB COR	DHSUD	27051	September 2, 2015	None
LTS	DHSUD	030344	September 2, 2015	None
ECC	DENR	ECC-R0701405-0086	May 14, 2014	None

15. Casa Mira Towers Labangon Tower 1

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-015-0381	October 26, 2015	None
HLURB COR	DHSUD	27668	December 22, 2016	None
LTS	DHSUD	031099	December 22, 2015	None
ECC	DENR	ECC-OL-R07-2016-0003	January 5, 2016	None

16. Casa Mira Towers Labangon Tower 2

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-015-0381	October 26, 2015	None
HLURB COR	DHSUD	27668	December 22, 2016	None
LTS	DHSUD	031100	December 22, 2015	None
ECC	DENR	ECC-OL-R07-2016-0003	January 5, 2016	None

17. Casa Mira South Phase 1A

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	None	August 16, 2016	None
HLURB COR	DHSUD	27696	April 19, 2017	None

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
LTS	DHSUD	033657	September 3, 2018	None
ECC	DENR	ECC-R07-1610-0017	November 21, 2016	None

18. Casa Mira South Phase 1B

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	None	August 16, 2016	None
HLURB COR	DHSUD	27696	April 19, 2017	None
LTS	DHSUD	033657	September 3, 2018	None
ECC	DENR	ECC-R07-1610-0017	November 21, 2016	None

19. Casa Mira South Phase 2A

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	None	August 16, 2016	None
HLURB COR	DHSUD	27696	April 19, 2017	None
LTS	DHSUD	033657	September 3, 2018	None
ECC	DENR	ECC-R07-1610-0017	November 21, 2016	None

20. Casa Mira South Phase 2B

Name of License	License / Permit No.	Issuing Regulatory Body	Issue Date	Expiry Date
Development Permit	None	DHSUD	August 16, 2016	None
HLURB COR	028498	DHSUD	August 17, 2018	None
LTS	033606	DHSUD	August 17, 2018	None
ECC	ECC-R07-1610-0017	DENR	November 21, 2016	None

21. MesaVerte Residences Tower 1

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	REM-Condo-16-003(NMR10)	August 5, 2015	None
HLURB COR	DHSUD	25357	April 1, 2016	None
LTS	DHSUD	030278	April 1, 2016	None
ECC	DENR	ECC-R07-1506-0180	July 3, 2015	None

22. MesaVerte Residences Tower 2

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	REM-Condo-15-003(NMR10)	October 7, 2015	None
HLURB COR	DHSUD	26222	October 27, 2017	None
LTS	DHSUD	031774	October 27, 2017	None
ECC	DENR	ECC-R07-1506-0180	July 3, 2015	None

23. Base Line Center

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-015-0362	April 28, 2015	None
HLURB COR	DHSUD	20878	December 5, 2011	None
LTS	DHSUD	25434	December 5, 2011	None
ECC	DENR	ECC-R07-1106-0121	June 15, 2011	None

24. Base Line Retail

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-015-0362	April 28, 2015	None
HLURB COR	DHSUD	20878	December 5, 2011	None

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
LTS	DHSUD	25434	December 5, 2011	None
ECC	DENR	ECC-R07-1106-0121	June 15, 2011	None

25. Citadines Cebu City

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-015-0362	April 28, 2015	None
HLURB COR	DHSUD	20878	December 5, 2011	None
LTS	DHSUD	25434	December 5, 2011	None
ECC	DENR	ECC-R07-1106-0121	June 15, 2011	None

26. Base Line HQ

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-015-0362	April 28, 2015	None
HLURB COR	DHSUD	20878	December 5, 2011	None
LTS	DHSUD	25434	December 5, 2011	None
ECC	DENR	ECC-R07-1106-0121	June 15, 2011	None

27. Base Line Premier

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-015-0362	April 28, 2015	None
HLURB COR	DHSUD	20878	December 5, 2011	None
LTS	DHSUD	25434	December 5, 2011	None
ECC	DENR	ECC-R07-1106-0121	June 15, 2011	None

28. MesaVerte Residences Tower 3

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	REM-Condo-16-003(NMR10)	August 5, 2015	None
HLURB COR	DHSUD	25357	April 1, 2016	None
LTS	DHSUD	030278	April 1, 2016	None
ECC	DENR	ECC-R07-1506-0180	July 3, 2015	None

29. Guadalupe Pinamalayan Socialized Housing Project

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	05-15	June 19, 2014	None
HLURB COR	DHSUD	None	None	None
LTS	DHSUD	031487	October 12, 2016	None
ECC	DENR			

30. Latitude Corporate Center

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-16-0410	November 17, 2016	None
HLURB COR	DHSUD	028450	November 06, 2017	None
LTS	DHSUD	032806	November 06, 2017	None
ECC	DENR	ECC-OL-R07-2017-0025	March 07, 2017	None

31. Villa Casita North

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	Not Applicable		
HLURB COR	DHSUD	27120	February 16, 2016	None

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
LTS	DHSUD	030154	February 16, 2016	None
ECC	DENR	ECC-OL-R07-2018-0079	June 29, 2018	None

32. Mivesa Garden Residences (Phase 3)

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-013-0303	May 28, 2013	None
HLURB COR	DHSUD	26348	March 3, 2015	None
LTS	DHSUD	029535	March 3, 2015	None
ECC	DENR	ECC-R07-1308-0187	August 22, 2013	None

33. MesaTierra Garden Residences

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	SMR-DP-17-001	February 27, 2017	None
HLURB COR	DHSUD	27556	March 10, 2017	None
LTS	DHSUD	033273	February 13, 2018	None
ECC	DENR	ECC-OL-R11-2017-0147	August 8, 2017	None

34. Casa Mira Coast

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	2018-02-001	February 1, 2018	None
HLURB COR	DHSUD	029240	August 24, 2018	None
LTS	DHSUD	033655	August 24, 2018	None
ECC	DENR	ECC-OL-R07-2017-0160	November 22, 2017	None

35. MesaVirre Building A

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	2017-0050	January 29, 2018	None
HLURB COR	DHSUD	028859	February 23, 2018	None
LTS	DHSUD	033501	February 23, 2018	None
ECC	DENR	ECC-OL-R06-2018-0039	January 23, 2018	None

C. ONGOING PROJECTS PERMITS

1. Casa Mira Homes Ormoc

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	051-2020	December 14, 2020	None
HLURB COR	DHSUD	CR-R8-00010	August 12, 2021	None
LTS	DHSUD	LS-R8-00016	August 12, 2021	None
ECC	DENR	ECC-OL-2020-0059	April 24, 2020	None

2. Velmiro Heights CDO

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	10-2020	August 25, 2021	None
HLURB COR	DHSUD	REM-CR-21-010	April 29, 2021	None
LTS	DHSUD	REM-LS—21-013	April 29, 2021	None
ECC	DENR	Not Applicable		

3. Velmiro Plains Bacolod

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	223-02-19	April 3, 2019	None
HLURB COR	DHSUD	028898	September 4, 2019	None

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
LTS	DHSUD	0335564	September 4, 2019	None
ECC	DENR	ECC-OL-R06-2019-0318	May 24, 2019	None

4. Casa Mira Towers Bacolod

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	WVR-DP-21-002	July 12, 2021	None
HLURB COR	DHSUD	06-084	Feb 2, 2022	None
LTS	DHSUD	076-100	Feb 2, 2022	None
ECC	DENR	Not Applicable		

5. Casa Mira Iloilo

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	2019-002	June 14, 2019	None
HLURB COR	DHSUD	028910	December 27, 2019	None
LTS	DHSUD	033583	December 27, 2019	None
ECC	DENR	ECC-OL-R06-2019-0569	October 9, 2019	None

6. Casa Mira Bacolod

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	WVR-DP-21-002	July 12, 2021	None
HLURB COR	DHSUD	06-084	September 5, 2019	None
LTS	DHSUD	06-100	September 5, 2019	None
ECC	DENR	ECC-OL-R07-2019-0253	September 5, 2020	None

7. Casa Mira Towers Mandaue T1 & T2

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	R7-020-0536	January 30, 2020	None
HLURB COR	DHSUD	029966	November 22, 2019	None
LTS	DHSUD	035654	November 22, 2019	None
ECC	DENR	ECC-OL-R07-2019-0253	September 5, 2020	None

8. Casa Mira Towers Mandaue T3 & T4

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-019-0514	August 15, 2019	None
HLURB COR	DHSUD	029966	November 22, 2019	None
LTS	DHSUD	035654	November 22, 2019	None
ECC	DENR	ECC-OL-R07-2019-0253	September 5, 2020	None

9. Casa Mira Dumaguete

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	2020-022-0001-001	October 28, 2020	None
HLURB COR	DHSUD	CR-07-20-056	December 29, 2020	None
LTS	DHSUD	LS-07-20-074	December 29, 2020	None
ECC	DENR	ECC-OL-R07-2020-0029	February 1, 2020	None

10. The East Village at DGT T1

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	REM-XI-2021-006	November 23, 2021	None

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
HLURB COR	DHSUD	RXI-2022-002	March 3, 2022	None
LTS	DHSUD	RXI-03-2022-001	February 22, 2022	None
ECC	DENR	ECC-OL-R11-2021-0135	May 12, 2021	None

11. The East Village at DGT T2

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	REM-XI-2021-007	November 23, 2021	None
HLURB COR	DHSUD	RXI-2022-002	March 3, 2022	None
LTS	DHSUD	RXI-03-2022-002	February 22, 2022	None
ECC	DENR	ECC-OL-R11-2021-0135	May 12, 2021	None

12. The East Village at DGT T3

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	REM-XI-2021-008	November 23, 2021	None
HLURB COR	DHSUD	RXI-2022-002	March 3, 2022	None
LTS	DHSUD	RXI-03-2022-003	February 22, 2022	None
ECC	DENR	ECC-OL-R11-2021	May 12, 2021	None

13. The East Village at DGT T4

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	REM-XI-2021-009	November 23, 2021	None
HLURB COR	DHSUD	RXI-2022-002	March 03, 2022	None
LTS	DHSUD	RXI-03-2022-004	February 22, 2022	None
ECC	DENR	ECC-OL-R11-2021-0135	May 12, 2021	None

14. Mandtra Residences T1 & T2

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	CVR-020-0785	January 30, 2020	None
HLURB COR	DHSUD	CR-C07-21-011	February 18, 2021	None
LTS	DHSUD	LS-R07-21-013	February 18, 2021	None
ECC	DENR	ECC-OL-R07-2020-0184	August 25, 2020	None

15. Terranza Residences

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
Development Permit	DHSUD	DP-20-003	January 22, 2022	None
HLURB COR	DHSUD	06-046	March 30, 2021	None
LTS	DHSUD	06-051	March 30, 2021	None
ECC	DENR	ECC-OL-R06-2020-0362	October 14, 2020	None

16. Casa Mira Butuan

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
ECC	DENR	ECC-OL-R13-2023-0005	January 5, 2023	None
LTS	DHSUD	0004441	March 12, 2024	None

17. Velmiro Heights Davao

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
ECC	DENR	ECC-OL-R11-2020-0330	October 8, 2020	None

18. Casa Mira Danao

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
ECC	DENR	ECC-OL-R07-2022-0374	November 16, 2022	None

19. Mirani Steps Danao

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
ECC	DENR	ECC-OL-R07-2022-0374	November 16, 2022	None

20. Velmiro Heights Consolacion

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
ECC	DENR	ECC-OL-R07-2022-0277	September 26, 2022	None

21. Casa Mira Davao

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
ECC	DENR	ECC-OL-R11-2021-0025	January 17, 2021	None

22. Casa Mira Towers Palawan

Name of License	Issuing Regulatory Body	License / Permit No.	Issue Date	Expiry Date
ECC	DENR	ECC-R4B-2310-0010	November 9, 2023	None

Atty. Ricardo Abangan Boligao, Jr., independent counsel for CLI, has examined the above-mentioned permits and licenses. In his examination, he assumed the genuineness and authenticity of all documents submitted to him as originals. He also relied upon the certification and representations of CLI's officers and other authorized representatives. On the basis of such examination, Atty. Boligao is of the opinion that: (i) CLI and its Subsidiaries have secured (or in the process of securing) all the mandated permits and licenses which are material and necessary to operate its business as currently conducted; and (ii) the permits that have been secured by CLI and its Subsidiaries are valid and subsisting.

LEGAL PROCEEDINGS

As of date of this Offer Supplement, the Company and its Subsidiaries are not a party to, nor are any of the Company's or its Subsidiaries' properties the subject of any pending material litigation, arbitration, or other legal proceeding, and no litigation or claim of material importance is known to the management and the directors to be threatened against the Company, its Subsidiary or any of its properties, except for the civil cases involving the Company, as summarized below and as disclosed in the Certification dated December 16, 2024 in respect of ongoing legal proceedings involving the Company.

CASE NAME	DATE INSTITUTED	COURT / AGENCY	RELIEF SOUGHT	SUMMARY AND LATEST STATUS
Wood Innovation Trading, Inc. v. Sps. Bouffard and Cebu Landmasters, Inc.	November 2017	RTC Br. 41, Dumaguete City	Annulment of Sale, Certificates of Titles, Tax Declarations, with Recovery of Ownership and Damages	The Plaintiff alleged that it had prior rights over two properties that the Company acquired in March 2017. Accordingly, the Plaintiff is seeking ₱10.70 million in damages and cancellation of the titles issued to the Company. CLI maintains its defense that there is no double sale and that it had no knowledge of its co-defendant's alleged prior transaction with the Plaintiff. On August 20, 2019, the Regional Trial Court in Dumaguete City dismissed the Plaintiff's claims. Nonetheless, the case remains pending as the Plaintiff refiled the case and the Company pursued its counterclaim of ₱800.00 million against the Plaintiff. A decision dated October 24, 2024 was issued dismissing the civil case. The Plaintiff subsequently filed a Motion for Reconsideration (MR) and an Opposition to the MR was filed by CLI. The parties are awaiting the court's decision on the filed MR.
Pag-IBIG FUND – WTCI Condominium Corporation v. J.E. Abraham Lee Construction and Development Inc., Cebu Landmasters, Inc., and BL	July 2022	RTC Br. 9, Cebu City	Easement of lateral and subjacent support and damages	The Plaintiff alleged that the construction of BL CBP Ventures, Inc.'s building adjacent to that of the Plaintiff's caused cracks in the basement of the latter. CLI maintains as its defense that there is a lack of cause of action against CLI and it is being impleaded as a defendant merely by being a joint venture partner. Currently, the case is in the

CASE NAME	DATE INSTITUTED	COURT / AGENCY	RELIEF SOUGHT	SUMMARY AND LATEST STATUS
CBP Ventures, Inc.				trial stage, specifically for the presentation of evidence by the defendant, Abraham Lee Construction and Development Inc. Despite this, the Parties are still open to signing a compromise agreement.
Sanford Marketing Corporation v. Cebu Landmasters, Inc. and Carwill Construction Incorporation	November 2022	RTC Br. 39, Cagayan de Oro City	TRO, preliminary injunction, and damages	This case was filed by the Plaintiff who owns a building adjacent to CLI's residential development in Cagayan de Oro City. The Plaintiff alleged that falling debris and a fire in the Plaintiff's warehouse were caused by construction activities. CLI, on the other hand, raised procedural issues on the complaint such as the improper joinder of parties and lack of jurisdiction, and alleged that the Plaintiff has not sufficiently substantiated their allegations. The Judge deferred the progress of the case and has only set status hearings with the general contractor, Carwill, undertaking to improve safety in the site since the filing of the case. Currently, the parties are awaiting a decision on the Plaintiff's affirmative defense of lack of jurisdiction.
Sps. Villacarlos v. Cebu Landmasters, Inc.	March 2022	HSAC 1 st Division (HSAC-RAB VII)	Specific Performance	This case was filed by a buyer in a residential development of the Company in Cebu City on March 3, 2022 with the Human Settlements Adjudication Commission of the Philippines ("HSAC"). The Complainant alleged that he established interest and rights over a particular parking unit in the development. CLI maintains as its defense that the complainant's occupancy of the subject parking unit was merely temporary and tolerated; moreover, the slot

CASE NAME	DATE INSTITUTED	COURT / AGENCY	RELIEF SOUGHT	SUMMARY AND LATEST STATUS
				had already been sold to another buyer. HSAC ruled against the Complainant, but he has opted to appeal. Currently, the case is pending before the Court of Appeals.
Cebu Landmasters, Inc. v. Devlarn Ventures and Development Corporation and the Office of the Register of Deeds of Lapu-Lapu City	May 2024	RTC Br. 7, Cebu City	Permanent injunction with TRO and preliminary injunction	On March 11, 2024, CLI received a letter from Devlarn Ventures and Development Corporation (“DVDC”) notifying it that it intends to enforce a statutory lien on the titles of the land where the exclusive beachfront community project is constructed. This is a civil case filed by CLI against DVDC praying that DVDC be enjoined from doing any and all acts tending to unduly interfere with the business operations of CLI, particularly with the ongoing construction activities of its Costa Mira Beachtown Mactan project, and any adverse or prejudicial actions that will cause irreparable damage to CLI’s goodwill and business reputation. The Register of Deeds of Lapu-Lapu City is also impleaded as co-defendant to prevent it from annotating any adverse claim on CLI’s titles covering the Costa Mira Beachtown Mactan project. Currently, CLI is coordinating with the Court Sheriff for the service of summons to DVDC.

MARKET PRICE OF AND DIVIDENDS ON ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Price of the Issuer's Common Shares

The Company's common shares were listed on the PSE on June 2, 2017. The Company's common shares are principally traded at the PSE under the symbol "CLI".

The high and low prices of the common shares for each quarter since its common shares have been listed are indicated in the tables below.

In ₱	High	Low	Close
2017			
Second Quarter (month of June only)	5.98	5.13	5.34
Third Quarter	5.51	4.58	5.07
Fourth Quarter	5.17	4.59	4.88
2018			
First Quarter	5.12	4.21	4.70
Second Quarter	5.06	4.48	4.58
Third Quarter	4.73	4.27	4.42
Fourth Quarter	4.59	3.60	4.14
2019			
First Quarter	4.29	4.19	4.20
Second Quarter	4.89	4.80	4.83
Third Quarter	4.75	4.70	4.74
Fourth Quarter	4.83	4.67	4.83
2020			
First Quarter	3.80	3.70	3.72
Second Quarter	5.10	4.35	4.69
Third Quarter	4.92	4.83	4.90
Fourth Quarter	5.05	4.99	5.05
2021 *price after stock dividends			
First Quarter	2.65	2.60	2.64
Second Quarter	3.85	3.72	3.77
Third Quarter	3.00	2.89	2.95
Fourth Quarter	3.00	2.73	3.00
2022			
First Quarter	3.02	2.71	2.97
Second Quarter	3.06	2.48	2.50
Third Quarter	2.60	2.19	2.34
Fourth Quarter	2.80	2.20	2.80
2023			
First Quarter	2.62	2.61	2.62
Second Quarter	2.60	2.56	2.59
Third Quarter	2.66	2.64	2.65
Fourth Quarter	2.53	2.47	2.47
2024			
First Quarter	2.80	2.74	2.80
Second Quarter	2.62	2.56	2.60
Third Quarter	2.71	2.66	2.66
Fourth Quarter	2.68	2.65	2.65

The closing price of the Company's common shares listed on the PSE is ₱2.66 per share as of March 3, 2025. The market capitalization of the Company is ₱9.22 billion (₱9,217,435,902.22) computed using the outstanding common shares of the Company and the closing price of the Company's common shares on the PSE as of March 3, 2025.

Stockholders

The following are the list of registered holders of the common equity securities of the Company as of December 31, 2024:

	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1	AB Soberano Holdings Corp.	2,288,870,095	63.17%
2	PCD Nominee Corp. (Filipino)	1,227,648,539	33.88%
3	PCD Nominee Corp. (Non-Filipino)	57,968,796	1.60%
4	Jose R. Soberano III	31,220,000	0.86%
5	Jose Franco B. Soberano	7,247,500	0.20%
6	Janella Mae B. Soberano-Wu	5,017,500	0.14%
7	Joanna Marie B. Soberano Begundthal	5,017,500	0.14%
8	Ma. Nona A. Velez	300,000	0.01%
9	Myrna P. Villanueva	39,300	0.00%
10	Myra P. Villanueva	33,450	0.00%
11	Marietta V. Cabreza	22,300	0.00%
12	Lolita Siao-Ignacio	22,300	0.00%
13	Maria Lourdes M. Onozawa	22,300	0.00%
14	Milagros P. Villanueva	22,300	0.00%
15	Owen Nathaniel S Au Itf: Li Marcus Au	111	0.00%
16	Jesus N. Alcordo	2	0.00%
17	Ma. Aurora D. Geotina-Garcia	2	0.00%
18	Rufino Luis T. Manotok	2	0.00%
	TOTAL	3,623,451,997	100.00%
	Treasury shares	158,250,530	-4.37%
	TOTAL	3,465,201,467	95.63%

The following are common shares held by the Company's Board of Directors lodged with PCD Nominee Corporation as of December 31, 2024:

	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1.	Jose R. Soberano III	168,980,480	4.88%
2.	Ma. Rosario B. Soberano	132,127,500	3.81%
3.	Jose Franco B. Soberano	20,330,241	0.59%
4.	Janella Mae B. Soberano-Wu	16,783,141	0.48%
5.	Joanna Marie B. Soberano Bergundthal	16,907,191	0.49%
6.	Beauregard Grant L. Cheng	2,453,000	0.07%
7.	Stephen A. Tan	11,150	0.00%
8.	M. Jasmine S. Oporto	8,920	0.00%
9.	Rufino Luis T. Manotok	2	0.00%
10.	Ma. Aurora Geotina-Garcia	2	0.00%
	TOTAL	357,601,627	10.32%

Dividends

The Company and its Subsidiaries have a transparent and specific dividend policy as disclosed in the Company's Sustainability Report, an integral attachment to its Annual Report and its Integrated Annual

Corporate Governance Report. The dividend policy, which was approved by the Board prior to its initial public offering and as set out in the Company's prospectus for the said public offering and succeeding annual reports, states that dividends are declared and paid by CLI based on the assessment and approval of its Board, subject to the availability of retained earnings and taking into account cashflow considerations and other financial conditions of the Company after considering future capital expenditures, and project requirements, among others. There is no other dividend policy (e.g., such as a statement on the dividend payout ratio) save as already stated in the foregoing. In relation thereto, the Company has consistently declared and paid dividends to its investors and shareholders, in keeping with its dividend policy and following the SEC rule on calculation of available retained earnings for dividend declaration and after appropriations for investment and other requirements.

The Company declares cash or stock dividends to its common shareholders on a regular basis, in amounts determined by the Board, pursuant to its dividend policy. The Company may also declare special cash dividends where appropriate.

Cash and stock dividends declared and paid by the Company in 2014 up to FY2023 are as follows:

i. Cash dividends

Year of Declaration	Rate of Dividend Declared per Share (in ₱)	Record Date	Amount Paid (in ₱)
2014	12.50	November 3, 2014	48,000,000
2015	7.19	February 28, 2015	42,000,000
2015	10.27	June 15, 2015	60,000,000
2015	8.56	October 15, 2015	50,000,000
2015	5.66	December 15, 2015	50,000,000
2016	2.26	March 31, 2016	20,000,000
2016	5.99	August 31, 2016	52,943,457
2016	4.32	September 15, 2016	38,150,000
2016	1.70	September 30, 2016	15,000,000
2016	0.74	November 21, 2016	650,000,000
2016	0.05	December 1, 2016	40,000,000
2016	0.03	December 1, 2016	40,000,000
2017	0.15	March 23, 2018	235,186,980
2019	0.20	March 26, 2019	332,590,000
2020	0.25	April 3, 2020	414,795,000
2021	0.25	April 16, 2021	388,749,900
2022	0.112 (Regular) 0.038 (Special)	April 22, 2022	519,780,221
2023	0.15 (Regular) 0.03 (Special)	April 18, 2023	623,736,264
2024	0.15 (Regular) 0.03 (Special)	April 17, 2024	623,736,264 (Estimate)

ii. Stock dividends

Year of Declaration	Rate of Dividend Declared per Share	Record Date	Number of shares
2014	0.52	November 30, 2014	2,000,000
2015	0.34	December 15, 2015	3,000,000
2021	1.23	June 18, 2021	1,909,451,997

The notes facility agreements of CLI have a provision restricting the declaration and payment of dividends to its stockholders unless all payments due under the promissory notes issued thereunder are current and updated or unless the dividends are payable solely in shares of its capital stock. CLI has not defaulted on its loan obligations under such agreements, and hence, the foregoing restriction has not applied and therefore it is free to declare dividends to its stockholders.

The following table also shows the dividend declarations of the Company's major Subsidiaries:

Subsidiary	CLI Share	Total Dividends Declared (in Million Pesos)					
		2024	2023	2022	2021	2020	2019
CLPM	100%	-	-	₱27.5	₱12.5	₱7.3	₱6.0
YES	50%	-	₱140.2	-	-	₱20.0	₱40.0
MGR	45%	₱65.0	₱61.6	₱130.0	₱160.0	₱50.0	-
BL CBP Ventures, Inc.	50%	-	-	₱16.8	-	-	-
El Camino Developers, Inc.	35%	₱300.0	-	-	-	-	-

The Company's Subsidiaries follow the parent's policy on dividends which states that dividends are declared and paid based on the assessment and approval of the Board, subject to the availability of retained earnings and taking into account cashflow considerations and other financial conditions of the Company after considering future capital expenditures, and project requirements, among others.

History of share Issuances for the past five years

The Board of Directors of CLI at its meeting held on November 24, 2020 approved the increase in the authorized capital stock of CLI from ₱2,500,000,000.00 divided into 2,400,000,000 common shares with a par value of ₱1.00 per share, and 1,000,000,000 voting preferred shares with a par value of ₱0.10 per share, to ₱10,100,000,000.00, divided into 10,000,000,000 common shares with a par value of ₱1.00 per share, and 1,000,000,000 voting preferred shares with a par value of ₱0.10 per share.

Moreover, the Board of Directors of CLI at its meeting held on November 24, 2020 approved the declaration of stock dividend of 122% on the outstanding capital stock of CLI or a total of 1,900,000,000 shares of common stock, to be issued out of the unrestricted retained earnings of CLI as of September 30, 2020, which stock dividends would be sourced from the increase in authorized capital stock of CLI, and payable to stockholders of record as of the record date and payment date to be fixed and approved by the Board of Directors of CLI and the regulators.

During the special stockholders' meeting held on February 26, 2021, the stockholders of CLI approved the distribution of new common shares as stock dividends. On the basis of such approval, stockholders on record would receive 123 shares for every 100 block of shares, and the stock dividends would be in lieu of cash payment from existing stockholders to subscribe the minimum requirement of 25% increase in authorized capital stock.

The SEC approved the increase in capital stock of CLI from ₱2,500,000,000.00 to ₱10,100,000,000.00 on May 21, 2021. Moreover, through an order dated May 26, 2021, the SEC authorized the record date of June 18, 2021 in connection with the stock dividends, among other matters.

On July 6, 2021, the PSE approved the application of CLI to list an additional 1,909,451,997 common shares to cover the stock dividend declaration to its stockholders of record as of June 18, 2021. The payment date was on July 14, 2021.

On January 04, 2024, the SEC issued and released the Certificates of Filing of Amended Articles of Incorporation, both dated 29 December 2023, which approved CLI's applications for amendment of its

Articles of Incorporation to create a new class of CLI preferred shares through the reclassification of one billion unissued common shares with a par value of ₱1.00 per share to one billion Series “A” preferred shares with a par value of ₱1.00 per share. The SEC applications are in line with the approval of the Board of Directors during the special board meeting held on 25 April 2023, and approval of the Stockholders during the Annual Stockholders’ meeting held on 01 June 2023 on the amendment of Article VII of CLI’s AOI, including the creation of the new class of preferred shares. As a result of the reclassification and amendment of AOI, CLI’s authorized capital stock comprises ₱9.00 billion common shares, ₱1.00 billion Series “A” Preferred Shares, and ₱100.00 million Series “B” Preferred Shares.

Article VII of CLI’s latest Amended AOI grants to its Board of Directors the express authority to determine, fix, and approve all other features, salient and commercial terms, issuance and redemption features, and all other terms and conditions of the Series “A” preferred shares, including any tranche or sub-series thereof.

On April 12, 2024, the company successfully raised ₱4.28 billion through the sale of Series A-1 and Series A-2 preferred shares. The shares were listed on the Philippine Stock Exchange (PSE) under the ticker symbols CLIA1 and CLIA2. The offering was 1.43 times oversubscribed relative to its firm offer amount, with dividend rates set at 7.59% p.a. for Series A-1, which may be redeemed by CLI after four (4) years, and 8.25% p.a. for Series A-2, which may be redeemed by CLI after seven (7) years, from their issue date.

CLI and its Subsidiaries are not involved in any bankruptcy, receivership, or similar proceedings, and have no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

Recent Sales of Unregistered or Exempt Securities Including Recent Issuances of Securities Constituting an Exempt Transaction

Under the SRC and the SRC Rules, securities are not permitted to be sold or offered for sale or distribution within the Philippines unless such securities are approved for registration by the SEC or are otherwise exempt securities under Section 9 of the Code or sold pursuant to an exempt transaction under Section 10 of the Code.

As set out above, in 2021, the Company issued 1,909,451,997 common shares in the form of stock dividends to its stockholders as of the relevant record date. The issuance is an exempt transaction pursuant to Section 10.1(d) of the SRC which states that the requirement of registration shall not apply to a distribution by a corporation actively engaged in the business authorized by its articles of incorporation, of securities to its stockholders or other security holders as a stock dividend or other distribution out of surplus.

Share Issuances under the Company’s ESOP

The Company granted stock options on January 5, 2022 to 73 eligible employees. Last March 15, 2022, 27 eligible employees exercised their stock options. In April 2022, 3,349,470 common shares from the treasury shares held by the Company were issued to the said employees. During the grant and the exercise date, and prior to actual re-issuance of shares pursuant to the ESOP, CLI had 161,600,000 treasury shares. After issuance, CLI has 158,250,530 remaining treasury shares.

The Company did not secure prior approval or confirmation of exemption from the SEC in relation to the issuance of 3,349,470 common shares from shares in treasury. It relied on Section 10.1(h) of the SRC which provides that “broker’s transactions, executed upon customer’s orders, on any registered Exchange or other trading market” are exempt transactions or exempt from the registration requirement under the SRC. The Company has complied with the assessment as set out in the letter from the SEC Markets and Securities Regulation Department (“MSRD”) dated January 15, 2024 in relation to its findings that the Company should have registered such securities or should have secured a confirmation of exemption from registration.

On February 15, 2024, the SEC MSRD issued an Order citing the Issuer’s failure to register or obtain the necessary exemption for the ESOP. The SEC MSRD directed the Issuer, along with its directors and officers, to take all the appropriate measures to ensure its faithful and timely compliance with the SRC

and the SRC Rules and stated that failure to do so may result in more severe penalties for the Issuer and its directors and officers in the event of further violations.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the Company's consolidated liabilities, equity, and capitalization as of September 30, 2024.

The table should be read in conjunction with the Company's consolidated financial statements and the notes thereto, included in this Offer Supplement beginning on page 298.

In Million Pesos (P)	As of September 30, 2024 (Unaudited)	As adjusted for an Issue Size of P3.00 billion (Unaudited)	As adjusted for an Issue Size of P5.00 billion (Unaudited)
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	9,830	9,830	9,830
Trade and other payables	19,124	19,124	19,124
Contract liabilities	292	292	292
Customers' deposits	190	190	190
Lease liabilities	37	37	37
Income tax payable	9	9	9
Total Current Liabilities	29,483	29,483	29,483
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	34,202	34,202	34,202
Bonds payable	4,961	7,961	9,961
Trade and other payables	200	200	200
Lease liabilities	1,238	1,238	1,238
Post-employment defined benefit obligation	10	10	10
Deferred tax liabilities – net	5,086	5,086	5,086
Total Non-current Liabilities	45,697	48,697	50,697
Total Liabilities	75,180	78,180	80,180
Capital stock- Common	3,623	3,623	3,623
Additional paid-in capital - Common	1,609	1,609	1,609
Capital stock- Preferred	4	4	4
Additional paid-in capital - Preferred	4,276	4,276	4,276
Treasury shares	(733)	(733)	(733)
Share Options Outstanding	4	4	4
Revaluation reserves – net	(18)	(18)	(18)
Retained earnings	11,281	11,281	11,281
Non-controlling interest	9,805	9,805	9,805
Total Equity	29,852	29,852	29,852
Total Capitalization	105,032	108,032	110,032

An adjusted issue size of ₱3.00 billion will result in an increase of the Bonds payable amounting to ₱7.96 billion while an issue size of ₱5.00 billion will result in an increase of the Bonds payable amounting to ₱9.96 billion. After taking into account the use of proceeds of the Offer, the Interest bearing loans and borrowings will be reduced from ₱34.20 billion to ₱31.80 billion and ₱30.20 billion, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) OR PLAN OF OPERATION

The following discussion of the Company's recent financial results should be read in conjunction with the auditor's reports and the Company's consolidated financial statements and notes thereto contained in this Offer Supplement and the section entitled "Summary of Financial Information". This discussion contains forward-looking statements and reflects the current views of the Company with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors and Other Considerations" and elsewhere in this Offer Supplement.

COMPANY MILESTONES FOR THE PERIOD ENDED SEPTEMBER 30, 2024

In the first nine (9) months of 2024, Cebu Landmasters launched four (4) projects with a total value of ₱8.23 billion. Among these, Casa Mira Homes Butuan, valued at ₱2.60 billion, marked CLI's initial expansion into Butuan, with a significant portion of the inventory being sold within the first month of launch, and as of date, 84% of the total inventory has been sold since the launch date. Additionally, the Velmiro Heights Davao project, comprising 362 units, sold out in just two days, generating ₱2.70 billion in sales. These achievements contributed to CLI reaching a 96% sell-out status across all projects at various stages of development, with total reservation sales amounting to ₱18.60 billion to date.

Additionally, during the first nine (9) months of 2024, CLI expanded its hospitality portfolio with the grand opening of three (3) new hotels: lyf Cebu City at Base Line Center with 159 rooms, The Pad Co-Living in Banilad High Street with 258 rooms, and Citadines Bacolod with 200 rooms. These additions will complement Citadines Cebu City, which is operating 180 rooms, in CLI's strategy in growing its hotel portfolio. CLI is currently constructing six (6) additional hotels to further enhance its revenue from the hospitality sector.

Moreover, CLI announced its first international partnership earlier this year, collaborating with NTTUDA, a Japanese company known for its mixed use residential and commercial developments, to establish CLI NUD Ventures, Inc. As part of this collaboration, CLI sold a lot for ₱2.00 billion to CLI NUD Ventures, Inc., for the development of a premier-grade condominium at Cebu IT Park. Their inaugural project, valued at ₱6.40 billion, is expected to launch in the second quarter of 2025. The first tower of this development will feature over 500 premium residential units, marking a significant milestone in CLI's expansion journey.

Furthermore, CLI spent ₱9.43 billion in capital expenditures, with the majority 72.5% allocated for residential development, 12.6% for investment properties, and the remaining portion for existing lot payments.

As of September 30, 2024, CLI reported a total land bank of 87.6 hectares valued at ₱10.00 billion, including the expansion site in General Santos City. During the year, CLI developed 26.80 hectares, primarily for the Casa Mira Butuan and Velmiro Heights projects. The company is actively negotiating the acquisition of properties in Luzon for its initial expansion into that market. CLI is also planning to purchase a total of 47.7 hectares in Luzon and the Visayas.

On April 12, 2024, the Company successfully raised ₱4.28 billion through the sale of Series A-1 and Series A-2 preferred shares. The shares were listed on the Philippine Stock Exchange (PSE) under the ticker symbols CLIA1 and CLIA2. The offering was 1.43 times oversubscribed relative to its firm offer amount, with dividend rates set at 7.59% p.a. for Series A-1, which may be redeemed by CLI after four (4) years, and 8.25% p.a. for Series A-2, which may be redeemed by CLI after seven (7) years, from their issue date.

Due to CLI's continued strong financial performance, the Board of Directors declared a regular dividend of ₱0.15 per share and a special dividend of ₱0.03 per share on March 18, 2024. These dividends were distributed to shareholders of record as of April 17, 2024, with payment made on May 3, 2024.

REVIEW ON THE COMPANY'S RESULTS OF OPERATION

January 1 to September 30, 2024 vs January 1 to September 30, 2023

In ₱ Millions	Sept 2024 (Unaudited)	Sept 2023 (Unaudited)	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease) Amount	%	2024	2023
Revenue	14,112	12,926	1,186	9.2%	100.0%	100.0%
Cost of Sales	(6,715)	(6,034)	(682)	11.3%	-47.6%	-46.7%
Gross Profit	7,397	6,893	504	7.3%	52.4%	53.3%
Operating Expenses	(2,425)	(1,893)	(533)	28.1%	-17.2%	-14.6%
Other Operating Income	235	349	(114)	-32.6%	1.7%	2.7%
Finance Costs	(1,331)	(1,554)	223	-14.3%	-9.4%	-12.0%
Other Gains/Losses ¹	5	(2)	7	-377.6%	0.0%	0.0%
Profit before tax	3,881	3,793	88	2.3%	27.5%	29.3%
Tax Benefit/ Expense	(968)	(960)	(8)	0.8%	-6.9%	-7.4%
Net Profit	2,913	2,833	80	2.8%	20.6%	21.9%
Non-Controlling Interest	590	653	(63)	-9.7%	4.2%	5.1%
Parent Net Profit	2,323	2,180	144	6.6%	16.5%	16.9%

¹ Other Gains/Losses is comprised of Finance Income, Share in Net Loss of Associates, Impairment Loss on Financial Assets, and Other Losses.

CLI demonstrated a steady topline in the first nine (9) months of 2024, with Revenues increasing by 9% to ₱14.11 billion from ₱12.93 billion in the same period last year. This growth was driven by lot sales and expansion across all business segments, highlighting robust market demand. Consequently, the company sustained its earnings momentum with Net Profit to Parent, rising from ₱2.18 billion to ₱2.32 billion - reflecting a 7% normalized growth year-on-year in alignment with the updated PFRS.

REVENUES

Real estate sales

Real estate sales recorded a significant 10% year-over-year increase in revenue to ₱12.46 billion from ₱11.31 billion. A key contributor to this growth is the lot sale and higher construction progress with more units that qualified for revenue recognition.

In terms of location, Cebu still is the strongest contributor of revenue which accounted for 46% of its overall figure. Mindanao and Visayas (excluding Cebu) contributed 31% and 18%, respectively. The increase in share in revenue outside Cebu were driven by new projects such as Casa Mira Homes Davao, Mindara Residences, East Village Residences, Casa Mira Towers Bacolod, Casa Mira Towers Palawan and Costa Mira Beach Panglao.

Revenue per market segment reported the following performance:

Premier Masters (Premier market) reported revenue of ₱2.22 billion, reflecting a decrease of 44% year-on-year from ₱3.93 billion. This decrease can be attributed to significant revenue qualifications in the previous year related to Costa Mira Beachtown Mactan, One Paragon Place, and One Astra, which are scheduled for turnover this year.

Garden Series (Mid-market), posted a revenue of ₱4.32 billion from ₱3.63 billion. The 19% growth was driven by The East Village, CLI's first residential project within the Davao Global Township (DGT), along with the addition of new towers and Mandtra Residences

Casa Mira Series (Economic market) generated revenue from ₱5.06 billion to ₱5.09 billion, reflecting a 1% increase. This growth is driven by Casa Mira Homes Davao, Casa Mira Homes Danao, Casa Mira Towers Palawan, Casa Mira Towers Bacolod, and Casa Mira Towers Mandaue.

The Company expects to grow real estate revenue contribution from projects newly launched during the period.

Leasing

The Company experienced a significant growth in rental revenues, reaching ₱113.55 million, representing a 47% year-on-year increase from ₱77.32 million. This growth can be attributed primarily to new retail tenants and increased occupancy revenue from already completed projects. Notably, by the end of the 3rd quarter of 2024, CLI has substantially expanded its Gross Leasable Area to 40,575 sq.m., marking a notable 13% rise from the previous quarter's 35,772 sq.m.. This expansion is a direct result of the successful completion and turnover of Banilad Highstreet and Drive-Thru spaces in Davao Global Township, currently boasting full lease rates of 100%. Additionally, the completion of DGT Pavilion and DGT Retail Pads has contributed an additional GLA of over 4,000 sq.m. These developments stand as pivotal contributors to CLI's upward trajectory and burgeoning success in the market.

Hotel operations

The strengthening of the hospitality industry in VisMin presents a significant opportunity for CLI. CLI is effectively tapping into this growth as it expands its footprint in the VisMin tourism industry with the opening of the 200-room Citadines Bacolod City. The Company's first hotel outside Cebu City and the largest international hotel in Bacolod.

With the opening of Citadines Bacolod City, CLI now boasts four (4) operational hotels: Citadines Cebu City, lyf Cebu City at Base Line Center, The Pad Co-Living in Banilad High Street, and the new Citadines Bacolod City. This expansion brings the Company's total number of operational rooms to 530. Notably, hotel operations have seen a significant boost, with revenue rising to ₱148.82 million, up from ₱98.17 million in the same period last year, representing a 52% increase driven by these new openings.

CLI is also set to complete Citadines Paragon Davao with 263 rooms and Radisson Red with 144 rooms by the end of 2025. Furthermore, with 6 more hotels under construction, CLI is strategically positioning itself to further capitalize on the burgeoning opportunities within the hospitality sector.

Management Fee

This included the project management fee that CLI charges for being the project manager on joint venture projects and the property management fee for CLIPMI services provided to CLI's completed projects. During the year, the parent company's project management revenue reached ₱45.86 million, these are fees charged to CLI's joint venture companies for managing the development of the project.

COST AND EXPENSES

COST OF SALES AND SERVICES

In line with the growth in revenue performance, the Company's Cost of Sales and Services for the nine (9) months ended September 30, 2024, was reported at ₱6.72 billion, 11% year-over-year increase from ₱6.03 billion of the same period last year.

OPERATING EXPENSES

Total Operating Expenses during the period amounted to ₱2.43 billion, a 28% y-o-y increase from ₱1.89 billion of the same period in 2023. The increase was mainly driven by commissions and incentives which grew by 9% to ₱808 million in line with the increase in revenue from real estate sales and robust sales performance during the period.

The Company carefully balanced its debt mix of 65% fixed and 35% floating rates. Due to this, CLI is able to maintain its competitive rate of 6.76% despite an increase in benchmark rates. The stated rate, while being higher than the previous year, is nonetheless competitive when compared to current capital raising rates charged in the sector.

On October 7, 2022, CLI listed its first tranche of ₱15.00 billion bonds worth ₱5.00 Billion with the following tenors:

- Series A with a tenor of three and a half (3.5) years with a fixed rate of 6.4222%
- Series B with a tenor of five and a half (5.5) years with a fixed rate of 6.9884%
- Series C with a tenor of seven (7) years with a fixed rate of 7.3649%

The proceeds from the Bonds raised will extend the debt maturity of the Company and lock in rates to address any interest rate risk brought about by the challenging macro environment.

Recently, CLI successfully listed its follow-on offering of ₱4.28 billion from Series A preferred shares. Proceeds from this offering will primarily be used to support the company's expansion plans.

NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST (NCI)

For the period ended September 30, 2024, Net Profit attributable to NCI saw a decrease from ₱653.00 million in 9M 2023 to ₱590 million. This decrease is due to the majority of revenue-generating projects being CLI projects.

ADOPTION OF PFRS 15

The period as of September 30, 2024 as well as the adjusted September 30, 2023 financial performances adopts the new PFRS 15 "Revenue from Contracts with Customers" on Sale of residential Properties under Pre-Completion Contracts. The new standard requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Otherwise, there would have been a significant financing component when there is a difference between the percentage of completion ("POC") of the real estate project and the right to the consideration based on the payment schedule stated in the contract.

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

To ensure a fair comparison, it is crucial to use adjusted figures when analyzing financial performance before and after the adoption of new PFRS. This approach allows for a like-for-like comparison, adjusting for the substantial changes brought about by the new standard and ensuring accurate and meaningful analysis of financial results.

REVIEW OF THE COMPANY'S FINANCIAL CONDITION

As of September 30, 2024, vs December 31, 2023

In Million Pesos (₱)	Sept 2024	Dec 2023	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2024	2023
Cash and cash equivalents	2,448	914	1,534	167.9%	2.3%	0.9%
Receivables – net ¹	11,590	2,249	9,341	415.3%	11.0%	2.2%
Contract assets - net ²	41,276	45,094	(3,818)	(8.5%)	39.3%	44.9%
Real estate inventory	12,815	16,966	(4,151)	(24.5%)	12.2%	16.9%
Deposits on land for future development	0	15	(15)	(100.0%)	0.0%	0.0%
Due from related parties	51	49	3	5.7%	0.0%	0.0%

In Million Pesos (₱)	Sept 2024	Dec 2023	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2024	2023
			Amount	%		
Prepayments and other current assets	7,952	6,434	1,518	23.6%	7.6%	6.4%
Non-current asset classified as held for sale	238	-	238	100.0%	0.2%	0.0%
Investments in joint ventures and associates	398	142	255	179.1%	0.4%	0.1%
Property and equipment - net	8,566	7,242	1,324	18.3%	8.2%	7.2%
Right of use asset	1,106	1,130	(24)	(2.1%)	1.1%	1.1%
Investment properties - net	17,338	18,334	(996)	(5.4%)	16.5%	18.3%
Other non-current assets - net	1,255	1,790	(535)	(29.9%)	1.2%	1.8%
Total Assets	105,032	100,359	4,673	4.7%	100.0%	100.0%
Interest-bearing loans ³	44,032	42,189	1,843	4.4%	41.9%	42.0%
Trade and other payables ⁴	19,124	22,781	(3,657)	(16.1%)	18.2%	22.7%
Contract liabilities	292	449	(157)	(35.0%)	0.3%	0.4%
Customers' deposits	190	144	46	32.0%	0.2%	0.1%
Lease liabilities ⁵	1,275	1,263	13	1.0%	1.2%	1.3%
Income tax payable	9	2	7	310.6%	0.0%	0.0%
Bonds payable	4,961	4,948	13	0.3%	4.7%	4.9%
Post-employment defined benefit obligation	10	10	0	0.0%	0.0%	0.0%
Deferred tax liabilities - net	5,086	5,039	47	0.9%	4.8%	5.0%
Total Liabilities	75,180	77,011	(1,831)	-2.4%	71.6%	76.7%
Non-controlling interest	9,805	9,197	609	6.6%	9.3%	9.2%
Total Equity	29,852	23,348	6,504	27.9%	28.4%	23.3%

¹ Receivables – net is comprised of the current and non-current portion.

² Contract assets – net is comprised of the current and non-current portion.

³ Interest-bearing loans and borrowings is comprised of the current and non-current portion.

⁴ Trade and other payables is comprised of the current and non-current portion.

⁵ Lease liabilities is comprised of the current and non-current portion.

CLI's balance sheet remains steady and healthy to support construction and expansion plans. As of September 30, 2024, CLI reported Total Assets of ₱105.03 billion, an increase of 5% from ₱100.36 billion as of December 31, 2023 driven by progress in construction from sold units.

ASSETS

168% increase in Cash and cash equivalents

Mainly from the proceeds obtained from loan availments and higher takeouts.

415% increase in Receivables (including non-current portion)

Increased from ₱2.25 billion to ₱11.59 billion is attributable to several real estate projects that reached 100% completion as at the end of the interim period. Under the Company's policy, contract receivables are recognized or reclassified from contract assets, when the performance obligation is satisfied, and the entity has an unconditional right to payment, meaning the percentage of completion of the project is at 100%.

The OGA of the SEC is still conducting a thorough evaluation of the receivables. Should there be any unfavorable outcome, the Company will be required to address the OGA's findings in its 2024 Consolidated Audited Financial Statements, with corresponding applicable penalties.

8% decrease in Contract assets (including non-current portion)

from ₱45.09 billion to ₱41.28 billion primarily due to completed installment contracts. A reconciliation of the movements of contract assets is summarized as follows:

In Million Pesos (₱)	As of September 30, 2024
Balance at the beginning of the year	45,094
Performance of property development	11,705

In Million Pesos (₱)	As of September 30, 2024
Collections	(2,804)
Transfers to contract receivables	(12,719)
Balance at end of year	41,276

24% decrease in Real Estate Inventories

from ₱16.97 billion to ₱12.81 billion mainly due to more inventory being sold and also a decrease in land development cost & raw land book value stemming from the application of PFRS 15 where capitalized interest is reversed on these items.

100% increase in Noncurrent Asset held for sale

The 100% increase is attributed to CLI's intention to sell its 30% stake in CLI NUD, valued at ₱237,832,343 and is presented as a and Non-current Asset Held for Sale in the 2024 condensed interim financial statements. The sale is expected to be in the second half of 2025. CLI NUD's assets are under the reportable segment of real estate.

The OGA of the SEC is still conducting a thorough evaluation of the Assets Held of Sale. Should there be any unfavorable outcome, the Company will be required to address the OGA's findings in its 2024 Consolidated Audited Financial Statements, with corresponding applicable penalties.

179.1% increase in Investment in Joint Ventures and Associates

from ₱142 million to ₱398 million significantly due to additional investments, primarily driven by additional investments in CLI NUD, with the intent to sell its 30% stake in the second half of 2025.

The OGA of the SEC is still conducting a thorough evaluation of the Investment in Associate. Should there be any unfavorable outcome, the Company will be required to address the OGA's findings in its 2024 Consolidated Audited Financial Statements, with corresponding applicable penalties.

6% increase in Due from related parties

Due to transactions paid by CLI (Parent) on behalf of its related parties from ₱48.60 million to ₱51.38 million.

24% increase in Prepayments and other current assets

from ₱6.43 billion to ₱7.95 billion significantly due to increased prepaid commissions.

18% increase in Property and equipment

from ₱7.24 billion to ₱8.57 billion significantly due to CLI's expanding developments.

2% decrease in Right of use asset

from ₱1.13 billion to ₱1.11 billion due to amortization of high-value leasehold rights.

5% decrease in Investment properties

from ₱18.33 billion to ₱17.34 billion due to reclassifications from investment properties to inventory due to a change in their intended use from leasable to saleable units. The Company's policy on reclassifications is currently being reviewed by OGA.

Accounting Treatment of Property Reclassification

The Company and the OGA of the SEC have differing views on the appropriate classification of certain properties in the financial statements. Specifically, the disagreement pertains to whether the reclassification of certain investment properties to real estate inventories, as reflected in the September 30, 2024 Reviewed Interim Financial Statements, aligns with the requirements of Philippine Accounting Standards ("PAS") 40 – Investment Property and PAS 2 – Inventories.

OGA has expressed the view that, under PAS 40, paragraphs 57 and 58, properties intended for sale without further development should continue to be classified as investment properties until their disposal or meets the criteria under PFRS 5 (Non-current Assets Held for Sale). Based on this interpretation, the reclassification to real estate inventories may not be appropriate. The Company, however, maintains that the reclassification is consistent with the intended use of the properties and reflects their underlying economic substance. Management has cited PAS 40, paragraph 57 as the basis for the change in classification and asserts that paragraph 58 does not apply to its specific circumstances.

This divergence in views highlights the significant judgment required in determining the proper classification of properties at both the initial recognition and reclassification stages, which have the following impact:

Materiality Test Based on Revised SRC Rule 68	
Amount of Investment Property reclassified to Inventory during 3 rd Quarter of 2024	₱2,899,145,955
Current Assets based on CRIFS as of 30 September 2024	5.30%
Non-current Assets based on CRIFS as of 30 September 2024	5.76%

The management is of the opinion that the potential reclassifications are expected to have a non-material effect on the Company's financial performance and operations.

30% decrease in Non-current assets

from ₱1.79 billion to ₱1.25 billion due to commissions paid in advance for future periods are now moving into the current period (increased current prepaid commissions).

LIABILITIES

4% increase in Interest-bearing loans and borrowings (including non-current portion)

from ₱42.18 billion to ₱44.03 billion reflects stability, coupled with the strategic decision to raise funds through preferred shares to support ongoing and future project developments.

16% decrease in Trade payables (including non-current portion)

from ₱22.97 billion to ₱19.32 billion due to accruals made on unbilled costs to match with revenue recognized.

35% decrease in Contract liabilities

from ₱449.34 million to ₱291.86 million mostly due to an increase in collections from buyers, but also due to the application of PFRS 15 where implied interest of collections is separated.

311% increase in Income tax payable

from ₱2.21 million to ₱9.08 million due to the accrual of income tax due for the period.

1% increased Deferred tax liabilities - net

from ₱5.04 billion to ₱5.09 billion due to additional accrual of Net Profit for the 9M 2024 recognized tax liability on taxable temporary differences.

EQUITY

137% increase in Parent Company's Retained Earnings

from ₱9.67 billion in December 2023 to ₱11.28 due to the Net Profit recognized during the period.

2023 COMPANY MILESTONES

In 2023, CLI launched a total of ten (10) projects valued at ₱18.7 billion in 2023. Part of the launch is the introduction of the Mirani brand addressing the needs of the lower-income segment, offering residences priced at around ₱1.90 million to ₱2.90 million. Another notable project launch is Mindara Residences in Davao with almost 546 of its units being sold out, amassing ₱2.50 billion in sales within the first week of its launch. CLI also introduced its first house and lot project in Davao, Casa Mira Homes Davao, which is now 95% sold out. Velmiro Heights – Consolacion Ph1, another CLI's mid-market product located in Northern Cebu was launched last December 2023. Velmiro Heights Consolacion Ph1, have 378 units composed of a series of single detached models with lot areas ranging from 100 to 197 sq.m. The project sold 93% within days of being introduced to the market, indicating strong demand for such a project. Other project launches include Casa Mira Towers Mandaue T1, Mandra T2, CMT Palawan T4, CMT Bacolod T4 and Costa Mira Panglao T3. This substantial fresh inventory, coupled with the continued high demand for the established Casa Mira brand, propelled CLI to achieve a record-breaking sales of ₱20.6 billion, up by 14% versus the same period in 2022.

Davao projects accounted for the majority of the sales with 40% of the total sales, Cebu with 30%, Bohol with 12%, Bacolod with 9% and Palawan with 7% while Dumaguete, Iloilo, Ormoc, and CDO contributed the remainder of the total sales.

In terms of market segment, Casa Mira, the economic brand led the market with 45% of total sales, primarily from Casa Mira Davao, Casa Mira Danao, and Casa Mira Towers in Palawan and Bacolod. As of December 31, 2023, CLI has already sold out 93% of its inventory across all projects in various phases of development.

The Company has invested ₱12.89 billion in capital projects as of December 2023, 81.7% of which went towards project development, and 6% spent for land acquisition. CLI is expanding in Mindanao by most recently purchasing 21 has. in General Santos City, increasing its landbank to 107 has. with a total value of ₱9.70 billion. With this acquisition, CLI is serving the region's robust and consistent housing demand, being present in 16 key VisMin cities.

In October 2023, CLI entered into a partnership with NTTUDA, an international developer known for commercial properties, including office buildings, residences, and mixed-use developments in Southeast Asia. This JV is geared towards the development of premium-grade residential towers in the heart of Cebu City.

The Company expands its hospitality portfolio with the launch of The Pad and lyf Cebu in the final quarter of 2023. The opening of lyf Cebu with 159 rooms brings CLI's operational hotel count to three (3), following the launch of The Pad Co-Living with 258 rooms and Citadines Cebu City in 2019 with 180 rooms. Like the latter, lyf Cebu City is also operated by international hospitality group The Ascott Limited. This strengthens CLI's hospitality portfolio while signaling the company's confidence in VisMin's growing tourism sector.

In 2023, CLI also received various recognitions starting with the 5-Star BERDE Certification which was officially turned over by the Philippine Green Building Council, led by their CEO, Mr. Chris de la Cruz. Latitude Corporate Center is the FIRST 5-Star BERDE Certified Office Building in Cebu City, with its iconic design masterfully crafted for great businesses.

Furthermore, BCI Asia Philippines once again recognized the Company as one of the Top 10 Developers in the Philippines for 2023, making this the sixth year in a row that it has won. This acknowledgment reinforces the Company's dedication to delivering creative and sustainable developments.

The 2023 Asia-Pacific Stevie Awards have also recognized CLI as one of the Bronze Stevie Winners for Innovative Achievement in Corporate Social Responsibility. This distinction represents the Company's unwavering dedication to sustainability and exceptional efforts in improving the environment and society at large.

Lastly, on September 28, 2023, CLI was awarded 2 Golden Arrows by the ICD. Companies with exemplary corporate governance were honored in the 2023 ASEAN Corporate Governance Scorecard (“ACGS”) and CGS Golden Arrow Recognition, carried out by the ICD at Okada Manila Hotel.

CLI’s unwavering commitment to innovation and excellence underscores its continual strides towards becoming the premier developer in VisMin. Through dedicated efforts in refining strategies, embracing technological advancements, and fostering a culture of excellence, CLI remains resolutely positioned at the forefront of the region’s development landscape. This dedication to surpassing benchmarks and setting new industry standards is ingrained in its ethos, driving its pursuit of becoming the unequivocal leader in the VisMin region’s real estate development industry.

REVIEW ON THE COMPANY’S RESULTS OF OPERATION

FY 2023 vs FY 2022

In ₱ Millions	Dec 2023	Dec 2022	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2023	2022
			Amount	%		
Revenue	18,818	15,657	3,161	20.2%	100.0%	100.0%
Cost of Sales	(9,640)	(8,368)	(1,273)	15.2%	(51.2%)	(53.4%)
Gross Profit	9,178	7,290	1,888	25.9%	48.8%	46.6%
Operating Expenses	(2,785)	(2,369)	(416)	17.5%	(14.8%)	(15.1%)
Other Operating Income	411	203	208	102.8%	2.2%	1.3%
Interest Expense	(603)	(351)	(252)	71.8%	(3.2%)	(2.2%)
Other Gains/ Losses ¹	(2)	(5)	3	(60.4%)	0.0%	0.0%
Profit before tax	6,199	4,768	1,432	30.0%	32.9%	30.4%
Tax Benefit/ Expense	(1,556)	(1,160)	(396)	34.2%	(8.3%)	(7.4%)
Net Profit	4,643	3,608	1,035	28.7%	24.7%	23.0%
Non-Controlling Interest	1,067	437	630	144.2%	5.7%	2.8%
Parent Net Profit	3,576	3,171	405	12.8%	19.0%	20.3%

¹ Other Gains/Losses is comprised of Finance Income, Share in Net Loss of Associates, Impairment Loss on Financial Assets, and Other Losses

In 2023, CLI showcased a commendable financial performance, reporting a Net Profit of ₱4.64 billion. This figure reflected a significant y-o-y increase of 29% from the previous period’s ₱3.61 billion. Furthermore, the Net Profit attributable to the Parent Company’s shareholders of CLI demonstrated a solid growth of 13%, reaching ₱3.58 billion compared to ₱3.17 billion in the same period last year. The notable earnings expansion can be attributed to the Company’s robust performance across all revenue streams which led to CLI’s Revenues increasing by 20% to ₱18.82 billion from ₱15.66 billion the previous year. This is supported by higher construction progress and higher sales take-up. Using the weighted average of 3,465,201,467 shares, EPS was ₱1.03 for the year 2023 as compared with the same period last year of ₱0.92, a 12% increase.

REVENUES

Real estate sales

Real estate sales recorded a significant 20% y-o-y increase in revenue to ₱18.51 billion from ₱15.44 billion. Higher construction progress and more units that qualified for revenue recognition were the causes of the reported improvement.

In terms of location, Cebu still is the strongest contributor of revenue which accounted for 44% of its overall figure. Visayas (ex-Cebu) and Mindanao contributed 24% and 29%, respectively. The increase in share in revenue outside Cebu was driven by new projects such as East Village Residences, Casa Mira Towers Bacolod, Casa Mira Towers Palawan, and Costa Mira Beach Panglao.

Revenue per market segment reported the following performance:

Premier Masters (Premier market) recorded revenue of ₱4.69 billion, an increase of 23% y-o-y from ₱3.83 billion mainly driven by the new revenue qualifications from Costa Mira Beachtown Mactan and Panglao, Calle 104, Citadines Paragon, and One Paragon Place.

Garden Series (Mid-market), likewise grew 35% y-o-y from ₱4.16 billion to ₱5.60 billion. The increase was steered by The East Village, the first residential project of CLI's Davao Global Township ("**DGT**") and Mandtra Residences in Cebu.

Casa Mira Series (Economic market) reported a stable revenue of ₱8.13 billion, driven by Casa Mira Towers Bacolod T1-T2, Casa Mira South Ph3A2, Casa Mira Homes Davao, Casa Mira Towers Guadalupe T3, Casa Mira Homes Ormoc, Casa Mira Homes Danao and Casa Mira Towers Palawan.

The Company expects to grow real estate revenue contribution from projects newly launched during the period.

Leasing

The Company experienced a substantial growth in rental revenues, reaching ₱112.34 million, a notable 42% y-o-y surge from ₱79.27 million. This upturn was predominantly driven by a blend of augmented lease rates and the revenue influx from recently completed projects. Notably, for the year 2023, CLI has significantly expanded its GLA to 35,772 sq. m., marking a remarkable 19% increase from the previous quarter's 30,006 sq.m. This surge is attributed to the successful turnover of Banilad Highstreet and Drive-Thru spaces in DGT, currently boasting impressive lease rates of 72% and 100%, respectively. These developments stand as pivotal contributors to CLI's upward trajectory and burgeoning success in the market.

Hotel operations

The resurgence in the travel and leisure sector served as a powerful catalyst for CLI's hotel operations, resulting in a remarkable upsurge in revenue. Notably, the hotel operations soared to generate ₱138.55 million, a striking leap from ₱83.42 million during the same period in the previous year, marking a robust 66% growth. This impressive increase was primarily fueled by a surge in bookings and elevated room rates, particularly evident in Citadines Cebu City.

In the last quarter of 2023, the Company turned over a portion of rooms from The Pad and Baseline Lyf. This move significantly bolstered the hotel's keys, escalating from 180 to 338. The remaining hotel keys of The Pad and Baseline Lyf are scheduled for completion in the first quarter of 2024, promising a substantial increase in revenue for the hotel operations in the following year. Furthermore, with seven additional hotels currently under construction, CLI is strategically positioning itself to further capitalize on the burgeoning opportunities within the hospitality sector.

Property Management

This included the project management fee that CLI charges for being the project manager on JV projects and the property management fee for CLIPMI services provided to CLI's completed projects. During the year, the parent company's project management revenue reached ₱172.90 million, these are fees charged to CLI's JV companies for managing the development of the project. On the other hand, property management fees increased by 7% to ₱59.22 million, from ₱55.47 million in the same period last year, reflecting an increase in managed projects by the property arm.

COST OF SALES AND SERVICES

In line with the growth in revenue performance, the Company's Cost of Sales and Services for the year ended December 31, 2023, was reported at ₱9.64 billion, a 15% y-o-y increase from ₱8.37 billion.

OPERATING EXPENSES

Total Operating Expenses during the year amounted to ₱2.78 billion, an 18% y-o-y increase from ₱2.37 billion of the same period in 2022. The increase was mainly driven by commissions and incentives which grew by 12% to ₱742.53 million in line with the increase in Revenue from real estate sales and robust sales performance during the period.

The Company carefully balanced its debt mix of 65% fixed and 35% floating rates. Due to this, CLI is able to maintain its competitive rate of 6.36% despite an increase in benchmark rates. The stated rate, while being higher than the previous year, is nonetheless competitive when compared to current capital raising rates charged in the sector.

On October 7, 2022, CLI issued its inaugural fixed rate bonds with a total issue size of ₱5.00 billion across the following tenors:

- Series A with a tenor of 3.5 years with a fixed rate of 6.4222%
- Series B with a tenor of 5.5 years with a fixed rate of 6.9884%
- Series C with a tenor of 7 years with a fixed rate of 7.3649%

The foregoing bonds comprised the first tranche of CLI's ₱15.00 billion shelf program for bonds. The purpose of the 2022 bonds was to raise funds to extend the debt maturity of the company and lock in rates to address any interest rate risk brought about by the challenging macro environment.

NET PROFIT ATTRIBUTABLE TO NCI

For the year ended December 31, 2023, Net Profit attributable to NCI increased substantially to ₱1.07 billion from ₱437.00 million for the same period in 2022. This growth is due to increasing contributions from new JV projects such as The East Village T1-T4 (YHEST) in Davao, Calle 104 T1-T2 (BL RAMOS) in Cebu, and Costa Mira Beachtown Panglao in Bohol.

REVIEW OF THE COMPANY'S FINANCIAL CONDITION

As of December 31, 2023 vs December 31, 2022

In Million Pesos (₱)	Dec 2023	Dec 2022	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2023	2022
Cash and cash equivalents	914	1,435	(521)	(36.3%)	0.9%	1.7%
Receivables – net ¹	2,249	3,678	(1,429)	(38.9%)	2.2%	4.3%
Contract assets ²	45,094	31,979	13,115	41.0%	44.2%	37.6%
Real estate inventory	18,693	18,309	384	2.1%	18.3%	21.5%
Deposits on land for future development	15	130	(115)	(88.5%)	0.0%	0.2%
Due from related parties	49	36	13	35.7%	0.0%	0.0%
Prepayments and other current assets	6,434	4,236	2,198	51.9%	6.3%	5.0%
Investments in joint ventures and associates	142	134	9	6.7%	0.1%	0.2%
Property and equipment - net	7,242	4,814	2,428	50.4%	7.1%	5.7%
Right of use asset	1,130	1,168	(38)	(3.3%)	1.1%	1.4%
Investment properties - net	18,334	17,749	585	3.3%	18.0%	20.9%
Other non-current assets - net	1,790	1,377	413	30.0%	1.8%	1.6%
Total Assets	102,086	85,045	17,041	20.0%	100.0%	100.0%
Interest-bearing loans ³	42,189	35,062	7,127	20.3%	41.3%	41.2%
Trade and other payables ⁴	22,966	19,039	3,927	20.6%	22.5%	22.4%
Contract liabilities	449	598	(149)	(24.9%)	0.4%	0.7%
Customers' deposits	144	120	24	19.8%	0.1%	0.1%
Lease liabilities ⁵	1,263	1,237	26	2.1%	1.2%	1.5%
Income tax payable	2	4	(1)	(39.4%)	0.0%	0.0%
Bonds payable	4,948	4,931	17	0.3%	4.8%	5.8%
Post-employment defined	10	9	1	10.7%	0.0%	0.0%

In Million Pesos (₱)	Dec 2023	Dec 2022	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2023	2022
benefit obligation						
Deferred tax liabilities - net	4,318	3,032	1,286	42.4%	4.2%	3.6%
Total Liabilities	76,290	64,032	12,257	19.1%	74.7%	75.3%
Capital stock	3,623	3,623	0	0.0%	3.5%	4.3%
Additional paid-in capital	1,613	1,611	2	0.1%	1.6%	1.9%
Treasury Shares	(733)	(733)	0	0.0%	(0.7%)	(0.9%)
Revaluation reserves	(18)	(14)	(4)	31.5%	0.0%	0.0%
Retained Earnings	11,966	9,014	2,952	32.8%	11.7%	10.6%
Non-controlling interest	9,345	7,511	1,834	24.4%	9.2%	8.8%
Total Equity	25,797	21,013	4,784	22.8%	25.3%	24.7%

¹ Receivables – net is comprised of the current and non-current portion.

² Contract assets – net is comprised of the current and non-current portion.

³ Interest-bearing loans and borrowings is comprised of the current and non-current portion.

⁴ Trade and other payables is comprised of the current and non-current portion.

⁵ Lease liabilities is comprised of the current and non-current portion.

CLI's balance sheet remains strong and healthy to support construction and expansion plans. As of December 31, 2023, CLI reported Total Assets of ₱102.09 billion, an increase of 20% from ₱85.04 billion as of December 31, 2022 driven by progress in construction from sold units

ASSETS

36% decrease in Cash and cash equivalents

Due to payments on loans such as Retail Bonds, Corporate Notes 1, and Project Term Loans as well as other payables to contractors and suppliers.

39% decrease in Receivables (including non-current portion)

Declined from ₱3.68 billion to ₱2.25 billion due to collections from completed projects.

41% increase in Contract assets (including non-current portion)

Increased to ₱45.09 billion from ₱31.98 billion mainly from installment contracts on existing and newly launched projects during the year that continue to recognize real estate sales revenue as construction progresses.

2% increase in Real estate inventory

Increased to ₱18.69 billion from ₱18.31 billion mainly due to increased building cost, new land acquisitions, and higher construction progress of the Company's projects.

88% decrease in Deposit on land for future development

Declined from ₱130.00 million to ₱15.00 million mainly due to the transfer to raw land inventory.

36% increase in Due from related parties

Increased to ₱48.60 million from ₱35.80 million due to transactions paid by CLI (Parent) on behalf of its related parties.

52% increase in Prepayments and other current assets

Increased to ₱6.43 billion from ₱4.24 billion due to advances to subcontractors and suppliers on newly awarded projects. Prior year figure was restated due to reclassification of certain deferred commissions as part of Prepayments and Other Current Assets to Other Non-current Assets account due to its expected recognition as expense in the succeeding years.

50% increase in Property and equipment

Increased to ₱7.24 billion from ₱4.81 billion due to the construction of new offices and branches to support CLI's expanding developments.

3% decrease in Right of use asset

Declined from ₱1.17 billion to ₱1.13 billion due to amortization of high-value leasehold rights.

3% increase in Investment properties

Increased to ₱18.33 billion from ₱17.75 billion attributed to ongoing construction of recurring income generating projects such as Masters Tower, Abaca Resort, Astra Corporate Center, and DGT.

30% increase in Other non-current assets

Increased from ₱1.38 billion to ₱1.79 billion due to increase in advances to contractors.

LIABILITIES

20% increase in Interest-bearing loans and borrowings (including non-current portion)

Increased to ₱42.19 billion from ₱35.06 billion due to new availments from project term loans.

21% Increase in Trade payables (including non-current portion)

Increased to ₱22.97 billion from ₱19.04 billion due to accruals made on unbilled costs to match with revenue recognized.

25% decrease in Contract liabilities

Decreased from ₱598.36 million to ₱449.34 million due to an increase in collections from buyers coming from new project launches that are ahead of the stage of completion.

39% decrease in Income tax payable

Decreased to ₱2.21 million from ₱3.65 million due to the accrual of income tax due for the period.

42% increase in Deferred Tax Liabilities - Net

Increased to ₱4.32 billion from ₱3.03 billion due to additional recognized tax liability on taxable temporary differences.

EQUITY

22% increase in Parent Company's Retained Earnings

Increased to ₱16.45 billion from ₱13.50 billion due to the Net Profit recognized during the period.¹⁶

REVIEW ON THE COMPANY'S RESULTS OF OPERATION

FY 2022 vs FY 2021

CLI recorded Net Profit to Parent shareholders of ₱3.17 billion, an increase of 21% from ₱2.61 billion in 2021, the remainder after tax adjustments for the year were factored out. This generated an EPS of ₱0.92, a decrease of 12% y-o-y from ₱1.04 EPS in 2021. The significant increase is driven by the strong topline growth and fast economic recovery in the region.

In Million Pesos (₱)	Dec 2022	Dec 2021	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease) Amount	%	2022	2021
Revenues	15,657	11,162	4,495	40%	100%	100%
Cost of Sales and Services	(8,368)	(5,972)	2,395	40%	(53%)	(54%)
Gross Profit	7,290	5,190	2,100	40%	47%	46%
Operating Expenses	(2,369)	(1,950)	419	21%	(15%)	(17%)
Income from Operations	4,921	3,240	1,681	52%	31%	29%
Finance Costs	(351)	(264)	87	33%	(2%)	(2%)
Other Operating Income	203	257	(55)	(21%)	1%	2%
Other Gains/Losses ¹	(5)	(129)	124	(96%)	(0%)	(1%)
Profit before Tax	4,768	3,104	1,664	54%	30%	28%
Tax Expense	(1,160)	(433)	727	168%	(7%)	(4%)
Net Profit	3,608	2,671	937	35%	23%	24%

¹⁶ Please refer to Annex A of this Offer Supplement for the Reconciliation of Retained Earnings Available for Dividend Declaration as of December 31, 2023.

In Million Pesos (₱)	Dec 2022	Dec 2021	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2022	2021
Non-Controlling Interest	(437)	(58)	379	654%	(3%)	(1%)
Parent Net Profit	3,171	2,613	558	21%	20%	23%

¹ Other Gains/Losses is comprised of Finance Income, Share in Net Loss of Associates, Impairment Loss on Financial Assets, and Other Losses.

REVENUES

CLI's topline grew significantly by 40% to ₱15.66 billion from 2021's ₱11.16 billion driven by significant construction accomplishments coupled by robust sales and collections, which have further resulted in a ₱29.00 billion or 17% increase in unrecognized revenue for future recognition.

Real estate sales

Revenue from the sale of real estate recorded a 40% growth y-o-y to ₱15.44 billion from ₱11.00 billion in 2021. The high growth was driven by significant construction progress and more accounts qualifying for revenue recognition from continued collections. By the end of the year, construction was in full swing across all project sites in VisMin with catch-up measures in place to compensate for delays caused by quarantine restrictions.

Casa Mira accounted for the largest share of revenues at 47%, followed by the Garden Series with 27%, and Premier Masters with 24%. The mix of revenue recorded during the year was brought about by the strong Casa Mira sales during the height of the pandemic in 2020. In terms of location, CLI's operations in Cebu remain outstanding, representing 42% of the total revenues, with Davao following at 19%, Iloilo at 12%, and CDO contributing 10%.

Premier Masters (Premier market), at ₱3.80 billion, increased by 47% y-o-y from ₱2.60 billion driven by the new revenue qualifications and accomplishments from Terranza residences in Iloilo and Costa Mira Beach in Mactan.

Garden Series (Mid-market), at ₱4.20 billion, higher by 30% y-o-y from ₱3.20 billion, the biggest contributor was The East Village, the first residential project of CLI's DGT.

Casa Mira Series (Economic market), at ₱7.36 billion, grew by 43% y-o-y from ₱5.16 billion, driven by Casa Mira Ormoc, Casa Mira Homes Dumaguete and Casa Mira LPU in Davao.

Hotel operations

Launched on September 14, 2019, Citadines Cebu City posted ₱83.42 million for the period ending December 31, 2022. Hotel revenue grew significantly by 71% with the reopening of local and international borders, reviving trade, and tourism.

Leasing

CLI's rental revenues improved by 7% posting ₱79.28 million in 2022 from ₱74.27 million in 2021. Growth driven by increased lease contracts and new tenants in the newly completed Latitude Corporate Center. GLA decreased to 29,085 sq.m. from 29,133 sq.m. due to conversion to office space (CLI's office expansion). As of December 31, 2022, rental occupancy rate is at 48%, an increase from 41% as of December 31, 2021.

Property Management

Revenue from property management fees is at ₱55.47 million, a 29% y-o-y increase from ₱42.97 million mainly from continuous turn-over of completed projects during the year — Casa Mira South Phase 1 and 2, Casa Mira Coast, Velmiro Uptown CDO, and Casa Mira Bacolod.

COST OF SALES AND SERVICES

The Company's Cost of Sales and Services for the period ended December 31, 2022 amounted to ₱8.37 billion, an increase of 40% from ₱5.97 billion in line with the increase in revenue.

OPERATING EXPENSES

Total Operating Expenses during the year amounted to ₱2.37 billion, a 22% y-o-y increase from ₱1.95 billion mainly due to the increase in accounted commissions and incentives to ₱847.16 million caused by the implementation of PFRS 15, which required the accrual of the said commissions and incentives. Salaries and employee benefits also grew by 20% to ₱532.69 million which aligns with the increase in the Group's manpower to 801 employees from 691 employees to support CLI's expansions across VisMin. During the year, the Company also spent ₱122.00 million in costs attributable to the purchase of the 17 has. expansion site in Butuan.

INTEREST EXPENSE ON BORROWING COST

During the year, borrowing costs amounted to ₱811.68 million with a higher average borrowing rate of 6.07%, an increase from the cost of borrowing reported in 2021 of 4.77%. The borrowing cost represents the interest on bank loans and corporate notes to fund the Company's project developments that are recognized as period costs and expenses.

REVIEW OF THE COMPANY'S FINANCIAL CONDITION

As of December 31, 2022 vs December 31, 2021

CLI's balance sheet remained solid and healthy to support construction and expansion plans. As of December 31, 2022, CLI's Total Assets stood at ₱85.04 billion, a 28% y-o-y growth from ₱66.65 billion driven by the increase in Contract assets, Real estate inventories, and Investment properties.

In Million Pesos (₱)	Dec 2022	Dec 2021	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2022	2021
			Amount	%		
Cash and cash equivalents	1,435	1,096	339	31%	2%	2%
Receivables – net ¹	3,678	6,006	(2,327)	(39%)	4%	9%
Contract assets – net ²	31,979	20,290	11,689	58%	38%	30%
Real estate inventories	18,309	18,709	(400)	(2%)	22%	28%
Deposits on land for future development	130	0	130	100%	0%	0%
Due from related parties	36	57	(22)	(38%)	0%	0%
Prepayments and other current assets	4,236	4,113	123	2%	5%	6%
Investments in associates	134	135	(2)	(1%)	0%	0%
Property and equipment – net	4,814	916	3,898	426%	6%	1%
Right-of-use assets	1,168	1,153	15	1%	1%	2%
Investment properties – net	17,749	13,240	4,509	34%	21%	20%
Other non-current assets – net	1,377	937	440	32%	1%	0%
Total Assets	85,045	66,652	18,393	28%	100%	100%
Interest-bearing loans and borrowings ³	39,993	32,022	7,971	25%	47%	48%
Trade and other payables ⁴	19,039	12,820	6,218	49%	22%	19%
Contract liabilities	598	604	(6)	(1%)	1%	1%
Customers' deposits	120	90	30	34%	0%	0%
Lease liabilities ⁵	1,237	1,126	111	10%	1%	2%
Income tax payable	4	2	1	67%	0%	0%
Post-employment defined benefit obligation	9	5	5	98%	0%	0%
Deferred tax liabilities – net	3,032	2,051	981	48%	4%	3%
Total Liabilities	64,032	48,720	15,312	31%	75%	73%
Capital Stock	3,623	3,623	0	0%	4%	5%

In Million Pesos (P)	Dec 2022	Dec 2021	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2022	2021
Additional paid-in capital	1,611	1,609	2	0%	2%	2%
Treasury shares	(733)	(748)	16	-2%	(1%)	(1%)
Revaluation reserves – net	(14)	(13)	(0)	3%	(0%)	(0%)
Retained earnings	9,014	6,369	2,644	42%	11%	10%
Non-Controlling Interest	7,511	7,092	419	6%	9%	11%
Total Equity	21,013	17,932	3,080	17%	25%	27%

¹ Receivables – net is comprised of the current and non-current portion.

² Contract assets – net is comprised of the current and non-current portion.

³ Interest-bearing loans and borrowings is comprised of the current and non-current portion and Bonds payable.

⁴ Trade and other payables is comprised of the current and non-current portion.

⁵ Lease liabilities is comprised of the current and non-current portion.

ASSETS

31% increase in Cash and cash equivalents

Increased to P1.45 billion from P1.10 billion largely due to collections and higher take-outs deposited under Short-term placements.

39% decrease in Receivable (including non-current portion)

Decreased to P3.68 billion from P6.01 billion mainly due to collections from completed projects.

58% increase in Contract assets (including non-current portion)

Increased to P31.98 billion from P20.29 billion mainly from installment contracts on existing and newly launched projects during the year that continue to recognize real estate sales revenue as construction progresses.

2% decrease in Real estate inventory

Slightly decreased to P18.31 billion from P18.71 billion due to decreased land development cost and raw land.

100% increase in Deposits on land for future development

Increased to P130.00 million from zero in 2021 since fully paid land purchases were reclassified to raw land inventory amounting to P1.08 billion.

38% decrease in Due from related parties

Transactions paid by the Parent Company on behalf of its related parties decreased to P35.80 million from P57.43 million mainly from collections on subsidiary and affiliate businesses.

2% increase in Prepayments and other current assets

Increased to P4.24 billion from P4.11 billion coming from downpayments and advances to suppliers and subcontractors; prepaid commissions, and related input VAT on construction materials purchased.

1% decrease in Investments in associates

Decreased to P133.56 million from P135.06 million mainly from the additional investment in Magspeak in 2021 amounting to P24.25 million. In 2022, only P8.00 million additional investment to ICOM.

426% increase in Property and equipment – Net

Increased to P4.81 billion from P915.67 million mainly from the reclassification of investment property.

34% increase in Investment properties – Net

Increased to P17.75 billion from P13.24 billion attributed to ongoing construction of investment properties, which include hospitality and commercial assets.

1% increase in Right-of-use asset

Right-of-use asset increased to P1.17 billion from P1.15 billion with recognition of the high-value leasehold rights acquired on the 43-year land lease for Cebu Business Park Office and Patria during the year.

LIABILITIES

25% increase in Interest-bearing loans and borrowings (including non-current portion)

Increased to ₱39.99 billion from ₱32.02 billion mainly from new bank loans availed including proceeds from bonds issuance.

49% increase in Trade and other payables (including non-current portion)

Increased to ₱19.04 billion from ₱12.82 billion mainly represent accrued cost of sales to match revenue recognition, outstanding obligations to owners of parcels of land acquired, subcontractors, and suppliers of construction materials.

48% increase in Deferred tax liabilities

Increased to ₱3.03 billion from ₱2.05 billion due to additional recognized tax liability on taxable temporary differences.

EQUITY

₱2.00 million increase in Additional Paid-In Capital

Increase of ₱2.00 million due to the exercise of ESOP, the Company issued 3,349,470 common shares with a par value of ₱1.00 or ₱3,349,470 to its qualified employees out of its treasury shares and recognized an additional paid-in capital amounting to ₱18.32 million from the transaction.

2% decrease in Treasury Shares

Decreased to ₱732.66 million from ₱748.17 million. In 2022, the Parent Company issued to its qualified officers 3,349,470 common shares out of its treasury shares in relation to the ESOP.

3% Increase in Revaluation Reserves

Increased to ₱13.91 million from ₱13.48 million due to increase in estimated loss on remeasurement of post-employment defined benefit obligation.

6% increase in NCI

Increased to ₱7.51 billion from ₱7.09 billion significantly from increased share in net profit in 2022 by ₱379.07 million.

2022 COMPANY MILESTONES

In 2022, CLI continued to launch projects to strengthen its market leadership in VisMin. During the same year, it unveiled more of its mid and premier series as the economy gradually reopens. Sixteen projects were successfully launched and substantially sold out driving up the Company's reservations sales namely:

- a. Astra Corporate Center
- b. Casa Mira Dumaguete Ph2
- c. The East Village T1
- d. The East Village T2
- e. The East Village T3
- f. Velmiro Bohol Expansion Ph2
- g. Casa Mira South 4B.2
- h. The East Village T4
- i. DGT Lots Only
- j. Casa Mira Towers Palawan Ph1 (T1-T2)
- k. Ramos Tower at Calle 104
- l. The Ranudo Tower at Calle 104
- m. Casa Mira Homes | Danao
- n. Costa Mira Bohol
- o. Casa Mira Towers Bacolod T3
- p. Casa Mira Towers Palawan T3

CLI recorded a 14% hike in reservation sales y-o-y to ₱18.80 billion driven by a robust VisMin market. A high 73% of total sales were from newly launched developments with the rest coming from persistent

demand for on-going projects.

The Company launched close to 5,000 units in 16 projects worth ₱28.40 billion in 2022 and were 74% sold by the end of the year. Sales velocity of these launches hit peak levels with most developments fully taken up within days.

CLI starts the year with strong reservation sales by selling out all three towers of the first residential development in DGT in four days, generating a record ₱4.07 billion in sales. This validates DGT as the most anticipated premier township in Davao.

The first among many launches in 2022, the East Village at DGT is the first residential development in the township with over 2,000 residential unit offerings spread across the 6-tower vertical village. The newly launched and sold-out three towers with a total of 1,087 units are scheduled for completion in Q3 2026.

Part of DGT's Phase 1 is the ₱700.00 million lifestyle mall called the DGT City Center that will be a landmark destination presenting an array of retail, restaurant and entertainment choices. It will feature dynamic, al fresco spaces, and lush indoor gardens offering worry-free strolling and shopping. To complement this is the ₱200.00 million DGT Cultural Center with showrooms, museum spaces, a theater, and function room which can hold up to 250 people.

In May 2022, CLI has accelerated its expansion to Eastern Visayas with the launch of Casa Mira Homes Ormoc, a 685-unit subdivision project on a 9-ha. property. Casa Mira Homes Ormoc, to be completed in 2023, is the 11th Casa Mira development in VisMin.

On June 20, 2022, CLI disclosed the approval of its Board of Directors of the offer and issuance of peso-denominated fixed rate bonds with a principal amount of up to ₱5.00 billion and an oversubscription option of up to ₱3.00 billion, which are part of the up to ₱15.00 billion fixed rate bonds to be applied by the Company for shelf registration.

CLI intended to use the proceeds from the Bonds to support its growth plans, primarily by investing in markets where CLI's initial foray has exceeded expectations and continuing its strategic land banking activities.

Also in June 2022, during its 2022 Annual Stockholders Meeting, the Company set out its expansion plans, among the focal points are three townships now under development. On the road to creating a critical mass of residents is the 22-ha. DGT which sold out in four days the first three towers of its first residential project The East Village at DGT. This prompted the launch of the fourth tower. Planning and development are likewise underway on the 14.3-ha. property in Cagayan de Oro acquired from Xavier University and envisioned to be a mixed-use university town. Reclamation works have also begun on the 100-ha. Minglanilla Techno Business Park in Cebu which is envisioned to be a regional growth center.

As part of the Company's commitment to provide quality and sustainable in-city vertical socialized housing, CLI turned over on June 29, 2022 the ₱115.00 million medium-rise building donated for the people of Cebu City. After less than 12 months of construction, 100 informal settler families now have a decent shelter. Walk-Up Sugbo 1 is a joint collaboration between CLI, the Cebu City Government, and the DHSUD and is designed to provide quality transition housing for informal settlers living in danger zones. It is the first of its kind of socialized housing development in VisMin and is one of the most generously appointed socialized housing buildings in the country.

At the same time, CLI, together with the Mandaue City Government and the DHSUD, signed an agreement and broke ground on the ₱100.00 million Tipolo Residences Building 4, a mid-rise socialized housing for the informal settlers and 2019 fire victims of Barangay Tipolo. Ninety identified beneficiaries joined the momentous occasion and shared their excitement for their future homes.

On July 19, 2022, PhilRatings assigned an Issue Credit Rating of PRS Aa plus, with a Stable Outlook, for CLI's then proposed bond issuance. The said bond issuance was the initial tranche under the Company's three (3)-year shelf-registered Debt Securities Program amounting to up to ₱15.00 billion.

PhilRatings also upgraded the Issue Credit Rating for CLI's outstanding Series A to C Corporate Notes worth ₱5.00 billion to PRS Aa plus, with a Stable Outlook, from PRS Aa.

On July 23, 2022, DGT was formally inaugurated, completing site development in just two years. After only two years of site development, YHEST Realty Development Corp., a JV between CLI and the Yuson, Huang, and Tan families of the prominent Villa-Abrile clan of Davao, officially inaugurated the 23-ha. DGT envisioned to be Mindanao's most sustainable central business district. It also started to offer 27 township commercial lots for sale after completing the utilities and road networks of the property. The commercial lots for sale have a total area of 47,194 sq.m. and lot sizes range from 1,054 sq.m. to 3,446 sq.m.

DGT Phase 1 includes the township's first residential development The East Village at DGT, a commercial area and lifestyle mall DGT City Center (opening early 2024), and DGT Cultural Center (opening 2024).

In August 2022, the Company purchased a 17-ha. expansion site in Butuan City. This acquisition brought up the Company's total landbank to 116 has.

In September 2022, CLI sold out Calle 104, a two-tower upscale residential project in record three days. The sales of the ₱2.40 billion for Calle 104, which straddles Ramos and Ranudo Streets, is a popular address of prominent families in Cebu. The high-end project in Cebu is CLI's eighth launch in 2022 across VisMin. Calle 104 is a JV project of CLI and Borromeo Brothers Estate, Inc. under Cebu BLRamos Ventures Inc. The upscale mixed-use development designed by Casas + Architects to be completed in Q4 2026 has two distinct towers connected by a retail podium with a gross floor area of 5,000 sq.m. of lifestyle options including restaurants, clothing, and essentials. A 2,300 sq.m. supermarket is located in the basement for the convenience of residents.

On September 22, 2022, CLI finalized the issue size of its maiden fixed rate Bonds offering, with an aggregate principal amount of ₱5.00 billion across three tenors. This initial issuance is the first from CLI's shelf registration of ₱15.00 billion debt securities program to be utilized within three years. In a strong show of confidence in CLI, the Company's maiden retail bonds received strong demand from both institutional and retail investors, even as CLI priced at the lowest end of the initial spread range. Interest rates have been set for the 3.5Y Series A at 6.4222%, for the 5.5Y Series B at 6.9884%, and for the 7Y Series C at 7.3649%. The Company received its Permit to Sell from the SEC for its maiden retail bond Issuance on September 27, 2022.

On September 29, 2022, disclosed that in its first foray in Palawan, CLI sold in less than one week 85% of the first phase of an economic housing project in Puerto Princesa. Projected gross revenues from this seven-tower development is pegged at ₱6.00 billion, with phase one set for completion in Q4 2025. The first venture in Palawan was a success. It showed that there is indeed a broader market for the bestselling housing brand Casa Mira beyond VisMin, and that the CLI is gaining traction in new areas of expansion.

On October 7, 2022, CLI successfully listed its first fixed-rate bond offering at the PDEX. BPI Capital and Chinabank Capital have been appointed as joint issue managers, joint lead underwriters, and joint bookrunners. PNB Capital, RCBC Capital, and SB Capital Investment Corporation are co-lead underwriters.

CLI dominated the 10th PropertyGuru PPA bagging 12 accolades including the Best Developer (Visayas) and Best Developer (Mindanao) awards presented in an exclusive gala event. CLI was also given Special Recognition in ESG and in Sustainable Design and Construction.

List of Winners:

- Abaca Resort Mactan, Best Resort Development
- Costa Mira Beachtown Mactan, Best Waterfront Condo Development
- The East Village, Best Condo Development (Mindanao) and Best Condo Architectural Design
- Sofitel Cebu City, Best Hotel Architectural Design
- Terranza Residences, Best Condo Development (Visayas)

Highly recommended:

- Astra Centre, Best Mixed-Use Development
- Sofitel Cebu City, Best Hotel Development

CLI, together with the Cebu City Government, officially opens a new F. Ramos Extension access road to vehicular traffic starting October 19, 2022.

The 200-meter F. Ramos Ext. access road provides a direct link between MP Yap and Llorente streets and provides an alternative access to and from Juana Osmena St. via Base Line Drive. This will help improve traffic flow and provide the community with an easier route to business establishments and lifestyle destinations around the area.

On October 28, 2022, CLI introduced a new immersive mountain resort in Balamban, Cebu. CLI further expands its growing leisure and hospitality portfolio with the 21 ha MagsPeak Mountain Resort and Villas. The 21-ha mountain estate in Magsaysay Peak in Balamban, Cebu, with an elevation of 800 meters is a JV between CLI and MagsPeak composed of Cebuano businessmen and fellow Caminoans, Bob Gothong, Segundino Selma Jr., Richard Ray King, and Douglas Gacasan. It is designed to create a holistic mountain experience for Cebu with an outdoor, religious, and hospitality component, built with sustainability at its core. MagsPeak's offers a unique hospitality experience managed by CLI's Hospitality arm, CLI Hotels & Resorts. Opening in 2025, the resort comprises 13 exclusive mountain villas and 20 hotel rooms highlighting views of the Balamban mountain landscape and the western Cebu seascape. Guest stays will further be enhanced with a clubhouse, heated infinity pools, and a farm-totable restaurant. With sustainability integral to its development, MagsPeak showcases eco-friendly initiatives and outdoor programs such as hiking trails, camping facilities, and other child-friendly activities surrounded by nature. With sustainability integral to its development, MagsPeak showcases eco-friendly initiatives and outdoor programs such as hiking trails, camping facilities, and other child-friendly activities surrounded by nature.

With the Company's stellar performance and proven execution capability to adapt to the new normal surpassing pre-pandemic growth and income levels, the Board deemed it fit to declare a regular and special cash dividend of ₱0.15 and ₱0.03 per share on March 20, 2023 with a total estimated amount of ₱623.00 million, a 21% increase from the ₱520.00 million paid to stockholders last year. The recently declared dividends had a record date of April 18, 2023 and were paid on April 28, 2023.

REVIEW OF THE COMPANY'S RESULTS OF OPERATION

FY 2021 vs. FY 2020

CLI recorded Net Profit to Parent shareholders of ₱2.61 billion, an increase of 42% from ₱1.85 billion in 2020. The significant increase was driven by the strong topline growth and one-time tax adjustment amounting to ₱293.50 million brought about by the implementation of CREATE Act.

As a result of the application of CREATE Act, lowering RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return of the Parent Company and the subsidiaries, was lower by ₱11.81 million than the amount presented in the 2020 AFS and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized deferred tax liabilities in 2020 by ₱280.80 million and such was recognized in the 2021 profit or loss and in other comprehensive income.

EPS in 2021 was ₱1.04 computed as Net Profit attributable to Parent shareholders amounting to ₱2.61 billion divided by weighted average number of shares of 2,507,833,165, while EPS in 2020 was ₱1.15 computed as Net Profit ₱1.85 billion divided by weighted average number of shares of 1,605,279,067.

CLI distributed stock dividends in July 2021 of 123 shares per 100 shares or 123%.

In ₱ Millions	Dec 2021	Dec 2020	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2021	2020
Revenues	11,162	8,299	2,863	35%	100%	100%

In ₱ Millions	Dec 2021	Dec 2020	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2021	2020
Cost of Sales and Services	(5,972)	(4,282)	1,690	39%	(54%)	(52%)
Gross Profit	5,190	4,017	1,173	29%	46%	48%
Operating Expenses	(1,950)	(1,266)	684	54%	(17%)	(15%)
Finance Costs	(264)	(66)	198	301%	(2%)	(1%)
Other Operating Income	257	69	189	275.0%	2.3%	0.8%
Other Gains/Losses ¹	(129)	38	(167)	(440%)	(1%)	0%
Profit before Tax	3,104	2,792	312	11%	28%	34%
Tax Expense	(433)	(716)	(283)	(40%)	(4%)	(9%)
Net Profit	2,671	2,076	595	29%	24%	25%
Non-Controlling Interest	(58)	(230)	(172)	(75%)	(1%)	(3%)
Parent Net Profit	2,613	1,846	767	42%	23%	22%

¹ Other Gains/Losses is comprised of Finance Income, Share in Net Loss of Associates, Impairment Loss on Financial Assets, and Other Losses.

REVENUES

CLI's topline grew by 35% to ₱11.16 billion from 2020's ₱8.30 billion driven by significant construction accomplishments coupled by robust sales and collections, which have further resulted in a ₱25.00 billion or 23% increase in unrecognized revenue for future recognition.

Real estate sales

Revenue from the sale of real estate recorded a 35% growth y-o-y to ₱11.00 billion from ₱8.15 billion in 2020. The high growth was driven by significant construction progress and more accounts qualifying for revenue recognition from continued collections. By the end of the year, construction was in full swing across all project sites in VisMin with catch-up measures in place to compensate for delays caused by quarantine restrictions.

Casa Mira accounted for 44% of revenues, followed by the Garden Series with 30% and Premier Masters with 24%. The mix of revenue recorded during the year was brought about by the strong Casa Mira sales during the height of the pandemic in 2020. In terms of location, CLI's operations in Cebu represent 55% of the total revenues, followed by CDO with 11% with Davao and Iloilo both contributing 10%.

Premier Masters (Premier market), at ₱2.60 billion, increased by 17% y-o-y from ₱2.20 billion driven by the new revenue qualifications and accomplishments from Terranza residences in Iloilo.

Garden Series (Mid-market), at ₱3.20 billion, higher by 7% y-o-y from ₱3.00 billion, driven by Mandra Residences, Velmiro Plains Bacolod, and Velmiro Heights CDO.

Casa Mira Series (Economic market), at ₱5.16 billion, grew by 93% y-o-y from ₱2.67 billion, mainly from newly launched projects during the year: Casa Mira LPU in Davao and Casa Mira Iloilo.

Hotel operations

Launched on September 14, 2019, Citadines Cebu City posted revenues of ₱48.68 million for the period ending December 31, 2021. The hotel revenues were driven from BPO companies that housed their employees during the lockdown.

Leasing

The Company offered rental concessions and holidays to support local businesses during lockdown increasing its rental revenue by 34% y-o-y to ₱74.27 million from ₱55.24 million. GLA doubled to 29,000 sq.m. from 14,536 sq.m. due to the turnover of Latitude Corporate Center.

Property Management

Revenue from property management fees is at ₱42.97 million, a slight increase from ₱42.59 million mainly from continuous turn-over of completed projects during the year – Casa Mira South Phase 1

and 2, MesaVerte Residences, and Mivesa Garden Residences Phase 3.

COST OF SALES AND SERVICES

The Company's Cost of Sales and Services for the period ended December 31, 2021 amounted to ₱5.97 billion, an increase of 39% from ₱4.28 billion in line with the increase in revenue.

OPERATING EXPENSES

Total Operating Expenses during the year amounted to ₱1.95 billion, a 54% y-o-y increase from ₱1.27 billion mainly due to the increase in accounted commissions and incentives to ₱725.00 million caused by the implementation of PFRS 15, which required the accrual of the said commissions and incentives. Salaries and employee benefits also grew by 22% to ₱450.64 million which aligns with the increase in the Group's manpower to 691 employees from 574 employees to support CLI's expansions across VisMin. During the year, the Company also spent ₱100.00 million in costs attributable to the purchase of the 14.3 has that will be integrated into the Xavier University Masterson Campus.

INTEREST EXPENSE ON BORROWING COST

During the year, borrowing costs amounted to ₱571.47 million with a lower average borrowing rate of 4.75%, an improvement from the cost of borrowing reported in 2020 of 4.96%. The borrowing cost represents the interest on bank loans and corporate notes to fund the Company's project developments that are recognized as period costs and expenses.

OTHER INCOME/EXPENSE

The Company's Other Operating Income likewise increased to ₱257.23 million from ₱68.60 million due to water revenue from the CLI's managed projects and an increase of administrative fees charged to the customers. Moreover, there is also a ₱129.00 million provision for loss on typhoon due to the recent Typhoon Odette that affected some of the projects of the Company. This caused a substantial increase in the other gains and losses of the company during 2021.

NET PROFIT ATTRIBUTABLE TO NCI

For the period ended December 31, 2021, Net Profit attributable to NCI stood at ₱57.93 million, 75% y-o-y decline from ₱229.61 million, due to the minimal incremental sales and POC on existing JV projects due to the completion and ongoing turn-over of Mivesa Garden Residences Phase 3 (MGR) and Latitude Corporate Center (BLCBP); and as MesaTierra Garden Residences (YES Inc.).

REVIEW OF THE COMPANY'S FINANCIAL CONDITION

As of December 31, 2021 vs. December 31, 2020

CLI's balance sheet remained solid and healthy to support construction and expansion plans. As of December 31, 2021, CLI's Total Assets stood at ₱66.65 billion, a 33% y-o-y growth from ₱50.09 billion driven by the increase in Contract assets, Real estate inventories, and Investment properties.

In ₱ Millions	Dec 2021	Dec 2020 ¹	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2021	2020
Cash and cash equivalents	1,096	797	299	37%	2%	2%
Receivables – net ²	6,006	6,142	(136)	(2%)	9%	12%
Contract assets – net ³	20,290	13,857	6,434	46%	30%	28%
Real estate inventories	18,709	13,398	5,311	40%	28%	27%
Deposits on land for future development	0	700	(700)	(100%)	0%	1%
Due from related parties	57	22	35	162%	0%	0%
Prepayments and other current assets	4,737	3,020	1,718	57%	7%	6%
Investments in associates	135	130	5	4%	0%	0%
Property and equipment – net	916	643	272	42%	1%	1%

In ₱ Millions	Dec 2021	Dec 2020 ¹	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2021	2020
Right-of-use assets	1,153	951	202	21%	2%	2%
Investment properties – net	13,240	10,094	3,146	31%	20%	20%
Other non-current assets – net	313	337	(24)	(7%)	0%	1%
Total Assets	66,652	50,091	16,562	33%	100%	100%
Interest-bearing loans and borrowings ⁴	32,022	23,794	8,228	35%	48%	48%
Trade and other payables ⁵	12,820	7,484	5,337	71%	19%	15%
Contract liabilities	604	533	72	13%	1%	1%
Customers' deposits	90	196	(106)	(54%)	0%	0%
Lease liabilities ⁶	1,126	835	291	35%	2%	2%
Income tax payable	2	31	(29)	(93%)	0%	0%
Post-employment defined benefit obligation	5	1	4	665%	0%	0%
Deferred tax liabilities – net	2,051	1,690	360	21%	3%	3%
Total Liabilities	48,720	34,563	14,157	41%	73%	69%
Capital Stock	3,623	1,714	1,909	111%	5%	3%
Additional paid-in capital	1,609	1,609	0	0%	2%	3%
Treasury shares	(748)	(733)	15	2%	(1%)	(1%)
Revaluation reserves – net	(13)	(13)	(1)	5%	0%	0%
Retained earnings	6,369	6,054	315	5%	10%	12%
Non-controlling interest	7,092	6,896	197	3%	11%	14%
Total Equity	17,932	15,527	2,405	15%	27%	31%

¹ The year ended December 31, 2021 figures presented in this table are not the restated figures for comparison with the year ended December 31, 2020 figures.

² Receivables – net is comprised of the current and non-current portion.

³ Contract assets – net is comprised of the current and non-current portion.

⁴ Interest-bearing loans and borrowings is comprised of the current and non-current portion.

⁵ Trade and other payables is comprised of the current and non-current portion.

⁶ Lease liabilities is comprised of the current and non-current portion.

ASSETS

37% increase in Cash and cash equivalents

Increased to ₱1.10 billion from ₱797.18 million largely due to collections and higher take-outs deposited under short-term placements.

2% decrease in Receivable (including non-current portion)

Decreased to ₱6.01 billion from ₱6.14 billion mainly due to collections from completed projects.

46% increase in Contract assets (including non-current portion)

Increased to ₱20.29 billion from ₱13.86 billion mainly from installment contracts on existing and newly launched projects during the year that continue to recognize real estate sales revenue as construction progresses.

100% decrease in Deposits on land for future development

Balance zeroed out from ₱699.77 million as fully paid land purchases were reclassified to raw land inventory amounting to ₱1.08 billion. Additional deposits on land for the year amount to ₱376.33 million.

40% increase in Real estate inventories

Increased to ₱18.71 billion from ₱13.40 billion driven by inventory on newly projects launched during the year, inventory on projects under construction becoming more valuable as building progress is achieved, and reclassification of investment properties worth a total of ₱1.85 billion to real estate inventories as well as fully paid raw land worth ₱1.08 billion from deposits on land to real estate inventories.

162% increase in Due from related parties

Transactions paid by the Company on behalf of its related parties increased to ₱57.43 million from ₱21.95 million mainly from cash advances to subsidiary and affiliate businesses.

57% increase in Prepayments and other current assets

Increased to ₱4.74 billion from ₱3.02 billion coming from downpayments and advances to suppliers and subcontractors; prepaid commissions and related input VAT on construction materials purchased.

4% increase in Investment in associates

Increased to ₱135.06 million from ₱129.85 million mainly from investment to ICOM and Magspeak during the year amounting to ₱110.82 million and ₱24.25 million respectively.

42% increase in Property and equipment – Net

Increased to ₱ 915.67 million from ₱643.39 million with the construction of new offices and branches to support CL's expanding developments.

21% increase in Right-of-use asset

Right-of-use asset increased due to the recognition of the high-value leasehold rights acquired on the 43-year land lease for Cebu Business Park Office and Patria during the year.

31% increase in Investment properties – Net

Increased to ₱13.24 billion from ₱10.09 billion attributed to ongoing construction of the Company's investment properties, which include its hospitality and commercial assets.

7% decrease in Other non-current assets – Net

Decrease in this account is attributed to the recoupment on the advances and down payments made by the Company to its contractors after progress construction have been made on the corresponding projects.

LIABILITIES

35% increase in Interest-bearing loans and borrowings (including non-current portion)

Increased to ₱32.02 billion from ₱23.79 billion mainly from the ₱11.48 billion new bank loans during the year.

71% increase in Trade and other payables (including non-current portion)

Increased to ₱12.82 billion from ₱7.48 billion mainly represent accrued cost of sales to match revenue recognition, outstanding obligations to owners of parcels of land acquired, subcontractors, and suppliers of construction materials.

13% increase in Contract liabilities

Increased to ₱604.25 million from ₱532.65 million due to increase in collections from buyers with units that have a relatively lower stage of progress completion versus the amount paid.

54% decrease in Customer deposits

Due to the lower amount of advance reservation fees that were not recognized during the same period.

35% Increase in Lease liabilities

Due to a new 22-year lease contract entered by the company in Banilad Cebu City for Banilad high street project.

93% decrease in Income tax payable

After the income tax set up for the prior period was paid.

665% increase in Post-employment defined benefit obligation

Due to the additional funds set aside for the plan.

21% increase in Deferred tax liabilities – Net

Increased to ₱2.05 billion from ₱1.69 billion due to additional recognized tax liability on taxable temporary differences.

EQUITY

111% increase in Capital Stock

Due to the declaration of stock dividends amounting to 1,909,451,997 common shares with a par value of ₱1.00 or ₱1.90 billion as approved by the PSE on July 6, 2021.

2% increase in Treasury Shares

From the Board-approved buyback program in 2020, CLI reacquired 2,599,600 shares of its common stock in 2021 for ₱15.32 million and presented them as Treasury Stock in the consolidated statement of financial position.

5% increase in Revaluation reserves

Increased to ₱13.48 million from ₱12.88 million due to increase in estimated loss on remeasurement of post-employment defined benefit obligation.

5% increase in Retained Earnings

Attributable to the Net Profit recognized during the period.

3% increase in NCI

Increased to ₱7.09 billion from ₱6.90 billion significantly from additional paid-in capital during the year to CLI-LITE amount to ₱252.73 million. Also, MGR declared total cash dividends of ₱160.00 million of which ₱88.00 million is payable to non-controlling shareholders.

2021 COMPANY MILESTONES

In 2021, CLI continued to launch projects to strengthen its market leadership in Visayas and Mindanao. During the year, it has unveiled more of its mid and premier series as the economy gradually reopens. Ten projects were successfully launched and substantially sold out driving up the Company's reservation sales namely:

- a. Velmiro Heights CDO
- b. Casa Mira Tower Guadalupe Tower 3 in Cebu
- c. Mandtra residences Tower 1 in Cebu
- d. Casa Mira Ormoc
- e. Terranza residences in Iloilo
- f. Casa Mira South Phase 4A in Cebu
- g. Casa Mira South Phase 4B in Cebu
- h. Mandtra Residences Tower 3 in Cebu
- i. Costa Mira Beachtown Mactan Cebu
- j. Casa Mira Towers Bacolod

CLI recorded reservation sales of ₱16.52 billion for 2021, 16% more than 2020's ₱14.25 billion due to sustained demand for housing in its key markets by launching 3,865 units in 10 projects worth ₱18.00 billion, more than the eight projects launched in 2020 worth ₱11.50 billion.

CLI launched Masters Tower Cebu on February 19, 2021, with a target completion date of 2025. The project will include prime office and retail space as well as the Queen City of the South's first five-star luxury hotel. The Sofitel Cebu City will be managed by Accor, a global hotel company with headquarters in France. The construction, which is expected to cost ₱4.00 billion, would be built by EEI Corporation on a 2,840 sq.m. plot in Cebu Business Park, the city's preeminent central business area.

In March 2021, CLI signed a new ₱360.00 million JV focused on filling a rapidly rising demand for co-living spaces that deliver affordable, safe transient housing in Cebu for young professionals and students seeking quick access to strategic business centers. Named SPE, the partnership will kick off with a 7,500 sq.m. prime property along Banilad Road and is walking distance to the Cebu IT Park where many BPO firms are located. With renewed BPO interest in Cebu, areas like Banilad surrounding the BPO hubs have become highly in-demand. The mixed-use development will have retail spaces, over 300 dormitory rooms, and a self-storage facility. The project is to be completed by

2023 and primarily targets young professionals and students returning to work and schools, respectively.

In April 2021, CLI broke ground for Patria de Cebu, a new mixed-use development offering 21,000 sq.m. of gross floor area and a 182-room Mercure Hotel at the heart of downtown Cebu City's heritage trail. Patria de Cebu's redevelopment will offer 4,320 sq.m. of food, dining and entertainment spaces and 4,400 sq.m. of office space. The balance will be taken up by Mercure Cebu Downtown set to open in 2025 to be operated by French multinational chain Accor, a world leading hospitality group.

CLI's collaboration with the Archdiocese of Cebu covers the development and operation of the mixed-use project for 40 years.

In May 2021, CLI continued its partnership with BPI Investment Management, Inc.'s managed money market funds by entering into another notes facility agreement worth ₱3.00 billion. The facility was arranged by BPI Capital, which also arranged the initial ₱2.00 billion facility issued last October 2019.

CLI received PRA approval in June 2021 to reclaim and develop the 100-ha Minglanilla techno business hub in Cebu. Following that, CLI increased its ownership share from 20% to 78% in order to streamline CLI's operations as the development's developer and project manager. During the year, PRA issued a Notice to Proceed for the reclamation. In October 2021, CLI broke ground to begin its development.

In July 2021, CLI revealed its very first resort development – the ₱2.50 billion Abaca Resort Mactan. The 125-room all-suite accommodation will feature stunning panoramic ocean views and will rise 17-stories high on a 4,500 sq.m. property formerly occupied by the multi-awarded Abaca Boutique Resort in Punta Engaño, Lapu-Lapu City, a tourism growth center. CLI purchased the property in 2019 and has signed up with The Abaca Group to continue operating the hotel and providing luxury experiences tailored for local and global tourists when it reopens. To design the resort, CLI tapped internationally renowned architectural firm Büro Ole Scheeren whose projects have won numerous global awards.

On July 14, 2021, CLI distributed 1,909,451,997 new common shares as stock dividends, or 123 new shares for every 100 existing shares. This resulted in an increase in outstanding common shares to 3,461,851,997.

In August 2021, CLI signed a Memorandum of Agreement to acquire 14.3 has of Xavier University – Ateneo de Cagayan's Manresa Property in uptown Cagayan de Oro. CLI's acquisition, named Manresa Town, will be developed with condominiums, dormitories, retail, and commercial spaces that will be an integral part to the master planned township of Xavier University Cagayan de Oro. Proceeds that Xavier University will be receiving will be used to develop the new Xavier University Masterson Campus, which at 21 will be three times larger in area than the current campus. Provisions in the agreement prepared by Xavier University and endorsed by Jesuit leaderships in the Philippines and in Rome were approved by the Vatican after a thorough two-year review process. The new 21-ha Xavier University Masterson Campus is envisioned to catalyze development in Northern Mindanao with a Sustainable and New Normal-ready Campus Masterplan. The masterplan of the Xavier University Masterson Campus will blend seamlessly with the adjacent Manresa Town to be developed by CLI, a 14.3-ha mixed-use university town that provides Xavier University students convenient and safe residential options, easy access to commercial establishments and future-ready offices.

In December 2021, CLI and Borromeo Brothers Estate Inc. inaugurated the ₱1.20 billion 4-Star BERDE-certified commercial tower Latitude Corporate Center, increasing CLI's office GLA to over 29,000 sq.m. from 14,000 sq.m. y-o-y. The hybrid office building standing 24-storeys high with designated spaces for BPO offices (eighth – 12th floors), Enterprise offices (14th – 16th floors), Executive offices (17th – 24th floors) and a retail concept (first and second floors) is strategically located in Cebu Business Park and is among the tallest buildings in the business district. The development was awarded early in 2023 with a four-star accreditation under the BERDE rating system, a testament to its sustainable design tailor fit to world class standards.

During the ninth PropertyGuru PPA, CLI was awarded as the Best Developer for Visayas and Mindanao along with nine other special awards from its portfolio of innovative, and market-resonant projects spread across the archipelago, such as Casa Mira Towers Mandaue, DGT, MesaVirre Garden

Residences, One Paragon Place, Patria de Cebu, Radisson Red, and Velmiro Uptown CDO.

With the Company's stellar performance and proven execution capability to adapt to the new normal translating to a resumption of pre-pandemic growth and income levels, the Board deemed it fit to declare a regular and special cash dividend of ₱0.112 and ₱0.038 per share on March 15, 2022 with a total estimated amount ₱519.20 million, a 33.6% increase from the ₱388.75 million paid to stockholders last year. The recently declared dividends had a record date of April 22, 2022 and were paid on May 17, 2022.

OTHER DISCLOSURES RELATED TO THE COMPANY'S FINANCIAL CONDITION AND OPERATIONS

1. There are no known trends or demands, commitments, events, or uncertainties that will reasonably affect the Company's liquidity.
2. There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. As of December 31, 2022 and 2021, the Group has capital commitments of about ₱8.81 billion and ₱8.35 billion, respectively, for the construction of real estate inventories, property and equipment, and investment properties.
3. There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements. As at September 30, 2023 and December 31, 2022, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.
4. There are no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
5. For the last three fiscal years, there are no significant elements of income or loss that arose from the Company's continuing operations.
6. There are no material changes from period to period outside of normal real estate operating cycle.
7. There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

KEY PERFORMANCE INDICATORS

CLI uses a range of financial and operational KPIs to help measure and manage its performance. These KPIs reflect the Company's continuous focus on efficiency, cost control and profitability across all its operations.

Management considers the following as KPIs:

	September 30, 2024	September 30, 2023
Gross Profit Margin ¹	52.4%	53.3%
Net Profit Margin ²	20.6%	21.9%
EBITDA ³ (in Million Pesos)	₱5,245	₱5,363
EBITDA Margin ⁴	37.2%	-
Interest Coverage Ratio ⁵	6.30	-
Return on Average Assets ⁶	2.8%	-
Return on Average Equity (Parent) ⁷	13.6%	-
Current Ratio ⁸	1.94	-
Net Debt-to-Equity Ratio ⁹	1.56	-
Debt-to-Equity Ratio ¹⁰	1.64	-

Note: These financial ratios are not required by and are not a measure of performance under PFRS. Investors should not consider these financial ratios in isolation or as an alternative to Net Income as an indicator of CLI's operating performance or to cash flow from operating, investing, and financing activities as a measure of liquidity, or any other measures of performance under PFRS. Because there are various calculation methods for these financial ratios, CLI's presentation of these measures may not be comparable to similarly titled measures used by other companies.

¹ Gross Profit Margin is computed by dividing the Company's Gross Profit by its Revenues.

² Net Income Margin is computed by dividing the Company's Net Profit by its Revenues.

³ EBITDA is defined as earnings before interest, tax, depreciation, and amortization from continuing operations, and before exceptional items. Please see table below for EBITDA calculation.

⁴ EBITDA Margin is computed by dividing the Company's EBITDA by its Revenues. EBITDA is based on the EBITDA calculation below.

⁵ Interest Coverage Ratio is the sum of EBITDA, Cash and cash equivalents divided by interest incurred. Interest incurred is computed as the sum of interest incurred from bank loans (including amortization of debt issue costs), interest incurred from corporate notes (including amortization of debt issue costs) and interest incurred from bonds (including amortization of debt issue costs) less borrowing costs that are capitalized as part of property and equipment and borrowing costs that are capitalized as part of investment property. For purposes of the covenants, the ratio shall be computed using 12-months trailing EBITDA plus cash balance over interest due for the next year.

⁶ Return on Average Assets is computed by dividing Net Profit by the average assets as at the beginning and end of the same period.

⁷ Return on Average Equity (Parent) is computed by dividing Net Profit by the average of the equity attributable to the Parent Company's shareholders as at the beginning and the end of the same period.

⁸ Current Ratio is current assets divided by current liabilities.

⁹ Net Debt-to-Equity Ratio is both the current and non-current interest-bearing debt (loans, borrowings and bonds payable) less Cash and cash equivalents over Total Equity.

¹⁰ Debt-to-Equity Ratio is both the current and non-current interest-bearing debts (loans, borrowings and bonds payable) divided by Total Equity.

Below is the reconciliation of "Net Profit" to "EBITDA".

	For the nine (9) months ended 30 September	For the years ended 31 December		
	2024	2023	2022	2021
Net Profit	2,913	4,643	3,608	2,671
Interest charged to:				
Cost of Sales	-	1,203	461	307
Interest expense on loans	1,187	452	259	197
Interest expense on bonds	34	67	15	-
Tax expense	968	1,556	1,160	433
Depreciation and amortization	144	187	171	122
EBITDA	5,245	8,108	5,674	3,730

The Company's Gross Profit Margin is dependent on the mix of revenue during the period. For the first nine (9) months of 2024, CLI's Gross Profit Margin remained steady, this is due to the higher contribution of premier projects which generated higher margins (31%) compared to only 24% in 2022. Additionally, recurring projects posted lesser revenue contributions during the year, these projects have Gross Profit Margins with over 50% to 60%. Meanwhile, Net Income Margin remains healthy at 21%.

For the period ended September 30, 2024, all other ratios remain healthy with Return on Average Assets at 3% and Return on Average Equity (Parent) at 13%. Net Debt to Equity ratio improved from 1.82x to 1.56x because of capital infusions attributed to JV projects. The Company's current ratio projects ample liquidity at 1.94x.

Management together with key officers continue to effectively handle their respective operations and financial requirements despite the pandemic. As a result, CLI's financial position remains liquid and strong.

KPIS; CERTAIN FINANCIAL RATIOS

The existing notes facility agreements to which CLI is a party require that it should comply with certain financial ratios, with testing to be done on an annual basis and using CLI's year-end audited consolidated financial statements. The table below reflects the covenants under such notes facility agreements.

Financial Ratios (Consolidated)	Relevant Definitions	Required Ratios under Notes Facility Agreement	December 31,			September 30
			2021	2022	2023	2024
Debt to Equity Ratio	Debt-to-Equity Ratio means the result obtained by dividing (i) the amount of both the current and non-current interest-bearing debt (loans, borrowings and bonds payable) of the Issuer by (ii) the total Equity of the Issuer, in each case as appearing in the latest consolidated audited balance sheet of the Issuer.	A maximum ratio of 2.5:1	1.79	1.90	1.83	1.64
Current Ratio	Current ratio is computed by dividing (i) Total Current Assets over (ii) Current Liabilities.	A minimum ratio of 1:1	1.64	1.58	1.55	1.94
Interest Coverage Ratio	Interest coverage ratio is computed by dividing the sum of EBITDA, cash, and cash equivalents, by interest incurred during the period For purposes of the covenants, the ratio shall be computed using 12-months trailing EBITDA plus cash balance over interest due for the next year.	A minimum ratio of 3:1	3.74	4.89	4.12	6.30

MANAGEMENT AND CERTAIN SECURITY HOLDERS

BOARD AND SENIOR MANAGEMENT

The overall management and supervision of the Company is vested in its Board of Directors. The Company's officers and management team cooperate with its Board by preparing relevant information and documents concerning the Company's business operations, financial condition, and results of operations for its review and action. At present, the Board consists of nine (9) members, including three (3) independent directors in accordance with the requirements of the SRC and the SEC's New Code of Corporate Governance for Publicly Listed Companies. The CLI Board is composed of directors with collective working knowledge, experience, and expertise that are relevant to the real estate industry. The CLI Board has an appropriate mix of competence and expertise and they remain qualified for their positions individually and collectively. All of CLI's directors were re-elected during the Company's annual stockholders' meeting held on June 4, 2024.

Members of the Board of Directors

The following are the members¹⁷ of the Board of Directors of CLI:

Name	Age	Position	Citizenship
Jose R. Soberano III	68	Chairman of the Board/President	Filipino
Ma. Rosario B. Soberano	66	Director	Filipino
Jose Franco B. Soberano	38	Director	Filipino
Beauregard Grant L. Cheng	43	Director	Filipino
Joanna Marie S. Bergundthal	37	Director	Filipino
Rufino Luis T. Manotok	74	Independent Director	Filipino
Ma. Aurora D. Geotina-Garcia	72	Independent Director	Filipino
M. Jasmine S. Oporto	65	Independent Director	Filipino
Stephen A. Tan	68	Director	Filipino

The qualifications of the Directors, including their current and past positions held and business experiences, are set forth below:

- *Jose R. Soberano III* has been the Company's Chairman, CEO, and President since its incorporation. He obtained a Bachelor of Arts degree in Economics from the Ateneo De Manila University in 1976 and completed the Strategic Business Economics Program at the University of Asia and Pacific in 2000. In 2015, he completed the Advanced Management Development Program in Real Estate from the Harvard University Graduate School. He previously worked for the Ayala Group of Companies for over 23 years, including various stints in Ayala Investment, Bank of the Philippine Islands, and in Ayala Land, Inc., where he was appointed Senior Division Manager in 1997. He was Vice President of Cebu Holdings, Inc., the pioneer Ayala Land subsidiary in Cebu City when he resigned in 2000 from Ayala. He served as President of the Rotary Club of Cebu 2011, and President of the Chamber of Real Estate Builders Association-Cebu in 2010. He is currently the (i) Chairman of the Board of the Center for Technology and Enterprise Inc., a socially oriented instruction that offers technical training to less privileged youth; (ii) President of Sri Visayan Foundation Inc and Cebu Country Club, Inc.; (iii) Director and Treasurer of Sugbu Chinese Heritage

¹⁷ The SEC, through the issuance of the Certificate of Filing of Amended Articles of Incorporation dated January 9, 2025, approved the Company's application to amend its Articles of Incorporation, increasing the number of directors from nine (9) to eleven (11). As of the date of this Offer Supplement, the two (2) additional seats remain vacant.

Museum Foundation Inc.; and (iv) Independent Director of Maybank Investment Banking Group Philippines. Mr. Jose R. Soberano III has more than 20 years of experience in managing and heading companies engaged in real estate development.

- *Ma. Rosario B. Soberano* has served as the Director, Treasurer, and Executive Vice President of the Company since 2003. She received a Bachelor of Science major in Accountancy degree in 1979 and graduated summa cum laude from St. Theresa's College in Cebu. She also obtained a Master's Degree in Business Administration from the University of the Philippines ("UP") – Cebu in 1983. She is a Certified Public Accountant and a licensed real estate broker duly registered with the Professional Regulations Commission and Department of Human Settlements and Urban Development.
- *Jose Franco B. Soberano* has served as Director of the Company since 2010 and joined the Company as COO and Senior Executive Vice President in 2010. He received a degree in Bachelor of Science in Management, major in Legal Management and minor in Finance, from the Ateneo de Manila University in 2007. In 2012, he obtained a Master's Degree in Real Estate Development from Columbia University in New York City. Prior to joining the Company, he was a project manager at Hewlett-Packard Asia Pacific (HK) Ltd. He is a founding member of the GlobalnShapers – Cebu Hub, an initiative of the World Economic Forum, and is President of the Sacred Heart School – Ateneo de Cebu Alumni Association since 2014.
- *Beauregard Grant L. Cheng* is currently the CFO and Executive Director of CLI and has occupied such positions since 2019. Before joining CLI, he was a Senior Deal Manager with a rank of Vice President at BDO Capital & Investment Corporation. He led his project teams in managing various complex capital market transactions and advised companies in a broad array of industries on corporate restructuring and reorganization. Previously, he was a private banker based in Singapore handling accounts for high-net-worth individuals and institutions. He is a registered Chartered Financial Analyst ("CFA") Charter holder and is a member of the CFA Philippines Society. He earned his degree in Bachelor of Science in Manufacturing Engineering and Management as a Star Scholar from De La Salle University Manila and graduated Magna Cum Laude. He was awarded as one of the Top Ten Outstanding Students of the Philippines by the Philippine President. He earned his Masters of Science in Wealth Management with distinction from Singapore Management University and Swiss Finance Institute in Zurich.
- *Joanna Marie B. Soberano-Bergundthal* has served as Director of the Company since 2010 and joined the Company as Vice President and Marketing Director in July 2016. She earned from the University of Asia and the Pacific both her Bachelor and Master of Arts in Communication, Major in Integrated Marketing Communication in 2008 and 2009 respectively. She was Top 1 of her Batch 2008. Prior to joining the Company, she was a Marketing Manager of the Global Team of Nestle based in Switzerland from June 2014 to August 2015 and was Marketing Project Manager based in Thailand from August 2015 to June 2016. In October 2013 to May 2014, she worked as a Marketing Manager of Nestle Philippines.
- *Rufino Luis T. Manotok* joined as one of the Company's Independent Directors in February 2017. He finished Advanced Management Program of Harvard Business School in 1994. He earned his Master of Business Management degree from the Asian Institute of Management in 1973, and Bachelor of Arts, major in Economics from the Ateneo de Manila University in 1971. He is currently an Independent Director of First Metro Investment Corporation and was the Chairman and President of Ayala Automotive Holdings Corporation from 2009 to 2012. From 2007 to 2009, he was Ayala Corporation's Senior Managing Director, CFO, and Chief Information Officer. He was Managing Director, heading Strategic Planning Group of Ayala Corporation from 1998 to 2006.
- *Ma. Aurora D. Geotina-Garcia* joined as one of the Company's Independent Directors in February 2017. She received her Bachelor of Science in Business Administration and Accountancy degree from UP in 1973. She completed her Master of Business Administration ("MBA") from the same university in 1978. She headed SyCip Gorres Velayo & Co.'s ("SGV & Co.") Global Corporate Finance Division from 1992 until her retirement from the partnership in 2001. She was a Senior Adviser to SGV & Co. from the time of her retirement until September 2006. She has served as a consultant to businesses and the government for over 30 years in the area of corporate finance. She is presently the President of Mageo Consulting Inc. since March 2014, President of CIBA

Capital Philippines Inc. since December 2008, and an Independent Director of Queen City Development Bank since 2009.

- *Atty. Ma. Jasmine S. Oporto* joined the Board of Directors of CLI as an Independent Director in August 2018. She obtained her Bachelor of Laws from the UP College of Law, and Bachelor of Landscape Architecture from the same university. She also attended Comparative International and American Law Program of the Center for American and International Law. She is an experienced Chief Legal Officer, Chief Compliance Officer, and Corporate Secretary and has worked in said capacity with publicly listed companies like Aboitiz Equity Ventures, Inc. and Aboitiz Power Corporation. She is also a certified Compliance & Risk Management Professional with the GRC Institute of Australia. In her legal practice, she has intensive experience in working with wide network of external and in-house legal counsels for labor, commercial litigation, securities law, power industry regulation, land, infrastructure capital, and general corporate law.
- *Stephen A. Tan* has been a member of the CLI board as Non-Executive Director since 2019. He is a Certified Public Accountant and a holder of an MBA, with distinction, from Katholieke Universiteit te Leuven in Belgium and a Bachelor of Science in Management Engineering from Ateneo de Manila University. He is also a Hubert H. Humphrey (Fulbright) Fellow in Agricultural Economics at the University of California, Davis. He earned his degree in Accounting from the University of San Carlos. Prior to retiring from CLI as CFO in May 2019, he has also served as CFO and Treasurer at various companies engaged in real estate development, construction, food, and shipbuilding, among others. For more than 30 years, he has been a part-time MBA professor in leading universities in Cebu City.

Executive Officers and Key Personnel

The following persons are the key executive officers and other officers¹⁸ of CLI:

Name	Age	Position	Citizenship
Jose R. Soberano III	68	Chairman, President and CEO	Filipino
Ma. Rosario B. Soberano	66	Treasurer and Executive Vice President	Filipino
Jose Franco B. Soberano	38	COO and Senior Executive Vice President	Filipino
Beauregard Grant L. Cheng	43	Chief Financial Officer and Executive Vice President	Filipino
Joanna Marie S. Bergundthal	37	Senior Vice President for Marketing and HR and Assistant Treasurer	Filipino
Janella Mae B. Soberano-Wu	33	Assistant Vice President for Customer Relations and Corporate Communications	Filipino
Atty. Alan C. Fontanosa ¹⁹	62	Corporate Secretary	Filipino
Atty. Larri-Nil G. Veloso	46	Assistant Corporate Secretary	Filipino
Atty. John Edmar G. Garde	36	Compliance Officer	Filipino

¹⁸ Officers identified in the Amended 2024 General Information Sheet of CLI and Results of the 2024 Organizational Board Meeting.

¹⁹ Atty. Alan C. Fontanosa has resigned from his position of Corporate Secretary of CLI effective December 31, 2024. CLI has not yet apprised the public of any developments pertaining to the appointment/election of its new corporate secretary.

Name	Age	Position	Citizenship
Engr. Pedrito A. Capistrano, Jr.	61	First Vice President for Engineering	Filipino
Marie Rose C. Yulo	56	First Vice President for Sales and Accounts Management	Filipino
Sylvan John M. Monzon	49	First Vice President for Business Development	Filipino
Mark Leo M. Chang	45	Vice President for Special Project & External Affairs	Filipino
Atty. James M. Abadia	45	Vice President for Business Development	Filipino
Julieta M. Pangilinan	49	Vice President for Treasury	Filipino
Paquita T. Rafols	60	Vice President for Accounting	Filipino
Ronal Allan A. Uy	52	Vice-President for Property Management	Filipino
Clarissa Mae A. Cabalda	35	Investor Relations Officer, Assistant Vice-President for Corporate Finance	Filipino
Suzette Go	54	Data Protection Officer	Filipino

For the description of the business experience of and, as applicable, other directorships of Mr. Jose R. Soberano III, Ma. Rosario B. Soberano, Jose Franco B. Soberano, Beauregard Grant L. Cheng, and Joanna Marie B. Soberano-Bergundthal, please refer to the description set out under the section “*Members of the Board of Directors*”.

For the other key executive officers and other officers, please see below description.

- *Janella Mae B. Soberano-Wu* joined the Company as Corporate Communications and Customer Relations Head in January 2020. She obtained her Bachelor of Arts in Integrated Marketing Communications degree from the University of Asia and the Pacific, Manila in 2013 and completed her Master of Science in Strategic Communications at Columbia University, New York in 2020. Prior to graduate school, she worked for the Company as Marketing Manager from 2017 to 2018 and United Laboratories as Brand Manager from 2013 to 2017. She is the daughter of Jose R. Soberano III and Ma. Rosario B. Soberano.
- *Atty. Larri-Nil G. Veloso* is the Vice President for Legal and serves as the Company’s Assistant Corporate Secretary. An experienced practitioner in Corporate Law, he holds a Bachelor of Arts in Mass Communication from UP and earned his Bachelor of Laws from the University of Southern Philippines Foundation. While finishing law school, he worked for print and online newspapers, occupying various positions in progression from correspondent, staff reporter, copy editor, copywriter, junior editor, group editor, to managing editor. Prior to joining the Company, he was the Corporate Legal Counsel of InfoWeapons Corporation, an American-owned software company specializing in networking appliances, and later promoted as General Manager. He is not related within the fourth civil degree either by consanguinity or affinity to any of the directors or fellow executive officers in the Company.

- *Atty. John Edmar G. Garde* is the Compliance Officer of CLI. Prior to joining CLI as Legal Counsel-Corporate Finance, he served as Manager/Director in the Business Tax Services of SGV & Co. He graduated cum laude from the University of San Carlos with a degree in Bachelor of Science in Management Accounting. He also received his law degree from the same university. He is also a Certified Compliance Officer, having garnered the highest rating and certificate of excellence during the 2021 Certification Course for Compliance Officers of the Center for Global Best Practices.
- *Engr. Pedrito A. Capistrano Jr.* is the Vice President for Engineering of the Company. He is a licensed engineer in the field of Civil Engineering and Geodetic Engineering. He has been working with the Company since August 2011 when he was hired as Project Manager. His more than 34 years of experience has established his solid foundation and credibility in the *construction* and allied fields. Some of the established companies he had worked for were Filinvest Land Inc., Robinsons Land Corporation, Cebu Industrial Park Developers, Inc., Aboitiz Land, Inc., and Aboitiz Construction Group, Inc. He finished his Bachelor of Science degree in Civil Engineering at Cebu Institute of Technology University in Cebu City and earned his Master of Science in Management Engineering from University of the Visayas also in Cebu City. He is not related within the fourth civil degree either by consanguinity or affinity to any of the directors or fellow executive officers in the Company.
- *Marie Rose C. Yulo* is the Company's Vice President for Sales. Prior to this, she was the Assistant Vice-President for both Sales and Marketing from March 2011 until August 2016 when the Company spun off its marketing unit as a separate department to provide focused *attention* to the equally challenging marketing and branding initiative of the Company. She also has significant experience in the areas of travel and tours and banking. She completed her Bachelor of Science degree in Business Administration at the University of San Carlos and earned MBA units from the University of the Visayas. She is not related within the fourth civil degree either by consanguinity or affinity to any of the directors or fellow executive officers in the Company.
- *Sylvan John M. Monzon* is the Vice President in-charge of business development for the Company's projects in Mindanao. Prior to CLI, he held various positions in the real estate industry for more than 20 years such as Project Development Assistant Supervisor of Cebu Holdings, Inc., Assistant COO of Ortigas and Company Limited Partnership, and as Head of Business Development of Ortigas and Company Holdings Inc. He graduated with a Bachelor of Science degree in Business Management from the University of Asia and the Pacific in Pasig City, Philippines. He also earned a Certificate in Business Economics from the same university. He is not related within the fourth civil degree either by consanguinity or affinity to any of the directors or fellow executive officers in the Company.
- *Mark Leo M. Chang* is the Company's Vice President for Special Projects & External Affairs. He graduated with a degree in Bachelor of Laws (Juris Doctor) from the University of San Carlos School of Law, Cebu City in 2009 and Bachelor in Business Management from UP – Cebu in 1999. In 1998, he was awarded as one of The Outstanding Student Leaders of UP – Cebu by the Junior Jaycees of UP – Cebu Chapter. He previously worked as Senior Manager for External Affairs of Cebu Holdings, Inc., a subsidiary of Ayala Land, Inc. from February 2015 to July 2017 (including as Consultant) and as Senior Manager for Permits with Countryside Water Services under Filinvest Development Corporation from August 2017 to June 2018. He held the position of Presidential Staff Officer V functioning as Executive Assistant and Political Officer under the Office of the Presidential Political Adviser Sec. Ronaldo M. Llamas of the Office of the President from April 2011 to December 2014. He also worked as an Intern (Researcher) at SyCip – Cebu Branch from September 2005 to March 2007. He used to be the National President of the Association of Law Students of the Philippines, a federation of law student councils in the country, for Academic Year (“AY”) 2008-2009 and President of Lex Circle, law Student Council, for 2 terms in AY 2006-2008. He is one of the founders of Roco for President Youth Movement and Aksyon Kabataan, a youth arm of Aksyon Demokratiko, the political party of the late Sen. Raul S. Roco in 1998. He is not related within the fourth civil degree either by consanguinity or affinity to any of the directors or fellow executive officers in the Company.
- *James M. Abadia* is a lawyer by profession. He held senior positions in both government and the private sector. He served as City Legal Officer III of Lapu-Lapu and as the City Administrator of Mandaue. After government service, he joined the Ramon Aboitiz Foundation Inc. as the Vice-

President for Social Development handling teams that focused on Education Development, Tree Growing, Children's Fund, Humanitarian Disaster Response, among others. Before joining CLI, he was Vice President of OneMeridaLand Corp. a start-up real estate developer based in Cebu.

- *Julieta M. Pangilinan* is the head of Treasury for Cebu Landmasters Inc. (CLI) and its Group of companies from August 2019 to present. A Certified Public Accountant, Masters in Business Administration graduate from the University of San Jose Recoletos. She was a Senior Accounting Manager for CLI for a year and was in charge of consolidation and review for Financial Statements for the Group of Companies. She was the Accounting Manager of Aboitiz Power Corporation (Generation_OIL Group). Prior to that, she was Accounting Supervisor, General Accountant, Treasury Officer and Cost Accountant. She has served Aboitiz for 20 years until 2018. She worked as Cost Accountant in a Cement Company for two (2) years. She assumed an additional role as Controller's representative for ISO Process Documentation.
- *Paquita Rafols* is the Assistant Vice President for Accounting and Tax. A Certified Public Accountant, she graduated with the degree of Bachelor of Science in Commerce major in accounting, magna cum laude. She also graduated with a degree of Bachelor of Laws from the University of San Carlos. Prior to CLI, she was AVP for Corporate Services of Aboitiz Power Corporation (APC)-Oil Group and AVP for accounting in Mindanao for Hydro and Oil-fired diesel power plants. Before moving to APC, she was AVP-Comptroller of FBMA Marine, Inc. for 13 years, a ship-building subsidiary of the Aboitiz group of companies. She also spent her career in public practice, as a Managing Consultant at Price Waterhouse handling audit, management, and tax advisory engagements.
- *Ronald Allan A. Uy* is a seasoned real estate professional with extensive experience spanning various aspects of property management, project development, industrial operations, crisis management, and government relations. He is a Certified Facility Manager (IFMA, Texas USA) and a licensed Real Estate Broker, holds an MBA degree from the Ateneo de Manila Graduate School of Business, possesses an executive diploma in Real Estate Management from the De La Salle University-College of Saint of Benilde and a diploma in Property Management from Ashworth College, Georgia USA, finished his bachelor's degree in Naval Systems Engineering from the Philippine Military Academy. Currently, he serves as Vice President for Property Management of Cebu Landmasters Inc. (CLI), where he leads several teams overseeing the facility management and day to day operations of all residential, commercial, office, estate and car park projects. He also provides direction and oversight over the growing operations of the water business group, the asset management group, and the technical support group. His previous roles include Vice President and General Manager for Visayas at Pueblo De Oro Development Corporation, where he leads a team overseeing real estate development of horizontal housing from site acquisition to post-sale property management; Associate Director at Ayala Property Management Corporation, managing residential projects across Visayas and Mindanao; and Division Head at Primary Properties Corporation, overseeing a diverse portfolio of properties and promoting operational excellence in property management. Ronald's career also includes notable positions at Aboitiz Land Inc. as General Manager for Property Management and at Cebu Industrial Park Developers Inc., where he directed operations, secured development sites, and maintained strategic relationships with government entities. Throughout his career, he is known for his strategic planning acumen, organizational change proficiency, and ability to achieve revenue targets. Ronald's military background further adds to his diverse skill set, having received multiple awards for exceptional service. He is passionate about getting things done, putting up systems and processes in place, continuous improvement, talent nurturing, and clear communication, making him a pivotal figure in any organizational setup.
- *Clarissa Mae A. Cabalda* is the Investor Relations Officer and Assistant Vice-President for Corporate Finance of CLI since April 2017. She is a Certified Public Accountant and a holder of Master of Arts in Economics. She obtained her undergraduate and Master's degree from the University of San Carlos. Prior to joining CLI, she previously worked at Aboitiz Land for 3 years in Corporate Finance. She has also extensive working experience in finance from reputable companies such as SM Prime Holdings, Inc. and KFC Philippines.
- *Suzette Go* is the Data Protection Officer and an IT Project Manager. Before joining CLI in November 2021, Miss Go had experience as an Information Systems Manager, a Compliance

Officer for Privacy, and an ISO Management Representative for the publicly listed company Cebu Holdings, Inc., which was a subsidiary of Ayala Land, Inc. At the beginning of her career, she was a Programmer for SM Multistores Corporation, the SM company handling the Department Stores business, and was a Junior Programmer for Philippine Nitto Systems, a Japanese software development company.

Significant Employees

Other than the Directors and Officers identified in the item on Directors and Executive Officers in this Offer Supplement, there are no other employees of the Company who may have significant influence in the Company's major and/or strategic planning and decision-making.

Family Relationships

As of the date of this Offer Supplement, family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and members of the Company's senior management are as follows:

1. Ma. Rosario B. Soberano (Director, Treasurer and Executive Vice President) is the spouse of Jose R. Soberano III (Chairman of the Board, President, and CEO).
2. Jose Franco B. Soberano (Director, COO, and Executive Vice President), and Joanna Marie S. Bergundthal (Director, Vice-President for Marketing and HR, and Asst. Treasurer) are the children of Jose R. Soberano III (Chairman of the Board, President, and CEO) and Ma. Rosario B. Soberano (Director, Treasurer, and Executive Vice President).

Apart from the foregoing, there are no other family relationships up to the fourth civil degree either by consanguinity or affinity among directors or executive officers of the Company.

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge and belief and after due inquiry and save as indicated below in respect of Ma. Aurora D. Geotina-Garcia (one of the independent directors), none of the Company's other directors, executive officers, or controlling persons of the Company have, in the five-year period prior to the date of this Offer Supplement:

1. had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses;
3. have been the subject of any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities, or banking activities; or
4. have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and such judgment having not been reversed, suspended, or vacated.

Ma. Aurora D. Geotina-Garcia, one of the independent directors, is a party in the following legal proceedings which were filed against her in her capacity as a former member of the Board of Directors of the Bases Conversion and Development Authority ("**BCDA**"):

1. *Criminal case for libel which is presently pending with the Court of Appeals* – The case involves statements which the BCDA caused to be published in the April 10, 2012 issue of the Philippine Daily Inquirer. At the time of publication, the accused were members of BCDA's Board of

Directors, including Ms. Geotina-Garcia. The private complainant, who is the CEO of CJH Development Corporation, contended that by these publications, the accused deliberately, maliciously, knowingly, and publicly imputed crimes, acts, and omissions against him, which supposedly tarnished, tainted, and besmirched his good name, honor, and reputation.

The trial court granted the accused's demurrer to evidence and dismissed the case of insufficiency of the prosecution's evidence. The dismissal was equivalent to an acquittal, which was immediately final and executory.

The private complainant filed a Petition for Certiorari dated December 9, 2020 with the Court of Appeals, alleging grave abuse of discretion on the part of the trial court in granting the accused's demurrer to evidence and dismissing the case for insufficiency of the prosecution's evidence. In a Resolution dated May 24, 2021, the Court of Appeals required the respondents to file a comment. The accused filed their comment dated July 19, 2021.

The Court of Appeals issued a Resolution dated 02 June 2022 directing the parties to file their respective memoranda. On 27 July 2022, the accused-respondents filed their Memorandum. Private Complainant filed his Memorandum dated 12 August 2022. The petition has been submitted for decision.

2. *Appeal from the dismissal by the Office of the Ombudsman of criminal charges for acts of the BCDA Board of Directors pending before the Supreme Court* – The case was originally filed with the Office of the Ombudsman, which was dismissed on January 15, 2016. The appeal before the Supreme Court was dismissed in a Decision dated January 13, 2021. The petitioner filed a Motion for Reconsideration dated February 9, 2022.
3. *Appeal from the dismissal by the Office of the Ombudsman of administrative charges for acts of the BCDA Board of Directors pending before the Court of Appeals* – The appeal was dismissed in a Decision dated January 30, 2018, which was affirmed in a Resolution dated May 16, 2018. Ms. Geotina-Garcia is not aware of any appeal or petition filed by CJH Development Corporation from the Court of Appeals' rulings.

EXECUTIVE COMPENSATION

The following table sets out the Company's President and CEO and the five most highly compensated senior officers:

Name	Position
Jose R. Soberano III	President and CEO
Ma. Rosario B. Soberano	Executive Vice President and Treasurer
Jose Franco B. Soberano	Senior Executive Vice President and COO
Beauregard Grant L. Cheng	Executive Vice President and CFO
Joanna Marie S. Bergundthal	Senior Vice President for Marketing and HR

The following table identifies and summarizes the aggregate compensation of the Company's President & CEO and the five (5) most highly compensated executive officers, and all other officers and directors as a group, for the period ended September 30, 2024, December 31, 2022, 2021, 2020, and 2019.

Position	Period Ended	Basic Compensation (in ₱)	Other Compensation (in ₱)
	Sept 30, 2024	26,471,580.00	8,802,765.00
	2023	53,483,939.64	20,715,507.99

Position	Period Ended	Basic Compensation (in ₱)	Other Compensation (in ₱)
President and CEO and the four (4) most highly compensated executive officers named above	2022	51,846,963.70	16,170,904.95
	2021	40,973,625.00	19,965,000.00
	2020	37,248,750.00	18,150,000.00
	2019	33,862,500.00	16,500,000.00
All officers and directors as a group excluding the President and four (4) most highly compensated executive officers	Sept 30, 2024	33,015,486.93	8,616,173.15
	2023	68,942,167.35	19,157,807.00
	2022	27,578,355.39	10,607,059.77
	2021	25,071,232.18	9,642,781.61
	2020	22,792,029.26	8,766,165.10
	2019	20,720,026.60	7,969,241.00

The post-employment benefits and share options of key management employees have an average of ₱4.80 million to ₱28.70 million in calendar years 2021 to 2023. These are insignificant compared to the total compensation package of key management personnel. The Company has determined that these benefits have no significant impact on its nine (9)-month interim financial statements ended September 30, 2024. Furthermore, no share options were issued during the current period. The 2024 consolidated audited financial statements will include the relevant amounts and disclosures as the actuarial valuation will only be available prior to its issuance.

EMPLOYMENT CONTRACTS OF EXECUTIVE OFFICERS

Each of the executive officers named above executed an employment contract with the Company and is entitled to receive retirement benefits in accordance with the terms and conditions of the Company's retirement plan.

The employment contracts contain the following details, terms and conditions:

- Rank
- Commencement date
- Office location and work hours
- Scope of work, duties and responsibilities
- Salary, remittances, and deductions
- Benefits – leaves, retirement plan, health plans, group insurance, de minimis benefits, loans
- Performance review
- Intellectual Property
- Code of Conduct
- Termination of Employment
- Others – non-disclosure agreements, confidentiality, company policies

No bonuses have been declared for the Board of Directors for the last two years. For the ensuing year, the amount of bonuses to be received by the members of the Board of Directors has yet to be approved by it.

Other than as indicated above, there are no other compensation to be received in case of termination of the above-named executive officer's employment with the Company or any of its Subsidiaries.

There is no plan or arrangement by which the executive officers will receive from the Company any form of compensation in case of a change in control of the Company or change in the officers' responsibilities following such change in control.

CLI also has a Savings Program Prior to Normal Retirement (“**SPP**”) which is incorporated in its Amended Retirement Plan. The SPP serves as the retirement plan for all CLI regular employees who resign prior to the optional retirement age of 60 years old or the mandatory retirement age of 65 years old. The equivalent of 5% of the employee’s basic salary is set aside by CLI every month while the employee remains in the employ of CLI. This benefit applies to executives under the same terms and conditions.

Upon resignation, the employee will be entitled to his or final balance as follows:

Vested Benefit %	Number of Continuous Service (from January 1, 2015)
0%	Less than 5 years
50%	5 years
60%	6 years
70%	7 years
80%	8 years
90%	9 years
100%	10 years and above

Given the above, a qualified CLI employee will be entitled to and avail either the 1) Normal Retirement benefits as mandated by law or 2) the Vested Benefits under the SPP, whichever is higher.

There are no outstanding warrants or options held by the Company’s chief executive officer, the named executive officers, and all officers and directors as a group.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Record and Beneficial Owners of more than 5% of CLI as of December 31, 2024:

Title of Class	Name, Address of Record Ownership and Relationship with Issuer	Name of Beneficial Owner and Relation with Record Owner	Citizenship	No. of Common Shares	Percentage (of common shares)
Common Shares	AB Soberano, 2877 V. Rama Avenue Guadalupe Cebu City	Please see table below for the beneficial owners of this entity.	Filipino	2,198,385,729	60.67%
Common Shares	PCD Nominee Corporation (Filipino) G/F MSE Bldg. Ayala Ave. Makati City	PCD NOMINEE CORP. (FILIPINO)	Filipino	1,227,648,539	33.88%

Beneficial Owners of AB Soberano as of September 30, 2024:

Name	Address	No. of Common Shares Held	% of Ownership
Jose R. Soberano III	2 nd St. Villa San Lorenzo, Quijada St., Guadalupe, Cebu City	4,320,000	48%
Ma. Rosario B. Soberano	2 nd St. Villa San Lorenzo, Quijada St., Guadalupe, Cebu City	4,320,000	48%
Jose Franco B. Soberano	2 nd St. Villa San Lorenzo, Quijada St., Guadalupe, Cebu City	90,000	1%
Joanna Marie S. Bergundthal	2 nd St. Villa San Lorenzo, Quijada St., Guadalupe, Cebu City	90,000	1%
Janella Mae B. Soberano-Wu	2 nd St. Villa San Lorenzo, Quijada St., Guadalupe, Cebu City	90,000	1%
Jose Gabriel B. Soberano	2 nd St. Villa San Lorenzo, Quijada St., Guadalupe, Cebu City	90,000	1%

Security Ownership of Directors and Management (Executive Officers) of CLI as of December 31, 2024:

Directors

Name of Beneficial Owner	Title of Class	Citizenship	Direct	Indirect	Total	Percentage to Total Common shares
Jose R. Soberano	Common	Filipino	168,980,480	1,101,767,567	1,270,748,047	36.67%
Ma. Rosario B. Soberano	Common	Filipino	132,127,500	1,101,767,567	1,233,895,067	35.61%
Jose Franco B. Soberano	Common	Filipino	20,330,241	22,953,491	43,283,732	1.25%
Joanna Marie S. Bergundthal	Common	Filipino	16,907,191	22,953,491	39,860,682	1.15%
Beauregard Grant L. Cheng	Common	Filipino	2,453,000	-	2,453,000	0.07%
Stephen A. Tan	Common	Filipino	11,150	-	11,150	0.00%
Ma. Jasmine S. Oporto	Common	Filipino	8,920	-	8,920	0.00%
Rufino Luis T. Manotok	Common	Filipino	2	161,500	161,502	0.00%
Ma. Aurora D. Geotina-Garcia	Common	Filipino	2	-	2	0.00%

Name of Beneficial Owner	Title of Class	Citizenship	Direct	Indirect	Total	Percentage to Total Common shares
Total			340,818,486	2,249,603,616	2,590,422,102	74.75%

Officers

Name of Beneficial Owner	Title of Class	Citizenship	Direct	Indirect	Total	Percentage to Total Common shares
Larri-Nil G. Veloso	Common	Filipino	103,000	-	103,000	0.00%
Total			103,000	-	103,000	0.00%

VOTING TRUST HOLDERS OF 5% OR MORE

As of the date of this Offer Supplement, the Company is not aware of any person holding more than 5% of shares under a voting trust or similar agreement.

CHANGE IN CONTROL

As of the date of this Offer Supplement, the Company is not aware of any arrangements that may result in a change in control of the Company. There are no existing provisions in the Company's articles of incorporation or its by-laws which will delay, defer, or in any manner prevent a change in control of the Company.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company and its Subsidiaries, in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, and development, management, marketing, leasing and administrative service agreements. Sales and purchases of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions.

However, no other transaction, without proper disclosure, was undertaken by the Group. CLI employees are also required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

Please refer to the discussion on "*Related Party Transactions*" under the section on "*Description of Business*".

CORPORATE GOVERNANCE

Compliance Policy and Evaluation System

In accordance with the State's policy to actively promote corporate governance reforms aimed to raise investor confidence, develop capital market and help achieve high sustained growth for the corporate sector and the economy, the Board of Directors, Management, and Employees of CLI commit to the principles and best practices contained in its Amended Manual on Corporate Governance (the "**Manual**"), a copy of which had been duly filed and submitted with the SEC in compliance with regulatory requirements.

The evaluation system established by the Company in measuring and determining the level of compliance with its Manual includes the conduct of annual board and committee assessments. In adherence with its Manual and Board Charter, the Board conducted its annual performance evaluation and assessment which includes a review and rating of the performance of the Board, individual directors, board committees, and the management team led by the CEO. In coordination with CLI's I.T. Department, the Office of the Compliance Officer rolled out the digitalized performance evaluation and assessment forms, for accomplishment by the required respondents. CLI's evaluation and assessment utilized a 5-point scale rating system, with zero (0) being the lowest (representing "Strongly Disagree" as a response to the statement), and the highest being five (5) (representing "Strongly Agree"). The duly accomplished assessment forms were then tabulated, validated, and confirmed by a third-party service provider, i.e., Sta. Ana Rivera & Co., in adherence with recommended corporate governance best practice. A summary of the results of the assessments, including the various performance ratings and comments of directors and committee members, were presented and discussed during the respective Corporate Governance Committee and Board meetings.

Measures Undertaken to Comply with Leading Practices on Good Corporate Governance

CLI continues to undertake measures to comply with the adopted leading practices on good corporate governance. The Board of Directors and management team of CLI have promoted and implemented various principles and recommendations under SEC Memorandum Circular No. 19, series of 2016 (otherwise, the Code of Corporate Governance for Publicly-Listed Companies), PSE CG Guidelines, as well as recommended practices under the ASEAN Corporate Governance Scorecard. In case of non-compliance with the recommended principles and best practices, CLI identifies and elucidates on the same, and provides explanation as to how the overall principles being recommended are still attained by the Company. These are all reported by CLI through its comprehensive Integrated Annual Corporate Governance Reports ("**I-ACGRs**") which are submitted to the SEC, uploaded to PSE EDGE, and posted on CLI's website. CLI's improved and enhanced I-ACGRs continue to provide a clear and succinct picture of its compliances with the recommended principles and best practices in corporate governance, at par, if not exceeding industry standards.

In 2021, CLI established and fully implemented its Enterprise Risk Management ("**ERM**") Framework. CLI's ERM Framework is based on ISO 31000:2018, which aims to provide a foundation for effective planning, implementation, monitoring, review, and continued improvement of the organization's risk management. It establishes a methodology for the identification, assessment, and management of risk, responsibilities for risk management, accountabilities for good governance, and mechanisms to report risk-related information.

In 2022, CLI published its first-ever integrated sustainability report in accordance with globally accepted systems and standards for sustainability and corporate disclosure. CLI cross-referenced general and material disclosure topics on the most widely adopted Global Reporting Initiative standards ("**GRI Standards**"), the Sustainability Accounting Standards Board ("**SASB**") and the International Integrated Reporting Council ("**IIRC**"). CLI's Sustainability Framework interconnects all the aspects of the Company's operations and provides a snapshot of its EESG profile. It defines the Company's sustainability vision and strategy, goals and objectives, and their alignment and contribution to the UN Sustainable Development Goals ("**SDGs**").

Over the years, CLI has exerted conscious and considerable efforts in enhancing and improving its corporate governance and compliance reporting and disclosures. Primary of which is CLI's I-ACGRs. The improvement of the disclosures in CLI's I-ACGRs was cited by ICD as among the key factors in the

improved corporate governance rating of CLI over the past couple of years, culminating in the conferment of the Company's first-ever Golden Arrows. In addition to the revamped I-ACGRs, CLI has also made conscious and concerted efforts to ensure that the corporate governance disclosures in its structured and unstructured reports, including its Annual Reports, are aligned with the recommended best practices of SEC, ICD, and ACGS standards.

As of the date of this Offer Supplement, CLI believes that it remains to be substantially in compliance with and has no material deviations from its Manual and as such, no sanctions were imposed on any director, officer or employee on account of non-compliance with the same.

Continued improvement of CLI's Corporate Governance

Recognizing and understanding that good corporate governance is essential to sound strategic business management and sustainable growth and development, CLI fully commits and undertakes to continue to bolster and enhance its corporate governance, not only through its continued and consistent compliance with laws, rules, regulations, and corporate best practices, but also by improving and strengthening CLI's internal controls, risk management, investor and other stakeholder relations, checks and balances, and policies and procedures.

In recognition of its continued efforts and improvements in the area of corporate governance, CLI received a 2-Golden Arrow Recognition for the 2nd consecutive year last September 2024, conferred by the ICD to top Philippine publicly listed companies and insurance companies in corporate governance, based on the 2022 ACGS and Corporate Governance Scorecard ("**CGS**") Assessment Results, respectively.

SEC's corporate governance among publicly-listed companies

In line with the SEC's initiative to enhance corporate governance among publicly-listed companies, the SEC issued Memorandum Circular No. 11, Series of 2014 ("**SEC MC No. 11**"), which prescribes the required website template for such entities. On December 27, 2024, the Company received a penalty assessment amounting to ₱168,000.00 from the Corporate Governance and Finance Department of the SEC for alleged non-compliance with SEC MC No. 11. CLI settled the penalty assessment on the same day.

PSE's rules on disclosures for listed companies

One of the fundamental principles of the PSE is to ensure the full, fair, timely, and accurate disclosure of material information by all listed companies. Issuers are required to comply with the PSE's continuing disclosure obligations and promptly submit disclosures containing all relevant information that would enable a reasonable investor to decide whether to buy, sell, or hold securities or to exercise related voting rights. The PSE also mandates that reasonable steps be taken to ensure equal access to such information for all investors.

In line with this mandate, the PSE imposed a disclosure violation penalty of ₱116,000.00 on CLI on February 14, 2025, which the Company settled on the same day. The penalty arose from a difference in interpretation regarding the timing of disclosure. CLI disclosed an SEC-imposed penalty in February 2024, following its payment and settlement with the SEC. However, the PSE maintained that disclosure should have been made upon CLI's receipt of the SEC notice in January 2024, even while the Company was availing itself of due process.

REGULATORY FRAMEWORK

Laws on Housing and Land Projects

Republic Act No. 11201: Department of Human Settlements and Urban Development Act

Republic Act No. 11201, or the Department of Human Settlements and Urban Development Act, which was signed into law on February 14, 2019, created the DHSUD, through the consolidation of the HLURB and the Housing and Urban Development Coordinating Council of the Philippines (“**HUDCC**”).²⁰ The DHSUD has been mandated to act as the primary national government entity responsible for the management of housing, human settlement, and urban development, and the sole and main planning and policymaking, regulatory, program coordination, and performance monitoring entity for all housing, human settlement, and urban development concerns, primarily focusing on the access to and the affordability of basic human needs. Its powers and functions include the regulation of housing and real estate development.

The DHSUD exercises administrative supervision over the following housing agencies, which shall remain attached for purposes of policy and program coordination, monitoring, and evaluation: (a) National Housing Authority (NHA), (b) National Home Mortgage Finance Corporation (NHMFC), (c) Home Development Mutual Fund (HDMF), and (d) Social Housing Finance Corporation (SHFC).

The Human Settlements Adjudication Commission of the Philippines (the “**HSAC**”) was reconstituted from the HLURB and is mandated to adjudicate, among others, disputes relating to real estate development, homeowners’ association, and appeals from decision of local and regional planning and zoning bodies. Hence, the adjudicatory functions of the HLURB are transferred to the HSAC, and the HSAC is attached to the DHSUD for policy, planning, and program coordination only.

On July 19, 2019, the implementing rules and regulations (“**IRR**”) of Republic Act No. 11201 were approved. These describe in more detail the functions of the DHSUD and enumerate the functions of the HLURB that were transferred to it, such as, among others, its regulatory functions, including the formulation, promulgation, and enforcement of rules, standards, and guidelines over subdivisions, condominiums, and similar real estate developments. The IRR of Republic Act No. 11201 also enumerates the oversight and monitoring functions of the DHSUD and its powers and functions in relation to public housing and urban development.

Presidential Decree No. 957: The Subdivision and Condominium Buyers’ Protective Decree

Presidential Decree No. 957, or the Subdivision and Condominium Buyers’ Protective Decree (as amended, “**PD 957**”), is the principal statute regulating the development and sale of real property as part of a condominium or subdivision project. It was enacted to ensure that real estate subdivision owners, developers, operators, and/or sellers provide and properly maintain roads, drainage, sewerage, water systems, lighting systems, and other similar basic requirements in order to guarantee the health and safety of home and lot buyers. PD 957 covers condominium and subdivision projects for residential, commercial, industrial, and recreational areas, as well as open spaces and other community and public areas in the project. The DHSUD is the administrative agency of the government, which, together with LGUs, enforces PD 957 and has jurisdiction over real estate trade and business. As mentioned above, the DHSUD has assumed the functions of the HUDCC and the planning and regulatory functions of the HLURB, while the HSAC has assumed the adjudication functions of the HLURB.

²⁰ In view of this law, Republic Act No. 11201, references to “HLURB” in the laws and regulations mentioned in this section “Regulatory Framework” such as P.D. No. 957, HLURB Resolution No. 985, Series of 2019, HLURB Memorandum Circular No. 03, Series of 2016, B.P. No. 220 and its IRR, Executive Order No. 71, Series of 1993, Republic Act No. 7279, Republic Act No. 9646, Republic Act No. 4726 and Environmental Laws and Safety Standards, have been changed to “DHSUD”. Such similar references have been also used elsewhere in this Prospectus.

All subdivision and condominium plans for residential, commercial, industrial, and other development projects are required to be filed with and approved by the DHSUD and the relevant LGU where the project is situated. Approval of such plans is conditional on, among other things, the developer's financial, technical, and administrative capabilities. Before it is approved, the subdivision plan must comply with the Subdivision Standards and Regulations. On the other hand, the condominium plan, in addition to complying with the same procedure, must also comply with the Building Code, with respect to the building(s) in the condominium project. The owner or developer is required to submit the condominium plan in accordance with the requirements of the Building Code to the building official of the city or municipality where the property lies and the same will be acted upon subject to the conditions and in accordance with the procedure prescribed in Section 6 of Republic Act No. 4726, or the Condominium Act.

Alterations of approved condominium plans affecting significant areas of the project, such as infrastructure and public facilities, also require prior approval of the DHSUD and the city or municipal engineer.

The development of subdivision and condominium projects can only commence after the relevant government bodies have issued the required development permit and the necessary building or construction permits in accordance with the requirements of the city or municipality where the property lies. The issuance of a development permit is dependent on, among other things: (i) compliance with the required project standards and technical requirements that may differ depending on the nature of the project; and (ii) issuance of the barangay clearance, the locational and zoning clearance, permits issued by the DENR such as the ECC, conversion order or exemption clearance from the Department of Agrarian Reform ("**DAR**"), permit to drill from the National Water Resources Board, and such other permits and approvals. In cases where the property involved is located in an area already classified as residential, commercial, industrial, or other similar development purposes, a DAR conversion order shall no longer be required as a precondition for issuance of Certificate of Registration and LTS.

Developers who sell lots or units in a subdivision or a condominium project are required to register the project with and obtain a LTS from the DHSUD. Subdivision or condominium units may only be sold or offered for sale after a LTS has been issued by the DHSUD. Further, to ensure that the owner or developer of a proposed subdivision or condominium project shows firm commitment to proceed with a project, current DHSUD regulations require minimum developments before the issuance of a LTS: (a) for subdivision projects, proof of land clearing and grubbing, road tracing and entrance gate if included in the brochure or advertisement; and (b) for condominium projects, excavation per approved plan/excavation permit is required.

As a requisite for the issuance of a LTS, developers are required to file with the DHSUD any of the following to guarantee the construction and maintenance of roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project, and compliance with applicable laws, rules, and regulations:

1. a surety bond callable upon demand equivalent to 20% of the development cost of the unfinished portion of the approved plan, issued by a duly accredited bonding company (whether private or government) and acceptable to the DHSUD;
2. a real estate mortgage executed by the applicant developer as mortgagor in favor of the Republic of the Philippines, as represented by the DHSUD as mortgagee over property other than that subject of the application, free from any liens and encumbrance, and provided that the value of the property, computed on the basis of the zonal valuation of the BIR, shall be at least 20% of the total development cost; or
3. other forms of security equivalent to 10% of the development cost of the unfinished portion of the approved plan which may be in the form of the following:
 - a) a cash bond;
 - b) a fiduciary deposit made with the cashier and/or disbursing officer of the DHSUD;

- c) a certificate of guaranty deposit issued by any bank or financing institution of good standing in favor of the DHSUD for the total development cost;
- d) a letter from any bank of recognized standing certifying that so much has been set aside from the bank account of the developer in favor of the DHSUD, which amount may be withdrawn by the DHSUD at any time the developer fails or refuses to comply with its duties and obligations under the bond contract; or
- e) any irrevocable credit line to be utilized in the development of the project from any bank of recognized standing and a refinancing re-structuring program indicating sources of funding from duly accredited funding institutions.

The DHSUD is vested with quasi-judicial powers and regulatory functions necessary for the enforcement and implementation of PD 957. Among these regulatory functions are: (i) regulation of the real estate trade and business; (ii) registration of subdivision lots and condominium projects; (iii) issuance of LTS subdivision lots and condominium units in the registered project; (iv) approval of performance bond and the suspension of LTS; (v) registration of dealers, brokers, and salesman engaged in the business of selling subdivision lots or condominium units; (vi) revocation of registration of dealers, brokers, and salesmen; (vii) approval of mortgage on any subdivision lot or condominium unit made by the owner or developer; (viii) granting of permits for the alteration of plans and the extension of period for completion of subdivision or condominium projects; (ix) approval of the conversion to other purposes of roads and open spaces found within the project which have been donated to the city or municipality concerned; (x) regulation of the relationship between lessors and lessees; and (xi) hear and decide cases on unsound real estate business practices, claims involving refund filed against project owners, developers, dealers, brokers, or salesmen, and cases of specific performance.

The DHSUD is also authorized, *motu proprio* or upon verified complaint filed by a buyer of a subdivision lot or condominium unit, to revoke the registration of any subdivision or condominium project and the LTS any subdivision lot or condominium unit in said project upon showing that the owner or dealer:

- 1. is insolvent;
- 2. has violated any of the provisions of PD 957, or any applicable rule or regulation of the DHSUD, or any undertaking under his/its bond;
- 3. has been or is engaged or is about to engage in fraudulent transactions;
- 4. has made any misrepresentation in any preliminary prospectus, brochure, circular, or other literature about the subdivision project or condominium project that has been distributed to prospective buyers; or
- 5. is of bad business repute; or
- 6. does not conduct business in accordance with law or sound business principles.

A License or Permit to Sell may only be suspended, cancelled, or revoked after a written notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the DHSUD's rules of procedure and other applicable laws.

HLURB Resolution No. 985, Series of 2019: 2019 Real Estate Development Monitoring Rules of HLURB

On June 17, 2019, the then HLURB (now the DHSUD) released HLURB Resolution No. 985 entitled Approving the 2019 Administrative Rules of Procedure in the Monitoring of Real Estate Development Projects and Imposition of Sanctions for Violation of PD 957 and Other Related Laws and their Implementing Rules and Regulations. This is primarily aimed at ensuring the faithful observance by owners and/or developers of their obligation to fully develop the project on time and in accordance with the approved development plan, contractual stipulations, sales representations, and pertinent conditions imposed in clearances, permits, and licenses.

The Regional Officer shall have jurisdiction and power to investigate land use or development projects in real estate transactions to determine whether the said project satisfactorily complies with the terms and conditions of the clearance, permit, license, approval or certificate, and to verify reports of alleged violations of the laws, rules, and regulations implemented by the DHSUD. The Regional Officer may issue an Authority to Monitor specific projects, issue cease-and-desist orders restraining the commission

or continuance of acts complained of, impose fines and penalties for violations of law, rules, and regulations, cite any person in indirect contempt, and issue writs or alias writs of execution to enforce orders and rulings of the Regional Office.

HLURB Memorandum Circular No. 03, Series of 2016: The 2015 Guidelines on Time Completion

HLURB Memorandum Circular No. 03, Series of 2016, or the 2015 Guidelines on Time Completion (the “**HLURB 2015 Guidelines**”), provides that projects required by law to be registered with the DHSUD such as industrial, commercial, and residential subdivisions, residential or commercial condominiums, and similar projects, such as memorial parks, should be completed within one year from the date of the issuance of the LTS, or any other period fixed by the DHSUD (“**Time of Completion**”). Failure to comply with the Time of Completion will: (1) entitle buyers to exercise their rights under PD 957 and the Civil Code of the Philippines in addition to other rights and remedies under other laws; and (2) subject the owner or developer to administrative fines, sanctions, and penalties which may include the suspension of the LTS and issuance of a cease-and-desist order.

The DHSUD shall rely on the work program or program of development submitted during the application for a Certificate of Registration and LTS in determining the applicable Time of Completion of a project.

Residential subdivision projects are subject to different Times of Completion for the land and the housing components. The Time of Completion for land development, which includes land clearing and grubbing, road construction, installation of power and water distribution system, construction of drainage and sewerage systems, and other developments, will depend on the work program or program of development submitted by the owner or developer. All subdivision amenities and facilities such as clubhouse, playgrounds, sports facilities, and other infrastructure included in the approved project plans, brochures, prospectus, printed matters, letters, or any forms of advertisement shall be developed and completed within the period for the project's land development. Meanwhile, the completion and delivery of any housing unit purchased shall be explicitly provided in the contract to sell or any purchase agreement, and absent any indication thereof, will not exceed one year from the date of purchase.

For condominium projects, all facilities and amenities included in the approved project plans, brochures, prospectus, printed matters, letters, or any forms of advertisement shall be completed in accordance with the work program or program of development of the project.

The HLURB 2015 Guidelines also provides that the Time of Completion which shall include the date, time, and year shall be indicated in the LTS of the project, which shall be binding and obligatory on the part of the owner or developer, unless a shorter period of completion or delivery is represented in any form of advertisement. The Time of Completion should be indicated in any advertisement of a project.

As a general rule, the Time of Completion is non-extendible, except in the following instances and upon the posting of a bond or security:

1. Existence of sub-soil conditions discoverable only after actual excavation and would require additional excavation time;
2. Occurrence of a fortuitous event completely independent of the will of the owner or developer, unforeseeable or unavoidable, and causes damage to the on-going project that requires reconstruction or causes delays which are directly attributable to the event, and renders its completion within the original approved period impossible in a normal manner;
3. Issuance of a lawful order of a court, other government agency, or LGU that temporarily enjoins the construction or development of the project, unless such issuance is caused by the fault, mistake, or negligence of the owner or developer, or by reason of any dispute between the owner and developer.

If an owner or developer wishes to apply for additional time due to the foregoing grounds, it shall file a sworn application with the Regional Field Office of the DHSUD where the project is registered, including

a proof of notice to all lot or unit buyers, a revised work program with computation of remaining cost of completion and other requirements, within sixty (60) days from the discovery of the unfavorable sub-soil conditions, the occurrence of the fortuitous event, or from receipt of the order or issuance of a court or government body.

The owner or developer of a project that is not completed on time will be given a Notice of Alleged Reported Violation requiring it to explain under oath why no administrative fine and sanction and cease-and-desist order should be imposed against it. Should the owner or developer fail to comply with the order or justify the non-completion of a project, an order imposing administrative fines and sanction shall be issued, and the owner or developer shall be required to submit additional documentation on the project.

Upon review of the submitted documents, a final order shall be issued requiring the completion of the project within such period as may be fixed by the DHSUD, and a performance bond shall be secured conditioned on this undertaking. In case of non-completion of the project within the approved Time of Completion, an administrative fine shall be imposed in accordance with the approved Schedule of Fines and other existing DHSUD guidelines, the LTS shall be suspended, and a cease-and-desist order shall be issued enjoining the owner or developer from further selling any lot, including any building or improvement thereon, or any unit in a project, from advertising the project and from collecting amortization payment, until the completion of the project and issuance of a Certificate of Completion.

DHSUD Department Order No. 2020-010, Series of 2020 and DHSUD Department Order No. 2021-009, Series of 2021

During the onset of the COVID-19 pandemic, the DHSUD issued Department Order No. 2020-010, Series of 2020 ("**D.O. 2020-010**"), which granted an additional one year to owners and developers of covered projects to respond to the circumstances brought about by the surge in COVID-19. The additional time was for the completion of projects affected by the stoppage of development during the community quarantine periods. The additional one year is reckoned from the end of the Time of Completion of the project as indicated in the LTS.

In 2021, the DHSUD issued Department Order No. 2021-009, Series of 2021, ("**D.O. 2021-009**"). Under this issuance, in addition to the one-year additional Time of Completion under D.O. 2020-010, all projects were granted a maximum of one-year additional time reckoned from the end of the Time of Completion of the project as indicated in the LTS or availed under D.O. 2020-010. To avail of the same, the project must be registered and licensed with the DHSUD, or the DHSUD and the owner or developer must apply for such additional time with the DHSUD.

Any owner or developer availing of additional Time of Completion must submit an application letter, proof of written notice to buyers, sworn statement attesting lot/unit buyers were informed or notified of the delayed delivery of lots/units due to the pandemic, and a revised work program based on the requested extended period of completion and must file a performance bond supported by a notarized fact sheet duly signed by a licensed architect or engineer and indicating therein the remaining cost of the project. Upon approval, the Regional Office shall send a letter of approval to the owner or developer, stating therein such additional period of time granted.

Provided however, that all projects with Time of Completion ending before March 2020 granted or as provided on the LTS are not covered by the above issuances and are, thus, governed by the DHSUD 2015 Guidelines.

DHSUD Department Order No. 2023-007, Series of 2023

Department Order No. 2023-004, Series of 2023 authorizes the issuance of Certificates of Registration and Licenses to Sell for projects with certificates of title annotated with lien or encumbrance under Section 4, Rule 74 of the Rules of Court or Section 7 of Republic Act No. 26, provided that the rules and requirements are strictly complied with.

The applications for the issuance of the Certificate of Registration or LTS for projects with certificates of title annotated with lien or encumbrance under Section 4, Rule 74 of the Rules of Court may be accepted and/or granted provided that: (1) the application is filed within the two-year period from date of inscription of the annotation; and (2) the developer shall: (a) post an adequate surety bond to answer for any claim that might be charged against the property; and (b) execute and submit an undertaking under oath that he shall immediately cause the cancellation of the annotation after the lapse of the two-year period, there being no timely petition filed by any excluded heir or creditor. If the application is filed after the two-year period from date of inscription, a bond shall not be required, provided the developer submits proof of filing of appropriate petition for the cancellation of such annotation.

The application for the issuance of the Certificate of Registration or LTS for a project with a reconstituted certificate of title annotated with lien or encumbrance under Republic Act No. 26 may only be accepted and/or granted provided that: (1) the two-year period has lapsed and no petition was filed by any person for the annotation of any right or interest not noted on the reconstituted title; (2) the developer shall submit proof of filing of the appropriate petition for the cancellation of the annotation; and (3) the developer shall post a bond.

DHSUD Department Circular 2024-003, Series of 2024

Department Circular 2024-003, Series of 2024 established and adopted a Clearance System in order to ensure that an LTS is only issued to a project if there is no unsatisfied final Order of Imposition of Administrative Sanction or Final Notice to Comply issued by any of the Regional Offices to the developer or to any of its partners in case of a joint venture agreement (“**JVA**”), or to any of their projects registered or licensed in any of the Regional Offices. The Clearance Certification will be issued by the Regional Office and the Housing and Real Estate Development Regulation Bureau.

A developer applying for an LTS shall submit a declaration under oath that (1) there is no unsatisfied final Order of Imposition of Administrative Sanction or Final Notice to Comply imposed on it, or any of its partners in a JVA, or its other projects registered and licenses with the Regional Offices; (2) during the processing of the LTS, the developer shall immediately inform the Regional Office concerned of any unsatisfied final Order of Imposition of Administrative Sanction or Final Notice to Comply, upon knowledge, information or discovery thereof; and (3) the developer fully understands that the licensing process may be suspended upon issuance of Notice of Deficiency in Requirements by the Regional Office concerned upon its knowledge, information or discovery of the existence of an unsatisfied final Order of Imposition of Administrative Sanction or Final Notice to Comply.

DHSUD Department Circular 2024-005, Series of 2024

Department Circular 2024-005, Series of 2024 provides the rules of procedure on the application for Development Permit, Certificate of Registration, LTS, Balanced Housing Program, and Certificate of Completion of Subdivision, Condominium, Cemetery, Memorial Parks, and Columbarium Projects. This Circular applies to all registered owners and/or developers of a parcel of land who intend to convert the same into any and all types of subdivision, condominium, cemetery, memorial, or columbarium projects.

The application and approval of development permit of all residential, commercial, industrial, subdivisions shall be filed with and issued by the concerned local government unit, upon compliance with the enumerated documentary requirements.

The registered owner and/or developer of a parcel of land who intends to convert the same into a subdivision or memorial project must register the project with the DHSUD – Regional Office. However, any dealer, registered owner, and/or developer who has secured a Certificate of Registration shall not be authorized to sell any subdivision lot in the registered project unless a LTS from DHSUD has been obtained on the project, simultaneous to or within two (2) weeks from issuance of the Certificate of Registration. The DHSUD shall issue the LTS if it finds that the dealer, owner, and/or developer is of

good repute, financially stable, and that the proposed sale of the subdivision lots or condominium units to the public would not be fraudulent.

B.P. 220: An Act Authorizing the Ministry of Human Settlements to Establish and Promulgate Different Levels of Standards and Technical Requirements for Economic and Socialized Housing Projects in Urban and Rural Areas from those Provided under Presidential Decrees Numbered Nine Hundred Fifty-Seven, Twelve Hundred Sixteen, Ten Hundred Ninety-Six, and Eleven Hundred Eighty-Five

B.P. 220 and its Implementing Rules and Regulations (“**BP 220 IRR**”) apply to the development of economic and socialized housing projects in urban and rural areas. Likewise, they apply to the development of either a house and lot or a house or lot only (“**Covered Project**”).

Under B.P. 220 and the BP 220 IRR, the Covered Project must be approved by the DHSUD or the LGU, as the case may be, before it commences. The approval of the Preliminary Subdivision Development Plan is valid only for a period of 180 days from approval. Further, the development design and plans must undergo survey and evaluation conducted by the DHSUD. The BP 220 IRR adopted the rules set out by PD 957 and its IRR.

The BP 220 IRR also set forth the minimum design standards and technical guidelines which are different from those under PD 957 (The Subdivision and Condominium Buyers’ Protective Decree), Presidential Decree No. 1216 (Defining Open Space in Residential Subdivision), Presidential Decree No. 1096 (Building Code), and Presidential Decree No. 1185 (Fire Code of the Philippines). However, possible variations of the guidelines and standards may be allowed by the DHSUD should the strict observance of such cause unnecessary hardship based on specific regional, cultural, and economic setting.

A developer who intends to sell the subdivision or condominium should register the project and obtain a LTS from the DHSUD. The notice on Application for Certificate of Registration must be published at the expense of the applicant, and a billboard notice must be posted on the project site until the issuance of the Licenses to Sell. Failure to publish the notice within two weeks from receipt of notice to publish by DHSUD will require the developer to re-file the application for the Certificate of Registration.

In addition to the requirements of registration and LTS, the BP 220 IRR also requires the submission of a performance bond and payment of prescribed fees. The BP 220 IRR also proscribes any sale within two weeks from the registration of the project.

The BP 220 IRR also provides for several obligations of the developer, such as the initiation of organization and registration of a homeowner’s association, and the donation of roads and open spaces found in the project to LGUs of the area after their completion had been certified by the board.

Failure on the part of the developer to develop the project in accordance with the approved project plans within the time specified shall subject the developer to administrative sanctions and penalties. The above-mentioned Guidelines on Time of Completion is also applicable to the projects under B.P. 220.

Further, the DHSUD mandates subdivision and condominium developers to submit a copy of the special/temporary permit from the Professional Regulation Commission and of the separate permit from the DOLE for foreign architects who signed on plans required under the IRR of PD 957 and B.P. 220.

Executive Order No. 71, Series of 1993

Under Executive Order No. 71, Series of 1993, cities and municipalities assume the powers of the DHSUD over the following:

1. approval of preliminary as well as final subdivision schemes and development plans of all subdivisions, residential, commercial, industrial, and for other purposes;
2. approval of preliminary as well as final subdivision schemes and development plans of all

- 3. economic and socialized housing projects; evaluation and resolution of opposition against issuance of development permits for any of said projects; and
- 4. monitoring the nature and progress of its approved land development projects to ensure their faithfulness to the approved plans and specifications.

Republic Act No. 7279: Urban Development and Housing Act of 1992

Republic Act No. 7279, as amended by Republic Act No. 10884, or the Urban Development and Housing Act of 1992, requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost, and at least 5% of condominium area or project cost, at the option of the developer, within the same city or municipality whenever feasible, and in accordance with the standards set by the DHSUD and other existing laws. Alternatively, the developer may opt to develop socialized housing in a new settlement, enter into JV arrangements with other developers engaged in socialized housing development, or participate in a new project under the community mortgage program.

Republic Act No. 9646: Real Estate Service Act of the Philippines

Real estate dealers, brokers, and salesmen are also required to register with the DHSUD before they can sell lots or units in a registered subdivision or condominium project. Furthermore, no person shall practice or offer to practice real estate service in the Philippines unless he/she has satisfactorily passed the licensure examination given by the Professional Regulatory Board of Real Estate Service. Under Republic Act No. 9646, or the Real Estate Service Act, the real estate service practitioners required to take the licensure examination are:

- 1. Real estate consultants — duly registered and licensed natural persons who, for a professional fee, compensation, or other valuable consideration, offer or render professional advice and judgment on: (i) the acquisition, enhancement, preservation, utilization, or disposition of lands or improvements thereon; and (ii) the conception, planning, management, and development of real estate projects;
- 2. Real estate appraisers — duly registered and licensed natural persons who, for a professional fee, compensation, or other valuable consideration, perform or render, or offer to perform services in estimating and arriving at an opinion of or act as an expert on real estate values, such services of which shall be finally rendered by the preparation of the report in acceptable written form;
- 3. Real estate assessor — a duly registered and licensed natural person who works in a LGU and performs appraisal and assessment of real properties, including plants, equipment, and machineries, essentially for taxation purposes;
- 4. Real estate brokers — duly registered and licensed natural persons who, for a professional fee, commission, or other valuable consideration, act as an agent of a party in a real estate transaction to offer, advertise, solicit, list, promote, mediate, negotiate, or effect the meeting of the minds on the sale, purchase, exchange, mortgage, lease, JV, or other similar transactions on real estate or any interest therein; and
- 5. Real estate salesperson — a duly accredited natural person who performs service for, and in behalf of, a real estate broker who is registered and licensed by the Professional Regulatory Board of Real Estate Service for or in expectation of a share in the commission, professional fee, compensation or other valuable consideration.

Republic Act No. 4726: The Condominium Act

Under The Condominium Act, the owner of a project shall, prior to the conveyance of any condominium therein, register a Declaration of Restrictions (“**Declaration**”) relating to such project, which restrictions shall constitute a lien upon each condominium unit in the project, and shall insure to and bind all

condominium owners in the project. Such liens, unless otherwise provided, may be enforced by any condominium owner in the project or by the management body of such project. The Register of Deeds shall enter and annotate the Declaration upon the certificate of title covering the land included within the project.

The Declaration shall provide for the management of the project by anyone of the following management bodies: a condominium corporation, an association of the condominium owners, a board of governors elected by condominium owners, or a management agent elected by the owners or by the board named in the Declaration. The Declaration shall also provide for voting majorities, quorums, notices, meeting date, and other rules governing such body or bodies.

Further, any transfer or conveyance of any unit or an apartment, office or store, or other space shall include the transfer or conveyance of the undivided interests in the common areas, or, in a proper case, the membership or shareholdings in the condominium corporation. A condominium corporation shall not, during its existence, sell, exchange, lease, or otherwise dispose of the common areas owned or held by it in the condominium project unless authorized by the affirmative vote of a simple majority of the registered owners with prior notification to all registered owners. Further, the condominium corporation may expand or integrate the project with another upon the affirmative vote of a simple majority of the registered owners, subject only to the final approval of the DHSUD.

Real Estate Sales on Installments

Republic Act No. 6552: Maceda Law

The provisions of Republic Act No. 6552, or the Maceda Law, apply to all transactions or contracts involving the sale or financing of real estate on installment payments (including residential condominium units but excluding industrial and commercial lots).

Under the Maceda Law, where a buyer of real estate has paid at least two years of installments, the buyer is entitled to the following rights in case he/she defaults in the payment of succeeding installments:

1. To pay, without additional interest, the unpaid installments due within the total grace period earned by him/her, which is fixed at the rate of one month for every one year of installment payments made. However, the buyer may exercise this right only once every five years during the term of the contract and its extensions, if any.
2. If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to 50% of the total payments made, and in cases where five years of installments have been paid, an additional 5% every year (but with a total not to exceed 90% of the total payments). Provided, that the actual cancellation of the contract shall take place after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer.

The computation of the total number of installment payments made includes down payments, deposits, or options on the contract.

In the event that the buyer has paid less than two years of installments, the seller shall give the buyer a grace period of not less than 60 days from the date the installment became due. If the buyer fails to pay the installments due at the expiration of the grace period, the seller may cancel the contract after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act.

Zoning and Land Use

Republic Act No. 7160: Local Government Code of the Philippines

A city or municipality may, through an ordinance passed by the *Sanggunian*, after conducting public hearings for the purpose, authorize the reclassification of agricultural lands, and provide for the manner of their utilization or disposition in the following cases: (i) when the land ceases to be economically feasible and sound for agriculture as determined by the Department of Agriculture (“DA”); or (ii) where the land shall have substantially greater economic value for residential, commercial, or industrial purposes, as determined by the *Sanggunian* concerned; provided that such reclassification shall be limited to the following percentage of total agricultural land area at the time of the passage of the ordinance:

1. For Highly Urbanized and Independent Component Cities, 15%;
2. For Component Cities and First to Third Class Municipalities, 10%; and
3. For Fourth to Sixth Class Municipalities, 5%.

Zoning ordinances may also limit land use. Once enacted, a comprehensive land use plan approved by the relevant LGU may restrict land use in accordance with such land use plan. Zoning ordinances may also classify lands as commercial, industrial, residential, or agricultural. Lands may also be further reclassified based on a LGU’s future projection of needs.

Republic Act No. 6657: Comprehensive Agrarian Reform Law of 1988

Under Republic Act No. 6657, as amended, or the Comprehensive Agrarian Reform Law of 1988, and such other rules and regulations currently in effect in the Philippines, land classified for agricultural purposes as of or after June 15, 1988 cannot be converted to non-agricultural use without the prior approval of the DAR.

Republic Act No. 11231: Agricultural Free Patent Reform Act

Republic Act No. 11231, otherwise known as the Agricultural Free Patent Reform Act, removes restrictions imposed on the registration, acquisition, encumbrance, alienation, transfer, and conveyance of lands covered by free patents to allow the efficient and effective utilization of these lands. Under this law, agricultural public lands alienated or disposed in favor of qualified public land applicants under Section 44 of Commonwealth Act No. 141, as amended, shall not be subject to restrictions imposed under Sections 118, 119, and 121 thereof regarding acquisitions, encumbrances, conveyances, transfers, or dispositions. Agricultural free patent shall now be considered as title in fee simple and shall not be subject to any restriction on encumbrance or alienation.

This law has a retroactive effect and any restriction regarding acquisitions, encumbrances, conveyances, transfers, or dispositions imposed on agricultural free patents issued under Section 44 of Commonwealth Act No. 141, as amended, before the effectivity of this law shall be removed and are immediately lifted.

Property Registration and Nationality Restrictions

Presidential Decree No. 1529: Property Registration Decree

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

After proper survey, application, publication, service of notice, and hearing, unregistered land may be brought under the system by virtue of judicial or administrative proceedings. In a judicial proceeding, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment to the Court of Appeals and ultimately to the Supreme Court within 15 days from receiving notice of judgment. Upon finality of judgment, the appropriate Register of Deeds may issue an Original Certificate of Title ("**OCT**"). The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration. Similarly, in an administrative proceeding, the land is granted to the applicant by the DENR's issuance of a patent. The patent becomes the basis for issuance of the OCT by the Register of Deeds. All land patents (*i.e.*, homestead, sales, and free patents) must be registered with the appropriate Register of Deeds since the conveyance of the title to the land covered thereby takes effect only upon such registration.

The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned, and in all cases under the said decree, the registration shall be made in the office of the Register of Deeds for the province or city where the land lies. Every conveyance, mortgage, lease, lien, attachment, order, judgment, instrument, or entry affecting registered land, if filed or entered in the office of the Register of Deeds for the province or city where the land to which it relates lies, shall be constructive notice to all persons from the time it is registered, filed, or entered in the records of the Register of Deeds.

All interests in registered land less than ownership (such as liens created by mortgages and leases) shall be registered by filing with the Register of Deeds the instrument which creates or transfers or claims such interests and by a brief memorandum thereof made by the Register of Deeds upon the certificate of title and signed by him. A similar memorandum shall also be made on the owner's duplicate.

Any subsequent transfer or encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and a new Transfer Certificate of Title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

All documents evidencing conveyances of subdivision and condominium units should also be registered with the Register of Deeds. Title to the subdivision or condominium unit must be delivered to the purchaser upon full payment of the sales price. In the event a mortgage over the lot or unit is outstanding at the time of the issuance of the title to the buyer, the owner or developer shall redeem the mortgage or the corresponding portion thereof within six months from such issuance in order that the title over any fully paid lot or unit may be secured and delivered to the buyer. To evidence ownership of condominium units, the Register of Deeds issues a Condominium Certificate of Title.

Article XII, Section 7 of the Constitution; Commonwealth Act No. 141

Article XII, Section 7 of the Constitution, in relation to Chapter 5 of the Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, pursuant to Republic Act No. 4726 (as amended), with respect to condominium developments, the ownership of condominium units where the common areas in the condominium project are co-owned by the owners of the separate units or owned by a corporation is limited to up to 40% foreign equity.

Republic Act No. 7042, as amended: Foreign Investments Act of 1991

Republic Act No. 7042, otherwise known as the Foreign Investments Act of 1991, as amended, and the Twelfth Regular Foreign Investment Negative List, provide that certain investment areas and economic activities are nationalized or partly nationalized, such that the operation and/or ownership thereof are

wholly or partially reserved for Filipinos. Under these regulations, ownership of private lands and condominium units is partly nationalized with up to only 40% foreign equity.

Environmental Laws and Safety Standards

Environmental Impact Statement System

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an ECC prior to commencement. The DENR, through its regional offices or through the EMB, determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement (“**EIS**”) to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination (“**IEE**”) to the proper DENR Regional Office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges is considered an environmentally critical project for which an EIS and an ECC are mandatory. In determining the scope of the EIS System, two factors are considered: (i) the nature of the project and its potential to cause significant negative environmental impacts; and (ii) the sensitivity or vulnerability of environmental resources in the project area.

The EIS refers to both the document and the study of a project’s environmental impact, including a discussion of the direct and indirect consequences of the project to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures for projects in environmentally critical areas.

While an EIS or an IEE may vary from project to project, as a minimum, each contains all relevant information regarding the project’s environmental effects. The entire process of organization, administration, and assessment of the effects of any project on the quality of the physical, biological, and socio-economic environment as well as the design of appropriate preventive, mitigating, and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a government certification that the proposed project or undertaking will not cause a significant negative environmental impact that the proponent has complied with all the requirements of the EIS System, and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund (“**EGF**”) when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property, and the environment or where the project requires rehabilitation or restoration. The EGF is intended to meet any damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund (“**EMF**”) when an ECC is eventually issued. In any case, the establishment of an EMF must not be later than the initial construction phase of the project. The EMF shall be used to support the activities of a multi-partite monitoring team organized to monitor compliance with the ECC and applicable laws, rules, and regulations.

While a development project may not fall under the categories wherein an ECC is required, it is still required to obtain a Certificate of Non-Coverage (“**CNC**”) from the EMB or the DENR Regional Office. The applicant must submit a Project Description to the EMB, which will then evaluate whether or not an ECC is required for the project. If an ECC is not required, then the EMB will issue a CNC to be submitted to the DHSUD.

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

Presidential Decree No. 1096: National Building Code of the Philippines

Under the Building Code, in order for a person or corporation to erect, construct, alter, repair, move, convert, or demolish any building or structure, a building permit must first be secured from the Building Official assigned at the place where the building work is to be done. A building permit is a written authorization granted by the building official to an applicant allowing him to proceed with the construction of a building after plans, specifications, and other pertinent documents required for the construction of the structure have been found to be in conformity with the Building Code.

All buildings or structures as well as accessory facilities thereto shall conform in all respects to the principles of safe construction under the Building Code and must be suited to the purpose for which they are designed. Buildings or structures and all parts thereof as well as all facilities found therein shall be maintained in safe, sanitary, and good working condition.

The land or site upon which will be constructed any building or structure, or any ancillary or auxiliary facility thereto, shall be sanitary, hygienic, or safe. In the case of sites or buildings intended for use as human habitation or abode, the same shall be at a safe distance, as determined by competent authorities, from streams or bodies of water and/or sources of air considered to be polluted; from a volcano or volcanic site and/or any other building considered to be a potential source of fire or explosion.

Aside from the building permit under the Building Code, an applicant in specific instances may be required to secure a Height Clearance Permit from the Civil Aviation Authority of the Philippines.

Republic Act No. 9514: Fire Code of the Philippines

Republic Act No. 9514, otherwise known as the Fire Code of the Philippines, seeks to ensure public safety and promote economic development by preventing and suppressing all kinds of destructive fires. Compliance with the following requirements is expected from building owners, administrators, and occupants: inspection requirements, safety measures for hazardous materials, safety measures for hazardous operations or processes, provisions on fire safety construction, protective and warning systems, and abatement of fire hazards. Non-compliance with the said requirements may result in the imposition of administrative fines and penalties.

Presidential Decree No. 1067: The Water Code of the Philippines

Presidential Decree No. 1067, otherwise known as The Water Code of the Philippines, requires a water permit for the utilization, exploitation, and appropriation of natural bodies of water, except in certain instances provided under the Water Code of the Philippines. Examples of the use of water include domestic, municipal, irrigation, power generation, fisheries, livestock raising, industrial, and recreational. Only citizens of the Philippines, of legal age, as well as juridical persons, who are duly qualified by law to exploit and develop water resources, may apply for water permits. Any person who desires to obtain a water permit shall file an application who shall make known said application to the public for any protests. The right to the use of water is deemed acquired as of the date of filing of the application for a water permit in case of approved permits, or as of the date of actual use in a case where no permit is required. All water permits granted shall be subject to conditions of beneficial use, adequate standards of design and construction, and such other terms and conditions as may be imposed. Such permits shall specify the maximum amount of water which may be diverted or withdrawn, the maximum rate of diversion or withdrawal, the time or times during the year when water may be diverted or withdrawn, the point or points of diversion or location of wells, the place of use, the purposes for which water may be used, and such other requirements as may be deemed desirable.

Appropriation of water without obtaining the necessary water permit when applicable may expose such entity to the imposition of penalties. Water permits may be also revoked after due notice and hearing on grounds of non-use; gross violation of the conditions imposed in the permit; unauthorized sale of water; willful failure or refusal to comply with rules and regulations or any lawful order; pollution, public

nuisance, or acts detrimental to public health and safety; when the appropriator is found to be disqualified under the law to exploit and develop natural resources of the Philippines; when, in the case of irrigation, the land is converted to non-agricultural purposes; and other similar grounds.

Republic Act No. 9275: The Philippine Clean Water Act of 2004

The Clean Water Act of 2004 or Republic Act No. 9275 aims to protect the country's water bodies from pollution from land-based sources (*i.e.*, industries and commercial establishments, agriculture, and community or household activities) in the pursuit of economic growth in a manner consistent with the protection, preservation, and revival of the quality of the country's fresh, brackish, and marine waters. It provides for a comprehensive and integrated strategy to prevent and minimize pollution through a multi-sectoral and participatory approach involving all the stakeholders.

It requires owners or operators of facilities that discharge regulated effluents (*i.e.*, wastewater from commercial facilities) to secure a permit to discharge from the DENR. The discharge permit shall be the legal authorization granted by the DENR to discharge wastewater. The discharge permit shall specify among others, the quantity and quality of effluent that said facilities are allowed to discharge into a particular water body, with compliance schedule and monitoring requirement.

Republic Act No. 8749: The Philippine Clean Air Act of 1999

In pursuit of balancing development and environmental protection, the Clean Air Act of 1999 or Republic Act No. 8749 was enacted to create a holistic national program of air pollution management and encourage cooperation and self-regulation among citizens and industries through the application of market-based instruments. It sets air quality standards and emission limits for different industries and sources of air pollution. The DENR is granted authority to issue permits as it may determine necessary for the prevention and abatement of air pollution. Said permits cover emission limitations for the regulated air pollutants to help attain and maintain the ambient air quality standards. Non-compliance or violations of the law or its rules and regulations may expose the violator to the imposition of fines and penalties.

Republic Act No. 9003: The Ecological Solid Waste Management Act of 2000

Republic Act No. 9003, otherwise known as The Ecological Solid Waste Management Act of 2000, aims to ensure the protection of the public health and environment by adopting a systematic, comprehensive, and ecological solid waste management program using environmentally-sound methods that maximize the utilization of valuable resources and encourage resource conservation and recovery. It also provides guidelines for avoidance and reduction of solid waste through various measures, such as mandatory segregation of solid wastes and recycling. The law extends both fiscal and non-fiscal incentives to those who have undertaken outstanding and innovative projects, technologies, processes, and techniques or activities in re-use, recycling, and reduction. Violations therewith may result in the imposition of fines and penalties.

Business Permits

Before any corporation may commence business operations within a locality, it must secure the requisite permits, clearances, and licenses from the relevant LGU where it is situated. Usually, it is assumed that a corporation has complied with all of the permitting requirements of the LGU if it is issued a business permit. These permits, clearances, and licenses must be renewed on an annual basis. Requirements and deadlines vary depending on the locality.

Failure to obtain the necessary business permit means that a corporation may not be allowed to operate its business within the relevant locality. The LGU may impose fines and penalties for failure of an entity to register, which fines and penalties may vary depending on the locality. The LGU may also shut down the existing operations of a business establishment until the permits, clearances, and licenses are obtained and the corresponding fees and penalties as assessed by the LGU are settled.

Real Property Taxation

Republic Act No. 7160: Local Government Code of the Philippines

Real property taxes are payable annually or quarterly based on the property's assessed value. Assessed values are determined by applying the assessment levels (fixed by ordinances of the concerned *Sanggunian*) against the fair market values of real property. Under Republic Act No. 7160, as amended, or the Local Government Code of the Philippines, the assessed value of property and improvements varies depending on the location, use, and nature of the property. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed up to 80% of their fair market values and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. A province, city, or municipality within Metro Manila may also levy and collect an annual tax of 1% on the assessed value of real property which shall be in addition to the basic real property tax to accrue exclusively to the Special Education Fund of the LGU where the property is located.

In the event there are unpaid real property taxes relating to real property, such taxes constitute a lien on the property which shall be superior to any other lien, mortgage, or encumbrance of any kind whatsoever, and shall be extinguished only upon payment of the delinquent taxes and penalties. Failure to pay the real property tax will result in the payment of interest at the rate of 2% per month on the unpaid amount or a fraction thereof, until the delinquent tax shall have been fully paid; provided, however, that in no case shall the total interest on the unpaid tax or portion thereof exceed 36 months.

Republic Act No. 12001: Real Property Valuation and Assessment Reform Act

The Republic Act No. 12001 or the Real Property Valuation and Assessment Reform Act ("**RPVARA**") was enacted on June 13, 2024 and became effective on July 5, 2024. Its IRR was approved and issued on December 10, 2024. Under Section 14 of the RPVARA, all real properties, whether taxable or exempt, must be valued based on prevailing market values in the locality where the property is situated. This ensures a standardized approach to property valuation nationwide, ensuring that property assessments reflect current market conditions. To implement this, provincial, municipal, and city assessors are required to prepare the Schedule of Market Values ("**SMV**") for different classes of real property within their respective local government units ("**LGUs**"). The IRR of RPVARA also provides for the creation of a Real Property Valuation Unit under the Office of the Local Assessor in every province and city and the lone municipality in Metro Manila, within two years from the effectivity of the IRR.

Upon approval by the Secretary of Finance, the SMV will serve as the basis for the local assessor's general revision of property assessments and classifications and for the Sanggunian's adjustment of assessment levels and tax rates for LGUs. It will also be used to determine market values for other property-related taxes, such as local transfer tax, sand and gravel tax, community tax, and various fees and charges. The Commissioner of Internal Revenue will use the SMV, or the actual gross selling price indicated in property transaction documents—whichever is higher—to calculate any internal revenue tax.

While the new SMVs are under development, the BIR will continue to use existing SMVs, zonal values, or the actual price stated in transaction documents, whichever is higher, for computing internal revenue tax.

Section 30 of RPVARA provides a relief measure in the form of a real property tax amnesty, aimed at encouraging delinquent property owners to settle their tax liabilities. This amnesty covers penalties, surcharges, and interest on unpaid real property taxes, including those associated with the Special Education Fund, idle land tax, and other special levies, accrued before RPVARA took effect. The amnesty period is limited to two years from the law's effectivity date, allowing property owners to settle their delinquent taxes through a one-time payment or installment plan.

However, the amnesty does not apply to all delinquent properties. Specifically, it excludes (1) delinquent properties sold at public auction to cover tax liabilities; (2) properties with delinquent taxes being paid under a compromise agreement; and (3) properties involved in pending court cases over real property tax delinquencies.

Construction License

A regular contractor's license is required to be obtained from the Philippine Contractors Accreditation Board ("**PCAB**"). In applying for and granting such license, PCAB takes into consideration the applicant-contractor's qualifications and compliance with certain minimum requirements in the following criteria: (i) financial capacity; (ii) equipment capacity; (iii) experience of the firm; and (iv) experience of technical personnel. Philippine laws also require a contractor to secure construction permits and environmental clearances from appropriate government agencies prior to actually undertaking each project.

In the case of *Philippine Contractors Accreditation Board v. Manila Water Co., Inc.* (G.R. No. 217590, 10 March 2020), the Supreme Court held that foreigners can obtain regular licenses from the PCAB. It ruled that the construction industry is not one which the Constitution has reserved exclusively for Filipinos. Neither do the laws enacted by Congress show any indication that foreigners are proscribed from entering into the same projects as Filipinos in the field of construction. "Private Domestic Construction Contracts" has also been removed from the Foreign Investments Negative List since 1998. This means that the restriction on foreign investments in private construction contracts was already lifted as early as 1998. Thus, the provision requiring foreigners to obtain a special license has been declared null and void, along with the provision limiting the regular license to construction firms at least 60% of which is owned by Filipinos. In light of this ruling, foreigners can now obtain regular licenses from the PCAB.

Referral to Arbitration

Executive Order No. 1008 vests the Construction Industry Arbitration Commission ("**CIAC**") with original and exclusive jurisdiction over disputes arising from, or connected with, contracts entered into by parties involved in construction in the Philippines, whether the dispute arises before or after the completion of the contract, or after the abandonment or breach thereof. These disputes may involve government or private contracts. The jurisdiction of the CIAC may include, but is not limited to, violation of specifications for materials and workmanship, violation of the terms of agreement interpretation and/or application of contractual time and delays, maintenance and defects, payment, default of employer or contractor, and changes in contract cost.

CIAC may acquire jurisdiction in two ways, either by providing an arbitration clause in the contract between the parties, or by agreement of the parties to submit the dispute to the CIAC. Thus, the fact that the parties incorporated an arbitration clause in their contract is sufficient to vest the CIAC with jurisdiction over any construction controversy, notwithstanding any reference made to another arbitral body. CIAC's jurisdiction over construction disputes is conferred by law, and thus, cannot be waived by mere agreement of the parties.

Liability of Engineers, Architects, and Contractors

Under Republic Act No. 386 or the Civil Code of the Philippines, as amended, the engineer or architect who drew up the plans and specifications for a building is liable for damages if, within 15 years from the completion of the structure, the same should collapse by reason of a defect in those plans and specifications, or due to defects in the ground. The contractor is likewise responsible for the damages if the edifice falls, within the same period, on account of construction defects or the use of materials of inferior quality, or due to any violation of the terms of the construction contract. If the engineer or architect supervises the construction, he shall be solidarily liable with the contractor. The acceptance of the building after completion does not imply waiver of any of the causes of action by reason of any of the aforementioned defects. The action arising therefrom must be brought within 10 years following the collapse of the building.

Tax Incentives

The Corporate Recovery and Tax Incentives for Enterprises Act ("**CREATE Act**"), Republic Act No. 11534, amended the corporate income tax and incentive laws, such as the Omnibus Investment Code of 1987 (Executive Order No. 66) and Special Economic Zone Act of 1995 (Republic Act No. 7916, as amended), and codified the incentives system under a new Title XIII: Tax Incentives in the Tax Code.

The Fiscal Incentives Review Board ("**FIRB**") is the government agency that exercises policymaking and oversight functions over investment promotion agencies ("**IPAs**") such as the Board of Investments ("**BOI**") and the Philippine Economic Zone Authority ("**PEZA**"). Under a delegated authority from the FIRB, IPAs have the power to grant incentives where the investment capital for a project equals ₱15 billion or below. All incentive applications for projects with investment capital exceeding ₱15 billion remain within the jurisdiction of the FIRB.

Under the CREATE Act, registered business enterprises ("**RBE**") engaged in projects or activities specified in the Strategic Investment Priority Plan ("**SIPP**"), the national development plan formulated by the BOI in coordination with the FIRB and the IPAs, may enjoy incentives to the extent of their approved registered project or activity under the SIPP. Generally, these incentives include the grant of ITH, Special Corporate Income Tax ("**SCIT**") rate, enhanced deductions ("**ED**"), duty exemption on importation of capital equipment, raw materials, spare parts, or accessories, and value-added tax exemption on importation and value-added tax zero-rating on local purchases.

The available incentives depend on the industry tier and geographic location of the registered activity and whether the production/output is for export or the domestic market. The incentives available to an export enterprise include (a) an ITH for a minimum of 4 years and a maximum of seven 7 years; (b) VAT and duty exemption on the importation of capital equipment, raw materials, spare parts, and accessories directly and exclusively used in the registered project or activity for 17 years from the date of registration with the IPA; and (c) VAT zero-rating on local purchases of goods and services directly and exclusively used in the registered project or activity, also for 17 years from the date of registration with the IPA. After the lapse of the ITH, and for a period of 10 years thereafter, an export enterprise may avail itself of (x) SCIT of 5% on gross income earned in lieu of all national and local taxes; or (y) ED for items such as additional depreciation, labor expenses, R&D expenses, training expenses, power expenses, and the carrying over of net operating losses.²¹ A domestic market enterprise is entitled to the same ITH incentive as an export enterprise but is entitled to duty exemption for only 12 years from the date of registration with the IPA, 5 years of ED after the lapse of the ITH, but no entitlement to the VAT incentive, and no option to avail of the SCIT.

In addition to the incentives above, projects or activities of registered enterprises located in areas recovering from an armed conflict or a major disaster, as determined by the Office of the President, shall be entitled to two additional years of ITH.

The period of availment of the foregoing incentives shall commence from the actual start of commercial operations with the RBE availing of the tax incentives within three years from the date of registration, unless otherwise provided in the SIPP and its corresponding guidelines.

On November 11, 2024, President Marcos Jr. signed into law Republic Act No. 12066 or the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy ("**CREATE MORE**"), which expanded the incentives granted under the CREATE Act. The CREATE MORE took effect on November 28, 2024. On February 17, 2025, the CREATE MORE IRR was promulgated and it will be effective immediately upon publication in a newspaper of general circulation.

Under CREATE MORE, an RBE may now enjoy income tax-based incentives ranging from 14 to 17 years (with an investment capital of ₱15 billion and below) or 24 to 27 years (with an investment capital above ₱15 billion), depending on the registered project's location and industry tier.

Under the CREATE MORE, an RBE may opt for one of the following: (1) ITH followed by SCIT (for export RBEs only) or EDR; or (2) SCIT which may be granted immediately at the start of commercial

²¹ The CREATE MORE has revised the deductions allowed for export enterprises and domestic market enterprises.

operations (for export RBEs only); or (3) EDR, which may be granted immediately at the start of commercial operations. RBEs choosing the EDR incentive are subject to a lower corporate income tax of 20% of taxable income and further enhanced deductions, such as the 200% allowable deduction for power expenses.

CREATE MORE addressed the vague provisions under the CREATE Act and clarified that the SCIT is in lieu not only of national and local taxes, but also of local fees and charges, and that the duty and VAT exemption on importation and the VAT zero-rating on local purchases applies to those “directly attributable” to the registered project or activity, now statutorily defined as referring to “goods and services that are incidental to and reasonably necessary for the registered project or activity of the registered business enterprise, including janitorial, security, financial, consultancy, marketing and promotion services, and services rendered for administrative operations such as human resources, legal, and accounting.”

CREATE MORE also provides that the local government unit may, through an ordinance, impose an RBE local tax (“**RBELT**”) at the rate of not more than 2% of an RBE’s gross income during the ITH and EDR, which shall be in lieu of all local taxes and local fees and charges imposed by the local government unit under the Local Government Code. However, the RBELT will not be imposed on RBEs under SCIT.

For a more detailed discussion, please refer to the section “*Philippine Taxation*”.

Mass Housing

Mass housing projects are included in the enumeration of eligible projects or activities under the 2022 SIPP. BOI Memorandum Circular No. 2023-005 amended the 2022 SIPP and its specific guidelines in relation to mass housing by increasing the price ceiling for low-cost housing from ₱2.00 million to ₱3.00 million. In addition, BOI Memorandum Circular No. 2023-005 clarified that qualified housing projects are only eligible for ITH and duty exemption on capital equipment, raw materials, spare parts, or accessories and requires that 25% of a project’s construction materials must be sourced from domestic manufacturers. Additionally, projects that are eligible for five to six years of ITH are required to submit proof of compliance with the requirement of 300 trees or 500 trees, respectively, planted within the project location itself and/or within the community where the project will be located within one year prior to availing the ITH.

Based on the latest BOI guidelines, economic and low-cost housing projects must meet the following criteria to qualify for registration: (a) the selling price of each housing unit shall not exceed ₱3,000,000.00 and shall not fall below the price ceiling of socialized housing based on the prevailing price ceiling issued by the DSHUD (*i.e.*, ₱2,500,000.00); (b) the project must be located outside the National Capital Region; (c) the project must have a minimum of 100 livable dwelling units in a single site or building; (d) the project must be new or expanding economic/low-cost housing project; and (e) for residential condominium projects, at least 51% of the total gross floor area must be devoted to housing units.

Economic housing projects with selling price not exceeding ₱2,500,000.00 are required to comply with the socialized housing requirement by building socialized housing units in an area equivalent to at least 15% of the total registered project area or total BOI-registered project cost for subdivision housing and 15% of the total floor area of qualified saleable housing units for residential condominium projects.

Further, low-cost housing projects with selling price exceeding ₱2,500,000.00 but not exceeding ₱3,000,000.00 must build socialized housing units in an area equivalent to at least 20% of the total registered project area or total BOI-registered project cost for subdivision housing and 20% of the total floor area of qualified saleable housing units for residential condominium projects.

Special Economic Zone

A special economic zone or ecozone is a comprehensive land use plan generally created by proclamation of the President of the Philippines. These are areas earmarked by the government for development into balanced agricultural, industrial, commercial, and tourist/recreational regions.

An ecozone may contain any or all of the following: industrial estates, export processing zones, free trade zones, and tourist/recreational centers.

The PEZA is the government agency that operates, administers, and manages designated special economic zones. It is tasked to promote investments, extend assistance, register, grant incentives to, and facilitate the business operations of investors in export-oriented manufacturing and service facilities inside PEZA special economic zones. The Special Economic Zone Act of 1995, as amended by the CREATE Act and CREATE MORE, provides for the legal framework and mechanisms for the creation, operation, administration, and coordination of special economic zones in the Philippines.

PEZA-registered enterprises located in an ecozone are entitled to fiscal and non-fiscal incentives such as ITH, SCIT, EDR, duty-free importation of equipment, machinery, and raw materials, and VAT zero-rating as discussed above.

Enterprises offering IT services (such as call centers and other Business Process Outsourcing firms using electronic commerce) located in a PEZA-registered IT Park, IT Building, or Ecozone, are entitled to fiscal and non-fiscal incentives as provided under the CREATE Act. An IT Park is an area that has been developed into a complex capable of providing infrastructure and support facilities required by IT enterprises, as well as amenities required by professionals and workers involved in IT enterprises, or easy access to such amenities. An IT Building is an edifice, a portion or the whole of which, provides such infrastructure, facilities, and amenities.

PEZA requirements for the registration of an IT Park or IT Building vary depending on whether it is located within or outside Metro Manila. These PEZA requirements include clearances or certifications issued by the city or municipal legislative council, the DAR, the National Water Resources Board, and the DENR.

Enterprises registered with IPAs and enjoying incentives prior to the effectivity of the CREATE Act are allowed to continue availing their incentive subject to the following sunset provisions:

- a. Those enjoying the ITH are allowed to continue with the availment of the ITH for the remaining period of the ITH as specified in the terms and conditions of their registration;
- b. Those granted ITH but have not yet availed of the incentive may use the ITH for the period as specified in the terms and conditions of their registration;
- c. Those granted ITH and are entitled to the 5% tax on gross income earned incentive after the ITH shall be allowed to avail of the 5% tax on gross income provided the 5% tax shall be allowed for only 10 years; and
- d. Those availing of the 5% tax on gross income earned shall be allowed to continue availing the tax incentive at the rate of 5% for 10 years.

Under CREATE MORE, RBEs granted only an ITH prior to the effectivity of the CREATE Act shall be allowed to continue with the availment thereof for the remaining period of the ITH. RBEs granted an ITH prior to the effectivity of the CREATE Act and that are entitled to the SCIT after the ITH shall be allowed to use the ITH for the period specified in the terms and conditions of their registration and thereafter avail of the SCIT until December 31, 2034. RBEs currently availing of the SCIT prior to the effectivity of the CREATE Act shall be allowed to continue availing said tax incentive until December 31, 2034. RBEs currently availing non-income tax-based incentives such as duty and VAT exemption on importation and VAT zero-rating on local purchases prior to the effectivity of the CREATE Act shall be allowed to continue availing the said incentives until December 31, 2034.

Anti-Money Laundering Act and its Amendments

Republic Act No. 9160, or the Anti-Money Laundering Act of 2001 (as amended, “**AMLA**”), criminalizes, among other acts, the act of making the proceeds or money from an unlawful activity appear to have originated from legitimate sources. To monitor or detect these transactions, covered institutions or persons are required to report (a) transactions that meet a minimum threshold amount; and (b)

transactions considered suspicious, regardless of whether such meet the minimum threshold amount, to the Anti-Money Laundering Council ("**AMLC**").

In 2013, the AMLA was amended by Republic Act No. 10365 to consider the failure to report covered or suspicious transactions a money laundering offense. The AMLA was further amended in 2021 by Republic Act No. 11521, which took effect on 30 January 2021, making REDs, REBs, covered persons. Thus, REDs and REBs are now required to report covered and suspicious transactions to the AMLC.

For REBs and REDs, covered transaction refers to a single cash transaction involving an amount in excess of ₱7,500,000.00 or its equivalent in any other currency.

While suspicious transactions are those: (i) with no underlying legal or trade obligation, purpose, or economic justification; (ii) client is not properly identified; (iii) the amount involved is not commensurate to the client's financial capacity; (iv) perceived to be structured to avoid being reported or are related to any unlawful activity; (v) involves any circumstance that deviates from the client's profile or past transactions with covered persons; and (vi) any transaction that is similar or analogous to any of the foregoing.

Under Section 42 of AMLC Regulatory Issuance (B) No. 1 Series of 2018, all covered and suspicious transactions must be reported to the AMLC within five days from occurrence. For suspicious transactions, "occurrence" is the date of determination of the suspicious nature of the transaction, which shall be made not more than 10 days from date of transaction.

To enable covered persons to file reports, Sec. 4, Rule 22 of the 2018 Implementing Rules and Regulations ("**2018 AMLA IRR**") provides that all covered persons shall register with the AMLC's electronic reporting system in accordance with the registration and reporting guidelines. Registration with the AMLC is online and free. The 2018 AMLA IRR further provides that for existing covered persons who were not yet registered shall not be cited for non-registration, provided that they shall apply for registration 30 working days from effectivity of the 2018 AMLA IRR. Newly covered persons shall apply for registration within 30 working days from the issuance of license by their respective government agencies. REDs and REBs must have registered with the AMLC by March 16, 2021.

Company Policies on Anti-Money Laundering and Countering the Financing of Terrorism

AMLC Regulatory Issuance No. 03, series of 2021 or the 2021 Anti-Money Laundering / Counter-Terrorism Financing Guidelines for Designated Non-Financial Businesses and Professions provides that REDs and REBs must apply the following principles in their businesses: (a) conformity with high ethical standards and observance of good corporate governance; (b) know sufficiently their customers and clients; (c) adopt and effectively implement an appropriate Anti-Money Laundering and/or Countering the Financing of Terrorism risk management system; (d) comply fully with existing Anti- Money Laundering and Terrorist Financing laws and regulations; and (e) full cooperation with the AMLC.

The following are also required: (a) designation of Compliance Officer and/or Office; (b) implementation of a money laundering and terrorism financing prevention program; (c) establishment of an internal controls and internal audit program; (d) adoption of a policy on customer due diligence; (e) adoption of a monitoring and reporting system; (f) keeping of records of customers' transactions and documents during customer due diligence for five years; (g) creation of a relevant employee training program on anti-money laundering and countering terrorist financing; (h) adoption of written procedures for cooperating and complying with investigations, assessments, directives and orders of the AMLC, appropriate government agencies and the courts; and (i) identification and assessment of money laundering/ terrorist financing risks that may arise in relation to the development of new products and business practices.

Philippine Competition Act

Republic Act No. 10667, or the Philippine Competition Act (“**PCA**”), is the primary competition policy of the Philippines. It aims to enhance economic efficiency and promote free and fair competition in trade, industry, and all commercial economic activities.

The PCA prohibits and imposes sanctions on:

1. Anti-competitive agreements between or among competitors, which restrict competition as to price or other terms of trade, and those fixing price at an auction or in any form of bidding, including cover bidding, bid suppression, bid rotation and market allocation, and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting, or lessening competition;
2. Practices which are regarded as abuse of dominant position, by engaging in conduct that would substantially prevent, restrict, or lessen competition; and
3. Merger or acquisitions which substantially prevent, restrict, or lessen competition in the relevant market or in the market for goods or services.

The PCA, as amended, provides for mandatory notification to the Philippine Competition Commission (“**PCC**”) where the value of such transaction exceeds ₱2,900,000,000.00, and where the size of the ultimate parent entity of either party exceeds ₱7,000,000,000.00 (“**Size of Party**”). Notification is also mandatory for JV transactions if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed JV exceeds ₱2,900,000,000.00; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed JV exceed ₱2,900,000,000.00. Pursuant to PCC Resolution No. 01-2024, starting March 1, 2024, mergers and acquisitions that exceed a size of party of ₱7,800,000,000.00 and the value of transaction exceeds ₱3,200,000,000.00. The revised thresholds shall also apply to JV transactions.

The PCC may conduct investigation of any merger that it has reasonable grounds to believe is likely to substantially prevent, restrict, or lessen competition in the market. There may be reasonable grounds to believe that a merger is likely to or has substantially prevent, restrict, or lessen competition in the market where there are preliminary indications that customers may be adversely affected, there are possibilities for foreclosure, a high degree of market concentration exists, either of the merger parties has high market shares, the merger takes place in a critical industry, among others.

Data Privacy Law

Republic Act No. 10173: Data Privacy Act of 2012

The Data Privacy Act of 2012 was enacted to protect the fundamental human right to privacy while ensuring the free flow of information and regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data, all in compliance with international standards set for data protection through the National Privacy Commission. It applies to the processing of all types of information, whether that be of individuals or legal entities, except for publicly available information or those required for public functions. The law provides that when an entity collects personal data, the purpose and extent of processing of such information collected must be legitimate and declared specifically to the owner of the personal information (*i.e.*, whether such information will be used for marketing, data-sharing, and the like), and that consent must be obtained from the owner. This requirement applies to all data collectors and data processors. The term “data collectors” refers to a natural or juridical person who controls or supervises the person collecting, storing, or processing the relevant personal information, while the term “data processors” refers to a natural or juridical person who processes the information, whether or not outsourced by the data collector.

The processing of personal information shall be allowed, subject to compliance with the requirements of the Data Privacy Act of 2012 and other laws allowing disclosure of information to the public and adherence to the principles of transparency, legitimate purpose, and proportionality. Personal

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

The data subject is entitled to the following: (1) right to be informed; (2) right to object; (3) right to access; (4) right to rectification; (5) right to erasure or blocking; (6) right to damages; (7) right to file a complaint; and (8) right to data portability.

Labor Laws

Republic Act No. 11199: Social Security Act of 2018

An employer or any person who uses the services of another person in business, trade, industry, or any undertaking is required under Republic Act No. 11199, or the Social Security Act of 2018, to ensure coverage of employees following procedures set out by the law and the SSS. Under the Social Security Act of 2018, an employer must deduct from its employees their monthly contributions in an amount corresponding to his salary, wage, compensation, or earnings during the month in accordance with the monthly salary credits, the schedule, and the rate of contributions as may be determined and fixed by the Social Security Commission, pay its share of contribution, and remit these to the SSS within a period set by law and/or SSS regulations. This enables the employees or their dependents to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits, and maternity-leave benefits.

The failure of the employer to comply with any of its obligations may lead to the imposition of a fine of not less than ₱5,000.00 nor more than ₱20,000.00, or imprisonment for not less than six years and one day nor more than 12 years, or both, at the discretion of the court. The erring employer will also be liable to the SSS for damages equivalent to the benefits to which the employee would have been entitled had his name been reported on time to the SSS and for the corresponding contributions and penalties thereon.

Republic Act No. 9679: Home Development Mutual Fund Law of 2009

Under Republic Act No. 9679, or the Home Development Mutual Fund Law of 2009, all employees who are covered by the SSS must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund providing affordable shelter financing to Filipino workers. Coverage under the Pag-IBIG Fund is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2% of the employee's monthly compensation, and remit the contributions to the Pag-IBIG Fund. Refusal of an employer to comply, without any lawful cause or with fraudulent intent, particularly with respect to registration of employees as well as collection and remittance of contributions, is punishable by a fine of not less but not more than twice the amount involved, or imprisonment of not more than six years, or both such fine and imprisonment. When the offender is a corporation, the penalty will be imposed upon the members of the governing board and the president or general manager, without prejudice to the prosecution of related offenses under the Revised Penal Code and other laws, revocation and denial of operating rights and privileges in the Philippines and deportation when the offender is a foreigner.

Republic Act No. 10606: the National Health Insurance Act of 2013; Republic Act No. 11223: Universal Health Care Act

Employers are likewise required to ensure enrollment of its employees in a National Health Insurance Program administered by the Philippine Health Insurance Corporation ("**PhilHealth**"), a government corporation attached to the Department of Health tasked with ensuring sustainable, affordable, and progressive social health insurance pursuant to the provisions of Republic Act No. 10606, or the National Health Insurance Act of 2013.

On February 20, 2019, Republic Act No. 11223, or the Universal Health Care Act, was enacted, which amended certain provisions of the National Health Insurance Act of 2013. Under the said law, all Filipino citizens are now automatically enrolled into the National Health Program (“**NHIP**”). However, membership is classified into two types: (i) direct contributors; and (ii) indirect contributors. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. On the other hand, indirect contributors refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. Every member is also granted immediate eligibility for health benefit package under the program.

Any employer who deliberately or through inexcusable negligence, fails or refuses to register employees regardless of their employment status, accurately and timely deduct contributions from the employee's compensation, or accurately and timely remit or submit the report of the same to PhilHealth shall be punished with a fine of ₱50,000.00 for every violation per affected employee, or imprisonment of not less than six months but not more than one year, or both such fine and imprisonment, at the discretion of the court.

Any employer who deducts, directly or indirectly, from the compensation of the covered employees or otherwise recover from them the employer's own contribution on behalf of such employees shall be punished with a fine of ₱5,000.00 multiplied by the total number of affected employees or imprisonment of not less than six (6) months but not more than one (1) year, or both such fine and imprisonment, at the discretion of the court.

DOLE Department Order No. 174-17

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

On March 16, 2017, the DOLE issued Department Order No. 174-17 or Rules Implementing Articles 106 to 109 of the Labor Code of the Philippines, as Amended (“**D.O. No. 174-17**”), under the principle that non-permissible forms of contracting and subcontracting arrangements undermine the constitutional and statutory right to security of tenure of workers. D.O. No. 174-17 empowered the Secretary of Labor and Employment to regulate contracting and subcontracting arrangement by absolutely prohibiting labor-only contracting, and restricting job contracting allowed under the provisions of the Labor Code of the Philippines.

Labor-only contracting, which is totally prohibited, refers to an arrangement where:

1.

- a. The contractor or subcontractor does not have substantial capital (refers to paid-up capital stock/shares or net worth of at least ₱5,000,000.00), or
- b. The contractor or subcontractor does not have investments in the form of tools, equipment, machineries, supervision, work premises, among others,

and

- c. The contractor's or subcontractor's employees recruited and placed are performing activities which are directly related to the main business operation of the principal;

or

2. The contractor or subcontractor does not exercise the right to control over the performance of the work of the employee.

D.O. No. 174-17 expressly requires the registration of contractors with the Regional Office of the DOLE where it principally operates, without which, a presumption that the contractor is engaged in labor-only contracting arises.

D.O. No. 174-17 provides that in the event that there is a finding that the contractor or subcontractor is engaged in labor-only contracting and other illicit forms of employment arrangements, the principal shall be deemed the direct employer of the contractor's or subcontractor's employees. Further, in the event of violation of any provision of the Labor Code of the Philippines, including the failure to pay wages, there exists a solidary liability on the part of the principal and the contractor for purposes of enforcing the provisions of the Labor Code of the Philippines and other social legislations, to the extent of the work performed under the employment contract.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership, and disposition of the Bonds. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding, and disposing of the Bonds in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Offer Supplement.

The tax treatment of a holder of Bonds may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of Bonds.

PROSPECTIVE PURCHASERS OF THE BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE BONDS, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "nonresident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A nonresident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "nonresident alien engaged in trade or business within the Philippines," otherwise, such nonresident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "nonresident alien individual not engaged in trade or business within the Philippines." A "domestic corporation" is a corporation created or organized in the Philippines or under its laws. A "resident foreign corporation" is a foreign corporation or a non-domestic corporation engaged in trade or business within the Philippines; and a "nonresident foreign corporation" is a foreign corporation or non-domestic corporation not engaged in trade or business within the Philippines.

Philippine Taxation

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN Law**"), took effect. The TRAIN Law amended certain provisions of the National Internal Revenue Code of 1997 ("**Tax Code**") by simplifying income tax, estate and donor's taxes, expanding the VAT base and introducing additional items that would be subject to excise taxes. It is the first of five packages of the Comprehensive Tax Reform Program of the Philippine government.

On April 11, 2021, Republic Act No. 11534, or the CREATE Act took effect. The CREATE Act is the second package of the tax reform program of the Philippine government which brought about numerous changes with respect to corporate income tax rates, capital gains tax on the sale of shares of stock not traded in the stock exchange, among others.

Below are some of the salient provisions of the CREATE Act:

- (i) Effective July 1, 2020, corporate income tax is reduced from 30% to 25% imposed upon the taxable income derived during each taxable year from all sources within and without the Philippines by every domestic corporation.²²

²² The term 'corporation' shall include OPCs, partnerships, no matter how created or organized, joint stock companies, joint accounts, associations, or insurance companies, but does not include general professional partnerships and a JV or consortium formed for the purpose of undertaking construction projects or engaging in petroleum, coal, geothermal and other energy operations pursuant to an operating consortium agreement under a service contract with the Government.

Domestic corporations with a net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million, excluding the land on which the particular business entity's office, plant and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at 20%.

- (ii) Effective July 1, 2020, income tax at the rate of 25% of the taxable income derived from all sources within the Philippines is imposed on foreign corporations engaged in trade or business in the Philippines.
- (iii) Effective January 1, 2021, a foreign corporation not engaged in trade or business in the Philippines shall pay a tax equal to 25% of the gross income received during each taxable year from all sources within the Philippines.
- (iv) Effective July 1, 2020 until 30 June 2023, the minimum corporate income tax rate ("**MCIT**") is reduced from 2% to 1% on the gross income of domestic and resident foreign corporations. Any excess of the MCIT over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Subject to certain conditions, the MCIT may be suspended for corporations which suffer losses on account of a prolonged labor dispute, or because of force majeure, or because of legitimate business reverses. Effective July 1, 2023, the MCIT reverts to 2%.
- (v) Effective January 1, 2022, regional operating headquarters shall be subject to the regular corporate income tax of 25% or 1% (until June 30, 2023)/ 2%, whichever is higher.
- (vi) The improperly accumulated earnings tax shall no longer be imposed on corporations upon the effectivity of the CREATE Act onwards.
- (vii) A final tax at the rate of 15% is imposed upon the net capital gains realized during the taxable year from the sale, barter, exchange, or other disposition of shares of stock in a domestic corporation, except shares sold or disposed of through the stock exchange.

On November 28, 2024, Republic Act No. 12066, or the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy ("**CREATE MORE**") Act, took effect. On February 17, 2025, the CREATE MORE IRR was signed. CREATE MORE expanded the CREATE Act and enhanced the tax incentives granted under CREATE.

Below are some salient provisions of CREATE MORE:

- (i) A reduced corporate income tax rate of 20% applies to Registered Business Enterprises ("**RBEs**") under the Enhanced Deductions Regime ("**EDR**") on taxable income derived from registered projects or activities.
- (ii) Domestic Market Enterprises ("**DMEs**") that have an investment capital of at least ₱15 billion and are either import-substituting, or with export sales of at least USD100 million are entitled to avail of VAT zero rate on local purchases and VAT exemption on importation.
- (iii) VAT zero-rating for local purchases of goods and services was clarified to include services that are incidental to and reasonably necessary for the registered activity of the RBEs, including but not limited to janitorial, security, financial, consultancy, marketing and promotional services, and administrative operations such as human resources, legal, and accounting services.
- (iv) A local tax on RBEs ("**RBELT**") at a rate of up to 2% of gross income, in lieu of all local taxes and fees, may be imposed by local government units on RBEs enjoying the income tax holiday or EDR.

Taxation of Interest

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and resident

aliens from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a final withholding tax of 20%. Interest income received by non-resident foreign corporations from the Bonds is subject to a 25% final withholding tax.

The foregoing rates imposed on non-resident aliens not engaged in trade or business in the Philippines and non-resident foreign corporations may be subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident income recipient. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 10% in cases where the interest arises in the Philippines in respect of a public issue of bonded indebtedness and is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment or perform in the Philippines professional services from a fixed base and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment or fixed base.

Given the above, all Bondholders are required to provide the Issuer through the Paying Agent their valid Tax Identification Numbers issued by the BIR and/or otherwise comply with the requirements of the BIR to avail of preferential treaty rates, as may be applicable.

Tax-Exempt Status or Entitlement to Preferential Rate

The Philippine tax authorities have prescribed certain procedures for claiming tax treaty benefits for interest income of non-resident income earners. Under Revenue Memorandum Order No. 14-2021, withholding agents or income payors may withhold tax on interest income payable to the non-resident income earner at the regular rate or at the applicable preferential tax rate depending on the documents submitted to the withholding agent or income payor. As clarified under Revenue Memorandum Circular No. 77-2021 and RMC No. 20-2022, this includes the submission by the non-resident income earner to the withholding agent of a copy of a BIR-issued Certificate of Entitlement to Treaty Benefit and an updated Tax Residency Certificate for the relevant period and duly issued by the foreign tax authority in which the income earner is a resident. If without a previously issued BIR Certificate of Entitlement to Treaty Benefit, the non-resident income earner is required to submit a duly signed and executed BIR Form No. 0901-I (Tax Treaty Relief Application for Interest Income) together with the updated Tax Residency Certificate and relevant provisions of the applicable tax treaty to the withholding agent prior to its payment of interest income. Failure to submit the aforementioned requirements would result in the application by the withholding agent of the regular rates under the Tax Code. Further thereto, and when treaty rates have been applied by the withholding agent, a request for confirmation should be filed by the withholding agent with the International Tax Affairs Division of the BIR on the propriety of the withholding tax rate used, together with all the documentary requirements under Revenue Memorandum Order No. 14-2021 and its allied issuances, and within the deadline set forth therein, which in no case shall be later than the last day of the fourth month following the close of the taxable year. If the withholding agent applied the regular rates under the Tax Code, the non-resident income earner may file a tax treaty relief application with complete documentary requirements with the International Tax Affairs Division. The non-resident income earner may also file a claim for refund within the two-year prescriptive period provided under Section 229 of the Tax Code. The claim for refund may be filed simultaneously with the tax treaty relief application.

For claims of tax exemption, BIR Revenue Memorandum Circular No. 8-2014 mandates withholding agents to require from individuals and entities claiming tax exemption a copy of a valid, current, and subsisting tax exemption certificate or ruling before payment of the related income. The tax exemption certificate or ruling must explicitly recognize the tax exemption, as well as the corresponding exemption from withholding tax. Failure on the part of the taxpayer to present the said tax exemption certificate or ruling shall subject the taxpayer to the payment of the appropriate withholding taxes due on the transaction.

If the withholding agent withheld taxes, or withheld the regular rate of tax imposed on interest under the Tax Code, the concerned Bondholder may file a claim for refund from the Philippine taxing authorities on the basis of a tax exemption certificate or ruling, or a certificate confirming the non-resident income recipient's entitlement to treaty benefits.

Value-Added Tax ("VAT")

Gross receipts arising from the sale of the Bonds in the Philippines by dealers in securities shall be subject to a 12% VAT. The term "gross receipt" means gross selling price less acquisition cost of the Bonds sold.

"Dealer in securities" means a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who as a merchant buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

Gross Receipts Tax

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

- Maturity period is five years or less: 5%
- Maturity period is more than five years: 1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

- Maturity period is five years or less: 5%
- Maturity period is more than five years: 1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

Documentary Stamp Tax

A documentary stamp tax is imposed upon the original issuance of debt instruments issued by Philippine companies, such as the Bonds, at the rate of ₱1.50 for each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

Taxation on Sale or Other Disposition of the Bonds

Income Tax

Any gain realized from the sale, exchange or retirement of bonds will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to the regular rates of 0% to 35% for individuals who are Philippine citizens, whether residents or non-residents, or resident foreign individuals or non-resident aliens engaged in trade or business, final withholding tax for non-resident alien not engaged in trade or business, 25% regular corporate income tax or 20% regular corporate income tax for domestic corporations with net taxable income not exceeding ₱5 million and with total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100 million, or 2% MCIT, as the case may be, for domestic and resident foreign corporations, and 25% final withholding tax for non-resident foreign corporations. If the bonds are sold by a seller, who is an individual and who is not a dealer in securities, who has held the bonds for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross income.

However, under the Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with an original maturity date of more than five years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) shall not be subject to income tax.

Moreover, any gain arising from such sale, regardless of the original maturity date of the Bonds, may be exempt from income tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the BIR for the availment of tax treaty benefits.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at a fixed rate of 6%. A Bondholder shall be subject to donor's tax at the rate of 6% based on the total gifts in excess of ₱250,000 exempt gift made during the calendar year, whether the donor is a stranger or not.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and donor's tax, in respect of the Bonds, shall not be collected (i) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (ii) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the securities are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the securities exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes. However, a sale, exchange, or other transfer made in the ordinary course of business (a transaction which is a bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Documentary Stamp Tax

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds, trading the Bonds in a secondary market or through an exchange, provided that such sale or disposition does not constitute a renewal or extension of maturity of the Bonds or carried with it a renewal or issuance of

new instruments in the name of the transferee to replace the old ones. However, if the transfer constitutes a renewal of the Bonds, documentary stamp tax is payable anew.

Taxation Outside the Philippines

The tax treatment of non-resident Bondholders in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such Bondholder by reason of domicile or business activities and such Bondholder's particular situation. This Offer Supplement does not discuss the tax considerations on such non-resident Bondholders under laws other than those of the Philippines.

INDEPENDENT AUDITORS AND COUNSEL

Legal Matters

All legal issues relating to the issuance of the Offer Bonds shall be passed upon by SyCipLaw as counsel for the Joint Lead Underwriters and Joint Bookrunners, and by the Issuer's in-house legal counsels, Atty. Larri-Nil G. Veloso and Atty. John Edmar G. Garde.

SyCipLaw may, from time to time, be engaged by the Issuer to advise in its transactions and perform legal services on the same basis that they provide such services to their other clients.

Atty. Ricardo Abangan Boligao, Jr., an independent external counsel for Issuer, issued the opinion on the legality and validity of the Offer, on the taxation applicable to the Offer, and the permits and licenses held by the Issuer.

The named independent legal counsels have not acted and will not act as promoter, underwriter, voting trustee, officer, or employee of the Issuer.

Independent Auditors

P&A, the independent auditors, audited the financial statements of the Issuer as of and for the years ended December 31, 2023, 2022, and 2021, and reviewed the interim statements as of and for the nine-month period ended September 30, 2024 and 2023 which are all included in the Offer Supplement. For the Issuer's financial year ended December 31, 2023 financial statements, P&A's engagement and signing partner was Renan A. Piamonte (CPA Reg. No. 0107805; Partner- No. 107805-SEC, until December 31, 2025).

The following is the summary of the audit and non-audit fees paid to P&A for the fiscal years ended December 31, 2023, 2022, and 2021 and interim statement as of and for the nine-month period ended September 30, 2024 (exclusive of the 12% VAT):

	9M 2024	2023	2022	2021
Audit fees	6,698,440	6,073,200	5,280,800	4,639,040
Other fees	552,000	2,700,000	-	69,000
Total	₱7,250,440*	₱8,773,200	₱5,280,800	₱4,708,040

* As of September 30, 2024, CLI has incurred ₱7,250,440.00 of Audit and Other fees. The amount includes fees for the special audit of the financial statements for the nine-month period ending September 30, 2024 for the issuance of a comfort letter relative to the Offer.

The Company does not have any tax engagement fees for the nine (9)-month period ended September 30, 2024.

Total fees paid to P&A for the year ended December 31, 2023 amounted to ₱8,773,200.00. This includes external audit fees which increased due to an additional number of projects that became operational.

CLI's Audit Committee also evaluates and determines the non-audit work, if any, of the external auditor. It approves all non-audit services conducted by the external auditor and disallows the same if it will conflict with its duties as an external auditor or will otherwise pose a threat to its independence.

For the fiscal year ended December 31, 2023, the CLI Audit Committee reviewed, evaluated, and pre-approved the non-audit services of the external auditor. The non-audit services conducted by P&A pertain to tax services, specifically on the review of CLI's Information Return on Transactions with Related Party (BIR Form 1709). The scope of work involves the consultancy, review, and guidance on the preparation and filing of BIR Form 1709 to the BIR, as attachment to the FY2022 Annual Income Tax Return. The non-audit fees of the aforementioned tax services amounted to ₱69,000.00 (exclusive of the 12% VAT).

For the 2023-2024 term of directors, CLI's Audit Committee is composed of four qualified non-executive directors, three of whom, including the Chairperson, are independent directors. All the members of the Audit Committee have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing, and finance. Ma. Aurora D. Geotina-Garcia, the Chairperson of the CLI Audit Committee, has not been appointed as the Chairman / Chairperson of the CLI Board or of any other committee.

P&A has no shareholdings in the Issuer, or any right, whether legally enforceable or not, to nominate or to subscribe to the securities of the Issuer, in accordance with the professional standards on independence set by the Board of Accountancy and Professional Regulation Commission.

The named independent auditor has not acted and will not act as promoter, underwriter, voting trustee, officer, or employee of the Issuer. CLI has no disagreements with P&A on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

FINANCIAL INFORMATION

The succeeding pages set forth the audited financial statements of CLI as of December 31, 2023, 2022, and 2021 and the consolidated interim financial statements as of and for the nine (9) months ended September 30, 2024 and 2023.

Report on Review of
Condensed Consolidated
Interim Financial Statements

Cebu Landmasters, Inc. and Subsidiaries

For the Nine Months Ended September 30, 2024 and 2023
(With Comparative Figures as of December 31, 2023)

Securities and Exchange Commission
Ground Floor, Secretariat Building
PICC Complex, Roxas Boulevard
Pasay City 1307

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

December 9, 2024

Attention: Director Vicente Graciano P. Felizmenio, Jr.
Markets and Securities Regulation Department

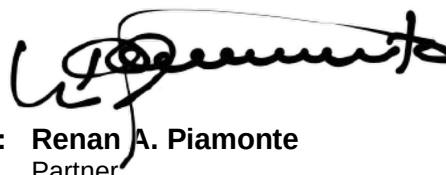
Re: **Cebu Landmasters, Inc.**

Gentlemen:

We refer to the Registration Statement and Preliminary Prospectus of CEBU LANDMASTERS, INC. and SUBSIDIARIES (the "Group") (the "Registration Statement") filed by the Group with the Securities and Exchange Commission in connection with its planned public offer, sale, and issuance of the Philippine Peso-denominated Sustainability-Linked Bonds (the Offer).

With respect to the Registration Statement, we acknowledge that we are aware of the use of the (a) audited consolidated financial statements of the Group as at and for the years ended December 31, 2023, 2022 and 2021, excluding the restatement adjustments in relation to the adoption of the deferred provisions of PFRS 15, and (b) unaudited interim condensed consolidated financial statements of the Group as at and for the nine months ended September 30, 2024 and 2023 for the purpose of the Group's Offer application. We are aware that such audited consolidated financial statements and unaudited interim condensed consolidated financial statements of the Group will be included in the Registration Statement to be filed with the Securities and Exchange Commission.

PUNONBAYAN & ARAULLO



By: **Renan A. Piamonte**
Partner

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Report on Review of Condensed Consolidated Interim Financial Statements

**The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)**

10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Cebu Landmasters, Inc. and Subsidiaries (collectively referred to herein as the Group) as at September 30, 2024, and the related condensed consolidated interim statements of profit or loss, condensed consolidated interim statements of comprehensive income, condensed consolidated interim statements of changes in equity and condensed consolidated interim statements of cash flows for the nine months ended September 30, 2024 and 2023, and a summary of selected explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial information in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the condensed consolidated interim financial position of the Group as at September 30, 2024 and of its condensed consolidated interim financial performance and its condensed consolidated interim cash flows for the nine months ended September 30, 2024 and 2023 in accordance with PAS 34.

Emphasis of Matter

We draw attention to Note 2 to the condensed consolidated interim financial statements, which discusses the adoption and impact of the deferred provisions of Philippine Financial Reporting Standard (PFRS) 15, *Revenue from Contracts with Customers*. Our conclusion is not qualified in respect of this matter.

Other Matter

We have previously audited the 2023 consolidated financial statements of the Group prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the Securities and Exchange Commission, including the consolidated statement of financial position as of December 31, 2023 but excluding the restatement adjustments in relation to the adoption of the deferred provisions of PFRS 15, which is presented herein for comparative purposes, and on which we have rendered our report dated April 10, 2024.

This report has been prepared solely for the inclusion in the prospectus prepared by the Group in connection with its planned public offer, sale, and issuance of Philippine Peso-denominated Sustainability-Linked Bonds and for no other purpose.

PUNONGBAYAN & ARAULLO

By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 10076150, January 3, 2024, Makati City
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
BOA/PRC Cert. of Reg. No. 0002/P-010 (until Aug. 12, 2027)

December 9, 2024

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2024
(With Comparative Figures as of December 31, 2023)
(Amounts in Philippine Pesos)

	Notes	September 30, 2024 (Unaudited)	December 31, 2023 (As Restated - see Note 2)
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	P 2,447,932,244	P 913,841,206
Receivables - net	5	9,607,944,620	2,093,139,231
Contract assets - net	16	24,200,439,959	26,225,182,718
Real estate inventories	6	12,814,947,293	16,966,118,195
Due from related parties	21	51,378,201	48,596,767
Deposits on land for future development		-	15,000,000
Prepayments and other current assets	7	7,952,182,823	6,434,166,661
		<u>57,074,825,140</u>	<u>52,696,044,778</u>
Non-current asset classified as held for sale	7, 8	<u>237,832,343</u>	<u>-</u>
Total Current Assets		<u>57,312,657,482</u>	<u>52,696,044,778</u>
NON-CURRENT ASSETS			
Receivables - net	5	1,981,878,006	156,093,837
Contract assets - net	16	17,075,822,117	18,868,803,692
Investments in associates	8	397,649,817	142,489,432
Property and equipment - net	9	8,565,929,911	7,241,895,672
Right-of-use assets	10	1,105,529,298	1,129,605,407
Investment properties - net	11	17,337,940,633	18,334,014,653
Other non-current assets - net	12	1,254,635,124	1,789,963,392
Total Non-current Assets		<u>47,719,384,906</u>	<u>47,662,866,085</u>
TOTAL ASSETS		P 105,032,042,388	P 100,358,910,863
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	13	P 9,830,011,600	P 11,567,153,371
Trade and other payables	15	19,124,252,830	22,780,790,598
Contract liabilities	16	291,860,725	449,338,207
Customers' deposits		190,109,736	144,003,765
Lease liabilities	10	37,209,838	55,717,884
Income tax payable		9,077,767	2,210,977
Total Current Liabilities		<u>29,482,522,496</u>	<u>34,999,214,802</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	13	34,202,179,491	30,621,692,365
Bonds payable	14	4,960,509,174	4,947,822,521
Trade and other payables	15	199,631,126	185,420,132
Lease liabilities	10	1,238,279,626	1,207,138,171
Post-employment defined benefit obligation		10,395,914	10,395,914
Deferred tax liabilities - net		5,086,349,505	5,038,892,235
Total Non-current Liabilities		<u>45,697,344,836</u>	<u>42,011,361,338</u>
Total Liabilities		<u>75,179,867,332</u>	<u>77,010,576,140</u>
EQUITY			
Equity attributable to shareholders of the Parent Company	22	20,046,804,347	14,151,791,986
Non-controlling interests		9,805,370,709	9,196,542,737
Total Equity		<u>29,852,175,056</u>	<u>23,348,334,723</u>
TOTAL LIABILITIES AND EQUITY		P 105,032,042,388	P 100,358,910,863

See Notes to Condensed Consolidated Interim Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF PROFIT OR LOSS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	2024		2023 (As Restated - see Note 2)	
		July 1 to September 30	January 1 to September 30	July 1 to September 30	January 1 to September 30
REVENUES	16				
Sale of real estate		P 2,444,642,772	P 12,460,053,274	P 3,304,906,411	P 11,309,694,050
Interest income from real estate sales		234,334,330	1,344,037,680	389,981,172	1,394,688,913
Hotel operations		62,585,967	148,824,305	41,510,501	98,169,696
Rental		42,631,305	113,550,314	27,316,827	77,320,899
Management fees		15,034,944	45,861,487	15,633,928	46,478,655
		<u>2,799,229,318</u>	<u>14,112,327,060</u>	<u>3,779,348,839</u>	<u>12,926,352,213</u>
COST OF SALES AND SERVICES	17	(862,169,175)	(6,715,251,867)	(1,295,244,122)	(6,033,530,769)
GROSS PROFIT		<u>1,937,060,143</u>	<u>7,397,075,193</u>	<u>2,484,104,717</u>	<u>6,892,821,444</u>
OPERATING EXPENSES	18	(807,913,710)	(2,425,373,811)	(608,274,322)	(1,892,829,759)
OTHER OPERATING INCOME		<u>67,885,694</u>	<u>235,304,857</u>	<u>77,661,114</u>	<u>348,902,576</u>
OPERATING PROFIT		<u>1,197,032,127</u>	<u>5,207,006,239</u>	<u>1,953,491,509</u>	<u>5,348,894,261</u>
FINANCE COSTS	19	(291,058,382)	(1,331,404,470)	(540,773,198)	(1,554,047,686)
FINANCE INCOME		6,792,119	15,819,124	6,489,814	7,915,785
SHARE IN NET LOSS OF ASSOCIATES		(272,163)	(8,464,237)	(249,781)	(5,803,037)
IMPAIRMENT LOSS ON FINANCIAL ASSETS		-	-	-	(405,079)
OTHER LOSSES		<u>348,221</u>	<u>(1,893,794)</u>	<u>(1,438,782)</u>	<u>(3,675,024)</u>
PROFIT BEFORE TAX		<u>912,841,922</u>	<u>3,881,062,862</u>	<u>1,417,519,562</u>	<u>3,792,879,220</u>
TAX EXPENSE	20	(214,748,129)	(967,867,135)	(377,051,921)	(959,837,888)
NET PROFIT		<u>P 698,093,793</u>	<u>P 2,913,195,727</u>	<u>P 1,040,467,641</u>	<u>P 2,833,041,332</u>
Net profit attributable to:					
Parent Company's shareholders		P 621,119,954	P 2,323,260,299	P 809,116,017	P 2,179,748,901
Non-controlling interests		<u>76,973,840</u>	<u>590,077,972</u>	<u>231,351,624</u>	<u>653,292,431</u>
		<u>P 698,093,794</u>	<u>P 2,913,338,271</u>	<u>P 1,040,467,641</u>	<u>P 2,833,041,332</u>
Earnings per share:*					
Basic and diluted	23	<u>P 0.21</u>	<u>P 0.67</u>	<u>P 0.23</u>	<u>P 0.63</u>

*See Note 22 for dividends per share information.

See Notes to Condensed Consolidated Interim Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Amounts in Philippine Pesos)
(UNAUDITED)

	Note	2024		2023 (As Restated - see Note 2)	
		July 1 to September 30	January 1 to September 30	July 1 to September 30	January 1 to September 30
NET PROFIT		P 698,093,793	P 2,913,195,727	P 1,040,467,641	P 2,833,041,332
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME		<u>P 698,093,793</u>	<u>P 2,913,195,727</u>	<u>P 1,040,467,641</u>	<u>P 2,833,041,332</u>
Total comprehensive income attributable to:					
Parent Company's shareholders		P 621,119,954	P 2,323,260,299	P 709,108,310	P 2,179,748,901
Non-controlling interests	22	<u>76,973,840</u>	<u>590,077,972</u>	<u>204,049,733</u>	<u>653,292,431</u>
		<u>P 698,093,794</u>	<u>P 2,913,338,271</u>	<u>P 913,158,043</u>	<u>P 2,833,041,332</u>

See Notes to Condensed Consolidated Interim Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Amounts in Philippine Pesos)
(UNAUDITED)

	Attributable to Shareholders of the Parent Company										Non-controlling Interests (See Note 22)	Total
	Capital Stock (see Note 22)		Additional Paid-in Capital	Treasury Stock	Share Options Outstanding	Revaluation Reserves	Retained Earnings (See Note 22)					
	Common	Preferred					Appropriated	Unappropriated	Total	Total		
Balance at January 1, 2024												
As previously reported	P 3,623,451,997	P -	P 1,608,917,974	(P 732,664,604)	P 4,311,977	(P 18,288,224)	P 6,914,803,006	P 5,050,870,147	P 11,965,673,153	P 16,451,402,273	P 9,345,354,263	P 25,796,756,536
Effects of restatement - see Note 2	-	-	-	-	-	-	-	(2,299,610,287)	(2,299,610,287)	(2,299,610,287)	(148,811,526)	(2,448,421,813)
As restated	3,623,451,997	-	1,608,917,974	(732,664,604)	4,311,977	(18,288,224)	6,914,803,006	2,751,259,860	9,666,062,866	14,151,791,986	9,196,542,737	23,348,334,723
Transactions with owners												
Issuance of preferred shares	-	4,280,340	4,276,059,660	-	-	-	-	-	-	4,280,340,000	-	4,280,340,000
Cash dividends	-	-	-	-	-	-	-	(708,587,938)	(708,587,938)	(708,587,938)	(13,750,000)	(722,337,938)
Investments from non-controlling stockholders	-	-	-	-	-	-	-	-	-	-	32,500,000	32,500,000
	-	4,280,340	4,276,059,660	-	-	-	-	(708,587,938)	(708,587,938)	3,571,752,062	18,750,000	3,590,502,062
Reversal of appropriations during the period	-	-	-	-	-	-	(2,710,828,715)	2,710,828,715	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	2,323,260,299	2,323,260,299	2,323,260,299	590,077,972	2,913,338,271
Net profit for the period	-	-	-	-	-	-	-	-	2,323,260,299	2,323,260,299	590,077,972	2,913,338,271
Balance at September 30, 2024	P 3,623,451,997	P 4,280,340	P 5,884,977,634	(P 732,664,604)	P 4,311,977	(P 18,288,224)	P 4,203,974,291	P 7,076,760,936	P 11,280,735,227	P 20,046,804,347	P 9,805,370,709	P 29,852,175,056
Balance at January 1, 2023												
As previously reported	P 3,623,451,997	P -	P 1,608,917,974	(P 732,664,604)	P 2,195,991	(P 13,910,501)	P 3,931,475,893	P 5,082,096,405	P 9,013,572,298	P 13,501,563,155	P 7,511,051,738	P 21,012,614,893
Effects of restatement - see Note 2	-	-	-	-	-	-	-	(1,433,985,921)	(1,433,985,921)	(1,433,985,921)	(98,074,059)	(1,532,059,980)
As restated	3,623,451,997	-	1,608,917,974	(732,664,604)	2,195,991	(13,910,501)	3,931,475,893	3,648,110,484	7,579,586,377	12,067,577,234	7,412,977,679	19,480,554,913
Transactions with owners												
Investments from non-controlling stockholders	-	-	-	-	-	-	-	-	-	-	774,500,000	774,500,000
Cash dividends	-	-	-	-	-	-	-	(623,736,264)	(623,736,264)	(623,736,264)	(103,980,000)	(727,716,264)
	-	-	-	-	-	-	-	(623,736,264)	(623,736,264)	(623,736,264)	670,520,000	46,783,736
Reversal of appropriations during the period	-	-	-	-	-	-	(3,117,454,606)	3,117,454,606	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	2,179,748,901	2,179,748,901	2,179,748,901	653,292,431	2,833,041,332
Net profit for the period	-	-	-	-	-	-	-	-	2,179,748,901	2,179,748,901	653,292,431	2,833,041,332
Balance at September 30, 2023	P 3,623,451,997	P -	P 1,608,917,974	(P 732,664,604)	P 2,195,991	(P 13,910,501)	P 814,021,287	P 8,321,577,727	P 9,135,599,014	P 13,623,589,871	P 8,736,790,110	P 22,360,379,981

See Notes to Condensed Consolidated Interim Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	2024	2023 (As Restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 3,881,062,862	P 3,792,879,220
Adjustments for:			
Interest expense on interest-bearing loans	19	1,186,676,773	1,388,298,201
Depreciation and amortization	18	143,637,111	134,725,936
Interest expense on lease liabilities	19	61,626,716	59,845,987
Amortization of debt issuance cost	19	52,687,393	54,484,013
Interest expense on bonds	19	34,001,807	47,561,821
Interest income	4	(14,795,090)	(7,539,010)
Share in net losses of associates	8	8,464,237	5,803,037
Loss (gain) on sale of property and equipment	9	(1,355,382)	405,079
Impairment loss on financial assets		-	17,410
Operating profit before working capital changes		5,352,006,427	5,476,481,694
Decrease (increase) in receivables		(9,340,589,558)	1,271,025,545
Decrease (increase) in contract assets		3,512,720,512	(8,965,945,730)
Decrease in real estate inventories		5,451,613,589	1,840,116,254
Increase in deposits on land for future development		-	(349,502,459)
Increase in prepayments and other current assets		(1,928,319,764)	(1,697,556,829)
Decrease in other non-current assets		533,262,929	274,346,098
Increase (decrease) in trade and other payables		(605,186,575)	2,404,322,275
Decrease in contract liabilities		(157,477,482)	(118,372,861)
Increase in customers' deposits		46,105,971	27,494,051
Decrease in post-employment defined benefit obligation		-	(6,919,362)
Cash generated from operations		2,864,136,049	155,488,676
Cash paid for taxes		(503,096,931)	(291,092,472)
Net Cash From (Used in) Operating Activities		2,361,039,118	(135,603,796)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of investment properties	11	(1,969,349,838)	(1,247,233,276)
Acquisitions of property and equipment	9	(1,368,153,588)	(1,559,995,693)
Additions to investments in associates	8	(501,456,965)	(5,000,000)
Interest received		14,795,090	7,539,010
Acquisitions of computer software	12	(3,447,006)	(1,417,562)
Proceeds from sale of property and equipment	9	1,381,391	489,706
Collections of advances to related parties	21	156,466	-
Advances made to related parties	21	(2,781,434)	(20,196,683)
Net Cash Used in Investing Activities		(3,828,855,884)	(2,825,814,498)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from availment of interest-bearing loans	13	12,797,563,507	9,491,374,309
Repayments of interest-bearing loans	13	(11,053,618,771)	(4,406,649,207)
Proceeds from issuance of preferred shares	22	4,280,340,000	-
Interest paid on interest-bearing loans	13	(2,109,627,121)	(1,953,472,371)
Cash dividends paid	22	(722,337,938)	(727,716,264)
Interest paid on bonds	13	(168,742,526)	(253,113,789)
Interest paid on lease liabilities	10	(54,169,347)	(50,531,750)
Additional investment from non-controlling shareholders	22	32,500,000	774,500,000
Net Cash From Financing Activities		3,001,907,804	2,874,390,928
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,534,091,038	(87,027,366)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		913,841,206	1,434,559,762
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P 2,447,932,244	P 1,347,532,396

Supplemental Information on Non-cash Investing and Financing Activities:

- 1) In 2024 and 2023, the Group reclassified investment properties totaling P1,118,537,997 and P1,219,095,095, respectively, to real estate inventories (see Note 11).
- 2) In 2024 and 2023, borrowing costs that were capitalized as part of Property and Equipment and Investment Properties totaled to P1,405,954,964 and P557,984,004, respectively (see Notes 9 and 11).
- 3) In 2024, the Group classified its investment in associate with carrying amount of P237,832,343 as Non-current Asset Classified as Held for Sale (see Note 8).
- 4) In 2024, the Group recognized right-of-use assets and lease liabilities amounting to P5,176,040 and none for 2023 (see Note 10).

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
NOTES TO CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023
(With Comparative Audited Figures as of December 31, 2023)
(Amounts in Philippine Pesos)
(UNAUDITED)

1. CORPORATE INFORMATION

1.1 General

Cebu Landmasters, Inc. (the Parent Company or CLI) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 26, 2003. CLI is presently engaged in real estate-related activities which include real estate development, sales, leasing and property management. The Parent Company's real estate portfolios include condominium and subdivision for residence, mixed-use properties, townships, hotels and resorts, offices, and co-living.

The Parent Company is a subsidiary of A B Soberano Holdings Corp. (ABS). ABS is a holding company and is incorporated and domiciled in the Philippines. The registered office and principal place of business of ABS is located at 2nd Street, Villa San Lorenzo, Quijada Street, Barangay Guadalupe, Cebu City.

On January 6, 2017, the Board of Directors (BOD) approved the Company's application for the registration of its common stocks with the SEC and application for the listing thereof in the Philippine Stock Exchange (PSE). The Company's shares were listed on the main board of the PSE on September 2, 2017.

The registered office address of CLI, which is also its principal place of business, is located at 10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu I.T. Park, Brgy. Apas, Cebu City, Philippines.

1.2 Subsidiaries and Associates

CLI holds ownership interests in the following subsidiaries and associates:

Entity	Note	Effective Percentage of Ownership	
		2024	2023
<i>Subsidiaries</i>			
CLI Premier Hotels Int’l. Inc. (CPH)	(a)	100%	100%
Cebu Landmasters Property Management, Inc. (CPM)	(b)	100%	100%
A.S. Fortuna Property Ventures, Inc. (ASF)	(c)	100%	100%
CLI Hotels and Resorts Inc. (CHR)	(d)	100%	100%
CLI-LITE Panglao Inc. (CLI-LITE)	(e)	88%	88%
Ming-mori Development Corporation (MDC)	(f)	78%	78%
Sugbo Prime Estate, Inc. (SPE)	(g)	64%	64%
BL CBP Ventures, Inc. (BL Ventures)	(h)	50%	50%

(Forward)

Entity	Note	Effective Percentage of Ownership	
		2024	2023
<i>Subsidiaries</i>			
Yuson Excellence Soberano, Inc. (YES)	(i)	50%	50%
Yuson Huang Excellence Soberano, Inc. (YHES)	(j)	50%	50%
YHEST Realty and Development Corporation (YHEST)	(k)	50%	50%
CCLI Premier Hotels, Inc. (CCLI)	(l)	50%	50%
Cebu Homegrown Developers, Inc. (CHDI)	(m)	50%	50%
YHES Premier Hotels Inc. (YHESPH)	(n)	50%	50%
Cebu BL-Ramos Ventures Inc. (CBLRV)	(o)	50%	50%
GGTT Realty Corporation (GGTT)	(p)	50%	50%
Mivesa Garden Residences, Inc. (MGR)	(q)	45%	45%
El Camino Developers Cebu, Inc. (El Camino)	(r)	35%	35%
<i>Associates</i>			
CLI NUD Ventures, Inc. (CLI NUD)	(s)	60%	-
Iloilo Global City Corporation (IGCC)	(t)	43%	43%
ICOM Air Corporation (ICOM)	(u)	33%	33%
Magspeak Nature Park, Inc. (Magspeak)	(v)	25%	25%

CLI and its subsidiaries (collectively referred as “the Group”), and associates are all incorporated in the Philippines. The subsidiaries and associates, except CPM, CPH, CCLI, ICOM and YHESPH, are in the same line of business with CLI. A brief description of these entities follows:

- (a) CPH was incorporated in 2016 as a wholly owned subsidiary of the CLI. CPH is engaged in the real estate and hotel management business which started commercial operations on September 14, 2019. The principal place of business of CPH is located in Cebu City.
- (b) CPM was incorporated in 2017 as a wholly owned subsidiary of the CLI. CPM is engaged in the management of condominium corporations and housing associations affiliated with CLI. CPM has started commercial operations on September 1, 2017. The principal place of business of CPM is located in Cebu City.
- (c) ASF was incorporated in 2017 as a joint venture where CLI initially held 40% ownership interest. CLI acquired all the ownership interest of its business partners at the end of 2017 which made ASF its wholly owned subsidiary. The principal place of business of ASF is located in Cebu City.
- (d) CHR was incorporated on August 4, 2022 as a wholly owned subsidiary of CLI and is engaged to run and manage the Group’s various hotel projects. CHR started its commercial operations in January 2024. Its principal place of business is located in Cebu City.
- (e) CLI-LITE was incorporated on July 19, 2021 as an undertaking by CLI and two other corporations for the development of a mixed-use project with residential condominiums and a possible hotel component in Panglao Island, Bohol. The principal place of business of CLI-LITE is located in Cebu City.
- (f) MDC was incorporated in 2013 as an undertaking between CLI and four other entities for the development of an economic business district. The principal place of business of MDC is located in Cebu City.

- (g) SPE was formed in 2019 as a one person corporation and was converted to an ordinary stock corporation after entering into a joint venture with CLI on March 4, 2021, for the development of a dormitory with retail and warehouse spaces. The principal place of business of SPE is located in Cebu City.
- (h) BL Ventures was formed by CLI and Borromeo Bros. Estate, Inc. (BBEI) to construct and operate Latitude Corporate Center. The principal place of business of BL Ventures is located in Cebu City.
- (i) YES was formed by CLI and Yuson Comm. Investments, Inc. to construct and operate Messatiera Garden Residences in Davao. The principal place of business of YES is located in Davao City.
- (j) YHES was incorporated in 2017 as an undertaking among CLI, Yuson Strategic Holdings, Inc., and Davao Filandia Realty Corp. for the development of mixed-used real estate project, the Paragon Davao. The principal place of business of YHES is located in Davao City.
- (k) YHEST was incorporated in 2018 as an undertaking among CLI and five corporations for the development of a central business district located at Matina, Davao. The principal place of business of YHEST is located in Davao City.
- (l) CCLI was incorporated in 2018 as an undertaking between CLI and Capitaine, Inc. for the development of Citadines hotel in Bacolod City. CCLI started its commercial operations in June 2024. The principal place of business of CCLI is located in Bacolod City.
- (m) CHDI is an undertaking between CLI and Aboitiz Land, Inc. and was incorporated on December 5, 2019. CHDI is engaged in the development of a high-rise mixed-use condominium complex in Mandaue City, Cebu. Its principal place of business is in Cebu City.
- (n) YHESPH was incorporated on October 28, 2019 as a wholly owned subsidiary of YHES that will engage in hotel business. Its ultimate parent is CLI which owns 50% of YHES.
- (o) CBLRV, a new subsidiary in 2020, was incorporated on February 21, 2020 as an undertaking between CLI and BBEI and is engaged in the development of a mixed-use condominium tower in Cebu City. Its principal place of business also is located in Cebu City.
- (p) GGTT was incorporated on March 26, 2003 and is engaged to construct a residential condominium project in its principal place of business in Iloilo City.
- (q) MGR was incorporated in 2017 as an undertaking by CLI and three corporations for the construction of buildings 6 and 7 of the Mivesa Garden Residences condominium. The principal place of business of MGR is located in Cebu City.
- (r) El Camino was incorporated in 2016 as an undertaking between CLI and four other corporations for the development of 38 Park Avenue condominium project in Cebu City. The principal place of business of El Camino is located in Cebu City.

- (s) CLI NUD was incorporated on April 5, 2024 with its principal place of business is also located in Cebu City. This is presented as part of Non-current Asset Held for Sale (NCAHFS) in the condensed consolidated interim financial position. As at September 30, 2024, CLI NUD has yet to start commercial operations (see Note 8).
- (t) IGCC was incorporated in 2023 as an undertaking between CLI and two other corporations and is engaged in the development of a mixed-use condominium tower in Iloilo City. Its principal place of business is also located in Iloilo City.
- (u) ICOM was incorporated on December 7, 2020 as an undertaking of CLI and various individual stockholders and corporations to import aircraft(s) and to operate a transportation business in the Philippines. ICOM's principal place of business is in Iloilo City.
- (v) Magspeak was incorporated in 2011 as an undertaking among CLI and four other corporations for the development of a mountain resort to be located in Balamban, Cebu. The principal place of business of Magspeak is located in Cebu City.

1.3 Approval of Issuance of Condensed Consolidated Interim Financial Statements

The condensed consolidated interim financial statements of the Group as at and for the nine months ended September 30, 2024 (including the comparative condensed interim financial statements for the nine months ended September 30, 2023 and audited consolidated statement of financial position as of December 31, 2023), were authorized for issue by the BOD on December 9, 2024.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of Preparation

The condensed consolidated interim financial information of the Group has been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. This condensed consolidated interim financial information do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2023, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as restated in these condensed consolidated interim financial statements.

The condensed consolidated interim financial information is presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

2.2 Material Accounting Policy Information

The Group's condensed consolidated interim financial information has been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended December 31, 2023), as restated in these condensed consolidated interim financial statements.

During the year, the Company adopted the deferred provisions of PFRS 15, *Revenue from Contracts with Customers* and the related issuances of the Philippine Interpretations Committee. The adoption resulted in no capitalization of borrowing costs on unsold real estate inventories and the accounting of the significant financing component in a contract to sell.

The Group has decided to apply the full retrospective approach.

The table below shows the effects of the adoption of the deferred provisions of PFRS 15 in the condensed consolidated interim statements of financial position as of December 31, 2023 and January 1, 2023.

	As Previously Reported (Audited)	Restatement (Unaudited)	As Restated (Unaudited)
<u>As of January 1, 2023</u>			
<i>Change in assets:</i>			
Real estate inventories	P 18,309,208,981	(P 1,116,118,437)	P17,193,090,544
<i>Changes in liabilities:</i>			
Deferred tax liabilities - net	(3,031,961,340)	(<u>415,941,543</u>)	(3,447,902,884)
Impact on net assets		(P <u>1,532,059,980</u>)	
<i>Changes in equity:</i>			
Equity attributable to shareholders of the Parent Company	13,501,563,155	(1,433,985,921)	12,067,577,234
Non-controlling interests	7,511,051,738	(<u>98,074,059</u>)	7,412,977,679
Impact on net assets		(P <u>1,532,059,980</u>)	
<u>As of December 31, 2023</u>			
<i>Change in assets:</i>			
Real estate inventories	P 18,693,496,246	(P 1,727,378,051)	P16,966,118,195
<i>Change in liabilities:</i>			
Deferred tax liabilities - net	(4,317,848,473)	(<u>721,043,762</u>)	(5,038,892,235)
Impact on net assets		(P <u>2,448,421,813</u>)	
<i>Change in equity:</i>			
Equity attributable to shareholders of the Parent Company	16,451,402,273	(2,299,610,287)	14,151,791,986
Non-controlling interests	9,345,354,263	(<u>148,811,526</u>)	9,196,542,737
Impact on net assets		(P <u>2,448,421,813</u>)	

The effects of the restatement in the consolidated statements of profit or loss and consolidated statements of comprehensive income for the quarter and nine months ended September 30, 2023 are summarized as follows:

	As Previously Reported <u>(Unaudited)</u>	Restatement <u>(Unaudited)</u>	As Restated <u>(Unaudited)</u>
<u>For the quarter ended</u> <u>September 30, 2023</u>			
<i>Changes in net profit & total comprehensive income:</i>			
Sale of real estate	P 3,694,887,583	(P 389,981,172)	P 3,304,906,411
Interest income from real estate sales	-	389,981,172	389,981,172
Cost of sales and services	(1,811,388,042)	516,143,920	(1,295,244,122)
Finance costs	(194,085,339)	(346,687,859)	(540,773,198)
Tax expense	(334,905,458)	(<u>42,146,463</u>)	(377,051,921)
		(P <u>127,309,598</u>)	
Net profit attributable to:			
Parent's Company			
Shareholders	709,108,310	100,007,707	809,116,017
Non-controlling Interests	204,049,733	<u>27,301,891</u>	231,351,624
		<u>P 127,309,598</u>	
Earnings per share Basic and diluted	0.21		0.23
<u>For the nine months ended</u> <u>September 30, 2023</u>			
<i>Changes in net profit & total comprehensive income:</i>			
Sale of real estate	P 12,704,382,963	(P 1,394,688,913)	P 11,309,694,050
Interest income from real estate sales	-	1,394,688,913	1,394,688,913
Cost of sales and services	(6,790,429,813)	756,899,044	(6,033,530,769)
Finance costs	(536,793,057)	(1,017,254,629)	(1,554,047,686)
Tax expense	(1,025,144,337)	<u>65,306,449</u>	(959,837,888)
		<u>P 195,049,136</u>	
Net profit attributable to:			
Parent's Company			
Shareholders	2,391,775,055	(212,026,154)	2,179,748,901
Non-controlling Interests	636,315,413	<u>16,977,018</u>	653,292,431
		(P <u>195,049,136</u>)	
Earnings per share Basic and diluted	0.69		0.63

The effects of the restatement in the condensed consolidated interim statement of cash flows for the nine months ended September 30, 2023 are summarized as follows:

	As Previously Reported <u>(Unaudited)</u>	Restatement <u>(Unaudited)</u>	As Restated <u>(Unaudited)</u>
<i>Changes in cash flows from Operating activities:</i>			
Profit before tax	P 4,053,234,805	(P 260,355,585)	P 3,792,879,220
Adjustment for interest expense on interest-bearing loans	371,043,573	1,017,254,629	1,388,298,201
Decrease in real estate inventories	2,597,015,298	(<u>756,899,044</u>)	1,840,116,254
		<u>P -</u>	

Non-current asset held for sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale, and their fair value less costs to sell.

2.3 Estimates and Judgments

When preparing the condensed consolidated interim financial information, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgments, estimates and assumptions applied in the condensed consolidated interim financial information, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended December 31, 2023 and the estimation uncertainty in relation to the adoption of the deferred provisions of PFRS 15.

3. SEGMENT INFORMATION

The Group's operating segments are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's real estate segment covers the development and sale of residential and office units to individual and corporate buyers. The rental segment includes leasing of office and commercial spaces to corporate organizations. The management services segment focuses on the management of real estate projects and upkeep services to condominium corporations and housing associations. The hotel operations segment relates to the management of hotel business operations that caters hotel guest.

The tables below present revenue and profit information regarding industry segments for the nine months ended September 30, 2024 and 2023, and certain assets and liabilities information regarding segments as at September 30, 2024 and December 31, 2023.

	2024 (Unaudited)					
	Real Estate	Rental	Management Services	Hotel Operations	Elimination	Total
REVENUES						
Sale to external customer	P 13,804,090,954	P 113,550,314	P 45,861,487	P 148,824,305	P -	P 14,112,327,060
Intersegment sales	-	8,415,203	138,710,664	-	(147,125,867)	-
Total revenues	<u>13,804,090,954</u>	<u>121,965,517</u>	<u>184,572,151</u>	<u>148,824,305</u>	<u>(147,125,867)</u>	<u>14,112,327,060</u>
COSTS AND EXPENSES						
Costs of sales and services	6,551,286,178	65,195,892	30,172,692	68,597,105	-	6,715,251,867
Operating expenses	<u>2,378,694,480</u>	<u>9,531,605</u>	<u>12,108,459</u>	<u>203,808,134</u>	<u>(178,768,867)</u>	<u>2,425,373,811</u>
Total costs and expenses	<u>8,929,980,658</u>	<u>74,727,497</u>	<u>42,281,151</u>	<u>272,405,239</u>	<u>(178,768,867)</u>	<u>9,140,625,678</u>
SEGMENT RESULTS	<u>P 4,874,110,296</u>	<u>P 47,238,020</u>	<u>P 142,291,000</u>	<u>(P 123,580,934)</u>	<u>P 31,643,000</u>	<u>4,971,701,382</u>
Other operating income						235,304,857
Finance costs						(1,331,404,470)
Finance income						15,819,124
Share in net loss of associate						(8,464,237)
Other losses						(1,893,794)
Tax expense						(967,867,135)
NET PROFIT						<u>P 2,913,195,727</u>
ASSETS AND LIABILITIES						
Segment assets	P95,689,102,059	P 17,115,265,399	P 145,674,030	P 3,557,050,898	(P 11,475,049,998)	<u>P 105,032,042,388</u>
Segment liabilities	P68,015,224,041	P 76,716,906	P 104,061,864	P 3,139,435,742	(P 1,241,920,725)	<u>P 70,093,517,827*</u>

**Excluding Deferred tax liabilities - net*

	2023 (As Restated - see Note 2)					
	Real Estate	Rental	Management Services	Hotel Operations	Elimination	Total
REVENUES						
Sale to external customer	P 12,704,382,963	P 77,320,899	P 46,478,655	P 98,169,696	P -	P 12,926,352,213
Intersegment sales	(250,714)	11,341,012	122,019,132	-	(133,109,430)	-
Total revenues	<u>12,704,132,249</u>	<u>88,661,911</u>	<u>168,497,787</u>	<u>98,169,696</u>	<u>(133,109,430)</u>	<u>12,926,352,213</u>
COSTS AND EXPENSES						
Costs of sales and services	5,907,877,507	64,888,144	21,929,417	38,835,701	-	6,033,530,769
Operating expenses	1,923,910,024	6,610,089	14,534,339	90,614,278	(142,838,971)	1,892,829,759
Impairment loss	<u>402,197</u>	<u>2,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>405,079</u>
Total costs and expenses	<u>7,832,189,728</u>	<u>71,501,115</u>	<u>36,463,756</u>	<u>129,449,979</u>	<u>(142,838,971)</u>	<u>7,926,765,607</u>
SEGMENT RESULTS	<u>P 4,871,942,521</u>	<u>P 17,160,796</u>	<u>(P 132,034,031)</u>	<u>P 31,280,283</u>	<u>P 9,729,541</u>	<u>4,999,586,606</u>
Other operating income						348,902,576
Finance costs						(1,554,047,686)
Finance income						7,915,785
Share in net loss of associate						(5,803,037)
Other losses						(3,675,024)
Tax expense						(959,837,888)
NET PROFIT						<u>P 2,833,041,332</u>
ASSETS AND LIABILITIES						
Segment assets	P88,941,819,433	P 17,878,040,923	P 81,600,585	P 2,862,336,277	(P 9,404,886,355)	<u>P 100,358,910,863</u>
Segment liabilities	P70,284,445,155	P 55,705,079	P 65,135,742	P 2,510,522,058	(P 944,124,129)	<u>P 71,971,683,905*</u>

**Excluding Deferred tax liabilities - net*

The real estate segment is further analyzed based on their geographical location as shown in Note 16.1. Most of the rental and management services segments are located in Cebu City with contributions from some other parts of Visayas and Mindanao.

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the periods presented.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at:

	September 30, 2024 <u>(Unaudited)</u>	December 31, 2023 <u>(Audited)</u>
Cash on hand	P 10,695,780	P 4,365,735
Cash in banks	2,426,964,020	864,263,028
Short-term placements	<u>10,272,444</u>	<u>45,212,443</u>
	<u>P2,447,932,244</u>	<u>P 913,841,206</u>

Interest income earned from cash and cash equivalents amounted to P14,795,090 and P7,539,010 in September 30, 2024 and 2023, respectively, are presented as part of Finance Income in the condensed consolidated interim statements of profit or loss.

5. RECEIVABLES

This account includes the following:

	Notes	September 30, 2024 <u>(Unaudited)</u>	December 31, 2023 <u>(Audited)</u>
Contract receivables:			
Third parties		P 9,639,916,009	P1,548,388,979
Related parties	21.2, 21.3	<u>1,120,954,534</u>	<u>685,584</u>
		10,760,870,543	1,549,074,563
Retention receivable		199,282,139	132,973,570
Receivable from contractors and suppliers		181,543,736	156,616,742
Management fee receivable		139,508,785	111,340,567
Rent receivable		95,411,331	71,548,690
Advances to officers and employees		48,723,323	37,927,664
Receivable from hotel operations customers		26,538,309	8,510,578
Receivable from insurance		7,399,036	77,373,832
Other receivables		<u>132,787,686</u>	<u>106,109,124</u>
		11,592,064,888	2,251,475,330
Allowance for impairment		<u>(2,242,262)</u>	<u>(2,242,262)</u>
		<u>P11,589,822,626</u>	<u>P2,249,233,068</u>

Receivables are presented in the condensed consolidated statements of financial position as follows:

	September 30, 2024 <u>(Unaudited)</u>	December 31, 2023 <u>(Audited)</u>
Current	P9,607,944,620	P 2,093,139,231
Non-current	<u>1,981,878,006</u>	<u>156,093,837</u>
	<u>P11,589,822,626</u>	<u>P 2,249,233,068</u>

6. REAL ESTATE INVENTORIES

This account includes the following inventories, which are all at cost:

	September 30, 2024 <u>(Unaudited)</u>	December 31, 2023 (As Restated - see Note 2)
Subdivision units	P 410,348,044	P 470,257,538
Condominium units	<u>432,566,949</u>	<u>400,467,121</u>
	<u>842,914,993</u>	<u>870,724,659</u>
Construction-in-progress:		
Land development costs	4,032,814,693	1,041,180,366
Condominium building costs	4,148,463,003	9,934,418,088
Housing costs	<u>1,159,468,577</u>	<u>4,453,224,922</u>
	<u>9,340,746,273</u>	<u>15,428,823,376</u>
Raw land inventory	<u>2,631,286,027</u>	<u>666,570,159</u>
	<u>P 12,814,947,293</u>	<u>P16,966,118,195</u>

Condominium building costs consist of the cost of land and the cost to construct the units of the vertical projects of the Group. Housing costs pertain to the cost of house construction for the horizontal projects of the Group.

In 2024 and 2023, the Group reclassified investment properties totaling P1,118,537,997 and P1,219,095,095, respectively, to real estate inventories (see Note 11).

As at September 30, 2024 and December 31, 2023, real estate inventories totaling P8,430,944,323 and P7,794,550,414, respectively, are used as collateral for certain interest bearing loans and borrowings of the Parent Company (see Note 13.1).

7. OTHER ASSETS

7.1 Prepayments and Other Current Assets

This account includes the following:

	September 30, 2024 <u>(Unaudited)</u>	December 31, 2023 <u>(Audited)</u>
Deferred commissions	P2,582,061,669	P1,645,513,898
Advances to subcontractors	2,396,251,110	1,979,370,709
Input VAT and deferred input VAT	1,925,154,781	1,555,489,960
Advances to suppliers	566,296,062	200,838,362
Short-term investments	313,814,857	454,631,300
Prepaid expenses	112,672,208	51,509,612
Prepaid taxes	44,327,697	537,191,493
Others	<u>11,604,439</u>	<u>9,621,327</u>
	<u>P7,952,182,823</u>	<u>P6,434,166,661</u>

In 2024 and 2023, the Group expensed deferred commissions of P807,860,537 and P742,532,603, respectively, based on the percentage of completion of its related real estate project and is presented as Commissions under Operating Expenses in the condensed consolidated interim statements of profit or loss (see Note 18).

7.2 Non-current Asset Held for Sale

The Parent Company has a committed plan to sell its 30% shares held in CLI NUD amounting to P237,832,343. This is presented as Non-current Asset Held for Sale in the 2024 condensed consolidated interim financial statements.

8. INVESTMENTS IN ASSOCIATES

A reconciliation of the carrying amounts of investments in associates at the beginning and end of 2024 and 2023 is shown below.

	September 30, 2024 <u>(Unaudited)</u>	December 31, 2023 <u>(Audited)</u>
Note		
Balance at beginning of period	P 142,489,432	P 133,559,576
Additional investments	501,456,965	21,500,000
Reclassification to NCAHFS	7 (237,832,343)	-
Share in net loss during the period	<u>(8,464,237)</u>	<u>(12,570,144)</u>
Balance at end of period	<u>P 397,649,817</u>	<u>P 142,489,432</u>

Shares in net losses of associates totaling P8,464,237 and P5,803,037 were recognized for the nine months ending September 30, 2024 and 2023, respectively, in the condensed consolidated interim statements of profit or loss.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of the reporting periods are shown below.

		Land	Building and Parking Units	Operating Equipment	Transportation Equipment	Furniture and Fixture	Leasehold Improvements	Construction in Progress	Total
UNAUDITED									
September 30, 2024									
Cost	P	359,058,133	P 556,587,951	P 132,631,048	P 66,290,614	P 49,963,403	P 14,587,797	P 7,727,982,716	P 8,907,101,662
Accumulated depreciation and amortization		-	(162,196,253)	(83,008,544)	(48,526,639)	(37,368,568)	(10,071,747)	-	(341,171,751)
Net carrying amount		<u>P 359,058,133</u>	<u>P 394,391,698</u>	<u>P 49,622,504</u>	<u>P 17,763,975</u>	<u>P 12,594,835</u>	<u>P 4,516,050</u>	<u>P 7,727,982,716</u>	<u>P 8,565,929,911</u>
AUDITED									
December 31, 2023									
Cost	P	359,058,133	P 512,706,244	P 125,131,130	P 60,827,521	P 50,499,782	P 14,587,797	P 6,420,474,335	P 7,543,284,942
Accumulated depreciation and amortization		-	(142,131,917)	(69,747,528)	(47,766,743)	(33,152,170)	(8,590,912)	-	(301,389,270)
Net carrying amount		<u>P 359,058,133</u>	<u>P 370,574,327</u>	<u>P 55,383,602</u>	<u>P 13,060,778</u>	<u>P 17,347,612</u>	<u>P 5,996,885</u>	<u>P 6,420,474,335</u>	<u>P 7,241,895,672</u>
January 1, 2023									
Cost	P	359,058,133	P 401,375,877	P 11,382,859	P 57,015,172	P 40,459,135	P 14,547,842	P 4,077,078,853	P 5,060,917,871
Accumulated depreciation and amortization		-	(117,269,272)	(53,078,326)	(42,285,966)	(27,932,433)	(6,619,424)	-	(247,185,421)
Net carrying amount		<u>P 359,058,133</u>	<u>P 284,106,605</u>	<u>P 58,304,533</u>	<u>P 14,729,206</u>	<u>P 12,526,702</u>	<u>P 7,928,418</u>	<u>P 4,077,078,853</u>	<u>P 4,813,732,450</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of the reporting periods is shown as follows:

		Land	Building and Parking Units	Office Equipment	Transportation Equipment	Furniture and Fixture	Leasehold Improvements	Construction in Progress	Total
Balance at January 1, 2024 net of accumulated depreciation and amortization	P	359,058,133	P 370,574,327	P 55,383,602	P 13,060,778	P 17,347,612	P 5,996,885	P 6,420,474,335	P 7,241,895,672
Additions	-	-	7,222,427	7,731,356	9,151,910	2,401,521	-	1,341,646,374	1,368,153,588
Disposals	-	-	-	(231,438)	(3,688,817)	-	-	-	(3,920,255)
Reclassification	-	-	36,659,280	-	-	(2,937,900)	-	(34,137,993)	(416,613)
Depreciation and amortization for the period	-	-	(20,064,336)	(13,466,446)	(4,448,713)	(4,216,398)	(1,480,835)	-	(43,676,728)
Balance at September 30, 2024 net of accumulated depreciation and amortization (unaudited)		<u>P 359,058,133</u>	<u>P 394,391,698</u>	<u>P 49,622,504</u>	<u>P 17,763,975</u>	<u>P 12,594,835</u>	<u>P 4,516,050</u>	<u>P 7,727,982,716</u>	<u>P 8,565,929,911</u>
Balance at January 1, 2023 net of accumulated depreciation and amortization	P	359,058,133	P 284,106,605	P 58,304,533	P 14,729,206	P 12,526,702	P 7,928,418	P 4,077,078,853	P 4,813,732,450
Additions	-	-	97,747,164	13,857,110	4,359,670	10,040,647	39,955	2,343,395,482	2,469,440,028
Disposals	-	-	-	(33,884)	(547,321)	-	-	-	(581,205)
Reclassification	-	-	13,583,203	-	-	-	-	-	13,583,203
Depreciation and amortization for the year	-	-	(24,862,645)	(16,744,157)	(5,480,777)	(5,219,737)	(1,971,488)	-	(54,278,804)
Balance at December 31, 2023 net of accumulated depreciation and amortization (audited)		<u>P 359,058,133</u>	<u>P 370,574,327</u>	<u>P 55,383,602</u>	<u>P 13,060,778</u>	<u>P 17,347,612</u>	<u>P 5,996,885</u>	<u>P 6,420,474,335</u>	<u>P 7,241,895,672</u>

The borrowing costs that are capitalized as part of property and equipment amounted to P436,241,034 and P353,420,651 in September 30, 2024 and 2023, respectively, which represents the specific borrowing costs incurred on loans, corporate notes and bonds obtained to fund the construction projects (see Notes 13 and 14).

Certain land and construction in progress with an aggregate carrying amount of P8,025,281,000 and P6,404,580,614 as at September 30, 2024 and December 31, 2023, respectively, are used as collateral for certain interest-bearing loans of the Group (see Note 13.1).

As at September 30, 2024 and December 31, 2023, the cost of the Group's fully-depreciated property and equipment that are still used in operations amounted to P127,757,338 and P119,631,379, respectively. Proceeds for sale of property equipment amounted to P1,381,391 and P489,706 as at September 30, 2024 and 2023, respectively.

10. LEASES

10.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets as at September 30, 2024 and December 31, 2023 and the movements during the period are shown below.

	<u>Land</u>	<u>Office Space</u>	<u>Total</u>
<u>Unaudited</u>			
September 30, 2024			
Cost			
Balance at beginning of period	P 1,263,032,633	P 15,877,921	P 1,278,910,554
Additions	<u>5,176,040</u>	<u>-</u>	<u>5,176,040</u>
Balance at end of period	<u>1,268,208,673</u>	<u>15,877,921</u>	<u>1,284,086,594</u>
Accumulated amortization			
Balance at beginning of period	137,528,364	11,776,783	149,305,147
Amortization	<u>26,873,611</u>	<u>2,378,538</u>	<u>29,252,149</u>
Balance at end of period	<u>164,401,975</u>	<u>14,155,321</u>	<u>178,557,296</u>
Carrying amount	<u>P 1,103,806,698</u>	<u>P 1,722,600</u>	<u>P 1,105,529,298</u>
<u>Audited</u>			
December 31, 2023			
Cost			
Balance at beginning of year	P 1,262,756,727	P 15,877,921	P 1,278,634,648
Amendment of lease contract	<u>275,906</u>	<u>-</u>	<u>275,906</u>
Balance at end of year	<u>1,263,032,633</u>	<u>15,877,921</u>	<u>1,278,910,554</u>
Accumulated amortization			
Balance at beginning of year	102,160,939	8,424,304	110,585,243
Amortization	<u>35,367,425</u>	<u>3,352,479</u>	<u>38,719,904</u>
Balance at end of year	<u>137,528,364</u>	<u>11,776,783</u>	<u>149,305,147</u>
Carrying amount	<u>P 1,125,504,269</u>	<u>P 4,101,138</u>	<u>P 1,129,605,407</u>

10.2 Lease Liabilities

Lease liabilities presented in the condensed consolidated interim statements of financial position as follows:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Current	P 37,209,838	P 55,717,884
Non-current	<u>1,238,279,626</u>	<u>1,207,138,171</u>
	<u>P1,275,489,464</u>	<u>P1,262,856,055</u>

10.3 Lease Payments Not Recognized as Liabilities

The expense relating to short-term leases and low-value assets has an aggregate amount of P28,513,486 and P27,122,973 for September 30, 2024 and 2023 respectively, and is presented as Rent under Operating Expenses in the condensed consolidated interim statements of profit of loss (see Note 18). In 2024 and 2023, P61,626,716 and P59,845,987 were recognized as part of Finance Costs in the condensed consolidated interim statements of profit or loss, respectively.

11. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of the reporting periods are shown below.

	Retail Building	Condominium Units	Parking Units	Land	Construction in Progress	Total
Unaudited						
September 30, 2024						
Costs	P 1,346,498,852	P 912,472,958	P 121,565,022	P 2,682,185,384	P 12,665,038,100	P 17,727,760,316
Accumulated depreciation	(185,457,239)	(180,031,033)	(24,331,411)	-	-	(389,819,683)
Carrying amount	<u>P 1,161,041,613</u>	<u>P 732,441,925</u>	<u>P 97,233,611</u>	<u>P 2,682,185,384</u>	<u>P 12,665,038,100</u>	<u>P 17,337,940,633</u>
Audited						
December 31, 2023						
Costs	P 1,353,024,478	P 912,472,958	P 121,565,022	P 2,682,185,384	P 13,589,390,602	P 18,658,638,444
Accumulated depreciation	(147,637,420)	(157,211,650)	(19,774,721)	-	-	(324,623,791)
Carrying amount	<u>P 1,205,387,058</u>	<u>P 755,261,308</u>	<u>P 101,790,301</u>	<u>P 2,682,185,384</u>	<u>P 13,589,390,602</u>	<u>P 18,334,014,653</u>

A reconciliation of the carrying amounts of investment properties at the beginning and end of the reporting periods is shown below.

	Retail Building	Condominium Units	Parking Units	Land	Construction in Progress	Total
Balance at January 1, 2024 net of accumulated depreciation (Audited)	P 1,205,387,058	P 755,261,308	P 101,790,301	P 2,682,185,384	P 13,589,390,602	P 18,334,014,653
Additions	-	-	-	-	1,969,349,838	1,969,349,838
Reclassifications	(6,525,626)	-	-	-	(2,893,702,340)	(2,900,227,966)
Depreciation during the period	(37,819,819)	(22,819,383)	(4,556,690)	-	-	(65,195,892)
Balance at September 30, 2024 net of accumulated depreciation (Unaudited)	<u>P 1,161,041,613</u>	<u>P 732,441,925</u>	<u>P 97,233,611</u>	<u>P 2,682,185,384</u>	<u>P 12,665,038,100</u>	<u>P 17,337,940,633</u>

	Retail Building	Condominium Units	Parking Units	Land	Construction in Progress	Total
Balance at January 1, 2023 net of accumulated depreciation (Audited)	P 1,213,918,791	P 783,200,791	P 108,394,014	P 2,682,185,384	P12,961,598,553	P 17,749,297,533
Additions	-	-	-	-	1,891,405,985	1,891,405,985
Reclassifications of completed projects	40,991,198	2,386,907	-	-	(43,378,105)	-
Reclassifications to other accounts	-	-	(502,646)	-	(1,220,235,831)	(1,220,738,477)
Depreciation during the year	(49,522,931)	(30,326,390)	(6,101,067)	-	-	(85,950,388)
Balance at December 31, 2023 net of accumulated depreciation (Audited)	<u>P 1,205,387,058</u>	<u>P 755,261,308</u>	<u>P 101,790,301</u>	<u>P 2,682,185,384</u>	<u>P13,589,390,602</u>	<u>P18,334,014,653</u>

In 2024 and 2023, the Group reclassified certain investment properties with aggregate carrying amounts of P1,118,537,997 and P1,219,095,095, respectively, to real estate inventories. These reclassifications were made as a result of the change in the use of the properties from being held for lease to being held for sale and for use in the operations.

The borrowing costs that are capitalized as part of investment property amounted to P969,713,930 and P204,563,353 for the nine months ended September 30, 2024 and 2023, respectively, which represents the specific borrowing costs incurred on loans and corporate notes obtained to fund the construction projects (see Note 13).

Income and expenses from investment properties for the nine months ended September 30, 2024 and 2023 are presented below.

	Notes	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Rental income	16.1	<u>P 113,550,314</u>	<u>P 77,320,899</u>
Expenses:			
Depreciation	18	<u>P 65,195,892</u>	<u>P 64,116,791</u>
Real property taxes		<u>-</u>	<u>771,352</u>
		<u>P 64,888,143</u>	<u>P 64,888,143</u>

12. OTHER NON-CURRENT ASSETS

This account includes the following:

	September 30, 2024 <u>(Unaudited)</u>	December 31, 2023 <u>(Audited)</u>
Advances to subcontractors	P 540,406,800	P 550,104,738
Deferred commissions	520,189,911	1,046,459,553
Refundable deposits	156,421,227	152,741,454
Computer software – net of accumulated amortization	23,249,657	25,314,992
Investment in equity securities	9,375,002	9,375,002
Deferred input VAT	4,624,926	4,624,926
Others	<u>367,601</u>	<u>1,342,727</u>
	<u>P1,254,635,124</u>	<u>P1,789,963,392</u>

The total additions to computer software amounted to P3,447,006 and P1,417,562 in 2024 and 2023, respectively. The amortization expense on the computer software amounted to P5,512,342 and P6,268,550 in 2024 and 2023, respectively, and is presented as part of Depreciation and amortization under Operating Expenses (see Note 18).

13. INTEREST-BEARING LOANS AND BORROWINGS

The outstanding balance of interest-bearing loans and corporate notes are presented in the condensed consolidated interim statements of financial position as follows:

	Notes	September 30, 2024 <u>(Unaudited)</u>	December 31, 2023 <u>(Audited)</u>
Current:			
Bank loans	13.1	P 8,338,344,933	P10,075,486,704
Corporate notes	13.2	<u>1,491,666,667</u>	<u>1,491,666,667</u>
		<u>9,830,011,600</u>	<u>11,567,153,371</u>
Non-current:			
Bank loans	13.1	25,579,111,245	20,871,648,528
Corporate notes	13.2	<u>8,623,068,246</u>	<u>9,750,043,837</u>
		<u>34,202,179,491</u>	<u>30,621,692,365</u>
		<u>P44,032,191,091</u>	<u>P42,188,845,736</u>

13.1 Bank Loans

An analysis of the movements in the balance of interest-bearing loans is presented below.

		September 30, 2024	December 31, 2023
	<u>Note</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Balance at beginning of period		P 30,947,135,232	P 22,727,744,834
Proceeds and drawdowns - net		12,797,563,507	12,943,572,215
Repayments		(9,908,083,057)	(4,674,289,221)
Reclassification		-	(154,500,000)
Amortization of debt issue costs	19	<u>80,840,496</u>	<u>104,607,404</u>
Balance at end of period		<u>P 33,917,456,178</u>	<u>P 30,947,135,232</u>

A reconciliation of the unamortized debt issue cost at the beginning and end of 2024 and 2023 is shown below.

		September 30, 2024	December 31, 2023
	<u>Note</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Balance at beginning of period		P 163,081,681	P 107,967,127
Debt issue costs from new loans		86,821,137	159,721,958
Amortization of debt issue costs	19	<u>(80,840,496)</u>	<u>(104,607,404)</u>
Balance at end of the period		<u>P 169,062,322</u>	<u>P 163,081,681</u>

In 2024 and 2023, the Group availed of new bank loans amounting to P12,797,563,507 and P9,491,374,309, respectively, net of debt issue costs, which bear interest ranging from 5.25% to 9.25% and 5.75% to 9.00%, respectively, and have maturity dates ranging from 2023 to 2034.

The total interest incurred from the foregoing loans, including amortization of debt issue costs, amounted to P2,013,044,183 and P1,399,675,618, of which P868,195,285 and P235,368,281 were capitalized as part of property and equipment and investment properties, in 2024 and 2023, respectively (see Notes 9 and 11). The remaining interest was recognized as part of Finance Costs in the condensed consolidated interim statements of profit or loss (see Note 19). Capitalization rate used in determining the amount of interest charges qualified for capitalization ranges from 3.54% to 9.25% and 5.75% to 9.00% in 2024 and 2023, respectively.

The amortization of debt issue costs amounted to P80,840,496 and P69,685,245, of which P30,526,776 and P17,562,619 were capitalized as part of property and equipment and investment properties, in 2024 and 2023, respectively, (see Notes 9 and 11).

Certain loans are collateralized by specific projects and developments, and certain property and equipment for which the loans were obtained. The cost of such projects aggregating to P244,649,188,121 and P21,360,041,578 as at September 30, 2024 and December 31, 2023, respectively, are included in the Real Estate Inventories, Property and Equipment and Investment Properties accounts in the condensed consolidated interim statements of financial position (see Notes 6, 9 and 11).

13.2 Corporate Notes

The Parent Company and various financial institutions executed a Notes Facility Agreement for the issuance of long-term corporate notes totaling P13,000,000,000 and two short-dated notes amounting to P2,000,000,000 and P3,000,000,000, respectively.

		September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	<u>Note</u>		
Balance at beginning of period		P 11,241,710,504	P 12,334,545,777
Repayments		(1,145,535,714)	(1,117,559,524)
Amortization of debt issue costs	19	<u>18,560,123</u>	<u>24,724,251</u>
Balance at end of the period		<u>P 10,114,734,913</u>	<u>P 11,241,710,504</u>

The total interest incurred related to the corporate notes amounted to P446,721,750 and P506,834,287, of which P404,893,876 and P115,972,194 were capitalized as part of property and equipment and investment properties, in 2024 and 2023, respectively (see Notes 9 and 11).

The amortization of debt issue costs from corporate notes amounting to P18,560,123 and P18,492,385 was capitalized as part of property and equipment and investment properties in 2024 and 2023, respectively.

14. BONDS PAYABLE

On October 7, 2022, the Parent Company issued the first tranche of its fixed rate bonds amounting to P5,000,000,000 and was listed with the Philippine Dealing & Exchange Corp.

An analysis of the movements in the balance of bonds payable are presented below.

		September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	<u>Note</u>		
Balance at beginning of period		P 4,947,822,521	P 4,930,582,631
Amortization of debt issue costs	19	12,686,653	16,880,745
Reclassification		<u>-</u>	<u>359,145</u>
Balance at end of period		<u>P 4,960,509,174</u>	<u>P 4,947,822,521</u>

The total interest incurred related to the bonds, including amortization of bond issue costs, amounted to P166,867,609 and P254,205,350, of which P132,865,802 and P206,643,529 were capitalized as part of property and equipment and investment properties, in 2024 and 2023, respectively (see Notes 9 and 11). The remaining interest were recognized as part of Finance Costs in the condensed consolidated interim statements of profit or loss (see Note 19).

The amortization of debt issue costs from bonds amounted to P12,686,653 and P12,620,992, of which P10,312,980 and P10,259,605 were capitalized as part of property and equipment and investment properties, in 2024 and 2023, respectively (see Notes 9 and 11). The Parent Company is required to maintain the financial ratios with respect to (a) maximum debt to equity ratio of 2.5:1; (b) minimum current ratio of 1:1; and (c) minimum interest coverage ratio of 3:1. As at the end of reporting periods, the Parent Company is compliant with the requirements.

15. TRADE AND OTHER PAYABLES

This account is composed of the following:

	<u>Notes</u>	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Current:			
Unbilled construction costs	6, 9, 11	P 7,311,693,828	P 12,617,790,247
Trade payables		4,625,391,806	4,517,518,729
Sales commissions payable		4,453,739,754	3,763,166,755
Retention payable		1,266,817,954	1,112,645,901
Accrued expenses		686,293,350	262,413,071
Output VAT		297,269,197	76,190,277
Government-related obligations		77,250,077	85,420,412
Due to co-venturers		20,000,000	-
Advances from NCI		-	19,344,748
Other payables		385,796,864	326,300,458
		<u>19,124,252,830</u>	<u>22,780,790,598</u>
Non-current:			
Retention payable		141,540,119	141,540,119
Advanced rental		44,665,368	33,282,573
Other payables		13,425,639	10,597,440
		<u>199,631,126</u>	<u>185,420,132</u>
		<u>P 19,323,883,956</u>	<u>P 22,966,210,730</u>

16. REVENUE FROM CONTRACTS WITH CUSTOMERS AND CONTRACT BALANCES

16.1 Disaggregation of Contract Revenues

The Group derives revenue from the transfer of goods and services over time and at a point in time. Presented below are revenues from its major product lines and geographical areas for the periods ended September 30, 2024 and 2023.

	2024				
	Cebu	Mindanao	Visayas	Luzon	Total
<i>Sale of real estate units</i>					
Over time	P 4,304,437,349	P 4,114,614,922	P 2,458,440,875	P 798,952,701	P11,676,445,847
At a point in time	<u>2,035,508,546</u>	<u>89,488,979</u>	<u>2,647,582</u>	<u>-</u>	<u>2,127,645,107</u>
	6,339,945,895	4,304,103,901	2,461,088,457	798,952,701	13,804,090,954
<i>Hotel operations</i>					
Over time	123,882,009	-	-	24,942,296	148,824,305
<i>Lease of properties</i>					
Over time	113,286,051	264,263	-	-	113,550,314
<i>Render of management services</i>					
Over time	<u>35,089,242</u>	<u>6,687,205</u>	<u>4,085,040</u>	<u>-</u>	<u>45,861,487</u>
	<u>P 6,612,203,197</u>	<u>P 4,211,055,369</u>	<u>P 2,465,173,497</u>	<u>P 823,894,997</u>	<u>P 14,112,327,060</u>
2023 (As Restated - see Note 2)					
	Cebu	Mindanao	Visayas	Luzon	Total
<i>Sale of real estate units</i>					
Over time	P 5,976,647,765	P 3,249,319,168	P 2,952,952,752	P 371,143,640	P 12,550,063,325
At a point in time	<u>27,654,232</u>	<u>244,077</u>	<u>104,891,329</u>	<u>21,530,000</u>	<u>154,319,638</u>
	6,004,301,997	3,249,563,245	3,057,844,081	392,673,640	12,704,382,963
<i>Hotel operations</i>					
Over time	98,169,696	-	-	-	98,169,696
<i>Lease of properties</i>					
Over time	77,320,899	-	-	-	77,320,899
<i>Render of management services</i>					
Over time	<u>38,164,939</u>	<u>8,313,716</u>	<u>-</u>	<u>-</u>	<u>46,478,655</u>
	<u>P 6,217,957,531</u>	<u>P 3,257,876,961</u>	<u>P 3,057,844,081</u>	<u>P 823,894,997</u>	<u>P 12,926,352,213</u>

16.2 Contract Balance

The breakdown of contract balances is as follows:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Contract assets	P 41,276,262,075	P 45,093,986,410
Contract liabilities	(<u>291,860,725</u>)	(<u>449,338,207</u>)
Contract assets - net	<u>P 40,984,401,351</u>	<u>P 44,644,648,203</u>

The Group's contract assets as at September 30, 2024 and December 31, 2023 are presented in the condensed consolidated interim statements of the financial position as follows:

	September 30, 2024 <u>(Unaudited)</u>	December 31, 2023 <u>(Audited)</u>
Current	P 24,200,439,959	P 26,225,182,718
Non-current	<u>17,075,822,117</u>	<u>18,868,803,692</u>
	<u>P 41,276,262,075</u>	<u>P 45,093,986,410</u>

17. COST OF SALES AND SERVICES

Components of costs of sales and services for the nine months ended September 30, 2024 and 2023 are analyzed below (see Note 18).

	2024 <u>(Unaudited)</u>	2023 (As Restated - see Note 2)
Cost of real estate sales:		
Contracted services	P 4,488,464,566	P 4,823,561,042
Land cost	1,683,210,510	911,890,520
Other costs	<u>379,611,102</u>	<u>172,425,945</u>
	<u>6,551,286,178</u>	<u>5,907,877,507</u>
Cost of rental services:		
Depreciation	65,195,893	64,116,792
Others	<u>-</u>	<u>771,352</u>
	<u>65,195,893</u>	<u>64,888,144</u>
Cost of management services:		
Salaries and wages	30,172,692	21,929,167
Materials and supplies	<u>-</u>	<u>250</u>
	<u>30,172,692</u>	<u>21,929,417</u>
Cost of hotel operations:		
Materials and supplies	20,744,101	12,108,190
Salaries and wages	14,511,989	10,346,881
Advertising and promotions	9,164,020	6,056,949
Utilities	8,368,858	4,896,173
Others	<u>15,808,137</u>	<u>5,427,508</u>
	<u>68,597,105</u>	<u>38,835,701</u>
	<u>P 6,715,251,867</u>	<u>P 6,033,530,769</u>

18. COSTS AND EXPENSES BY NATURE

Details of costs and expenses by nature for the nine months ended September 30, 2024 and 2023 are shown below.

		2024 (Unaudited)	2023 (As Restated - see Note 2)
Material and labor		P 4,659,075,996	P 4,954,541,053
Land cost	17	1,683,210,510	911,890,520
Commissions	7	807,860,537	742,532,603
Salaries and employee benefits		557,135,862	429,140,474
Taxes and licenses		517,758,413	204,836,880
Depreciation and amortization	9, 10.1, 11, 12	143,637,111	134,725,936
Advertising		90,528,690	75,543,835
Utilities		85,182,534	48,692,738
Hotel operations	17	68,597,105	38,835,701
Security services		48,975,349	34,065,478
Insurance		43,026,749	32,042,220
Repairs and maintenance		40,266,326	54,224,200
Transportation and travel		35,854,121	28,373,481
Association dues		31,849,803	29,216,251
Rent	10	28,513,486	27,122,973
Professional fees		23,354,152	17,325,049
Subscription and membership dues		21,349,376	12,651,735
Representation and entertainment		19,498,217	24,311,027
Supplies		15,381,470	14,944,808
Management fee		12,075,984	6,241,846
Donations		11,666,500	28,571,497
Communication		10,167,779	6,249,110
Move-in fee expenses		6,643,517	3,507,445
Trainings and seminars		2,597,241	1,340,587
Others		176,418,850	65,433,081
		<u>P 9,140,625,678</u>	<u>P 7,926,360,528</u>

These costs and expenses are classified in the condensed consolidated interim statements of profit or loss as follows for the nine months ended September 30, 2024 and 2023:

	2024 (Unaudited)	2023 (As Restated - see Note 2)
Cost of sales and services	P 6,715,251,867	P 6,033,530,769
Operating expenses	<u>2,425,373,811</u>	<u>1,892,829,759</u>
	<u>P 9,140,625,678</u>	<u>P 7,926,360,528</u>

19. FINANCE COSTS

This is composed of the following for the nine months ended September 30, 2024 and 2023:

	Notes	2024 (Unaudited)	2023 (As Restated - see Note 2)
Interest expense on:			
Loans	13	P 1,186,676,773	P 1,388,298,201
Bonds	14	34,001,807	47,561,821
Lease liabilities	10.2	61,626,716	59,845,987
Amortized debt issue costs	13	52,687,393	54,484,013
Day one loss (gain), net of amortization	5	(3,858,218)	3,857,664
		<u>P 1,331,404,470</u>	<u>P 1,554,047,686</u>

20. CURRENT AND DEFERRED TAXES

The components of tax expense relating to profit or loss and other comprehensive income are as shown below for the nine months ended September 30, 2024 and 2023:

	2024 (Unaudited)	2023 (As Restated - see Note 2)
<i>Reported in profit or loss:</i>		
Current tax expense:		
Regular corporate income tax at 25%	P 907,371,078	P 247,988,160
Minimum corporate income tax at 1% before July 1, 2023 and 2% thereafter	1,014,165	383,301
Final income tax	<u>790,475</u>	<u>1,482,458</u>
	909,175,718	249,853,919
Deferred tax expense arising from origination and reversal of temporary differences	<u>58,691,417</u>	<u>709,983,969</u>
	<u>P 967,867,135</u>	<u>P 959,837,888</u>

As of September 30, 2024, CPH, BL Ventures, CCLI and MMDC are subject to MCIT, net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. Other components of the Group are not yet subject to MCIT as those have not operated beyond four taxable years. The Group reported MCIT amounting to P1,014,165 and P782,247 in 2024 and 2023, respectively.

21. RELATED PARTY TRANSACTIONS

A summary of the Group's transactions and outstanding balances with related parties is presented below.

		<u>Amount of Transaction</u>		<u>Outstanding Balance</u>	
		<u>September 30, 2024</u>	<u>September 30, 2023</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>
	<u>Notes</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Ultimate Parent Company					
Real estate sales	21.2	P 3,861,442	P 68,259,907	P 685,584	P 685,584
Entities under Common Ownership					
Net advances (collections)	21.1	5,130,738	13,463,859	51,367,508	46,236,770
Associates					
Real estate sales	21.2	1,994,468,950	-	1,120,268,950	-
Net advances (collections)	21.1	(2,349,304)	7,571,217	10,693	2,359,997
Key Management Personnel					
Real estate sales	21.3	6,907,985	39,666,628	-	-
Short-term compensation		108,715,050	115,246,928	-	-

The details of the foregoing transactions are discussed below.

21.1 Advances to Related Parties

The Group grants cash advances to shareholders, entities under common ownership and associates. An analysis of such advances in 2024 and 2023 is presented below.

	<u>Entities Under Common Ownership</u>		<u>Associates</u>	<u>Total</u>
Balance at January 1, 2024	P	46,236,770	P 2,359,997	P 48,596,767
Additional advances (collections)		<u>5,130,738</u>	<u>(2,349,304)</u>	<u>2,781,434</u>
Balance at September 30, 2024 (Unaudited)	P	<u>51,367,508</u>	P <u>10,693</u>	P <u>51,378,201</u>
Balance at January 1, 2023	P	35,401,209	P 401,132	P 35,802,341
Additional advances		12,625,466	7,571,217	20,196,683
Reclassification		<u>838,393</u>	<u>-</u>	<u>838,393</u>
Balance at September 30, 2023 (Unaudited)	P	<u>48,865,068</u>	P <u>7,972,349</u>	P <u>56,837,417</u>

21.2 Real Estate Sales to Ultimate Parent Company and Associate

In 2024 and 2023, the Group sold condominium units to ABS totaling P3,861,442 and P68,259,907, respectively. The outstanding balance related to these transactions amounted to P685,584 both as at September 30, 2024 and December 31, 2023 are presented as part of Contract Receivables under the Receivables account in the condensed consolidated interim statements of financial position (see Note 5).

In 2024, the Group sold parcels of land to CLI NUD for P1,994,468,950. The outstanding balance related to these transactions amounted to P1,120,268,950 as at September 30, 2024 is presented as part of Contract Receivables under the Receivables account in the condensed consolidated interim statements of financial position (see Note 5). There was no similar transaction in 2023.

21.3 Real Estate Sales to Key Management Personnel

In 2024 and 2023, the Group sold condominium units totaling P6,907,985 and P39,666,628, respectively, to key management personnel. The outstanding balance related to these transactions amounted to nil both as at September 30, 2024 and December 31, 2023, respectively, and presented as part of Contract Receivables under the Receivables account in the condensed consolidated interim statements of financial position (see Note 5).

22. EQUITY

22.1 Capital Stock

Details of the Parent Company's authorized, issued and outstanding capital stock as of September 30, 2024 and December 31, 2023 are as follows:

	Shares		Amount	
	2024	2023	2024	2023
Preferred shares				
Authorized				
Series A – P1.00 par value	1,000,000,000	1,000,000,000	P 1,000,000,000	P 1,000,000,000
Series B – P0.10 par value	1,000,000,000	1,000,000,000	100,000,000	100,000,000
Total	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>P 1,100,000,000</u>	<u>P 1,100,000,000</u>
Issued and outstanding:				
Balance at beginning of period	-	-	P -	P -
Issuance during the period:				
Preferred Shares – Series A1	2,063,360	-	2,063,360	-
Preferred Shares – Series A2	<u>2,216,980</u>	<u>-</u>	<u>2,216,980</u>	<u>-</u>
Balance at end of period	<u>4,280,340</u>	<u>-</u>	<u>P 4,280,340</u>	<u>P -</u>
Common shares – P1.00 par value				
Authorized	<u>9,000,000,000</u>	<u>9,000,000,000</u>	<u>P 9,000,000,000</u>	<u>P 9,000,000,000</u>
Issued:				
Balance at beginning and end of period	3,623,451,997	3,623,451,997	P 3,623,451,997	P 3,623,451,997
Treasury shares	(158,250,530)	(158,250,530)	(732,664,604)	(732,664,604)
Issued and outstanding	<u>3,465,201,467</u>	<u>3,465,201,467</u>	<u>P 2,890,787,393</u>	<u>P 2,890,787,393</u>

On April 25, 2023, the BOD approved the amendment to the Articles of Incorporation (AOI) of CLI to reallocate the authorized capital stock of P10,100,000,000 to be divided as follows:

- 9,000,000,000 common shares with a par value of P1.00 per share;
- 1,000,000,000 Series A preferred shares with a par value of P1.00 per share; and
- 1,000,000,000 Series B preferred shares with a par value of P0.10 per share.

The amendment to the AOI was later approved by the stockholders on June 1, 2023. On October 18, 2023, the SEC officially accepted CLI's application for the amendment of its AOI, which was later approved on December 29, 2023.

On April 12, 2024, the Company issued perpetual, cumulative, non-voting, non-participating, non-convertible and redeemable Philippine Peso denominated Series “A” Preferred Shares categorized and offered in two subseries (Series A-1 and Series A-2). Issue price for Series A-1 and A-2 is at P1,000. The additional paid-in capital resulting in the issuance amounted to P4,276,059,660. The initial dividend rate of the shares shall be as follows: (a) in respect of the Series A-1 Preferred Shares, at fixed rate of 7.5850% per annum of the Offer price, and (b) for the Series A-2 Preferred Shares, at the fixed rate of 8.2500% per annum of the offer price. The BOD has full discretion over the declaration and payment of dividends, subject to conditions and to the extent allowed by law. There is no issued preferred stock as at December 31, 2023.

The share price of the Parent Company’s common stock closed at P2.66 and P2.47 per share on September 30, 2024 and December 29, 2023, respectively, the last trading days in the PSE.

22.2 Retained Earnings

(a) Cash Dividends

The Company’s BOD declared the following cash dividends:

<u>Date of Declaration</u>	<u>Record Date</u>	<u>Total Cash Dividends</u>	<u>Dividend Per Share</u>
<u>2024</u>			
Common Shares:			
March 18, 2024	April 17, 2024	P 519,780,220	P 0.15
March 18, 2024	April 17, 2024	<u>103,956,044</u>	P 0.03
		<u>P 623,736,264</u>	
Preferred Shares (CLIA1) –			
June 14, 2024	July 2, 2024	<u>P 39,126,462</u>	P 18.96
Preferred Shares (CLIA2) –			
June 14, 2024	July 2, 2024	<u>P 45,725,212</u>	P 20.63
<u>2023</u>			
Common Shares:			
March 20, 2023	April 18, 2023	P 519,780,220	P 0.15
March 20, 2023	April 18, 2023	<u>103,956,044</u>	P 0.03
		<u>P 623,736,264</u>	

Dividends declared on March 18, 2024 and June 14, 2024 were fully paid on May 3, 2024 and July 12, 2024, respectively. Dividends declared in 2023 were fully paid in the same year.

(b) *Appropriations*

The releases from the appropriated retained earnings for the nine months ended September 30, 2024 and 2023 for the funding of CLI's projects which are expected to run until 2029.

<u>Purpose</u>		<u>January 1, 2024</u>	<u>Releases</u>	<u>September 30, 2024</u>
Manresa Project	P	733,675,000	(P 95,435,895)	P 638,239,105
Mactan Lowaii Project/ Costa				
Mira Beachtown Mactan		581,160,881	(159,189,039)	421,971,842
Mindara Residences		414,691,716	(542,778)	414,148,938
Masters Tower		970,730,863	(634,413,758)	336,317,105
The East Village		616,000,000	(295,038,830)	320,961,170
Casa Mira Towers Bacolod		385,480,436	(85,178,733)	300,301,703
Casa Mira Magtuod		435,365,130	(137,216,253)	298,148,877
Casa Mira Homes CamSur		269,414,232	-	269,414,232
Velmiro Ormoc		238,040,000	(934,534)	237,105,466
Gensan Project		195,833,700	(4,092)	195,829,608
Velmiro Homes Consolacion		225,278,123	(82,375,231)	142,902,892
Casa Mira Towers CDO		289,009,813	(150,723,258)	138,286,555
Casa Mira Towers Palawan		412,497,419	(283,224,417)	129,273,002
Velmiro Heights CDO		221,824,954	(93,172,071)	128,652,883
Casa Mira Homes Danao		236,652,714	(115,742,337)	120,910,377
Abaca Resort Mactan		483,251,483	(371,740,947)	111,510,536
Mivela Garden Residences		29,343,279	(29,343,279)	-
Patria de Cebu		176,553,263	(176,553,263)	-
	P	<u>6,914,803,006</u>	(P <u>2,710,828,715</u>)	P <u>4,203,974,291</u>
<u>Purpose</u>		<u>January 1, 2023</u>	<u>Releases</u>	<u>September 30, 2023</u>
Casa Mira Towers Bacolod	P	567,099,274	(P 137,015,639)	P 430,083,635
Mactan Lowaii Project/ Costa				
Mira Beachtown Mactan		551,585,305	(311,563,415)	240,021,890
Mivela Garden Residences		407,113,996	(286,070,615)	121,043,381
Velmiro Homes Consolacion		234,736,163	(221,531,217)	13,204,946
Casa Mira Towers CDO		270,133,666	(260,466,231)	9,667,435
Masters Tower		623,204,982	(623,204,982)	-
Abaca Resort Mactan		392,233,257	(392,233,257)	-
Patria de Cebu		338,758,725	(338,758,725)	-
Casa Mira Towers Guadalupe		274,708,994	(274,708,994)	-
Casa Mira Towers LPU		271,901,531	(271,901,531)	-
	P	<u>3,931,475,893</u>	(P <u>3,117,454,606</u>)	P <u>814,021,287</u>

22.3 Non-controlling Interests

The subsidiaries of the Group with significant NCI as at September 30, 2024 and December 31, 2023 are as follows.

	<u>NCI Ownership %</u>		<u>NCI Equity in Subsidiaries</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u> (As restated - see Note 2)
YHEST	50%	50%	P 4,559,265,533	P 4,360,079,336
CHDI	50%	50%	1,691,139,697	1,522,385,326
El Camino	65%	65%	1,220,655,975	991,148,025
YHES	50%	50%	884,208,305	910,178,294
CBLRV	50%	50%	479,030,429	407,486,117
GGTT	50%	50%	372,649,133	390,040,406
CLI-LITE	12%	12%	185,632,111	152,524,190
YES	50%	50%	92,955,050	88,058,729
CCLI	50%	50%	141,199,263	158,489,937
MDC	22%	22%	79,700,182	79,728,192
MGR	55%	55%	59,635,020	67,553,704
SPE	36%	36%	41,202,256	46,960,280
BL Ventures	50%	50%	(1,902,245)	21,910,201
			<u>P 9,805,370,709</u>	<u>P 9,196,542,737</u>

An analysis of the movement of NCI as at September 30, 2024 and December 31, 2023 follows:

	<u>September 30, 2024 (Unaudited)</u>	<u>December 31, 2023 (As Restated - see Note 2)</u>
Balance at beginning of period	P 9,196,542,737	P 7,412,977,679
Prior period adjustment	-	(50,737,468)
Share in net profit during the period	590,077,972	1,067,182,525
New and additional investments	32,500,000	879,500,000
Dividends	(13,750,000)	(112,380,000)
Balance as at end of period	<u>P 9,805,370,709</u>	<u>P 9,196,542,737</u>

The new and additional investments came from the non-controlling shareholders of CHDI and CCLI in 2024 and CHDI, CBLRV, CCLI and SPE in 2023.

The dividends came from MGR in 2024, and YES and MGR in 2023.

22.4 Employee Share Option

On October 6, 2021, the BOD of the Parent Company approved the Executive Stock Option Plan (ESOP) for its qualified officers. The ESOP grants options to purchase the shares of the Parent Company at a price of P2.25 or current market price with a 15% discount, whichever is higher. Shares bought under the ESOP cannot be sold, assigned, or transferred in any manner for at least six months from the exercise date. Voting and dividend rights vest upon the issuance of the shares to the employees.

23. EARNINGS PER SHARE

EPS is computed as follow for the nine months ended September 30, 2024 and 2023:

	2024 (Unaudited)	2023 (As Restated - see Note 2)
Net profit attributable to Parent	P 2,323,260,299	P 2,179,748,901
Preferred dividends	(4,280,340)	-
Income available to common stockholders	<u>2,318,979,959</u>	<u>2,179,748,901</u>
Divided by weighted average number of outstanding common stock	<u>3,465,201,467</u>	<u>3,465,201,467</u>
Basic and diluted EPS	<u>P 0.67</u>	<u>P 0.63</u>

There were no instruments that could potentially dilute basic earnings per share for the nine months ended September 30, 2024 and 2023, hence, basic EPS is the same as diluted EPS.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to risk in relation to its operating, investing, and financing activities, and the business environment in which it operates. Generally, the Group's objectives in risk management are to ensure that it identifies, measure, monitors, and controls the various risks that arise from its business activities and that it adheres strictly to the policies, procedures, and control system which are establish to address these risks. In managing financial instruments, the Group is exposed to financial risks such as market risk (including foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), liquidity risk and credit risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosure required in the annual consolidated financial statements; hence, they should be read in conjunction with the Group's annual financial statements as of and for the year ended December 31, 2023.

There have been no significant changes in the risk management structure of the Group or in any risk management policies since the previous annual period.

25. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND FAIR VALUE MEASUREMENTS AND DISCLOSURES

25.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the condensed consolidated interim statements of financial position are shown below.

	Notes	September 2024		December 2023	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets					
at amortized cost:					
Cash and cash equivalents	4	P 2,447,932,244	P 2,447,932,244	P 913,841,206	P 913,841,206
Receivables - net ¹	5	11,541,589,690	11,541,589,690	2,211,305,404	2,211,305,404
Due from related parties	21	51,378,201	51,378,201	48,596,767	48,596,767
Short-term investments	7	313,814,857	313,814,857	200,838,362	200,838,362
Refundable deposits	12	156,421,227	156,421,227	152,741,454	152,741,454
		<u>P 14,511,136,219</u>	<u>P 14,511,136,219</u>	<u>P 3,527,323,193</u>	<u>P 3,527,323,193</u>
Financial Liabilities					
at amortized cost:					
Interest-bearing loans and borrowings	13	P 44,032,191,091	P 46,043,743,618	P 42,188,845,736	P 43,660,634,271
Bonds payable	14	4,960,509,174	5,183,148,238	4,947,822,521	5,107,699,189
Trade and other payables ²	15	18,904,699,318	18,904,699,318	22,771,317,468	22,771,317,468
		<u>P 67,897,399,583</u>	<u>P 70,131,591,174</u>	<u>P 69,907,985,725</u>	<u>P 71,539,650,928</u>

¹ Receivables - net excludes advances to officers and employees.

² Trade and other payables excludes output VAT, government-related obligations and advance rental.

25.2 Fair Value Measurements and Disclosures

(a) Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below and in the succeeding page summarizes the fair value hierarchy of the Group's financial assets and financial liabilities, which are not measured at fair value in the condensed consolidated interim statements of financial position as of September 30, 2024 and December 31, 2023, but for which fair value is disclosed.

	September 30, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	P 2,447,932,244	P -	P -	P 2,447,932,244
Receivables - net ¹	-	-	11,541,589,690	11,541,589,690
Due from related parties	-	-	51,378,201	51,378,201
Short-term investments	313,814,857	-	-	313,814,857
Refundable deposits	-	-	156,421,227	156,421,227
	<u>P 2,761,747,101</u>	<u>P -</u>	<u>P 11,749,389,118</u>	<u>P 14,511,136,219</u>
Financial liabilities				
Interest-bearing loans and borrowings	P -	P -	P 46,043,743,618	P 46,043,743,618
Bonds payable	-	-	5,183,148,238	5,183,148,238
Trade and other payables ²	-	-	18,904,699,318	18,904,699,318
	<u>P -</u>	<u>P -</u>	<u>P 70,131,591,174</u>	<u>P 70,131,591,174</u>

		December 31, 2023			
		Level 1	Level 2	Level 3	Total
<i>Financial assets</i>					
Cash and cash equivalents	P	913,841,206	P -	P -	P 913,841,206
Receivables – net ¹		-	-	2,211,305,405	2,211,305,404
Due from related parties		-	-	48,596,767	48,596,767
Short-term investments		200,838,362	-	-	200,838,362
Refundable deposits		-	-	152,741,454	152,741,454
		<u>P 1,114,679,568</u>	<u>P -</u>	<u>P 2,412,643,626</u>	<u>P 3,527,323,194</u>
<i>Financial liabilities</i>					
Interest-bearing loans and borrowings	P	-	P -	P 43,660,634,271	P 43,660,634,271
Bonds payable		-	-	5,107,699,189	5,107,699,189
Trade and other payables ²		-	-	22,771,317,470	22,771,317,470
		<u>P -</u>	<u>P -</u>	<u>P 71,539,650,930</u>	<u>P 71,539,650,930</u>

¹ Receivables - net excludes advances to officers and employees.

² Trade and other payables excludes output VAT, government-related obligations and advance rental.

For the Group's financial assets and financial liabilities, which are measured at amortized cost, management has determined that their carrying amounts are equal to or approximate their fair values, except for interest-bearing loans and borrowings, because of their short-term nature.

(b) *Fair Value Measurement for Non-financial Assets*

The Group has no non-financial assets measured at fair value as at September 30, 2024 and December 31, 2023. However, the fair values of its investment properties are required to be disclosed, as shown in Note 11.

The table below shows the Levels within the hierarchy of non-financial assets (investment property), which are not carried at fair value but whose fair value are required to be disclosed on a recurring basis as at September 30, 2024.

	Level 1	Level 2	Level 3	Total
Investment property	<u>P -</u>	<u>P -</u>	<u>P18,422,843,422</u>	<u>P18,422,843,422</u>

The valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the parcels of land and buildings, and the comparable prices in the corresponding property location.

The fair value of these parcels of land, condominium units and retail building were determined based on the following approaches:

(i) *Fair Value Measurement for Land, Condominium Units and Retail Buildings*

The Level 3 fair value of the parcels of land, condominium units, retail building and parking slots under Investment Properties account was determined using the market approach, adjusted for differences in key attributes such as properties size, zoning and accessibility.

Under the market approach, when comparable lease offerings of similar properties and sales prices of comparable land properties in close proximity are used in the valuation of the subject property with insignificant adjustment on the price, fair value is included in Level 2.

Consequently, if the observable recent prices of the reference properties were adjusted significantly for differences in key attributes such as properties size, zoning and accessibility, the fair value is included in Level 3.

The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(ii) *Fair Value Measurement for Improvements under Retail Buildings*

The Level 3 fair value of building improvements presented as part of retail buildings under Investment Properties account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change on the valuation techniques used by the Group. Also, there were no transfers into or out of Level 2 fair value hierarchy for the nine months ended September 30, 2024.

26. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group monitors capital on the basis of the carrying amount of equity as presented in the condensed consolidated interim statements of financial position. Capital for the reporting periods under review is summarized as follows:

	September 30, 2024 (Unaudited)	December 31, 2023 (As Restated - see Note 2)
Total interest-bearing loans and borrowings and bonds payable	P48,992,700,265	P 47,136,668,257
Total equity	<u>29,852,175,056</u>	<u>23,348,334,723</u>
Debt-to-equity ratio	<u>1.64 : 1.00</u>	<u>2.02 : 1.00</u>

The Group's goal in capital management is to limit a maximum debt-to-equity structure ratio of 75:25 on a monthly basis. The Parent Company is required to maintain certain financial ratios in relation with its borrowings (see Note 13). The Group has complied with its covenant obligations as at September 30, 2024 and December 31, 2023.

27. COMMITMENTS AND CONTINGENCIES

27.1 Capital Commitments for Construction Cost

As at September 30, 2024 and December 31, 2023, the Group has capital commitments of about P8,610,308,652 and P7,869,502,871, respectively, for the construction of real estate inventories, property and equipment and investment properties.

27.2 Completion of Sold Units

The Group is obligated to finish the sold units that are at a certain stage of completion at the time of sale. The Group recognized a contract liability, which amounts to P164,891,955 and P289,366,657 as at September 30, 2024 and December 31, 2023, respectively, when it collects more than it is entitled to based on the stage of completion of the project development (see Note 16.2).

27.3 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the condensed consolidated interim financial statement because the possible outflow of economic resource as a result of present obligations is considered improbable or remote or the amount to be provided cannot be measured reliably. As at September 30, 2024 and December 31, 2023, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's condensed consolidated interim financial statements.

**Report of Independent Auditors
to Accompany Supplementary
Information Required by the
Securities and Exchange Commission
Filed Separately from the Basic
Consolidated Financial Statements**

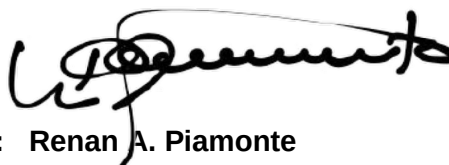
Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

**The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)**
10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

We have reviewed, in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, the condensed consolidated interim financial statements of Cebu Landmasters, Inc. and Subsidiaries (the Group) as at September 30, 2024 and for the nine months ended September 30, 2024 and 2023, and have issued our report thereon dated December 9, 2024. Our review was made for the purpose of providing a limited level of assurance that the Group's condensed consolidated interim financial statements comply with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the condensed consolidated interim financial statements prepared in accordance with PAS 34. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the review procedures applied in the review of the condensed consolidated interim financial statements. Accordingly, we do not express an audit opinion.

PUNONGBAYAN & ARAULLO



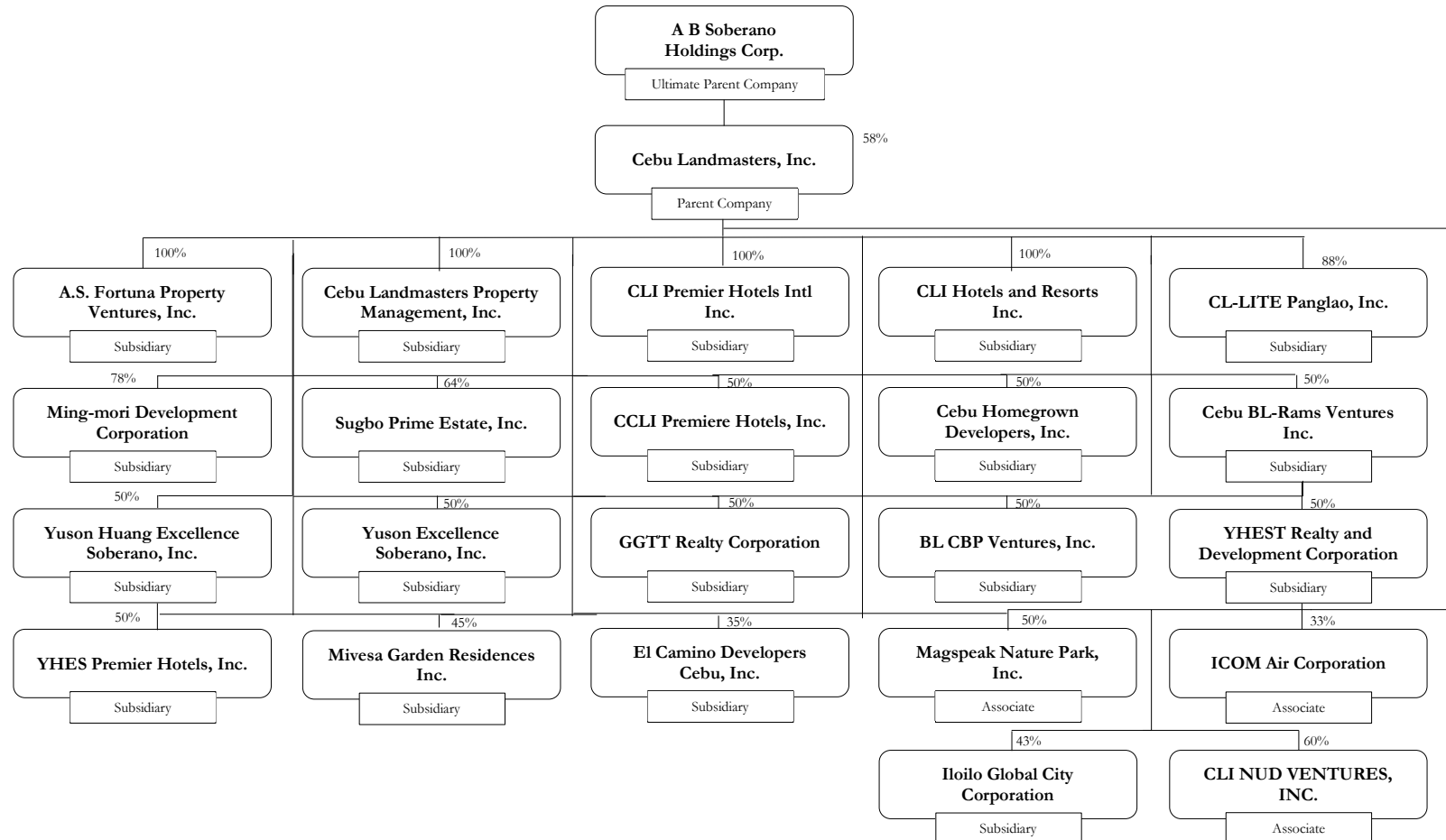
By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 10076150, January 3, 2024, Makati City
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
BOA/PRC Cert. of Reg. No. 0002/P-010 (until Aug. 12, 2027)

December 9, 2024

CEBU LANDMASTERS, INC. AND SUBSIDIARIES

Map Showing the Relationship Between and Among the Company
and its Ultimate Parent, Subsidiaries, and Associates
September 30, 2024



CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
 10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu I.T. Park, Brgy. Apas, Cebu City
Reconciliation of Retained Earnings Available for Dividend Declaration
as of September 30, 2024
(Amounts in Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year		P	2,468,821,650
Add: <u>Category A:</u> Items that are directly credited to Unappropriated Retained Earnings			
Reversal of Retained Earning Appropriation/s	2,710,828,715		
Effect of restatements or prior-period adjustments	<u>2,195,404,737</u>		4,906,233,452
Less: <u>Category B:</u> Items that are directly debited to Unappropriated Retained Earnings			
Dividend declaration during the reporting period			<u>708,587,938</u>
Unappropriated Retained Earnings at Beginning of Year, as adjusted			6,666,467,164
Add: Net Income for the Current Year			2,335,374,604
Less: <u>Category C.1:</u> Unrealized income recognized in the profit or loss during the reporting period (net of tax)			
Equity in net income of associates/subsidiaries, net of dividends declared			<u>486,092,393</u>
Unappropriated Retained Earnings Available for Dividend declaration at end of Year		P	<u>8,515,749,375</u>

Report of Independent Auditors on Components of Financial Soundness Indicators

**The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)**

10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

We have reviewed, in accordance with Philippine Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, the condensed consolidated interim financial statements of Cebu Landmasters, Inc. and Subsidiaries (the Group) as at September 30, 2024, and for the nine months ended September 30, 2024 and 2023, and have issued our report thereon dated December 9, 2024. Our reviews were made for the purpose of providing a limited level of assurance that the Group's condensed consolidated interim financial statements comply with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic condensed consolidated interim financial statements prepared in accordance with PAS 34. The components of these financial soundness indicators have been traced to the Group's condensed consolidated interim financial statements as at September 30, 2024 and 2023, and for the nine months ended September 30, 2024 and 2023 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO



By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805

TIN 221-843-037

PTR No. 10076150, January 3, 2024, Makati City

BIR AN 08-002511-037-2022 (until Oct. 13, 2025)

BOA/PRC Cert. of Reg. No. 0002/P-010 (until Aug. 12, 2027)

December 9, 2024

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
Supplemental Schedule of Financial Soundness Indicators
September 30, 2024 and 2023
(Amounts in Philippine Pesos)

Ratio	Formula	2024	Formula	2023
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 57,312,657,482 Divide by: Total Current Liabilities 29,482,522,496 Current Ratio 1.94	1.94	Total Current Assets divided by Total Current Liabilities Total Current Assets 49,479,444,502 Divide by: Total Current Liabilities 33,376,846,064 Current Ratio 1.48	1.48
Acid test ratio	Quick assets (Cash and cash equivalents plus Current Receivables and Current Contract Assets and Due from Related Parties) divided by Total Current Liabilities Cash and cash equivalents 2,447,932,244 Add: Current Receivables 9,607,944,620 Current Contract Assets 24,200,439,959 Due from Related Parties 51,378,201 Quick Assets 36,307,695,024 Divide by: Total Current Liabilities 29,482,522,496 Acid test ratio 1.23	1.23	Quick assets (Cash and cash equivalents plus Current Receivables and Current Contract Assets and Due from Related Parties) divided by Total Current Liabilities Cash and cash equivalents 1,347,532,396 Add: Current Receivables 2,242,986,924 Current Contract Assets 22,866,975,361 Due from Related Parties 56,837,417 Quick Assets 26,514,332,098 Divide by: Total Current Liabilities 33,376,846,064 Acid test ratio 0.79	0.79
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities 75,179,867,332 Divide by: Total Assets 105,032,042,388 Solvency ratio 0.72	0.72	Total Liabilities divided by Total Assets Total Liabilities 72,939,491,687 Divide by: Total Assets 95,192,408,755 Solvency ratio 0.77	0.77
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 75,179,867,332 Divide by: Total Equity 29,852,175,056 Debt-to-equity ratio 2.52	2.52	Total Liabilities divided by Total Equity Total Liabilities 72,939,491,687 Divide by: Total Equity 24,087,489,097 Debt-to-equity ratio 3.03	3.03
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 105,032,042,388 Divide by: Total Equity 29,852,175,056 Assets-to-equity ratio 3.52	3.52	Total Assets divided by Total Equity Total Assets 95,192,408,755 Divide by: Total Equity 24,087,489,097 Assets-to-equity ratio 3.95	3.95
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense Profit before tax 3,881,062,862 Add: Interest charged to: Cost of Sales - Finance cost 1,220,678,580 EBIT 5,101,741,442 Divide by: Interest Expense* 2,626,633,542 Interest rate coverage ratio 1.94 <i>*Interest expense includes P1,405,954,963 the amount capitalized as part of property and equipment, and investment property</i>	1.94	Earnings before interest and taxes (EBIT) divided by Interest expense Profit before tax 3,792,879,220 Add: Interest charged to: Cost of Sales 669,890,137 Finance cost 418,605,393 EBIT 4,881,374,750 Divide by: Interest Expense* 2,207,029,864 Interest rate coverage ratio 2.21 <i>*Interest expense includes P1,283,213,978 the amount capitalized as part of real estate inventory, property and equipment, and investment property</i>	2.21
Return on equity	Net Profit divided by Total Ave. Equity Net Profit 2,913,195,727 Divide by: Total Ave. Equity 26,600,254,890 Return on equity 11%	11%	Net Profit divided by Total Ave. Equity Net Profit 2,833,041,332 Divide by: Total Ave. Equity 20,920,467,447 Return on equity 14%	14%
Return on assets	Net Profit divided by Total Ave. Assets Net Profit 2,913,195,727 Divide by: Total Ave. Assets 102,695,476,626 Return on assets 3%	3%	Net Profit divided by Total Ave. Assets Net Profit 2,833,041,332 Divide by: Total Ave. Assets 89,560,579,671 Return on assets 3%	3%
Net profit margin	Net Profit divided by Revenues Net Profit 2,913,195,727 Divide by: Total Revenue 14,112,327,060 Return on assets 21%	21%	Net Profit divided by Revenues Net Profit 2,833,041,332 Divide by: Total Revenue 12,926,352,213 Return on assets 22%	22%
Other ratio				
Gross profit margin	Gross Profit divided by Total Revenue Gross Profit 7,397,075,193 Divide by: Total Revenue 14,112,327,060 Gross profit margin 52%	52%	Gross Profit divided by Total Revenue Gross Profit 6,892,821,444 Divide by: Total Revenue 12,926,352,213 Gross profit margin 53%	53%

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	3	2	1	2	4	0

Company Name

C	E	B	U		L	A	N	D	M	A	S	T	E	R	S	,		I	N	C	.		A	N	D				
S	U	B	S	I	D	I	A	R	I	E	S		(	A		S	u	b	s	i	d	i	a	r	y		o	f	
A		B		S	o	b	e	r	a	n	o		H	o	l	d	i	n	g	s		C	o	r	p	.	)		

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

1	0	T	H		F	L	O	O	R		P	A	R	K		C	E	N	T	R	A	L	E		T	O	W	E	R
J	O	S	E		M	A	.		D	E	L		M	A	R		S	T	.	M	A	R		B	2		L	3	
C	E	B	U		I	.	T	.		P	A	R	K	,		B	R	G	Y	.		A	P	A	S	,			
C	E	B	U		C	I	T	Y	,		P	H	I	L	I	P	P	I	N	E	S		6	0	0	0			

Form Type

A	F	S	2	3

Department requiring the report

S	E	C	

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

jggarde@cebulandmasters.com

Company's Telephone Number/s

(032) 231 4870

Mobile Number

N/A

No. of Stockholders

21

Annual Meeting
Month/Day

1st Friday of July

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Jose R. Soberano III

Email Address

ceo@cebulandmasters.com

Telephone Number/s

(032) 231 4870

Mobile Number

Contact Person's Address

10th floor, Park Centrale Tower, Jose Ma. del Mar St., B2 L3, Cebu I.T. Park, Brgy. Apas, Cebu City.

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

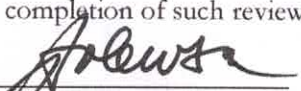
The management of **Cebu Landmasters, Inc. and Subsidiaries (the Group)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached herein, **for the years ended December 31, 2023, 2022 and 2021**, in accordance with the prescribed financial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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern as basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative 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 condensed consolidated interim financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has reviewed the condensed consolidated interim financial statements of the Group in accordance with Philippine Standards on Review Engagements, and have rendered their report to the stockholders, upon completion of such review.


JOSE R. SOBERANO III
Chairman of the Board and Chief Executive Officer
TIN# 108-729-320-000


BEAUREGARD GRANT L. CHENG
Chief Financial Officer
TIN#205-557-510-000

Signed this ____ day of **APR 10 2024**

SUBSCRIBED AND SWORN to before me this **APR 10 2024** at Cebu City, affiants exhibiting to me their respective Tax Identification Nos.

Doc. No. 228;
Page No. 47;
Book No. 9;
Series of 2024




ATTY. EDELINE O. COSICCOL
Notary Public
Notarial Commission No. 040-23, Cebu City
Valid until December 31, 2024
Roll of Attorneys No. 82445
MCLE Compliance No. VIII-0000258, issued on 08-30-2022
PTR No. 1233820; 01-03-2024; Cebu
IBP No. 385698; 01-02-2024; Cebu Chapter
10th Flr. Park Centrale Tower, J.M. Del Mar St.,
Cebu I.T. Park, Apas, Cebu City

Consolidated Financial Statements and
Independent Auditors' Report

Cebu Landmasters, Inc. and Subsidiaries

December 31, 2023, 2022 and 2021

(With Corresponding Figures as of January 1, 2022)

Punongbayan & Araullo20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

Opinion

We have audited the consolidated financial statements of Cebu Landmasters, Inc. and Subsidiaries (collectively referred to herein as the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of profit or 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 a summary of 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 (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) and described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the consolidated financial statements are disclosed in Note 2 to the consolidated financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

(a) Revenue Recognition for Real Estate Sales***Description of the Matter***

We considered the Group's recognition of revenue from real estate sales a key audit matter because of the significant volume of transactions and amount of revenue from real estate sales involved. In 2023, the Group's revenue from real estate sales amounted to P18.5 billion which accounts for 98% of the Group's total revenues. It uses the percentage of completion (POC) method to determine the appropriate amount of contract revenues to be recognized for the reporting period. 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 judgment and estimate could cause a material misstatement in the consolidated financial statements.

The Group's accounting policy on recognition of revenue from real estate sales, and basis of significant judgment and estimates are disclosed in Notes 2 and 3 to the consolidated financial statements, respectively. In addition, the details of contract revenues, specifically the disaggregation of revenues are disclosed in Notes 18 to the consolidated financial statements.

How the Matter was Addressed in the Audit

To address the risk of material misstatements in revenue recognition, we have performed tests of design and operating effectiveness of internal controls, including information technology (IT) general controls, over processes relating to generation of contract revenue, and revenue recognition and measurement. In addition, we reviewed sales agreements, on a sampling basis, and the relevant facts and circumstances about the real estate transactions to determine compliance with a set of criteria for revenue recognition. We have also tested the reasonableness of management's judgment in determining the probability of collection of the contract price which involves a historical analysis of customer payment pattern and behavior.

To ascertain the reasonableness of the measurement of progress towards complete satisfaction of performance obligation using the input method, we have tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs. Our procedures include understanding of controls over recording of costs and direct examination of supporting documents. We have also performed physical inspection of selected projects under development to determine if the completion based on costs is consistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualification of project engineers who prepared the budgets and reviewed the actual performance of completed projects with reference to their budgeted costs.

(b) Existence and Valuation of Real Estate Inventories*Description of the Matter*

Real estate inventories amount to P18.7 billion, which accounts for 34% of total current assets and 18% of total assets of the Group, as at December 31, 2023. Because of the asset's material effect on the consolidated financial statements, we considered its valuation a key audit matter. Valuation of the Group's real estate inventories, particularly construction-in-progress, involves determination and estimation of significant unbilled materials and project contractors' services at the end of the reporting period. Management's failure to consider such unbilled materials and services, and an error in estimating the same, could have a material impact on the carrying value of real estate inventories as well as the POC and cost of real estate sales.

The valuation of the real estate inventories is also hinged on their existence. Given that the Group's real estate projects are located in various locations and the varying stages of completion of the projects, which require significant judgment and estimation, we have also considered the existence of real estate inventories as a key audit matter.

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

How the Matter was Addressed in the Audit

We have obtained an understanding, and performed tests of design and operating effectiveness of internal controls, including IT general controls, over processes relating to initiation and recording of purchases and allocation of cost to real estate inventories. We also performed ocular inspection of selected real estate projects on a date closest to the end of the reporting period to confirm their existence, and examined documents, such as land titles, progress reports, contractors' accomplishment billings among others, to corroborate with other procedures as well as to ensure completeness of recorded costs. We tested the assumptions used by management in estimating the unbilled materials and services, reviewed the technical competence of project engineers in relation to their assessment of the stage of completion of the projects, and the reasonableness of the stage of completion which was used in the assets' valuation.

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 (Definitive Information Statement), 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

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

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

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.

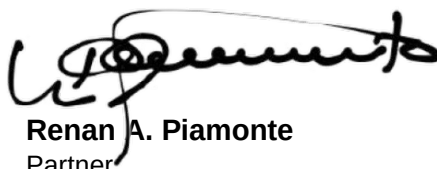
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

PUNONGBAYAN & ARAULLO



By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805

TIN 221-843-037

PTR No. 10076150, January 3, 2024, Makati City

SEC Group A Accreditation

Partner - No. 107805-SEC (until financial period 2023)

Firm - No. 0002 (until financial period 2024)

BIR AN 08-002511-037-2022 (until Oct. 13, 2025)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 10, 2024

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(With Corresponding Figures as of January 1, 2022)
(Amounts in Philippine Pesos)

		December 31, 2023	December 31, 2022 (As Restated - see Note 2)	January 1, 2022 (As Restated - see Note 2)
	<u>Notes</u>			
<u>A S S E T S</u>				
CURRENT ASSETS				
Cash and cash equivalents	5	P 913,841,206	P 1,434,559,762	P 1,095,821,916
Receivables - net	6	2,093,139,231	3,571,775,532	5,844,643,647
Contract assets - net	18	26,225,182,718	16,208,926,784	6,558,006,000
Real estate inventories	7	18,693,496,246	18,309,208,981	18,708,757,553
Deposits on land for future development	8	15,000,000	129,996,729	-
Due from related parties	26	48,596,767	35,802,341	57,434,271
Prepayments and other current assets	9	6,434,166,661	4,236,252,125	4,113,273,504
Total Current Assets		54,423,422,829	43,926,522,254	36,377,936,891
NON-CURRENT ASSETS				
Receivables - net	6	156,093,837	106,500,218	161,127,276
Contract assets - net	18	18,868,803,692	15,770,136,750	13,732,299,185
Investments in associates	10	142,489,432	133,559,576	135,064,930
Property and equipment - net	11	7,241,895,672	4,813,732,450	915,671,703
Right-of-use assets - net	12	1,129,605,407	1,168,049,405	1,152,854,127
Investment properties - net	13	18,334,014,653	17,749,297,533	13,240,123,662
Other non-current assets - net	14	1,789,963,392	1,377,070,838	937,027,659
Total Non-current Assets		47,662,866,085	41,118,346,770	30,274,168,542
TOTAL ASSETS		P 102,086,288,914	P 85,044,869,024	P 66,652,105,433
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	15	P 11,567,153,371	P 8,123,643,987	P 8,813,501,067
Trade and other payables	17	22,780,790,598	18,843,635,888	12,650,588,490
Contract liabilities	18	449,338,207	598,361,867	604,254,603
Customers' deposits	18	144,003,765	120,250,096	89,897,007
Lease liabilities	12	55,717,884	54,145,058	3,288,349
Income tax payable		2,210,977	3,646,417	2,177,192
Total Current Liabilities		34,999,214,802	27,743,683,313	22,163,706,708
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	15	30,621,692,365	26,938,646,624	23,208,218,323
Bonds payable	16	4,947,822,521	4,930,582,631	-
Trade and other payables	17	185,420,132	195,075,703	169,777,112
Lease liabilities	12	1,207,138,171	1,182,914,425	1,122,841,952
Post-employment defined benefit obligation	24	10,395,914	9,390,095	4,753,329
Deferred tax liabilities - net	25	4,317,848,473	3,031,961,340	2,050,626,485
Total Non-current Liabilities		41,290,317,576	36,288,570,818	26,556,217,201
Total Liabilities		76,289,532,378	64,032,254,131	48,719,923,909
EQUITY				
Equity attributable to shareholders of the Parent Company	27	16,451,402,273	13,501,563,155	10,839,874,203
Non-controlling interest		9,345,354,263	7,511,051,738	7,092,307,321
Total Equity		25,796,756,536	21,012,614,893	17,932,181,524
TOTAL LIABILITIES AND EQUITY		P 102,086,288,914	P 85,044,869,024	P 66,652,105,433

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
REVENUES	18			
Sale of real estates		P 18,508,302,086	P 15,439,136,362	P 10,996,247,695
Hotel operations		138,551,300	83,418,279	48,683,577
Rental		112,343,856	79,277,559	74,272,000
Management fees		59,216,126	55,465,803	42,967,412
		<u>18,818,413,368</u>	<u>15,657,298,003</u>	<u>11,162,170,684</u>
COST OF SALES AND SERVICES	19	(<u>9,640,347,529</u>)	(<u>8,367,635,549</u>)	(<u>5,972,289,664</u>)
GROSS PROFIT		9,178,065,839	7,289,662,454	5,189,881,020
OPERATING EXPENSES	20	(<u>2,784,634,909</u>)	(<u>2,368,932,953</u>)	(<u>1,950,338,710</u>)
OTHER OPERATING INCOME	21	<u>410,779,779</u>	<u>202,542,753</u>	<u>257,229,190</u>
OPERATING PROFIT		6,804,210,709	5,123,272,254	3,496,771,500
FINANCE COSTS	22	(<u>603,186,832</u>)	(<u>351,048,830</u>)	(<u>264,069,008</u>)
FINANCE INCOME	23	14,983,406	14,819,366	7,689,872
SHARE IN NET LOSS OF ASSOCIATES	10	(<u>12,570,144</u>)	(<u>9,505,354</u>)	(<u>4,229,178</u>)
IMPAIRMENT LOSS ON FINANCIAL ASSETS	6	(<u>432,794</u>)	(<u>1,855,555</u>)	-
OTHER LOSSES	21	(<u>3,809,681</u>)	(<u>8,077,498</u>)	(<u>132,572,525</u>)
PROFIT BEFORE TAX		6,199,194,664	4,767,604,383	3,103,590,661
TAX EXPENSE	25	(<u>1,556,175,019</u>)	(<u>1,159,713,237</u>)	(<u>432,719,044</u>)
NET PROFIT		<u>P 4,643,019,645</u>	<u>P 3,607,891,146</u>	<u>P 2,670,871,617</u>
Net profit attributable to:				
Parent Company's shareholders		P 3,575,837,120	P 3,170,887,739	P 2,612,937,324
Non-controlling interests		<u>1,067,182,525</u>	<u>437,003,407</u>	<u>57,934,293</u>
		<u>P 4,643,019,645</u>	<u>P 3,607,891,146</u>	<u>P 2,670,871,617</u>
Earnings per Share:				
Basic and diluted	28	<u>P 1.03</u>	<u>P 0.92</u>	<u>P 1.04</u>

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
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>
NET PROFIT		P 4,643,019,645	P 3,607,891,146	P 2,670,871,617
OTHER COMPREHENSIVE LOSS				
Item that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurements of post-employment defined benefit plan	24	(5,836,964)	(577,372)	435,092
Tax income (expense)	25	<u>1,459,241</u>	<u>144,343</u>	(1,029,189)
		(4,377,723)	(433,029)	(594,097)
TOTAL COMPREHENSIVE INCOME		P 4,638,641,922	P 3,607,458,117	P 2,670,277,520
Total comprehensive income attributable to:				
Parent Company's shareholders		P 3,571,459,397	P 3,170,454,710	P 2,612,343,227
Non-controlling interests		<u>1,067,182,525</u>	<u>437,003,407</u>	<u>57,934,293</u>
		P 4,638,641,922	P 3,607,458,117	P 2,670,277,520

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Attributable to Shareholders of the Parent Company									Non-controlling Interests (See Note 27)	Total
	Capital Stock (See Note 27)	Additional Paid-in Capital (See Note 27)	Treasury Stock (See Note 27)	Share Options Outstanding (See Note 27)	Revaluation Reserves (See Note 27)	Retained Earnings (See Note 27)			Total		
						Appropriated	Unappropriated	Total			
Balance at January 1, 2023	P 3,623,451,997	P 1,608,917,974	(P 732,664,604)	P 2,195,991	(P 13,910,501)	P 3,931,475,893	P 5,082,096,405	P 9,013,572,298	P 13,501,563,155	P 7,511,051,738	P 21,012,614,893
Transactions with owners											
Investments from non-controlling stockholders	-	-	-	-	-	-	-	-	-	879,500,000	879,500,000
Cash dividends	-	-	-	-	-	-	(623,736,265)	(623,736,265)	(623,736,265)	(112,380,000)	(736,116,265)
Stock option granted	-	-	-	2,115,986	-	-	-	-	2,115,986	-	2,115,986
	-	-	-	2,115,986	-	-	(623,736,265)	(623,736,265)	(621,620,279)	767,120,000	145,499,721
Appropriation of retained earnings											
Appropriations during the year	-	-	-	-	-	6,324,658,043	(6,324,658,043)	-	-	-	-
Reversal of appropriations during the year	-	-	-	-	-	(3,341,330,930)	3,341,330,930	-	-	-	-
	-	-	-	-	-	2,983,327,113	(2,983,327,113)	-	-	-	-
Total comprehensive income for the year											
Net profit for the year	-	-	-	-	-	-	3,575,837,120	3,575,837,120	3,575,837,120	1,067,182,525	4,643,019,645
Other comprehensive loss	-	-	-	-	(4,377,723)	-	-	-	(4,377,723)	-	(4,377,723)
	-	-	-	-	(4,377,723)	-	3,575,837,120	3,575,837,120	3,571,459,397	1,067,182,525	4,638,641,922
Balance at December 31, 2023	P 3,623,451,997	P 1,608,917,974	(P 732,664,604)	P 4,311,977	(P 18,288,224)	P 6,914,803,006	P 5,050,870,147	P 11,965,673,153	P 16,451,402,273	P 9,345,354,263	P 25,796,756,536
Balance at January 1, 2022	P 3,623,451,997	P 1,608,917,974	(P 748,171,901)	P -	(P 13,477,472)	P 172,049,912	P 6,197,103,693	P 6,369,153,605	P 10,839,874,203	P 7,092,307,321	P 17,932,181,524
Transactions with owners											
Investments from non-controlling stockholders	-	-	-	-	-	-	-	-	-	61,641,010	61,641,010
Cash dividends	-	-	-	-	-	-	(519,780,221)	(519,780,221)	(519,780,221)	(79,900,000)	(599,680,221)
Stock option granted	-	-	-	3,005,840	-	-	-	-	3,005,840	-	3,005,840
Stock option exercised	-	-	15,507,297	(809,849)	-	-	(6,688,825)	(6,688,825)	8,008,623	-	8,008,623
	-	-	15,507,297	2,195,991	-	-	(526,469,046)	(526,469,046)	(508,765,758)	(18,258,990)	(527,024,748)
Appropriation of retained earnings											
Appropriations during the year	-	-	-	-	-	3,931,475,893	(3,931,475,893)	-	-	-	-
Reversal of appropriations during the year	-	-	-	-	-	(172,049,912)	172,049,912	-	-	-	-
	-	-	-	-	-	3,759,425,981	(3,759,425,981)	-	-	-	-
Total comprehensive income for the year											
Net profit for the year	-	-	-	-	-	-	3,170,887,739	3,170,887,739	3,170,887,739	437,003,407	3,607,891,146
Other comprehensive loss	-	-	-	-	(433,029)	-	-	-	(433,029)	-	(433,029)
	-	-	-	-	(433,029)	-	3,170,887,739	3,170,887,739	3,170,454,710	437,003,407	3,607,458,117
Balance at December 31, 2022	P 3,623,451,997	P 1,608,917,974	(P 732,664,604)	P 2,195,991	(P 13,910,501)	P 3,931,475,893	P 5,082,096,405	P 9,013,572,298	P 13,501,563,155	P 7,511,051,738	P 21,012,614,893
Balance at January 1, 2021	P 1,714,000,000	P 1,608,917,974	(P 732,851,016)	P -	(P 12,883,375)	P 3,949,504,623	P 2,104,913,555	P 6,054,418,178	P 8,631,601,761	P 6,895,639,697	P 15,527,241,458
Transactions with owners											
Investments from non-controlling stockholders	-	-	-	-	-	-	-	-	-	226,733,331	226,733,331
Cash dividends	-	-	-	-	-	-	(388,749,900)	(388,749,900)	(388,749,900)	(88,000,000)	(476,749,900)
Stock dividends	1,909,451,997	-	-	-	-	-	(1,909,451,997)	(1,909,451,997)	-	-	-
Acquisition of treasury stock	-	-	(15,320,885)	-	-	-	-	-	(15,320,885)	-	(15,320,885)
	1,909,451,997	-	(15,320,885)	-	-	-	(2,298,201,897)	(2,298,201,897)	(404,070,785)	138,733,331	(265,337,454)
Reversal of appropriations during the year	-	-	-	-	-	(3,777,454,711)	3,777,454,711	-	-	-	-
Total comprehensive income for the year											
Net profit for the year	-	-	-	-	-	-	2,612,937,324	2,612,937,324	2,612,937,324	57,934,293	2,670,871,617
Other comprehensive loss	-	-	-	-	(594,097)	-	-	-	(594,097)	-	(594,097)
	-	-	-	-	(594,097)	-	2,612,937,324	2,612,937,324	2,612,343,227	57,934,293	2,670,277,520
Balance at December 31, 2021	P 3,623,451,997	P 1,608,917,974	(P 748,171,901)	P -	(P 13,477,472)	P 172,049,912	P 6,197,103,693	P 6,369,153,605	P 10,839,874,203	P 7,092,307,321	P 17,932,181,524

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022 (As Restated see Note 2)	2021 (As Restated see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 6,199,194,664	P 4,767,604,383	P 3,103,590,661
Adjustments for:				
Interest expense on:				
Loans	22	451,982,816	259,475,530	196,904,919
Lease liabilities	12	80,167,300	75,629,879	67,139,552
Bonds	16	66,856,868	15,444,620	-
Depreciation and amortization	20	186,911,151	170,626,662	121,798,863
Interest income	23	(13,874,699)	(14,664,879)	(6,528,935)
Share in net losses of associates	10	12,570,144	9,505,354	4,229,178
Share option benefits expense	24, 27	2,115,986	3,005,840	-
Recognition of impairment loss on financial assets	6	432,794	1,855,555	-
Loss (gain) on sale of property and equipment	11	17,410	(128,365)	16,577
Operating profit before working capital changes		6,986,374,433	5,288,354,579	3,487,150,815
Decrease in receivables		1,428,609,888	2,325,639,618	136,187,839
Increase in contract assets		(13,114,922,876)	(11,688,758,349)	(6,433,654,690)
Decrease (increase) in real estate inventories		2,956,338,724	2,409,017,134	(1,290,125,235)
Increase in deposits on land for future development		(349,502,459)	(129,996,729)	(376,327,882)
Decrease (increase) in prepayments and other current assets		(2,197,914,536)	625,328,447	(905,070,148)
Decrease (increase) in other non-current assets		(418,939,623)	(1,069,949,268)	(573,896,768)
Increase in trade and other payables		1,561,102,970	3,804,705,659	5,317,928,215
Increase (decrease) in contract liabilities		(149,023,660)	(5,892,736)	71,605,256
Increase (decrease) in customers' deposits		23,753,669	30,353,089	(106,227,005)
Increase (decrease) in post-employment defined benefit obligation		(4,831,145)	4,059,394	3,538,048
Cash generated from (used in) operations		(3,278,954,614)	1,592,860,838	(668,891,555)
Cash paid for taxes		(270,264,085)	(300,933,097)	(252,045,906)
Net Cash From (Used in) Operating Activities		(3,549,218,699)	1,291,927,741	(920,937,461)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	11	(996,053,776)	(1,204,019,547)	(299,836,002)
Acquisitions of investment properties	13	(321,623,733)	(5,174,664,275)	(4,865,426,664)
Additional investments in associates	10	(21,500,000)	(8,000,000)	(25,310,918)
Interest received	23	13,874,699	14,664,879	6,528,935
Advances to related parties	26	(12,794,426)	(368,535)	(35,500,674)
Acquisitions of computer software	14	(1,914,986)	(3,064,323)	(10,242,943)
Proceeds from sale of property and equipment	11	563,795	1,043,039	75,961
Collections of advances to related parties	26	-	22,000,465	16,907
Net Cash Used in Investing Activities		(1,339,448,427)	(6,352,408,297)	(5,229,695,398)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of interest-bearing loans - net	34	12,943,572,215	11,749,374,715	14,448,015,997
Repayments of interest-bearing loans	34	(5,791,848,745)	(8,807,422,731)	(6,288,347,939)
Interest paid on interest-bearing loans	15	(2,543,426,951)	(1,907,051,243)	(1,387,522,892)
Additional investment from non-controlling shareholders	27	879,500,000	61,641,010	226,733,331
Cash dividends paid	27	(727,716,265)	(599,680,221)	(476,749,900)
Interest paid on bonds	16	(337,485,050)	(14,704,640)	-
Payment of lease liability	12	(54,646,634)	(17,574,742)	(57,537,727)
Proceeds from issuances of bonds - net	16	-	4,926,627,631	-
Proceeds from reissuance of treasury stock	27	-	8,008,623	-
Acquisition of treasury stock		-	-	(15,320,885)
Net Cash From Financing Activities		4,367,948,570	5,399,218,402	6,449,269,985
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(520,718,556)	338,737,846	298,637,126
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,434,559,762	1,095,821,916	797,184,790
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 913,841,206	P 1,434,559,762	P 1,095,821,916

Supplemental Information on Non-cash Activities is disclosed in Note 35.

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Cebu Landmasters, Inc. (the Parent Company or CLI) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 26, 2003. CLI is presently engaged in real estate-related activities, which include real estate development, sales, leasing and property management. The Parent Company's real estate portfolio include condominium and subdivision for residence, mixed-use properties, townships, hotels and resorts, offices, and co-living space.

The Parent Company is a subsidiary of A B Soberano Holdings Corp. (the Ultimate Parent Company or ABS). ABS is a holding company and is incorporated and domiciled in the Philippines. ABS is primarily and currently engaged in holding activities. The registered office and principal place of business of ABS is located at 2nd Street, Villa San Lorenzo, Quijada Street, Barangay Guadalupe, Cebu City.

On January 6, 2017, the Board of Directors (BOD) approved the Company's application for the registration of its common stocks with the SEC and application for the listing thereof in the Philippine Stock Exchange (PSE). The Company's shares were listed on the main board of the PSE on June 2, 2017 (see Note 27).

The registered office address of CLI, which is also its principal place of business, is located at 10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu I.T. Park, Brgy. Apas, Cebu City, Philippines.

1.2 Subsidiaries and Associates

CLI holds ownership interests in the following subsidiaries and associates:

Entities	Notes	Effective Percentage of Ownership	
		2023	2022
Subsidiaries			
CLI Premier Hotels Int'l. Inc. (CPH)	(a)	100%	100%
Cebu Landmasters Property Management, Inc. (CPM)	(b)	100%	100%
A.S. Fortuna Property Ventures, Inc. (ASF)	(c)	100%	100%
CLI Hotels and Resorts Inc. (CHR)	(d)	100%	100%
CLI-LITE Panglao Inc. (CLI-LITE)	(e)	88%	88%
Ming-mori Development Corporation (MDC)	(f)	78%	78%
Sugbo Prime Estate, Inc. (SPE)	(g)	64%	64%
BL CBP Ventures, Inc. (BL Ventures)	(h)	50%	50%
Yuson Excellence Soberano, Inc. (YES)	(i)	50%	50%
Yuson Huang Excellence Soberano, Inc. (YHES)	(j)	50%	50%
YHEST Realty and Development Corporation (YHEST)	(k)	50%	50%
CCLI Premier Hotels, Inc. (CCLI)	(l)	50%	50%

Forward

Entities	Notes	Effective Percentage of Ownership	
		2023	2022
Subsidiaries			
Cebu Homegrown Developers, Inc. (CHDI)	(m)	50%	50%
YHES Premier Hotels Inc. (YHESPH)*	(n)	50%	50%
Cebu BL-Ramos Ventures Inc. (CBLRV)	(o)	50%	50%
GGTT Realty Corporation (GGTT)	(p)	50%	50%
Mivesa Garden Residences, Inc. (MGR)	(q)	45%	45%
El Camino Developers Cebu, Inc. (El Camino)	(r)	35%	35%
Associates			
Iloilo Global City Corporation (IGCC)	(s)	43%	-
ICOM Air Corporation (ICOM)	(t)	33%	33%
Magspeak Nature Park, Inc. (Magspeak)	(u)	25%	25%

* YHESPH is a wholly owned subsidiary of YHES

CLI and its subsidiaries (collectively referred as “the Group”), and associates are all incorporated in the Philippines. The subsidiaries and associates, except CPH, CPM, CCLI, YHESPH and ICOM are in the same line of business with CLI. A brief description of these entities follows:

- (a) CPH was incorporated in 2016 as a wholly owned subsidiary of the CLI. CPH is engaged in the real estate and hotel management business, which started commercial operations on September 14, 2019. The principal place of business of CPH is located in Cebu City.
- (b) CPM was incorporated in 2017 as a wholly owned subsidiary of the CLI. CPM is engaged in the management of condominium corporations and housing associations affiliated with CLI. CPM has started commercial operations on September 1, 2017. The principal place of business of CPM is located in Cebu City.
- (c) ASF was incorporated in 2017 as a joint venture where CLI initially held 40% ownership interest. CLI acquired all the ownership interest of its business partners at the end of 2017 which made ASF its wholly owned subsidiary. The principal place of business of ASF is located in Cebu City.
- (d) CHR was incorporated on August 4, 2022 as a wholly-owned subsidiary of CLI and is engaged to run and manage the Group’s various hotel projects. Its principal place of business is located in Cebu City. As at December 31, 2023, CHR has yet to start commercial operations.
- (e) CLI-LITE was incorporated on July 19, 2021 as an undertaking by CLI and two other corporations for the development of a mixed-use project with residential condominiums and a possible hotel component in Panglao Island, Bohol. The principal place of business of CLI-LITE is located in Cebu City.
- (f) MDC was incorporated in 2013 as an undertaking between CLI and four other entities for the development of an economic business district. The principal place of business of MDC is located in Cebu City.

- (g) SPE was formed in 2019 as a one person corporation and was converted to an ordinary stock corporation after entering into a joint venture with CLI on March 4, 2021, for the development of a dormitory with retail and warehouse spaces. The principal place of business of SPE is located in Cebu City.
- (h) BL Ventures was formed by CLI and Borromeo Bros. Estate, Inc. (BBEI) to construct and operate Latitude Corporate Center. The principal place of business of BL Ventures is located in Cebu City.
- (i) YES was formed by CLI and Yuson Comm. Investments, Inc. to construct and operate Messatiera Garden Residences in Davao. The principal place of business of YES is located in Davao City.
- (j) YHES was incorporated in 2017 as an undertaking among CLI, Yuson Strategic Holdings, Inc., and Davao Filandia Realty Corp. for the development of mixed-used real estate project, the Paragon Davao. The principal place of business of YHES is located in Davao City.
- (k) YHEST was incorporated in 2018 as an undertaking among CLI and five corporations for the development of a central business district located at Matina, Davao. The principal place of business of YHEST is located in Davao City.
- (l) CCLI was incorporated in 2018 as an undertaking between CLI and Capitaine, Inc. for the development of Citadines hotel in Bacolod City. The principal place of business of CCLI is located in Bacolod City. As at December 31, 2023, CCLI has yet to start commercial operations.
- (m) CHDI is an undertaking between CLI and Aboitiz Land, Inc. and was incorporated on December 5, 2019. CHDI is engaged in the development of a high-rise mixed-use condominium complex in Mandaue City, Cebu, which commenced commercial operations in 2021. Its principal place of business is in Cebu City.
- (n) YHESPH was incorporated on October 28, 2019 as a wholly owned subsidiary of YHES that will engage in hotel business. Its ultimate parent is CLI, which owns 50% of YHES.
- (o) CBLRV, a new subsidiary in 2020, was incorporated on February 21, 2020 as an undertaking between CLI and BBEI and is engaged in the development of a mixed-use condominium tower in Cebu City. Its principal place of business also is located in Cebu City.
- (p) GGTT was incorporated on March 26, 2003 and is engaged to construct a residential condominium project in its principal place of business in Iloilo City.
- (q) MGR was incorporated in 2017 as an undertaking by CLI and three corporations for the construction of buildings 6 and 7 of the Mivesa Garden Residences condominium. The principal place of business of MGR is located in Cebu City.
- (r) El Camino was incorporated in 2016 as an undertaking between CLI and four other corporations for the development of 38 Park Avenue condominium project in Cebu City. The principal place of business of El Camino is located in Cebu City.
- (s) IGCC was incorporated in 2023 as an undertaking between CLI and two other corporations and is engaged in the development of a mixed-use condominium tower in Iloilo City. Its principal place of business also is located in Iloilo City.

- (t) ICOM was incorporated on December 7, 2020 as an undertaking of CLI and various individual stockholders and corporations to import aircraft(s) and to operate a transportation business in the Philippines. ICOM's principal place of business is in Iloilo City. As at December 31, 2023, ICOM has yet to start its commercial operations.
- (u) Magspeak was incorporated in 2011 as an undertaking among CLI and four other corporations for the development of a mountain resort to be located in Balamban, Cebu. The principal place of business of Magspeak is located in Cebu City.

1.3 Approval of Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2023 (including the comparative consolidated financial statements for the years ended December 31, 2022 and 2021), were authorized for issue by the BOD on April 10, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) *SEC Financial Reporting Reliefs Availed by the Group*

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

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

SEC MC No. 08-2021, Amendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 to clarify transitory provision, provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement. Discussed below and in the succeeding page are the financial reporting reliefs availed of by the Group, including the descriptions of the implementation issues and their qualitative impacts to the consolidated financial statements. The Group opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

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

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

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

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

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

Had the Group elected not to defer this provision of the standard, it would have an impact in the consolidated financial statement as there would have been a significant financing component when there is a difference between the percentage of completion (POC) of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The guidance should have been applied retrospectively and would have resulted in the restatement of prior year consolidated financial statements or applied using modified retrospective approach.

In the initial calculation of the Group, adoption of the deferred provisions of PFRS 15 and related issuances of the Philippine Interpretation Committee would have an impact on the following financial statement accounts as of and for the year ended December 31, 2023:

	Increase (Decrease)
Real estate sales	(P2,103,367,290)
Cost of real estate sales	(1,139,065,655)
Interest expense	1,602,455,786
Interest income	2,134,914,530
Provision for deferred income tax	50,067,140
Net profit	545,004,511
Real estate inventories	(1,422,007,090)
Deferred tax liability	(371,997,944)
Opening balance of retained earnings	1,249,000,523

Furthermore, these 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 decided to use full retrospective approach upon adoption.

(c) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents consolidated statement of comprehensive income separate from the consolidated statement of profit or loss.

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

(d) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the 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.

(e) *Reclassification of Accounts*

The Company reclassified certain deferred commissions as part of Prepayments and Other Current Assets to Other Non-current Assets account due to its expected recognition as expense in the succeeding years.

The effect of this reclassification in the consolidated financial statements as at December 31, 2022 and January 1, 2022 are summarized as follows:

(i) Consolidated statements of financial position

	As Previously Reported	Reclassification	As Restated
December 31, 2022			
<i>Changes in Assets</i>			
Prepayments and other current assets	P 4,964,507,403	(P 728,255,278)	P 4,236,252,125
Other non-current assets	<u>648,815,560</u>	<u>728,255,278</u>	<u>1,377,070,838</u>
		<u>P -</u>	
January 1, 2022			
<i>Changes in Assets</i>			
Prepayments and other current assets	P 4,737,412,289	(P 624,138,785)	P 4,113,273,504
Other non-current assets	<u>312,888,874</u>	<u>624,138,785</u>	<u>937,027,659</u>
		<u>P -</u>	

(ii) Consolidated statements of cash flows

	As Previously Reported	Reclassification	As Restated
December 31, 2022			
<i>Decrease (increase) in</i>			
Prepayments and other current assets	(P 102,926,831)	P 728,255,278	P 625,328,447
Other non-current assets	(<u>341,693,990</u>)	(<u>728,255,278</u>)	(<u>1,069,949,268</u>)
		<u>P -</u>	
January 1, 2022			
<i>Decrease (increase) in</i>			
Prepayments and other current assets	(P 1,529,208,933)	P 624,138,785	(P 905,070,148)
Other non-current assets	<u>50,242,017</u>	(<u>624,138,785</u>)	(<u>573,896,768</u>)
		<u>P -</u>	

The effect of the reclassification has no impact on the consolidated statements of profit or loss and consolidated statements of comprehensive income.

2.2 Adoption of Amended PFRS

(a) Effective in 2023 that are Relevant to the Group

The Group adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed below are the relevant information about these pronouncements.

- (i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy Information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Group's consolidated financial statements under Notes 2 and 3.

PAS 8 (Amendments), *Definition of Accounting Estimates*. The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Group's consolidated financial statements.

- (ii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities 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 judgment (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). Management assessed that the application of such amendments had no significant impact on the Group's consolidated financial statements.

(b) *Effective in 2023 that is not Relevant to the Group*

Among the amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, are not relevant to the Group's consolidated financial statements.

(c) *Effective Subsequent to 2023 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2024)
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)
- (iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)
- (iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company, and its subsidiaries, after the elimination of material intercompany transactions. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

Acquired subsidiaries are accounted for using the acquisition method of accounting.

Acquired investment in associate is subject to the purchase method.

2.4 Financial Instruments

(a) *Financial Assets*

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Group commits to purchase or sell the asset).

(i) *Classification, Measurement and Reclassification of Financial Assets*

The Group's financial assets are all categorized as financial assets at amortized cost.

(ii) *Impairment of Financial Assets*

The expected credit losses (ECL) on receivables and contract assets are estimated by a probability weighted estimate of credit losses over the expected life of the financial assets. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

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, except when there has been a significant increase in credit risk on the financial asset since initial recognition.

(b) Financial Liabilities

Financial liabilities include interest-bearing loans and borrowings, bonds payable, and trade and other payables [except government-related obligations, advance rental and output value-added tax (VAT).

2.5 Business Combinations

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition, except for lease liabilities which are measured based on the present value of the remaining lease payments as if the acquired lease were a new lease at acquisition date and right-of-use assets which are measured at an amount equal to the recognized lease liability, adjusted to reflect favorable or unfavorable lease terms compared with market terms. 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.

2.6 Real Estate Inventories

Costs of real estate inventories are assigned using specific identification of their individual costs.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined. Repossessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or Contract Asset to be recognized and the cost of the repossessed property is recognized in the consolidated statement of comprehensive income.

2.7 Property and Equipment

Property and equipment are carried at acquisition or construction cost less subsequent depreciation, amortization and any impairment losses.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets. The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

Buildings	20 years
Transportation equipment	5 years
Operating equipment	3-5 years
Furniture and fixtures	2-5 years

2.8 Investment Property

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Properties and carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subject to depreciation. Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives of the assets ranging from 20 to 50 years.

2.9 Revenue and Expense Recognition

Revenue comprises revenue from sale of real properties. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized.

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

- (a) *Real Estate Sales on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized is presented as part of Real Estate Sales in the consolidated statement of comprehensive income.
- (b) *Real Estate Sales on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer. Revenue recognized from real estate sales is presented as part of Real Estate Sales in the consolidated statement of comprehensive income.
- (c) *Rendering of management services* – Revenue from the rendering of management services is recognized over time as the services are provided to the client entities. The client entities are invoiced monthly as work progresses, which are also due upon receipt by them. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.
- (d) *Hotel operations* – Revenues 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 have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.

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

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

Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets [see Note 2.4(a)(ii)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position.

2.10 Leases

(a) The Group as Lessee

Subsequent to initial recognition, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term which is from two to five years for offices and 29 to 39 years for land.

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

(b) The Group as Lessor

The Group applies judgment in determining whether a lease contract is a finance or operating lease.

2.11 Employee Benefits

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

The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory, and administered by a trustee.

The defined benefit obligation (DBO) is calculated annually by an independent actuary using the projected unit credit method.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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, 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 Timing of Satisfaction of Performance Obligations

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

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

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

(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. The Group uses historical payment pattern of customers and number of sales cancellation in establishing a percentage of collection threshold over which the Group determines that collection of the transaction price is reasonably assured. 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. Management is confident that when the collections received from the buyers exceed a certain threshold, it would be unlikely for the buyer to default and therefore, cancel the contract. Accordingly, the Group will not recognize the whole contract and no revenue will be recognized when the collection threshold is not yet reached.

(d) *Assessment Involving Right of Return*

The Group's real estate sales under pre-completed contracts has variable consideration, which is the right of return when a buyer defaulted the equity payments. Moreover, RA No. 6552, *Realty Installment Buyer Act* or, which is popularly known in the Philippines as the *Maceda Law*, provides a statutory obligation to the Group to refund the buyer the cash surrender value of the collections received on the property equivalent to 50% of the total collected amount, and, after five years of installment payments, an additional 5% every year but not to exceed 90% of the total collections received.

(e) *Determination of ECL on Receivables and Contract Assets*

The Group uses the cumulative loss rate approach to calculate ECL for receivables and contract assets. 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.

Details about the ECL on the Group's trade and other receivables and contract assets are disclosed in Note 31.2.

(f) Distinction Between Investment Properties and Owner-managed Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the operations.

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

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each 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 properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Currently, its leases are all operating leases.

(h) Determination of Lease Term of Contracts with Renewal and Termination Options

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

For leases of land and office space, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

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

(i) Accounting for Equity Ownership Interest in Subsidiaries and Associates

In classifying its equity acquisitions as an investment in a subsidiary or associates, the Group evaluates whether control or significant influence exists. Control is present when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policy decisions.

The Parent Company was able to demonstrate control over the operations of CBLRV (since 2020), CHDI and YHESPH (since 2019), YHEST and CCLI (since 2018), MGR and YHES (since 2017), and BL Ventures, El Camino, and YES (since 2016), from the time of their incorporation, as indicated in Note 1.2. On June 22, 2021, CLI assumed control of MDC (see Note 10.1). It had been able to demonstrate control over the operations of the foregoing investees despite having 50% or less equity ownership interest in them by virtue of a formal agreement with the respective other shareholders of the investees and the Parent Company's actual role in the investees' operations. Accordingly, the said entities are accounted for as subsidiaries.

(j) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. The disclosures on relevant contingencies are presented in Note 29.

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) Revenue Recognition for Performance Obligations Satisfied Over Time

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance 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.

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

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

(c) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Management also applies judgment 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 31.2.

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

In determining the net realizable value of real estate inventories, management takes into account the most reliable evidence available at the dates the estimates are made. The future realization of the carrying amounts of real estate inventory as presented in Note 7, is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's real estate inventories within the next financial reporting period.

Considering the Group's pricing policy, the net realizable values of real estate inventories for sale are determined to be higher than their related costs.

(e) *Estimation of Useful Lives of Property and Equipment, Investment Properties and Right-of-use Assets*

The Group estimates the useful lives of property and equipment, investment properties and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, right-of use assets, and investment properties are analyzed in Notes 11, 12 and 13, respectively. Based on management's assessment as at December 31, 2023 and 2022, there is no change in estimated useful lives of these assets during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned.

(f) *Impairment of Non-financial Assets*

The Group's Investment Properties, Property and Equipment and other non-financial assets are subject to impairment testing.

In assessing impairment, 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.

Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated 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.

Management assessed that no impairment loss is required to be provided on its significant non-financial assets, particularly property and equipment, right-of-use assets and investment properties, as at December 31, 2023, 2022 and 2021.

(g) *Valuation of Post-employment Defined Benefit Obligation*

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

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit as well as the significant assumptions used in estimating such obligation are presented in Note 24.3.

(h) *Fair Value Measurement of Share Options*

The Group estimates the fair value of the share option by applying an option valuation model, taking into account the terms and conditions on which the share option was granted. The estimates and assumptions used are presented in Note 27.4, which include, among others, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Parent Company's share price. Changes in these factors can affect the fair value of share options at grant date.

Details of employee share option plan and the amount of fair value recognized is presented in Note 27.4.

(i) *Fair Value Measurement for Investment Properties*

Investment properties are measured using the cost model. The fair value of investment property held for capital appreciation and to earn rental income disclosed in the consolidated financial statements is determined by the Group based on the appraisal reports of a professional and independent appraiser.

The fair value is determined by reference to market-based evidence, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Such amount is influenced by different factors including the location and specific characteristics of the property, quantity of comparable properties in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets being disclosed.

The fair value the Group's investment properties as at December 31, 2023 and 2022 is disclosed in Notes 13 and 32.3(c).

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating segments are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's real estate segment covers the development and sale of residential and office units to individual and corporate buyers. The rental segment includes leasing of office and commercial spaces to corporate organizations. The management services segment focuses on the management of real estate projects and upkeep services to condominium corporations and housing associations. The hotel operations segment relates to the management of hotel business operations that caters hotel guest.

The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Reporting

In identifying its operating segments, management generally follows the Group's products and service lines, 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.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- expenses relating to share-based payments;
- research costs relating to new business activities; and,
- revenue, costs and fair value gains from investment property.

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

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

4.3 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, real estate inventories, property and equipment, and investment properties, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and segment liabilities do not include deferred taxes.

4.4 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation, if any.

4.5 Analysis of Segment Information

The following tables present revenue and profit information regarding industry segments for the years ended December 31, 2023, 2022 and 2021 and certain assets and liabilities information regarding segments as at December 31, 2023 and 2022:

	2023				
	Real Estate	Rental	Management Services	Hotel Operations	Total
REVENUES					
Sale to external customer	P 18,508,302,086	P 112,343,856	P 59,216,126	P 138,551,300	P 18,818,413,368
Intersegment sales	(250,714)	17,808,753	172,903,762	-	190,461,801
Total revenues	18,508,051,372	130,152,609	232,119,888	138,551,300	19,008,875,169
COSTS AND EXPENSES					
Costs of sales and services excluding depreciation and amortization	9,467,614,506	771,352	31,403,825	54,607,458	9,554,397,141
Operating expenses excluding depreciation and amortization	2,766,058,359	10,037,973	20,806,625	120,067,486	2,916,970,443
Depreciation and amortization	88,661,778	85,950,388	26,454	12,272,531	186,911,151
Impairment loss	-	-	-	432,794	432,794
Total costs and expenses	12,322,334,643	96,759,713	52,236,904	187,380,269	12,658,711,529
FINANCE COST (INCOME)					
Interest expense on:					
Loans	472,543,129	3,236,270	-	-	475,779,399
Bonds	66,856,868	-	-	-	66,856,868
Lease liabilities	-	66,164,355	-	14,002,943	80,167,298
Interest income on banks	(13,466,493)	(95,293)	(3,790)	(309,123)	(13,874,699)
Total finance cost (income)	525,933,504	69,305,332	(3,790)	13,693,820	608,928,866
SEGMENT PROFIT (LOSS) BEFORE TAX	P 5,659,783,225	(P 35,912,436)	P 179,886,774	(P 62,522,789)	P 5,741,234,774
ASSETS AND LIABILITIES					
Segment assets	P 92,032,772,207	P 18,083,475,472	P 124,577,602	P 2,207,726,408	P 112,448,551,689
Segment liabilities	71,364,917,731	60,997,437	102,698,177	1,665,906,004	73,194,519,349

	2022				
	Real Estate	Rental	Management Services	Hotel Operations	Total
REVENUES					
Sale to external customer	P 15,439,136,362	P 79,277,559	P 55,465,803	P 83,418,279	P 15,657,298,003
Intersegment sales	4,451,344	6,553,177	144,248,732	-	155,253,253
Total revenues	15,443,587,706	85,830,736	199,714,535	83,418,279	15,812,551,256
COSTS AND EXPENSES					
Costs of sales and services excluding depreciation and amortization	8,226,034,323	-	24,274,537	32,688,802	8,282,997,662
Operating expenses excluding depreciation and amortization	2,210,563,101	9,081,245	2,803,398	60,496,434	2,282,944,178
Depreciation and amortization	73,939,300	84,637,886	46,111	12,003,365	170,626,662
Impairment loss	-	-	1,208,773	646,782	1,855,555
Total costs and expenses	10,510,536,724	93,719,131	28,332,819	105,835,383	10,738,424,057
FINANCE COST (INCOME)					
Interest expense on:					
Loans	258,010,575	1,963,756	-	-	259,974,331
Bonds	15,444,620	-	-	-	15,444,620
Lease liabilities	75,629,879	-	-	-	75,629,879
Interest income on banks	(14,568,391)	(107,185)	(10,166)	(133,624)	(14,819,366)
Total finance cost (income)	334,516,683	1,856,571	(10,166)	(133,624)	336,229,464
SEGMENT PROFIT (LOSS) BEFORE TAX	P 4,598,534,299	(P 9,744,966)	P 171,391,882	(P 22,283,480)	P 4,737,897,735
ASSETS AND LIABILITIES					
Segment assets	P 73,165,463,251	P 17,680,288,533	P 101,569,240	P 2,323,842,175	P 93,271,163,200
Segment liabilities	60,403,425,069	44,140,094	98,345,315	2,025,168,139	62,571,078,617

	2021				
	Real Estate	Rental	Management Services	Hotel Operations	Total
REVENUES					
Sale to external customer	P 10,996,247,695	P 74,271,999	P 42,967,413	P 48,683,577	P 11,162,170,684
Intersegment sales	(83,694,730)	2,607,317	112,754,994	-	31,667,581
Total revenues	<u>10,912,552,965</u>	<u>76,879,316</u>	<u>155,722,407</u>	<u>48,683,577</u>	<u>11,193,838,265</u>
COSTS AND EXPENSES					
Costs of sales and services excluding depreciation and amortization	5,834,729,247	63,259	18,740,197	20,693,997	5,874,226,700
Operating expenses excluding depreciation and amortization	1,926,845,038	7,813,579	3,253,570	48,400,793	1,986,312,980
Depreciation and amortization	<u>79,388,040</u>	<u>42,410,823</u>	<u>-</u>	<u>-</u>	<u>121,798,863</u>
Total costs and expenses	<u>7,840,962,325</u>	<u>50,287,661</u>	<u>21,993,767</u>	<u>69,094,790</u>	<u>7,982,338,543</u>
FINANCE COST (INCOME)					
Interest expense on:					
Loans	206,602,933	1,576,018	656,253	-	208,835,204
Lease liabilities	67,139,552	-	-	-	67,139,552
Interest income on banks	(5,992,874)	(49,612)	(20,658)	(155,633)	(6,218,777)
Total finance cost (income)	<u>267,749,611</u>	<u>1,526,406</u>	<u>635,595</u>	<u>(155,633)</u>	<u>269,755,979</u>
SEGMENT PROFIT (LOSS) BEFORE TAX	<u>P 2,803,841,029</u>	<u>P 25,065,249</u>	<u>P 133,093,045</u>	<u>(P 20,255,580)</u>	<u>P 2,941,743,743</u>
ASSETS AND LIABILITIES					
Segment assets	P 59,241,930,021	P 13,257,992,141	P 47,761,136	P 668,752,885	P 73,216,436,183
Segment liabilities	47,210,106,719	36,400,266	8,264,159	476,195,105	47,730,966,249

The real estate segment is further analyzed based on their geographical location as shown in Note 18.1. Both rental and management services segments are located in Cebu City.

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented.

4.6 Reconciliation

Following is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2023	2022	2021
Revenues			
Total segment revenues	P 19,008,875,169	P 15,812,551,256	P 11,193,838,265
Elimination of intersegment revenues	(190,461,801)	(155,253,253)	(31,667,581)
Revenues as reported in profit or loss	<u>P 18,818,413,368</u>	<u>P 15,657,298,003</u>	<u>P 11,162,170,684</u>
Profit or loss			
Segment profit before tax	P 5,741,234,776	P 4,737,897,735	P 2,941,743,743
Adjustments for intersegment accounts	63,559,934	(155,253,253)	41,419,431
Other operating income	410,779,779	202,542,753	257,229,190
Share in net loss in associates	(12,570,144)	(9,505,354)	(4,229,178)
Other losses - net	(3,809,681)	(8,077,498)	(132,572,525)
Profit before tax as reported in profit or loss	<u>P 6,199,194,664</u>	<u>P 4,767,604,383</u>	<u>P 3,103,590,661</u>

Forward

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Segment assets and total assets reported in statements of financial position	P112,448,551,689	P 93,271,163,200	P 73,216,436,183
Elimination of intercompany accounts	(<u>10,362,262,775</u>)	(<u>8,226,294,176</u>)	(<u>6,564,330,750</u>)
Total assets as reported in the consolidated statements of financial position	<u>P102,086,288,914</u>	<u>P 85,044,869,024</u>	<u>P 66,652,105,433</u>
Liabilities			
Segment liabilities	P 73,194,519,349	P 62,571,078,617	P 47,730,966,249
Deferred tax liabilities	4,317,848,473	3,031,961,340	2,050,626,485
Elimination of intercompany accounts	(<u>1,222,835,444</u>)	(<u>1,570,785,826</u>)	(<u>1,061,668,825</u>)
Total liabilities as reported in the consolidated statements of financial position	<u>P 76,289,532,378</u>	<u>P 64,032,254,131</u>	<u>P 48,719,923,909</u>

5. CASH AND CASH EQUIVALENTS

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

	<u>2023</u>	<u>2022</u>
Cash on hand	P 4,365,735	P 3,024,222
Cash in banks	864,263,028	1,322,678,049
Short-term placements	<u>45,212,443</u>	<u>108,857,491</u>
	<u>P 913,841,206</u>	<u>P 1,434,559,762</u>

Cash in banks (savings and demand deposits) generally earn interest based on daily bank deposit rates. Short-term placements are made for varying period from 35 to 60 days and earn effective interest ranging from 3% to 3.5% per annum in 2023, ranging from 0.75% to 4.25% per annum in 2022, and ranging from 0.75% to 1.90% per annum in 2021.

Interest income earned from cash and cash equivalents are presented as part of Finance Income in the consolidated statements of profit or loss (see Note 23).

6. RECEIVABLES

This account includes the following:

	Notes	2023	2022
Contract receivables:			
Third parties		P 1,548,388,979	P 2,900,433,836
Related parties	26.2, 26.3	685,584	129,796,291
Retention receivable		132,973,570	113,229,317
Management fee receivable		111,340,567	102,357,085
Receivable from contractors and suppliers		156,616,742	41,212,041
Receivable from insurance		77,373,832	144,893,228
Rent receivable		71,548,690	53,640,904
Advances to officers and employees		37,927,664	21,014,700
Receivable from hotel operations customers		8,510,578	2,621,371
Other receivables		106,109,124	170,886,446
		2,251,475,330	3,680,085,219
Allowance for impairment	31.2(c)	(2,242,262)	(1,809,469)
		<u>P 2,249,233,068</u>	<u>P 3,678,275,750</u>

Receivables are presented in the consolidated statements of financial position as follows:

	2023	2022
Current	P 2,093,139,231	P 3,571,775,532
Non-current	<u>156,093,837</u>	<u>106,500,218</u>
	<u>P 2,249,233,068</u>	<u>P 3,678,275,750</u>

Buyers of real estate properties are given two to four years to complete the equity amortization, which ranges from 10% to 30% of the contract price of the real estate being purchased. Contract receivables, which are all covered by postdated checks, are only recognized when the collection of total transaction price is reasonably assured and the corresponding revenue is recognized. Generally, full payment by buyers of their equity amortization is followed by full settlement by the buyer's chosen financing institution of the buyer's account within 12 months. Title to real estate properties are transferred to the buyers once full payment has been made. Hence, contract receivables are fully secured by the real properties acquired by buyers.

Long-term contract receivables, which are noninterest-bearing, are receivables from buyers whose equity payments are expected to be fully paid after 12 months following the end of the reporting period. These are measured at amortized cost, which is determined by discounting future cash flows using the applicable rates of similar types of instruments. The aggregate unamortized discount on noninterest-bearing contract receivables amounts to P5,309,083 and P1,557,409 as at December 31, 2023 and 2022, respectively.

The Parent Company has day-one loss on noninterest-bearing contract receivables, net of amortization of day one loss, amounting to P3,751,672 and P257,332, and is presented as part of Finance Costs in the 2023 and 2022 consolidated statements of profit or loss, respectively (see Note 22). The amortization of day-one loss of noninterest-bearing contract receivables is presented as part of Finance Income in the consolidated statements of profit or loss (see Note 23).

Receivable from insurance pertains to outstanding claims filed with various insurance companies in relation to damages incurred to the insured properties of the Group.

Retention receivable represents 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.

Advances to officers and employees are composed of advances intended for the Group's operations and are subject to liquidation.

The Group assesses an ECL when the receivables from contract with customers and other counterparties are initially recognized and updates the assessment at each reporting date based on the analysis determined by management. A reconciliation of the allowance for impairment at the beginning and end of 2023 and 2022 is shown below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 1,809,469	P 600,695
Impairment losses	432,794	1,855,555
Write off	<u>-</u>	(<u>646,781</u>)
Balance at end of year	<u>P 2,242,262</u>	<u>P 1,809,469</u>

7. REAL ESTATE INVENTORIES

This account includes the following inventories, which are all at cost.

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Subdivision units	P	470,257,538	P 723,515,775
Condominium units		<u>400,467,121</u>	<u>442,847,171</u>
		<u>870,724,659</u>	<u>1,166,362,946</u>
Construction-in-progress (CIP):			
Condominium building costs		11,216,886,132	3,538,686,897
Housing costs		4,200,650,987	1,330,557,606
Land development costs		<u>1,627,403,713</u>	<u>9,090,488,250</u>
		<u>17,044,940,832</u>	<u>13,959,732,753</u>
Raw land inventory	8	<u>777,830,755</u>	<u>3,183,113,282</u>
		<u>P18,693,496,246</u>	<u>P18,309,208,981</u>

An analysis of the cost of real estate inventory included in cost of sales is presented in Note 19.

Land development costs pertain to the cost of land acquisition, and site development costs of horizontal projects and other future site projects of the Group.

Condominium building costs consist of the cost of land and the cost to construct the units of the vertical projects of the Group. Housing costs pertain to the cost of house construction for the horizontal projects of the Group.

Raw land inventory consists of parcels of land owned by the Group in various locations. These are expected to be developed into saleable condominium or subdivision units.

In 2023, the Group reclassified deposits on land for future development to raw land inventory, i.e., applied as part of the payment for the land acquisitions that were consummated during the reporting period (see Note 8). There was no similar transaction in 2022.

Borrowing costs that are capitalized as part of real estate inventory amounted to P1,668,971,527 and P1,177,920,349 in 2023 and 2022, respectively, which represents the interest incurred on loans and corporate notes obtained to fund the construction projects (see Note 15). The capitalization rate used for the borrowings ranges from 5% to 9.25% and 4% to 8% in 2023 and 2022, respectively.

In 2023 and 2022, the Group reclassified certain investment properties to real estate inventories (see Note 13). In 2023, the Group reclassified certain real estate inventories to property and equipment, there was no similar transaction in 2022 (see Note 11).

As at December 31, 2023 and 2022, real estate inventories totaling to P7,794,550,414 and P8,128,280,586, respectively, are used as collateral for certain interest-bearing loans and borrowings of the Parent Company (see Note 15.1).

8. DEPOSITS ON LAND FOR FUTURE DEVELOPMENT

Deposits on land for future development pertains to advance payments for acquisitions of certain parcels of land which are intended for future development into saleable real estate projects. A reconciliation of the deposits on land for future development is presented below.

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Balance at beginning of year		P 129,996,729	P -
Additions		349,502,459	129,996,729
Transferred to raw land inventory	7	(464,499,188)	-
Balance at end of year		<u>P 15,000,000</u>	<u>P 129,996,729</u>

The deposits on land for future development is presented as current assets in the consolidated statements of financial position.

9. PREPAYMENTS AND OTHER CURRENT ASSETS

This account includes the following:

	<u>2023</u>	2022 (As restated - see Note 2)
Advances to subcontractors	P1,979,370,709	P 1,555,905,543
Input VAT and deferred input VAT	1,555,489,960	1,401,290,754
Deferred commissions	1,645,513,898	483,984,105
Advances to suppliers	537,191,493	248,056,728
Prepaid taxes	454,631,300	298,208,444
Short-term investments	200,838,362	204,836,249
Prepaid expenses	51,509,612	34,567,894
Others	<u>9,621,327</u>	<u>9,402,408</u>
	<u>P6,434,166,661</u>	<u>P 4,236,252,125</u>

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses for on-going construction of subdivision and condominium units for sale. These are applied against the progress billings of subcontractors.

Deferred commissions pertain to sales commissions incurred and capitalized by the Group upon execution of contracts to sell real properties to customers. These are amortized over the expected construction period on the same basis as how the Group measures progress towards complete satisfaction of its performance obligation in its contracts. In 2023, 2022 and 2021, the Group expensed deferred commissions based on the POC of its related real estate project and is presented as Commissions under Operating Expenses in the consolidated statements of profit or loss (see Note 20).

Short-term investments pertain to escrow funds that are required to be set up in relation to the Group's compliance with the regulatory requirements for issuance of license to sell, and are restricted for use in the Group's operations. The escrow funds is significantly comprised of investments in treasury bills with maturity dates of up to 12 months, earning effective interest ranging from 3.5% to 6.5% and 0.75% to 4.25% per annum in 2023 and 2022, respectively.

Prepaid expenses include advance payment for insurance and rent.

10. INVESTMENTS IN ASSOCIATES

10.1 Breakdown of Carrying Amounts

A reconciliation of the carrying amounts of investments in associates at the beginning and end of 2023 and 2022 is shown below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 133,559,576	P 135,064,930
Share in net loss during the year	(12,570,144)	(9,505,354)
Additional investments	<u>21,500,000</u>	<u>8,000,000</u>
Balance at end of year	<u>P 142,489,432</u>	<u>P 133,559,576</u>

An analysis of the carrying amount of the Parent Company's investments in associates as at December 31, 2023 and 2022 is shown below.

	<u>IGCC</u>	<u>Magspeak</u>	<u>ICOM</u>	<u>Total</u>
December 31, 2023				
Cost				
Balance at beginning of year	P -	P 25,735,096	P 122,300,934	P 148,036,030
Additional investments	<u>8,500,000</u>	<u>5,000,000</u>	<u>8,000,000</u>	<u>21,500,000</u>
Balance at end of year	<u>8,500,000</u>	<u>30,735,096</u>	<u>130,300,934</u>	<u>169,536,030</u>
Accumulated equity in net losses				
Balance at beginning of year	-	(2,838,295)	(11,638,159)	(14,476,454)
Equity in net losses during the year	<u>-</u>	<u>(982,394)</u>	<u>(11,587,750)</u>	<u>(12,570,144)</u>
Balance at end of year	<u>-</u>	<u>(3,820,689)</u>	<u>(23,225,909)</u>	<u>(27,046,598)</u>
Carrying Amount	<u>P 8,500,000</u>	<u>P 26,914,407</u>	<u>P 107,075,025</u>	<u>P 142,489,432</u>
December 31, 2022				
Cost				
Balance at beginning of year	P 25,735,096	P 114,300,934	P 140,036,030	P 140,036,030
Additional investments	<u>-</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>
Balance at end of year	<u>25,735,096</u>	<u>122,300,934</u>	<u>148,036,030</u>	<u>148,036,030</u>
Accumulated equity in net losses				
Balance at beginning of year	(1,487,450)	(3,483,650)	(4,971,100)	(4,971,100)
Equity in net losses during the year	<u>(1,350,845)</u>	<u>(8,154,509)</u>	<u>(9,505,354)</u>	<u>(9,505,354)</u>
Balance at end of year	<u>(2,838,295)</u>	<u>(11,638,159)</u>	<u>(14,476,454)</u>	<u>(14,476,454)</u>
Carrying Amount	<u>P 22,896,801</u>	<u>P 110,662,775</u>	<u>P 133,559,576</u>	<u>P 133,559,576</u>

On June 22, 2021, CLI assumed control of the MDC by acquiring additional common shares of MDC from nine other stockholders and became its parent Company. Upon acquisition, CLI remeasured its investment in an associate to its acquisition-date fair value and recognized a Gain on remeasurement of investments in associates presented under Other Operating Income in the 2021 consolidated statement of profit or loss (see Note 21.1).

The total revenues and net losses of MDC included in the 2021 consolidated statement of comprehensive income since acquisition date are nil and P2,330,126, respectively. Had the acquisition occurred at the beginning of the year, the total revenues and net losses of MDC to be included in the 2021 consolidated statement of comprehensive income are nil and P3,274,357, respectively.

10.2 Summarized Financial Information

The aggregated amounts of assets, liabilities and equity are as follows:

		<u>Current Assets</u>	<u>Non-current Assets</u>	<u>Current Liabilities</u>	<u>Non-current Liabilities</u>	<u>Equity</u>
December 31, 2023						
Magspeak	P	18,071,989	P 86,274,189	P 2,287,827	P 1,830,565	P 100,227,786
ICOM		33,763,138	292,523,319	3,138,099	87,942,100	235,206,258
IGCC		<u>8,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,500,000</u>
		<u>P 60,335,127</u>	<u>P 378,797,508</u>	<u>P 5,425,926</u>	<u>P 89,772,665</u>	<u>P 343,934,044</u>
December 31, 2022						
Magspeak	P	18,071,989	P 86,274,189	P 2,287,827	P 1,830,565	P 100,227,786
ICOM		<u>30,759,869</u>	<u>300,684,537</u>	<u>1,379,372</u>	<u>39,000,000</u>	<u>291,065,034</u>
		<u>P 48,831,858</u>	<u>P 386,958,726</u>	<u>P 3,667,199</u>	<u>P 40,830,565</u>	<u>P 391,292,820</u>

The aggregated amounts of revenues, net loss, other comprehensive loss of the associates are as follows:

		<u>Revenues</u>	<u>Net Loss</u>	<u>Other Comprehensive Income</u>	<u>Total Comprehensive Loss</u>
2023					
Magspeak	P	-	(P 3,929,611)	P -	(P 3,929,611)
ICOM		<u>12,452,209</u>	<u>(32,839,961)</u>	<u>-</u>	<u>(32,839,961)</u>
IGCC		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2022					
Magspeak	P	-	(P 4,934,527)	P -	(P 4,934,527)
ICOM		<u>14,448,415</u>	<u>(24,360,430)</u>	<u>-</u>	<u>(24,360,430)</u>
2021					
Magspeak	P	-	(P 2,551,014)	P -	(P 2,551,014)
ICOM		<u>8,312,631</u>	<u>(10,310,845)</u>	<u>-</u>	<u>(10,310,845)</u>

The reconciliation of the summarized financial information to the carrying amount of the interest in associates are as follows:

	<u>Magspeak</u>	<u>ICOM</u>	<u>IGCC</u>	<u>Total</u>
2023				
Net assets at end of year	P 100,227,786	P 235,206,258	P 8,500,000	
Proportion of equity interest by the Parent Company	<u>25%</u>	<u>33%</u>	<u>43%</u>	
Parent Company's share in the net assets of associates	25,056,947	77,618,065	3,655,000	
Other stockholders' unpaid subscription	<u>1,857,460</u>	<u>29,456,960</u>	<u>4,845,000</u>	
Carrying amount of investment	<u>P 26,914,407</u>	<u>P 107,075,025</u>	<u>P 8,500,000</u>	<u>P 142,489,432</u>
		<u>Magspeak</u>	<u>ICOM</u>	<u>Total</u>
2022				
Net assets at end of year		P 94,157,786	P 291,065,034	
Proportion of equity interest by the Parent Company		<u>25%</u>	<u>33%</u>	
Parent Company's share in the net assets of associates		23,539,447	96,051,461	
Other stockholders' unpaid subscription		<u>(642,548)</u>	<u>14,611,314</u>	
Carrying amount of investment		<u>P 22,896,899</u>	<u>P 110,662,775</u>	<u>P 133,559,674</u>

The shares in net losses of associates totaling P12,570,149, P9,505,354, and P4,229,178 were recognized in 2023, 2022 and 2021, respectively, in the consolidated statements of profit or loss.

There were no dividends received from the Group's associates in 2023, 2022 and 2021.

11. PROPERTY AND EQUIPMENT

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

	Land	Building and Parking Units	Operating Equipment	Transportation Equipment	Furniture and Fixture	Leasehold Improvements	Construction in Progress	Total
December 31, 2023								
Cost	P 359,058,133	P 512,706,244	P 125,131,130	P 60,827,521	P 50,499,782	P 14,587,797	P 6,420,474,335	P 7,543,284,942
Accumulated depreciation and amortization	-	(142,131,917)	(69,747,528)	(47,766,743)	(33,152,170)	(8,590,912)	-	(301,389,270)
Net carrying amount	P 359,058,133	P 370,574,327	P 55,383,602	P 13,060,778	P 17,347,612	P 5,996,885	P 6,420,474,335	P 7,241,895,672
December 31, 2022								
Cost	P 359,058,133	P 401,375,877	P 111,382,859	P 57,015,172	P 40,459,135	P 14,547,842	P 4,077,078,853	P 5,060,917,871
Accumulated depreciation and amortization	-	(117,269,272)	(53,078,326)	(42,285,966)	(27,932,433)	(6,619,424)	-	(247,185,421)
Net carrying amount	P 359,058,133	P 284,106,605	P 58,304,533	P 14,729,206	P 12,526,702	P 7,928,418	P 4,077,078,853	P 4,813,732,450
December 31, 2021								
Cost	P 140,896,820	P 313,420,883	P 91,775,926	P 59,603,223	P 36,731,888	P 12,514,727	P 471,807,019	P 1,126,750,486
Accumulated depreciation and amortization	-	(102,246,056)	(40,841,416)	(39,453,413)	(23,778,921)	(4,758,977)	-	(211,078,783)
Net carrying amount	P 140,896,820	P 211,174,827	P 50,934,510	P 20,149,810	P 12,952,967	P 7,755,750	P 471,807,019	P 915,671,703

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2023, 2022 and 2021 is as follows:

	Land	Building and Parking Units	Office Equipment	Transportation Equipment	Furniture and Fixture	Leasehold Improvements	Construction in Progress	Total
Balance at January 1, 2023 net of accumulated depreciation and amortization	P 359,058,133	P 284,106,605	P 58,304,533	P 14,729,206	P 12,526,702	P 7,928,418	P 4,077,078,853	P 4,813,732,450
Additions	-	97,747,164	13,857,110	4,359,670	10,040,647	39,955	2,343,395,482	2,469,440,028
Reclassifications	-	13,583,203	-	-	-	-	-	13,583,203
Disposals	-	-	(33,884)	(547,321)	-	-	-	(581,205)
Depreciation and amortization for the year	-	(24,862,645)	(16,744,157)	(5,480,777)	(5,219,737)	(1,971,488)	-	(54,278,804)
Balance at December 31, 2023 net of accumulated depreciation and amortization	P 359,058,133	P 370,574,327	P 55,383,602	P 13,060,778	P 17,347,612	P 5,996,885	P 6,420,474,335	P 7,241,895,672
Balance at January 1, 2022 net of accumulated depreciation and amortization	P 140,896,820	P 211,174,827	P 50,934,510	P 20,149,810	P 12,952,967	P 7,755,750	P 471,807,019	P 915,671,703
Additions	218,161,313	55,888,147	19,701,024	1,604,275	3,727,247	2,033,115	2,336,303,706	2,637,418,827
Disposals	-	-	(56,627)	(858,046)	-	-	-	(914,673)
Reclassification	-	32,066,847	-	-	-	-	1,268,968,128	1,301,034,975
Depreciation and amortization for the year	-	(15,023,216)	(12,274,374)	(6,166,833)	(4,153,512)	(1,860,447)	-	(39,478,382)
Balance at December 31, 2022 net of accumulated depreciation and amortization	P 359,058,133	P 284,106,605	P 58,304,533	P 14,729,206	P 12,526,702	P 7,928,418	P 4,077,078,853	P 4,813,732,450
Balance at January 1, 2021 net of accumulated depreciation and amortization	P 140,896,820	P 170,588,299	P 39,392,002	P 12,602,929	P 8,936,688	P 1,130,735	P 269,748,169	P 643,387,606
Additions	-	11,827,275	21,178,971	13,413,303	8,401,409	7,929,190	237,085,854	299,836,002
Disposals	-	-	(23,178)	-	(69,360)	-	-	(92,538)
Reclassification	-	43,004,043	-	-	-	-	(35,027,004)	7,977,039
Depreciation and amortization for the year	-	(14,244,790)	(9,613,285)	(5,866,422)	(4,315,770)	(1,304,175)	-	(35,344,442)
Balance at December 31, 2021 net of accumulated depreciation and amortization	P 140,896,820	P 211,174,827	P 50,934,510	P 20,149,810	P 12,952,967	P 7,755,750	P 471,807,019	P 915,671,703

Depreciation and amortization expense on property and equipment is presented as part of Operating Expenses in the consolidated statements of profit or loss (see Note 20).

In 2023, the Group reclassified real estate inventory and investment property with carrying amount of P13,080,557 and P502,646, respectively, to Building as these properties will be used for administrative purposes.

In 2022, the Group reclassified construction in progress under Investment Properties with an aggregate carrying amount of P1,301,034,975 to Property and Equipment (see Note 13). Additionally, construction in progress with an aggregate carrying amount of P32,066,847 was reclassified to Building for office renovations completed during the year.

In 2021, the Group reclassified certain retail buildings previously presented as Investment Properties with an aggregate amount of P7,977,039 to Property and Equipment (see Note 13) because CLI used these units as one of its offices.

Borrowing costs that are capitalized as part of property and equipment amounted to P572,141,966 and P441,588,741 in 2023 and 2022, respectively, which represents the allocated costs incurred on loans and corporate notes obtained to fund the construction projects (see Note 15). The capitalization rate used for the borrowings ranges from 5% to 9.25% and from 4% to 8% in 2023 and 2022, respectively.

Certain land, building, office equipment, furniture and fixtures and construction in progress with an aggregate carrying amount of P6,404,580,614 and P4,353,935,990 as at December 31, 2023 and 2022, respectively, are used as collateral for certain interest-bearing loans of the Group (see Note 15.1).

As at December 31, 2023 and 2022, the cost of the Group's fully-depreciated property and equipment that are still used in operations amounted to P119,631,379 and P103,615,868, respectively.

12. LEASES

The Group entered into lease contracts, as lessee, for leases of land and office spaces. With the exception of short-term leases and leases of low-value underlying assets, each lease is presented in the consolidated statements of financial position as Right-of-use Assets and the corresponding obligation, as Lease Liabilities. Variable lease payments, which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublease the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term.

Under the lease contracts, the Group is prohibited from selling or pledging the underlying leased assets as security. For the lease of an office space, the Group must keep the related property in a good state of repair and return the property in good state at the end of the lease. For the lease on the land, the Group must insure all the improvements made on the property.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the 2023 and 2022 consolidated statement of financial position.

	<u>Number of right-of-use assets leased</u>	<u>Lease term</u>	<u>Number of leases with extension option</u>	<u>Number of leases with purchase option</u>	<u>Number of leases with termination option</u>
December 31, 2023					
Land	4	21 to 39 years	-	-	-
Office space	2	2 to 4 years	1	-	1
December 31, 2022					
Land	4	25 to 42 years	-	-	-
Office space	2	4 to 5 years	1	-	1

12.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets as at December 31, 2023 and 2022 and the movements during the year are shown as follows:

	<u>Land</u>	<u>Office Space</u>	<u>Total</u>
December 31, 2023			
Cost			
Balance at beginning of year	P 1,262,756,727	P 15,877,921	P 1,278,634,648
Amendment of lease contract	<u>275,906</u>	<u>-</u>	<u>275,906</u>
Balance at end of year	<u>1,263,032,633</u>	<u>15,877,921</u>	<u>1,278,910,554</u>
Accumulated amortization			
Balance at beginning of year	102,160,939	8,424,304	110,585,243
Amortization for the year	<u>35,367,425</u>	<u>3,352,479</u>	<u>38,719,904</u>
Balance at end of year	<u>137,528,364</u>	<u>11,776,783</u>	<u>149,305,147</u>
Carrying amount at December 31, 2023	<u>P1,125,504,269</u>	<u>P 4,101,138</u>	<u>P1,129,605,407</u>
December 31, 2022			
Cost			
Balance at beginning of year	P 1,209,882,682	P 15,877,921	P 1,225,760,603
Additions	<u>52,874,045</u>	<u>-</u>	<u>52,874,045</u>
Balance at end of year	<u>1,262,756,727</u>	<u>15,877,921</u>	<u>1,278,634,648</u>
Accumulated amortization			
Balance at beginning of year	67,834,649	5,071,827	72,906,476
Amortization for the year	<u>34,326,290</u>	<u>3,352,477</u>	<u>37,678,767</u>
Balance at end of year	<u>102,160,939</u>	<u>8,424,304</u>	<u>110,585,243</u>
Carrying amount at December 31, 2022	<u>P1,160,595,788</u>	<u>P 7,453,617</u>	<u>P1,168,049,405</u>

There are no additional right-of-use asset in 2023. The additional right-of-use asset in 2022 pertains to a 30-year lease contract for a parcel of land intended for the development of a commercial complex.

12.2 Lease Liabilities

Lease liabilities presented in the consolidated statements of financial position as follows:

	<u>2023</u>	<u>2022</u>
Current	P 55,717,884	P 54,145,058
Non-current	<u>1,207,138,171</u>	<u>1,182,914,425</u>
	<u>P1,262,856,055</u>	<u>P1,237,059,483</u>

The Group is fully liable for the rentals on the remaining term of the lease of office space, including any interest, penalties, utility charges and damages for termination prior to expiration of the contract. The contracts of lease on land does not provide for any future lease termination and extension options.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities are as follows:

	<u>2023</u>	<u>2022</u>
Gross payments		
Within one year	P 55,717,884	P 54,145,058
From one to two years	57,294,654	55,823,190
From two to three years	70,139,485	57,377,309
From three to four years	72,023,308	70,139,485
From four to five years	74,496,654	72,023,307
More than five years	<u>3,548,425,975</u>	<u>3,622,922,628</u>
	3,878,097,960	3,932,430,977
Total discount	(2,615,241,905)	(2,695,371,494)
Net present value	<u>P 1,262,856,055</u>	<u>P 1,237,059,483</u>

12.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. The expense relating to short-term leases and low-value assets is presented as Rent under Operating Expenses in the consolidated statements of profit or loss (see Note 20).

12.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P54,646,634, P17,574,742 And P57,537,727 in 2023, 2022 and 2021, respectively. The interest expense in relation to the lease liabilities are presented as part of Interest expense on lease liabilities under Finance Costs in the consolidated statement of profit or loss (see Note 22).

13. INVESTMENT PROPERTIES

The Group's investment properties include parcels of land held for development of properties, condominium units and retail building for lease. The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2023 and 2022 are shown below.

	Retail Building	Condominium Units	Parking Units	Land	Construction in Progress	Total
December 31, 2023						
Costs	P 1,353,024,478	P 912,472,958	P 121,565,022	P 2,682,185,384	P 13,589,390,602	P 18,658,638,444
Accumulated depreciation	(147,637,420)	(157,211,650)	(19,774,721)	-	-	(324,623,791)
Carrying amount	<u>P 1,205,387,058</u>	<u>P 755,261,308</u>	<u>P 101,790,301</u>	<u>P 2,682,185,384</u>	<u>P 13,589,390,602</u>	<u>P 18,334,014,653</u>
December 31, 2022						
Costs	P 1,312,033,280	P 910,086,051	P 122,067,668	P 2,682,185,384	P 12,961,598,553	P 17,987,970,936
Accumulated depreciation	(98,114,489)	(126,885,260)	(13,673,654)	-	-	(238,673,403)
Carrying amount	<u>P 1,213,918,791</u>	<u>P 783,200,791</u>	<u>P 108,394,014</u>	<u>P 2,682,185,384</u>	<u>P 12,961,598,553</u>	<u>P 17,749,297,533</u>
December 31, 2021						
Costs	P 776,845,974	P 828,036,331	P 33,036,981	P 5,449,949,151	P 6,306,290,741	P 13,394,159,178
Accumulated depreciation	(49,310,883)	(97,154,410)	(7,570,223)	-	-	(154,035,516)
Carrying amount	<u>P 727,535,091</u>	<u>P 730,881,921</u>	<u>P 25,466,758</u>	<u>P 5,449,949,151</u>	<u>P 6,306,290,741</u>	<u>P 13,240,123,662</u>

A reconciliation of the carrying amounts of investment properties at the beginning and end of years 2023, 2022 and 2021 is as follows:

	Retail Building	Condominium Units	Parking Units	Land	Construction in Progress	Total
Balance at January 1, 2023, net of accumulated depreciation	P 1,213,918,791	P 783,200,791	P 108,394,014	P 2,682,185,384	P 12,961,598,553	P 17,749,297,533
Additions	-	-	-	-	1,891,405,985	1,891,405,985
Reclassifications of completed projects	40,991,198	2,386,907	-	-	(43,378,105)	-
Reclassifications to other accounts	-	-	(502,646)	-	(1,220,235,831)	(1,220,738,477)
Depreciation during the year	(49,522,931)	(30,326,390)	(6,101,067)	-	-	(85,950,388)
Balance at December 31, 2023, net of accumulated depreciation	<u>P 1,205,387,058</u>	<u>P 755,261,308</u>	<u>P 101,790,301</u>	<u>P 2,682,185,384</u>	<u>P 13,589,390,602</u>	<u>P 18,334,014,653</u>
Balance at January 1, 2022, net of accumulated depreciation	P 727,535,091	P 730,881,921	P 25,466,758	P 5,449,949,151	P 6,306,290,741	P 13,240,123,662
Additions	250,000	1,535,704	-	-	6,622,774,985	6,624,560,689
Reclassifications	534,937,306	80,514,016	89,030,687	(2,767,763,767)	(32,532,827)	(2,030,748,931)
Depreciation during the year	(48,803,606)	(29,730,850)	(6,103,431)	-	-	(84,637,887)
Balance at December 31, 2022, net of accumulated depreciation	<u>P 1,213,918,791</u>	<u>P 783,200,791</u>	<u>P 108,394,014</u>	<u>P 2,682,185,384</u>	<u>P 12,961,598,553</u>	<u>P 17,749,297,533</u>
Balance at January 1, 2021, net of accumulated depreciation	P 561,426,632	P 476,377,690	P 25,409,488	P 5,742,622,708	P 3,287,906,544	P 10,093,743,062
Additions	696,786	-	-	740,506,424	4,269,412,078	5,037,615,288
Reclassifications	184,643,291	276,075,529	1,665,177	(1,033,179,881)	(1,278,027,881)	(1,848,823,865)
Depreciation during the year	(19,231,618)	(21,571,298)	(1,607,907)	-	-	(42,410,823)
Balance at December 31, 2021, net of accumulated depreciation	<u>P 727,535,091</u>	<u>P 730,881,921</u>	<u>P 25,466,758</u>	<u>P 5,449,949,151</u>	<u>P 6,306,290,741</u>	<u>P 13,240,123,662</u>

In 2023, the Group reclassified certain investment properties with aggregate carrying amount of P1,220,235,831 to real estate inventories (see Note 7) and P502,646 to property and equipment (see Note 11). In 2022, the Group reclassified certain investment properties with aggregate carrying amounts of P729,713,956 and P1,301,034,975 to real estate inventories and property and equipment, respectively (see Note 11). These reclassifications were made as a result of the change in the use of the properties from being held for lease to being held for sale and for use in the operations.

Borrowing costs that are capitalized as part of investment property amounted to P344,938,772 and P101,968,120 in 2023 and 2022, respectively, which represents the specific borrowing costs incurred on loans and corporate notes obtained to fund the construction projects (see Note 15). The capitalization rate used for the borrowings ranges from 5% to 9.25% and 4% to 8% for the years ended December 31, 2023 and 2022, respectively.

Income and expenses from investment properties in 2023, 2022 and 2021 are presented below.

	Notes	2023	2022	2021
Rental income:	18.1			
Retail building		P 93,550,383	P 68,094,916	P 68,244,532
Condominium units		12,631,070	9,789,476	3,882,427
Parking units		2,257,520	1,287,074	728,102
Others		<u>3,904,883</u>	<u>106,093</u>	<u>1,416,939</u>
		<u>P 112,343,856</u>	<u>P 79,277,559</u>	<u>P 74,272,000</u>
Expenses:				
Depreciation	19	P 85,950,388	P 84,637,887	P 42,410,823
Repairs and maintenance	20	-	-	2,041,149
Others	19	<u>771,352</u>	<u>-</u>	<u>63,259</u>
		<u>P 86,721,740</u>	<u>P 84,637,887</u>	<u>P 44,515,231</u>

The depreciation and other expenses are included as part of Cost of Sales and Services in the consolidated statements of profit or loss in 2023, 2022 and 2021 (see Note 19).

Investment properties have a total fair value of P18,422,843,422 and P20,627,177,086 as at December 31, 2023 and 2022, respectively, based on the appraisal done by an independent expert [see Note 32.3(c)]. On the basis primarily of the foregoing valuations, management has assessed that no impairment loss is required to be provided on the Group's investment properties as at December 31, 2023 and 2022 [see also Note 3.2(f)].

Investment properties with a total carrying amount of P7,160,910,550 and P7,165,081,902 as at December 31, 2023 and 2022, respectively, are used as collateral for certain interest-bearing loans and borrowings of the Parent Company (see Note 15.1).

14. OTHER NON-CURRENT ASSETS

This account includes the following:

	2023	2022 (As restated - see Note 2)
Deferred commissions	P 1,046,459,553	P 728,255,278
Advances to subcontractors	550,104,738	473,134,430
Refundable deposits	152,741,454	128,384,996
Computer software - net	25,314,992	31,362,061
Investment in equity securities	9,375,002	9,375,002
Deferred input VAT	4,624,926	4,624,926
Others	<u>1,342,727</u>	<u>1,934,145</u>
	<u>P 1,789,963,392</u>	<u>P 1,377,070,838</u>

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses for on-going construction of investment properties. These are applied against the progress billings of subcontractors.

Refundable deposits pertain to recoverable payments, which are expected to be realized at the termination of the contract, to lessors and various payees. These are measured at amortized cost.

The gross carrying amounts and accumulated amortization of Computer software at the beginning and end of 2023 and 2022 are shown below.

	<u>2023</u>	<u>2022</u>
Cost	P 65,252,045	P 63,337,059
Accumulated amortization	(39,937,053)	(31,974,998)
Carrying amount	<u>P 25,314,992</u>	<u>P 31,362,061</u>

The total additions to computer software amounted to P1,914,986, P3,064,323 and P10,242,943 in 2023, 2022 and 2021, respectively. The amortization expense on the computer software amounted to P7,962,055, P8,831,626 and P8,988,002 in 2023, 2022 and 2021, respectively, and is presented as part of Depreciation and amortization under Operating Expenses (see Note 20).

15. INTEREST-BEARING LOANS AND BORROWINGS

The outstanding balance of interest-bearing loans and corporate notes are presented in the consolidated statements of financial position as follows:

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Current:			
Bank loans	15.1	P10,075,486,704	P 7,006,084,463
Corporate notes	15.2	<u>1,491,666,667</u>	<u>1,117,559,524</u>
		<u>11,567,153,371</u>	<u>8,123,643,987</u>
Non-current:			
Bank loans	15.1	20,871,648,528	15,721,660,371
Corporate notes	15.2	<u>9,750,043,837</u>	<u>11,216,986,253</u>
		<u>30,621,692,365</u>	<u>26,938,646,624</u>
		<u>P42,188,845,736</u>	<u>P 35,062,290,611</u>

15.1 Bank Loans

An analysis of the movements in the balance of interest-bearing loans is presented below.

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Balance at beginning of year		P22,727,744,834	P 16,181,942,664
Proceeds and drawdowns - net		12,943,572,215	11,749,374,715
Repayments		(4,674,289,221)	(5,262,184,636)
Reclassification	17	(154,500,000)	-
Amortization of debt issue costs		<u>104,607,404</u>	<u>58,612,091</u>
Balance at end of year		<u>P30,947,135,232</u>	<u>P 22,727,744,834</u>

In 2023, the Group reclassified interest-bearing loans obtained from co-venturers to trade and other payables.

The unamortized debt issue cost as at December 31, 2023 and 2022 amounts to P163,081,681 and P107,967,127, respectively. A reconciliation of the unamortized debt issue cost at the beginning and end of 2023 and 2022 is shown below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 107,967,127	P 64,046,933
Debt issue costs from new loans	159,721,958	102,532,285
Amortization of debt issue cost	(104,607,404)	(58,612,091)
Balance at end of the year	<u>P 163,081,681</u>	<u>P 107,967,127</u>

The loans bear interest rates per annum ranging from 5% to 8.04%, from 4% to 8%, from 1.71% to 6.25% in 2023, 2022, 2021, respectively. Certain loans are collateralized by the specific projects and developments and certain property and equipment for which the loans were obtained. The cost of such projects aggregating to P21,360,041,578 and P19,647,298,478 as at December 31, 2023 and 2022, respectively, are included in the Real Estate Inventory, Property and Equipment and Investment Properties accounts in the consolidated statements of financial position (see Notes 7, 11 and 13).

The Group's new loans bear interest ranging from 5% to 8.04% in 2023 and from 4% to 8% in 2022.

The total interest incurred from the foregoing loans, including amortization of debt issuance cost, amounted to P2,079,945,262, P1,077,091,468 and P612,575,458 in 2023, 2022, 2021, respectively, and of which P1,627,962,447, P817,615,938 and P414,515,526, respectively, were capitalized as part of construction costs of real estate inventory, investment property and property and equipment (see Notes 7, 11 and 13). The capitalization rate used in determining the amount of interest charges qualified for capitalization ranges from 5% to 8% and from 4% to 8% in 2023 and 2022, respectively.

15.2 Corporate Notes

The Parent Company and various financial institutions executed a Notes Facility Agreement (NFA) for the issuance of long-term corporate notes (LTCN) totaling P13,000,000,000 and two short-dated notes (SDN) amounting to P2,000,000,000 and P3,000,000,000, respectively.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P12,334,545,777	P 15,839,776,726
Repayments	(1,117,559,524)	(3,545,238,095)
Amortization of debt issue cost	<u>24,724,251</u>	<u>40,007,146</u>
Balance at end of the year	<u>P 11,241,710,504</u>	<u>P 12,334,545,777</u>

The NFA is composed of the following tranches:

<u>NFA</u>	<u>Date Executed</u>	<u>Tranche</u>	<u>Tenor</u>	<u>Principal Amount</u>
LTCN	07/20/2018	Series A	Seven years	P 2,500,000,000
		Series B	Ten years	1,000,000,000
		Series C	Ten years with repricing on the interest rate re-setting date	1,500,000,000
	03/05/2020	Series D	Five years	1,300,000,000
		Series E	Seven years	5,700,000,000
		Series F	Ten years	<u>1,000,000,000</u>
				<u>P 13,000,000,000</u>
SDN	10/25/2019	SDN 1	18 months from drawdown date	P 2,000,000,000
	04/30/2021	SDN 2	18 months from drawdown date	<u>3,000,000,000</u>
				<u>P 5,000,000,000</u>

The Parent Company made the following drawdowns from the NFA.

<u>Year</u>	<u>Tranche</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
2021	SDN 2	3.88%	November 2022	P <u>3,000,000,000</u>
2020	Series D	3.46%	September 2025	P 1,300,000,000
	Series E	3.54% - 4.66%	April 2027	5,700,000,000
	Series F	4.23% - 5.23%	March 2030	<u>1,000,000,000</u>
				<u>P 8,000,000,000</u>
2019	Series A	7.25%	January 2026	P 2,000,000,000
	SDN 1	4.75%	April 2021	<u>2,000,000,000</u>
				<u>P 4,000,000,000</u>
2018	Series A	7.25%	December 2025	P 500,000,000
	Series B	6.63%	August - September 2028	1,000,000,000
	Series C	6.75%	October - December 2028	<u>1,500,000,000</u>
				<u>P 3,000,000,000</u>

In 2021 and 2020, the Parent Company recognized debt issuance costs for new NFA amounting to P27,236,842 and P108,124,311, respectively, which has a carrying amount of P77,634,734 and P102,358,985 as at December 31, 2023 and 2022, respectively, in relation to the drawdowns from the NFA. The debt issuance cost amortization in 2023 and 2022 amounted to P24,724,251 and P40,007,146, respectively. The debt issuance costs are deducted from the fair value or issue price of the note.

The total interest incurred related to the NFA, including amortization of debt issuance cost, amounted to P667,255,268, P836,758,484 and P861,785,646 in 2023, 2022 and 2021, respectively, which was capitalized as part of real estate inventories and investment properties in 2023, 2022 and 2021, respectively (see Notes 7, 11 and 13).

The Parent Company is required to maintain the specifically defined financial ratios with respect to (a) maximum debt to equity ratio of 2.5:1; (b) minimum current ratio of 1:1; and, (c) minimum interest coverage ratio of 3:1. As at December 31, 2023 and 2022, the Parent Company is compliant with the requirements.

The total interest expense related to the above loans, which are included as part of Finance Costs in the consolidated statements of profit or loss, amounted to P451,982,816, P259,475,530 and P196,904,919 in 2023, 2022 and 2021, respectively (see Note 22).

The accrued interest on these loans amounts to P262,413,071 and P136,111,341 as at December 31, 2023 and 2022, respectively, and is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

16. BONDS PAYABLE

On September 23, 2022, CLI registered with the SEC its debt securities program of P15,000,000,000 fixed rate bonds, which will be offered in one or more tranches within three years.

On October 7, 2022, the Parent Company issued the first tranche of its fixed rate bonds amounting to P5,000,000,000 and was listed with the Philippine Dealing & Exchange Corp. (PDEx). The bonds have been rated “PRS Aa plus” with a stable outlook by PhilRatings and are comprised of the following tenors:

- Series A – maturity of 3.5 years and a coupon rate of 6.4222%;
- Series B – maturity of 5.5 years and a coupon rate of 6.9884%; and,
- Series C – maturity of 7 years and a coupon rate of 7.3649%.

In 2022, the Company recognized bond issuance costs amounting to P73,372,369 in relation to the issuance of the first tranche of the bonds which has a carrying amount of P52,177,479 and P69,417,369 as at December 31, 2023 and 2022, respectively. In 2023, the Company capitalized a portion of the amortization of bond issuance costs amounting to P14,081,503 as part of real estate inventory, property and equipment and investment property. No similar capitalization in 2022. The Company expensed the amortization amounting to P3,158,387 and P3,955,000, in 2023 and 2022, respectively.

The total interest incurred related to the bonds, including amortization of bond issuance cost, amounted to P357,691,418 and P82,547,408 in 2023 and 2022, respectively, of which P290,834,550 and P67,102,788 was capitalized as part of real estate inventories and investment properties in 2023 and 2022, respectively, and P66,856,868 and P15,444,620 was recognized as interest expense as part of Finance Costs in 2023 and 2022, respectively. No similar transaction in 2021.

The capitalization rate used in determining the amount of interest charges qualified for capitalization ranges from 6.89% to 7.64% and from 6.89% to 7.64% in 2023 and 2022, respectively.

The Parent Company is required to maintain the financial ratios with respect to (a) maximum debt to equity ratio of 2.5:1; (b) minimum current ratio of 1:1; and, (c) minimum interest coverage ratio of 3:1. As at December 31, 2023 and 2022, the Parent Company is compliant with the requirements.

17. TRADE AND OTHER PAYABLES

The current portion of trade and other payables is composed of the following:

	Note	<u>2023</u>	<u>2022</u>
Unbilled construction costs		P 12,617,790,247	P 10,491,702,481
Trade payables		4,517,518,729	4,357,836,398
Sales commissions payable		3,763,166,755	1,944,995,963
Retention payable		1,112,645,901	968,787,106
Accrued expenses	15	262,413,071	282,466,666
Payable to co-venturers	15	154,500,000	-
Government-related obligations		85,420,412	99,495,460
Output VAT		76,190,277	117,142,226
Advances from NCI		19,344,748	467,105,353
Other payables		<u>326,300,458</u>	<u>114,104,235</u>
		<u>P22,780,790,598</u>	<u>P 18,843,635,888</u>

The non-current portion of trade and other payables is composed of the following:

	<u>2023</u>	<u>2022</u>
Retention payable	P 141,540,119	P 172,064,151
Advance rental	33,282,573	16,072,805
Other payables	<u>10,597,440</u>	<u>6,938,747</u>
	<u>P 185,420,132</u>	<u>P 195,075,703</u>

Unbilled construction costs pertain to estimated obligations to contractors for services already performed but not yet billed to the Group.

Trade payables mainly represent outstanding obligations to owners of parcels of land acquired, subcontractors and suppliers of construction materials.

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Portion of the amount retained that is not expected to be paid within 12 months from the end of the reporting period is presented as part of non-current liabilities in the consolidated statements of financial position.

Accrued expenses pertain to accruals for interest, contracted services, security services, professional fees and other recurring accruals in the Group's operations. Current portion of the other payables are mostly construction bonds from various subcontractors.

Advances from NCI pertains to noninterest-bearing advances of certain subsidiaries from non-controlling shareholders.

18. REVENUE FROM CONTRACTS WITH CUSTOMERS AND CONTRACT BALANCES

18.1 Disaggregation of Contract Revenues

The Group derives revenue from the transfer of goods and services over time and at a point in time. Presented below are revenues from its major product lines and geographical areas for the years ended December 31, 2023, 2022 and 2021.

	2023				
	Cebu	Visayas	Mindanao	Luzon	Total
<i>Sale of real estate units</i>					
Over time	P 7,054,772,604	P 4,249,501,336	P 2,444,419,631	P 544,680,899	P 14,293,374,470
At a point in time	<u>1,114,472,339</u>	<u>139,887,766</u>	<u>2,937,687,511</u>	<u>22,880,000</u>	<u>4,214,927,616</u>
	8,169,244,943	4,389,389,102	5,382,107,142	567,560,899	18,508,302,086
<i>Hotel operations</i>					
Over time	138,551,300	-	-	-	138,551,300
<i>Lease of properties</i>					
Over time	112,167,681	-	176,175	-	112,343,856
<i>Render of management services</i>					
Over time	<u>47,828,318</u>	<u>-</u>	<u>11,387,808</u>	<u>-</u>	<u>59,216,126</u>
	<u>P 8,467,792,242</u>	<u>P 4,389,389,102</u>	<u>P 5,393,671,125</u>	<u>P 567,560,899</u>	<u>P 18,818,413,368</u>
	2022				
	Cebu	Visayas	Mindanao	Luzon	Total
<i>Sale of real estate units</i>					
Over time	P 5,339,637,015	P 4,335,738,980	P 5,171,981,673	P 7,441,250	P 14,854,798,918
At a point in time	<u>314,907,742</u>	<u>30,553,637</u>	<u>195,896,965</u>	<u>42,979,100</u>	<u>584,337,444</u>
	5,654,544,757	4,366,292,617	5,367,878,638	50,420,350	15,439,136,362
<i>Hotel operations</i>					
Over time	83,418,279	-	-	-	83,418,279
<i>Lease of properties</i>					
Over time	79,277,559	-	-	-	79,277,559
<i>Render of management services</i>					
Over time	<u>46,653,575</u>	<u>135,000</u>	<u>8,677,228</u>	<u>-</u>	<u>55,465,803</u>
	<u>P 5,863,894,170</u>	<u>P 4,366,427,617</u>	<u>P 5,376,555,866</u>	<u>P 50,420,350</u>	<u>P 15,657,298,003</u>
	2021				
	Cebu	Visayas	Mindanao	Luzon	Total
<i>Sale of real estate units</i>					
Over time	P 5,968,595,568	P 2,519,430,086	P 2,313,454,074	P -	P 10,801,479,728
At a point in time	<u>117,211,523</u>	<u>32,795,711</u>	<u>29,159,733</u>	<u>15,601,000</u>	<u>194,767,967</u>
	6,085,807,091	2,552,225,797	2,342,613,807	15,601,000	10,996,247,695
<i>Hotel operations</i>					
Over time	48,683,577	-	-	-	48,683,577
<i>Lease of properties</i>					
Over time	74,272,000	-	-	-	74,272,000
<i>Render of management services</i>					
Over time	<u>35,645,074</u>	<u>-</u>	<u>7,322,338</u>	<u>-</u>	<u>42,967,412</u>
	<u>P 6,244,407,742</u>	<u>P 2,552,225,797</u>	<u>P 2,349,936,145</u>	<u>P 15,601,000</u>	<u>P 11,162,170,684</u>

18.2 Contract Balance

The breakdown of contract balances is as follows:

	2023	2022
Contract assets - net	P45,093,986,410	P 31,979,063,534
Contract liabilities	(449,338,207)	(598,361,867)
Contract assets - net	<u>P44,644,648,203</u>	<u>P 31,380,701,667</u>

A reconciliation of the opening and closing balance of Contract Assets is shown below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 31,979,063,534	P 20,290,305,185
Performance of property development	18,072,586,633	15,220,156,341
Collections	(4,957,663,757)	(2,546,181,039)
Transfers to contract receivables	<u>-</u>	<u>(985,216,953)</u>
Balance at end of year	<u>P 45,093,986,410</u>	<u>P 31,979,063,534</u>

The Group recognizes contract assets, due to timing difference of payment and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period. Its classification and presentation in the consolidated statements of financial position is based on the Group's estimate of project completion, hence, any change in estimated completion period affects transfers to contracts receivables.

The Group assesses an ECL when the contract assets are initially recognized and updates the assessment at each reporting date based on the analysis determined by management [see Note 31.2(c)]. The Group's contract assets as at December 31, 2023 and 2022 are presented in the consolidated statements of the financial position as follows:

	<u>2023</u>	<u>2022</u>
Current	P 26,225,182,718	P 16,208,926,784
Non-current	<u>18,868,803,692</u>	<u>15,770,136,750</u>
	<u>P 45,093,986,410</u>	<u>P 31,979,063,534</u>

A reconciliation of the opening and closing balance of Contract Liabilities is shown in below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 598,361,867	P 604,254,603
Revenue recognized that was included in contract liability at the beginning of year	(435,715,453)	(218,980,021)
Increase due to cash received excluding amount recognized as revenue during the year	<u>286,691,793</u>	<u>213,087,285</u>
Balance at end of year	<u>P 449,338,207</u>	<u>P 598,361,867</u>

Contract liabilities pertains to collections from buyers that are ahead of the stage of completion of the real estate units sold. Collections from buyers on sale of real estate units where the gating criteria for recognition of sales contract have yet to be met are accounted for and presented as Customers' Deposits in the consolidated statements of financial position. The balance of Customers' Deposits amounts to P144,003,765 and P120,250,096 as at December 31, 2023 and 2022, respectively. Changes in the contract assets and contract liabilities are recognized by the Group when a right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively.

18.3 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts as of December 31, 2023 and 2022 is P26,831,730,439 and P21,166,752,524, respectively. As of December 31, 2023 and 2022, the Group expects to recognize revenue from unsatisfied contracts as follows:

	<u>2023</u>	<u>2022</u>
Within a year	P16,468,635,728	P 10,644,823,054
More than one year to three years	<u>10,363,094,711</u>	<u>10,521,929,470</u>
	<u>P26,831,730,439</u>	<u>P 21,166,752,524</u>

19. COST OF SALES AND SERVICES

Components of costs of sales and services are analyzed below (see Note 20).

	<u>Notes</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cost of real estate sales:				
Contracted services	20	P6,756,086,995	P 6,542,806,165	P 4,846,649,738
Borrowing costs	20	1,203,143,299	460,629,194	307,427,540
Land	20	1,197,636,227	1,126,978,391	623,070,696
Other costs		<u>310,747,305</u>	<u>95,620,574</u>	<u>113,233,414</u>
		<u>9,467,613,826</u>	<u>8,226,034,324</u>	<u>5,890,381,388</u>
Cost of rental services:				
Depreciation		85,950,388	84,637,887	42,410,823
Others		<u>771,352</u>	<u>-</u>	<u>63,259</u>
	13	<u>86,721,740</u>	<u>84,637,887</u>	<u>42,474,082</u>
Cost of management services:				
Salaries and wages		31,404,255	24,220,828	18,716,268
Materials and supplies		<u>250</u>	<u>53,709</u>	<u>23,929</u>
		<u>31,404,505</u>	<u>24,274,537</u>	<u>18,740,197</u>
Cost of hotel operations:				
Materials and supplies		17,448,513	9,293,657	5,944,099
Salaries and wages		13,621,634	11,235,316	9,147,270
Advertising and promotion		8,744,778	3,256,197	572,891
Utilities		6,836,731	4,454,328	2,366,117
Others		<u>7,955,802</u>	<u>4,449,304</u>	<u>2,663,620</u>
		<u>54,607,458</u>	<u>32,688,802</u>	<u>20,693,997</u>
		<u>P9,640,347,529</u>	<u>P 8,367,635,549</u>	<u>P 5,972,289,664</u>

20. COSTS AND EXPENSES BY NATURE

Details of costs and expenses by nature are shown below.

	Notes	2023	2022	2021
Contracted services	19	P 6,756,086,995	P 6,542,806,165	P 4,846,649,738
Borrowing costs	7, 15, 19	1,203,143,299	460,629,194	307,427,540
Land	19	1,197,636,227	1,126,978,391	623,070,696
Commissions	9	1,098,413,229	847,167,494	725,648,666
Salaries and employee benefits	24.1	640,179,561	540,416,163	450,644,706
Taxes and licenses		246,525,634	323,092,809	352,965,277
Depreciation and amortization	11, 12, 13, 14	186,911,151	170,626,662	121,798,863
Advertising		114,388,720	71,973,193	43,175,289
Repairs and maintenance	13	75,373,439	87,599,940	19,427,792
Utilities		67,068,697	50,536,408	37,931,503
Hotel operations		54,607,458	32,688,802	20,693,997
Security services		46,363,199	35,588,415	19,179,307
Insurance		41,993,315	27,249,959	18,401,367
Transportation and travel		39,391,380	40,131,671	13,040,272
Rent	12.3, 29.2	38,696,975	24,410,422	23,699,072
Association dues		37,178,773	34,626,976	19,337,420
Representation and entertainment		36,342,834	33,552,413	20,694,266
Professional and legal fees		27,865,251	29,603,118	55,365,530
Donations		27,231,797	13,629,849	110,667,997
Supplies		19,240,550	21,027,969	12,178,787
Subscription and membership dues		18,002,477	14,108,468	15,313,005
Management fee		14,633,689	11,767,780	7,965,205
Communications		8,338,820	8,540,822	10,374,788
Trainings and seminars		1,604,995	1,463,617	880,012
Others		427,763,973	186,351,802	46,097,279
		<u>P 12,424,982,438</u>	<u>P 10,736,568,502</u>	<u>P 7,922,628,374</u>

These costs and expenses are classified in the consolidated statements of profit or loss as follows:

	Note	2023	2022	2021
Cost of sales and services	19	P 9,640,347,529	P 8,367,635,549	P 5,972,289,664
Operating expenses		<u>2,784,634,909</u>	<u>2,368,932,953</u>	<u>1,950,338,710</u>
		<u>P12,424,982,438</u>	<u>P10,736,568,502</u>	<u>P 7,922,628,374</u>

21. OTHER OPERATING INCOME AND OTHER LOSSES

21.1 Other Operating Income

This account is composed of the following:

	Note	<u>2023</u>	<u>2022</u>	<u>2021</u>
Reversal of payables	P	115,283,578	P 40,320	P 61,973,774
Documentation fee		30,657,165	13,604,956	11,045,486
Move-in fee income		19,520,069	38,348,832	41,299,914
Water service fee		16,337,568	14,260,920	11,150,077
Utilities charged to tenants		16,034,536	5,612,043	6,660,345
Sponsorships		14,056,920	7,957,554	2,125,098
Administrative charges		11,619,322	91,633,272	67,830,520
Late payment penalties charged to customers		10,753,489	7,524,767	2,612,361
Scrap sales		3,638,108	3,389,340	3,837,069
Foreign exchange gains		2,195,803	6,454,820	2,108,206
Referral incentive		1,396,796	2,240,129	609,488
Gain on remeasurement of investment in associates	10.1	-	-	32,438,511
Concession income		-	-	1,733,355
Others		<u>15,997,370</u>	<u>11,475,800</u>	<u>11,804,986</u>
		<u>P 410,779,779</u>	<u>P 202,542,753</u>	<u>P 257,229,190</u>

Reversal of payables pertains to outstanding payables related to advances from buyers in excess of the paid transfer charges and move-in fees, which are not refunded to the buyers. It also includes outstanding payables from cancelled contracts with certain building contractors and suppliers which the Group is no longer required to pay and income from the write-off of long-outstanding unidentified deposits.

Move-in fee income pertain to excess fees charged to real estate buyers upon turn-over of their units over the cost of services to make the buyers' units habitable which include requisition of building insurance and fire extinguisher, processing of related taxes, utility connections and others.

Administrative charges include standard fees charged to the buyers and non-refundable portion of the buyers' payment upon withdrawal from sale.

21.2 Other Losses

This account is composed of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Foreign exchange losses	P 3,338,765	P 8,205,863	P 2,716,588
Loss (gain) on sale of assets – net	17,410	(128,365)	16,577
Losses due to typhoon	-	-	129,839,360
Other losses	<u>453,506</u>	<u>(128,365)</u>	<u>16,577</u>
	<u>P 3,809,681</u>	<u>P 8,077,498</u>	<u>P 132,572,525</u>

On December 16, 2021, severe tropical storm “Odette” affected some of the Group’s projects in Cebu. CLI, El Camino, MGR and BL Ventures reported calamity damages, net of estimated insurance claims totaling P129,839,360 in the consolidated statement of profit or loss in 2021. The affected entities above filed notarized declarations of casualty losses on February 23, 2022.

22. FINANCE COSTS

This is composed of the following:

	Notes	2023	2022	2021
Interest expense on:				
Loans	15	P 451,982,816	P 259,475,530	P 196,904,919
Lease liabilities	12.4	80,167,300	75,629,879	67,139,552
Bonds	16	66,856,868	15,444,620	-
Post-employment defined benefit obligation	24.3	428,176	241,469	24,537
Day one loss, net of amortization of day one loss on non-current contract receivables	6	<u>3,751,672</u>	<u>257,332</u>	<u>-</u>
		<u>P 603,186,832</u>	<u>P 351,048,830</u>	<u>P 264,069,008</u>

Interest expense on loans and bonds are the portion not capitalized as part of real estate inventories, property and equipment, and investment properties. (see Notes 7, 11 and 13).

23. FINANCE INCOME

This is composed of the following:

	Notes	2023	2022	2021
Interest income on banks	5	P 13,874,699	P 14,664,879	P 6,528,935
Amortization of day one loss on non-current contract receivables - net	6	-	-	1,160,937
Others		<u>1,108,707</u>	<u>154,487</u>	<u>-</u>
		<u>P 14,983,406</u>	<u>P 14,819,366</u>	<u>P 7,689,872</u>

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2023	2022	2021
Short-term employee benefits		P 633,424,448	P 532,826,554	P 446,042,346
Post-employment defined benefit expense	24.3	4,639,127	4,583,769	4,602,360
Share options	24.2, 27.4	<u>2,115,986</u>	<u>3,005,840</u>	<u>-</u>
	20	<u>P 640,179,561</u>	<u>P 540,416,163</u>	<u>P 450,644,706</u>

24.2 Employee Share Option

Employee share option expense, included as part of Salaries and employee benefits expense under the Operating Expenses account in the consolidated statements of profit or loss, amounted to P2,115,986 and P3,005,840 in 2023 and 2022, respectively (see Note 24.1), while the corresponding cumulative credit to Share Options Outstanding account is presented under the Equity section of the consolidated statements of financial position (see Note 27.4).

24.3 Post-Employment Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group maintains a funded and non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank manages the fund in coordination with the Group's top management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Group's BOD. Normal retirement benefit is an amount equivalent to 50% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the post-employment defined benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the actuarial valuation reports obtained from an independent actuary in 2023 and 2022.

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	<u>2023</u>	<u>2022</u>
Present value of the obligation	P 53,883,058	P 44,024,728
Fair value of plan assets	(43,487,144)	(34,634,633)
	<u>P 10,395,914</u>	<u>P 9,390,095</u>

The movements in the present value of the post-employment defined benefit obligation recognized in the books are presented below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 44,024,728	P 40,124,208
Current service cost	4,639,127	4,583,769
Interest cost	3,178,585	2,038,310
Benefits paid	(2,979,086)	(765,844)
Remeasurements - actuarial losses (gains) arising from:		
Changes in financial assumptions	(2,343,401)	(4,166,909)
Experience adjustments	<u>2,676,303</u>	<u>2,211,194</u>
Balance at end of year	<u>P 53,883,058</u>	<u>P 44,024,728</u>

The movements in the fair value of plan assets are presented below.

	<u>2023</u>		<u>2022</u>
Balance at beginning of year	P 34,634,633	P	35,370,879
Contributions to the plan	6,919,362		-
Interest income	2,750,409		1,796,841
Remeasurement on plan assets (excluding amounts included in net interest)	(817,260)	(	2,533,087)
Balance at end of year	<u>P 43,487,144</u>	P	<u>34,634,633</u>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	<u>2023</u>		<u>2022</u>
Unitized investment funds	P 35,963,869	P	29,623,378
Government debt securities	6,901,410		4,888,091
Cash and cash equivalents	530,543		84,245
Receivables	<u>91,322</u>		<u>38,919</u>
	<u>P 43,485,764</u>	P	<u>34,634,633</u>

The fair values of the above unitized investment funds and government debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations. The plan assets recognized gains of P1,933,149 in 2023. In 2022 and 2021 the plan assets recognized losses and gains of P736,246 and P507,111, respectively.

The components of amounts recognized in profit or loss and other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	<u>2023</u>		<u>2022</u>		<u>2021</u>
<i>Recognized in profit or loss</i>					
Current service cost - net	P 4,639,127	P	4,583,769	P	4,602,360
Net interest expense on defined benefit obligation	<u>428,176</u>		<u>241,469</u>		<u>24,537</u>
	<u>P 5,067,303</u>	P	<u>4,825,238</u>	P	<u>4,626,897</u>
<i>Recognized in other comprehensive loss (income)</i>					
Actuarial losses (gains) arising from changes in:					
Financial assumptions	P 2,343,401	(P	4,166,909)	P	2,431,649
Demographic assumptions	-		-	(	2,420,116)
Experience adjustments	2,676,303		2,211,194	(	1,316,633)
Remeasurement of plan assets (excluding amounts included in net interest expense)	<u>817,260</u>		<u>2,533,087</u>		<u>870,008</u>
	<u>P 5,836,964</u>	P	<u>577,372</u>	(P	<u>435,092)</u>

The net interest expense is included in Finance Costs in profit or loss (see Note 22).

Amounts recognized in other comprehensive loss were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2023	2022	2021
Discount rates	6.12%	7.22%	5.08%
Salary increase rates	7%	7%	7%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 25 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are as follows:

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation:

	<u>Impact on Post-employment Defined Benefit Obligation</u>		
	<u>Changes in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
December 31, 2023			
Discount rate	+/-1.0%	(P 2,148,365)	P 1,759,621
Salary increase rate	+/-1.0%	2,571,038 (	1,514,962)
December 31, 2022			
Discount rate	+/-1.0%	(P 1,499,020)	P 1,759,621
Salary increase rate	+/-1.0%	1,745,813 (	1,514,962)

In addition, assuming there are no attrition rates, the increase in post-employment defined benefit obligation would be P102,849,832 and P64,956,547 in 2023 and 2022, respectively.

The foregoing sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used In preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-Liability Matching Strategies*

To efficiently manage the retirement plan, the Group, through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the post-employment obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the post-employment obligations.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

The Group does not expect to make a contribution during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	<u>2023</u>	<u>2022</u>
Within one year	P 36,662,697	P 31,203,897
More than one year to five years	11,257,978	10,454,910
More than five years to ten years	<u>11,757,739</u>	<u>11,154,743</u>
	<u>P 59,678,414</u>	<u>P 52,813,550</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 3.7 years.

25. CURRENT AND DEFERRED TAXES

In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized deferred tax liabilities in 2020 by P280,801,696 and such was recognized in the 2021 profit or loss and in other comprehensive income.

The Group is registered with the Board of Investments (BOI) as a developer of various economic and low-cost housing projects. Accordingly, the Group enjoys an income tax holiday on the BOI-registered projects within three to four taxable years from its registration. The Group has 8 and 10 registered projects with BOI as of December 31, 2023 and 2022, respectively.

The components of tax expense relating to profit or loss and other comprehensive loss (income) are as shown below.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT tax at 25%	P 264,650,963	P 173,257,102	P 81,211,577
Final income tax	2,792,536	2,915,541	1,212,829
MCIT	1,385,046	2,061,395	-
Adjustment in 2020 income taxes due to change in income tax rates	<u>-</u>	<u>-</u>	<u>(11,812,475)</u>
	<u>268,828,645</u>	<u>178,234,038</u>	<u>70,611,931</u>
Deferred tax expense arising from:			
Origination and reversal of temporary differences	1,287,346,374	981,479,199	643,829,225
Effect of the change in income tax rate	<u>-</u>	<u>-</u>	<u>(281,722,112)</u>
	<u>1,287,346,374</u>	<u>981,479,199</u>	<u>362,107,113</u>
	<u>P 1,556,175,019</u>	<u>P 1,159,713,237</u>	<u>P 432,719,044</u>

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<i>Reported in other comprehensive income (loss):</i>			
Deferred tax income (expense)			
arising from:			
Origination and reversal of temporary differences	P 1,459,241	P 144,343	(P 108,773)
Effect of the change in income tax rate	<u>-</u>	<u>-</u>	<u>920,416</u>
	<u>P 1,459,241</u>	<u>P 144,343</u>	<u>(P 1,029,189)</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of profit or loss is presented below.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Tax on pretax profit at 25%	P1,549,798,666	P 1,191,901,096	P 775,897,665
Adjustments for income subject to lower tax rate	(593,661)	(749,364)	(318,128)
Tax effects of:			
Tax-exempt real estate sales	(2,801,680)	(31,596,098)	(60,528,608)
Non-deductible expenses	6,454,513	7,015,969	8,500,064
Changes in unrecognized deferred tax assets	3,317,181	(6,858,366)	2,702,648
Effect of the change in income tax rate	<u>-</u>	<u>-</u>	<u>(293,534,597)</u>
Tax expense	<u>P1,556,175,019</u>	<u>P1,159,713,237</u>	<u>P 432,719,044</u>

The net deferred tax liabilities relate to the following as of December 31:

	<u>2023</u>	<u>2022</u>
Deferred tax liabilities:		
Difference between tax reporting base and financial reporting base used in sales recognition	P 4,725,923,261	P 3,314,825,173
Rental income	15,649,234	5,515,232
Post-employment defined benefit asset	875,788	875,788
Others	<u>255,466</u>	<u>11,541</u>
	<u>4,742,703,749</u>	<u>3,321,227,734</u>
Deferred tax assets:		
Sales commissions	301,763,750	216,383,222
Net operating loss carry-over (NOLCO)	63,865,699	34,044,857
Net lease liabilities	46,784,773	33,211,533
Post-employment defined benefit obligation	3,116,095	2,070,585
Unamortized past service cost	1,486,199	1,774,557
MCIT	1,262,043	327,168
Employee stock option	644,905	115,908
Allowance for impairment	560,566	464,599
Others	<u>5,371,246</u>	<u>873,965</u>
	<u>424,855,276</u>	<u>289,266,394</u>
	<u>P 4,317,848,473</u>	<u>P 3,031,961,340</u>

The components of deferred tax expense (income) are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<i>Reported in profit or loss:</i>			
Deferred tax liabilities:			
Difference between tax reporting base and financial reporting base used in sales recognition	P 1,411,674,333	P 1,078,452,609	P 335,614,825
Rental income	10,134,002	621,241	2,489,526
Post-employment defined benefit asset	-	(2,802,029)	(1,061,941)
Others	(4,253,356)	(2,214,351)	(278,254)
Deferred tax assets:			
Sales commissions	(85,380,528)	(60,477,471)	46,547,593
NOLCO	(29,820,842)	(21,179,834)	(10,891,790)
Net lease liabilities	(13,573,240)	(12,160,455)	(11,017,733)
MCIT	(934,875)	(327,169)	-
Employee stock options	(528,997)	(115,908)	-
Post-employment defined benefit obligation	413,731	1,724,845	(153,402)
Amortization of past service cost	(287,887)	272,146	888,899
Allowance for impairment	(95,967)	(314,425)	(30,610)
	<u>P 1,287,346,374</u>	<u>P 981,479,199</u>	<u>P 362,107,113</u>
<i>Reported in other comprehensive income:</i>			
Post-employment defined benefit obligation	(P 1,459,241)	(P 144,343)	P 1,029,189

NOLCO can be claimed as deduction from future taxable income within three years from the year the taxable loss was incurred except for NOLCO incurred in 2022 and 2021 by certain subsidiaries, which can be claimed as deduction from gross income until 2026 and 2025, respectively, in accordance with RA 11494, *Bayanihan to Recover as One Act*. Details of the Group's NOLCO are shown below.

<u>Inception Year</u>	<u>Amount</u>	<u>Utilized</u>	<u>Balance</u>	<u>Expiry Year</u>
2023	P 99,701,640	P -	P 99,701,640	2026
2022	104,742,663	(6,054,747)	98,687,916	2025
2021	84,017,743	(18,257,985)	65,759,758	2026
2020	<u>24,135,885</u>	<u>(2,085,519)</u>	<u>22,050,366</u>	2025
	<u>P 312,597,931</u>	<u>(P 26,398,251)</u>	<u>P 286,199,680</u>	

The Group has deferred tax assets related to NOLCO of P7,684,221 and P17,463,815 as at December 31, 2023 and 2022, respectively, which were not recognized because the subsidiaries to which such are attributable may not be able to generate enough taxable profit yet within the validity period of NOLCO for the assets to be recovered. As at December 31, 2023, only the Parent Company, CCPH, YHES and SPE are subject to MCIT, which is computed at the applicable rate (1% before July 1, 2023 and 2% thereafter) of gross income net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. Other components of the Group are not yet subject to MCIT as those have not operated beyond four taxable years. The Group reported MCIT amounting to P1,385,046 and P2,061,395 in 2023 and 2022, respectively.

The Group opted to treat the capitalized borrowing costs as capital expenditure in accordance with Section 34(b) of the NIRC; hence, there are no deferred taxes related to the transaction. Furthermore, it opted to claim itemized deductions in computing its income tax due for the years ended December 31, 2023, 2022 and 2021.

26. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent or ABS, entities under common ownership, associates, shareholders, the Group's key management personnel, its retirement fund. A summary of the Group's transactions and outstanding balances with related parties is presented below.

	Notes	Amount of Transaction			Outstanding Balance	
		2023	2022	2021	2023	2022
Ultimate Parent Company						
Real estate sales	26.2	P 4,363,528	P 15,445,769	P 96,272,362	P 685,584	P 75,822,632
Cancellation of sales	26.2	79,849,031	-	-	-	-
Entities under Common Ownership						
Advances (collections)	26.1	10,835,561	(22,000,465)	35,500,674	46,236,770	35,401,209
Associates						
Advances (collections)	26.1	1,958,865	368,535	(16,907)	2,359,997	401,132
Key Management Personnel						
Real estate sales	26.3	-	34,868,415	52,101,000	-	53,973,659
Compensation	26.4	209,130,536	149,885,801	122,750,352	-	-

Based on management's assessment, no impairment loss is required to be provided on the Group's receivables from related parties as at December 31, 2023 and 2022. In respect of contract receivables, it is fully secured by the units purchased, expected to be settled in cash and due based on the contract terms.

Details of the foregoing transactions are discussed as follows:

26.1 Advances to Related Parties

The Group grants cash advances to shareholders, entities under common ownership and associates. An analysis of such advances in 2023 and 2022 is presented below.

	Entities Under Common Ownership		Associates	Total
Balance at January 1, 2023	P	35,401,209	P 401,132	P 35,802,341
Additional advances		10,835,561	1,958,865	12,794,426
Balance at December 31, 2023	P	46,236,770	P 2,359,997	P 48,596,767
Balance at January 1, 2022	P	57,401,674	P 32,597	P 57,434,271
Additional advances		-	368,535	368,535
Collections	(	22,000,465)	-	(22,000,465)
Balance at December 31, 2022	P	35,401,209	P 401,132	P 35,802,341

The outstanding balances from these transactions, which are payable on demand, unsecured and noninterest-bearing, are presented as Due from related parties in the consolidated statements of financial position.

26.2 Real Estate Sales to Ultimate Parent Company

In 2023, 2022, and 2021, CLI sold condominium units to ABS. The outstanding balance related to these transactions are noninterest-bearing and due on demand, and is presented as part of Contract Receivables under the Receivables account in the consolidated statements of financial position (see Note 6).

In 2023, the Group cancelled the sale of a single floor at Baseline HQ made to ABS on December 2017.

26.3 Real Estate Sales to Key Management Personnel

In 2022 and 2021, CLI sold condominium units to key management personnel. The outstanding balance related to these transactions are noninterest-bearing, collectible similarly to the sale of real estate units to customers, is presented as part of Contract receivables under the Receivables account in the 2022 consolidated statement of financial position (see Note 6). There is no similar transaction in 2023.

26.4 Key Management Personnel Compensation

The composition of key management personnel compensation for the years ended December 31, 2023, 2022 and 2021 is shown below.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Short-term benefits	P 159,664,014	P 141,949,540	P 121,082,068
Post-employment benefits	47,350,536	4,930,421	1,668,284
Share options	<u>2,115,986</u>	<u>3,005,840</u>	<u>-</u>
	<u>P 209,130,536</u>	<u>P 149,885,801</u>	<u>P 122,750,352</u>

26.5 Retirement Fund

CLI's retirement fund for its defined post-employment plan is administered and managed by a trustee bank. The fair value of plan assets in 2023 and 2022 consists of the contributions to the plan and interest earned (see Note 24.3). The plan assets do not comprise investment in any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

27. EQUITY

27.1 Capital Stock

Details of the Parent Company's authorized capital stock as of December 31, 2023 and 2022 are as follows:

	<u>Shares</u>	<u>Amount</u>		
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Preferred shares				
Authorized				
Series A – P1.00 par value	1,000,000,000		P 1,000,000,000	
Series B – P0.10 par value	<u>1,000,000,000</u>		<u>100,000,000</u>	
Total	<u>2,000,000,000</u>	<u>1,000,000,000</u>	<u>P 1,100,000,000</u>	<u>P 100,000,000</u>
Common shares – P1.00 par value				
Authorized	<u>9,000,000,000</u>	<u>10,000,000,000</u>	<u>P 9,000,000,000</u>	<u>P 10,000,000,000</u>
Issued:				
Balance at beginning and end of year	3,623,451,997	3,623,451,997	P 3,623,451,997	P 3,623,451,997
Treasury shares	(<u>158,250,530</u>)	(<u>158,250,530</u>)	(<u>732,664,604</u>)	(<u>732,664,604</u>)
Issued and outstanding	<u>3,465,201,467</u>	<u>3,465,201,467</u>	<u>P 2,890,787,393</u>	<u>P 2,890,787,393</u>

The par value of the authorized preferred shares in 2022 is P0.10 per share. There is no issued preferred stock as at December 31, 2023 and 2022.

On April 25, 2023, the BOD approved the amendment of the Articles of Incorporation (AOI) of CLI to reallocate the authorized capital stock of P10,100,000,000 to be divided as follows:

- (a) 9,000,000,000 common shares with a par value of P1 per share;
- (b) 1,000,000,000 Series A preferred shares with a par value of P1 per share; and,
- (c) 1,000,000,000 Series B preferred shares with a par value of P0.10 per share.

The amendment to the AOI was later approved by the stockholders on June 1, 2023. On October 18, 2023, the SEC officially accepted CLI's application for the amendment of its AOI, which was later approved on December 29, 2023.

The share price of the Parent Company's common stock closed at P2.47 and P2.80 per share on December 29, 2023 and 2022, respectively, the last trading day in the PSE for 2023 and 2022.

The Company has no other listed equity securities as at December 31, 2023 and 2022.

27.2 Additional Paid-in Capital

On June 2, 2017, the Parent Company made an initial public offering (IPO) of 430,000,000 unissued common shares at an offer price of P5 per share, which is equivalent to P2,150,000,000. Accordingly, the Parent Company recognized additional paid-in capital of P1,608,917,974 in the consolidated statements of financial position after deducting the related share issuance costs of P111,082,026.

27.3 Treasury Shares

An analysis of treasury shares as of December 31, 2023 and 2022, respectively is shown below.

	Shares		Amount	
	2023	2022	2023	2022
Balance at beginning of year	158,250,530	161,600,000	P 732,664,604	P 748,171,901
Re-issuance of shares	-	(3,349,470)	-	(15,507,297)
Balance at end of year	<u>158,250,530</u>	<u>158,250,530</u>	<u>P 732,664,604</u>	<u>P 732,664,604</u>

On February 27, 2018, the BOD of the Parent Company approved a P250,000,000 budget for a share buy-back program and employee stock option plan. On March 2022, qualified employees started exercising their stock options (see Note 27.4).

On March 27, 2020, the BOD of the Parent Company approved an additional P500,000,000 stock buy-back program over the next two years.

In relation to this program, the Parent Company reacquired 2,599,600 shares and 104,180,400 shares of its common stock in 2021 and 2020, respectively, for P15,320,885 and P485,657,205, respectively, and presented them as Treasury Stock in the consolidated statement of financial position. No additional shares were reacquired in 2022.

In 2022, the Parent Company has reissued 3,349,470 shares of treasury shares as a result of exercise of the same number of stock options (Note 27.4).

The common stock of the Parent Company that is held under nominee accounts totaled 1,285,302,905 shares and 1,307,052,405 shares as of December 31, 2023 and 2022, respectively. This represents 35% and 36% of the Parent Company's outstanding shares as of December 31, 2023 and 2022, respectively.

27.4 Employee Share Option

On October 6, 2021, the BOD of the Parent Company approved the Executive Stock Option Plan (ESOP) for its qualified officers. The ESOP grants options to purchase the shares of the Parent Company at a price of P2.25 or current market price with a 15% discount, whichever is higher. Shares bought under the ESOP cannot be sold, assigned, or transferred in any manner for at least six months from the exercise date. Voting and dividend rights vest upon the issuance of the shares to the employees.

Pursuant to this ESOP, on January 5, 2022, the Parent Company granted share options to qualified officers to subscribe to 31,016,200 common shares of the Parent Company, with the following vesting period.

- The 1st 25% of the options granted can be exercised immediately upon the year of grant;
- The 2nd 25% of the options granted can be exercised one year after the options were granted;
- The 3rd 25% of the options granted can be exercised two years after the options were granted; and,
- The last 25% of the options granted can be exercised three years after the options were granted.

In 2022, a total of 3,349,470 share options were exercised at a price of P2.40 per share using the Parent Company treasury shares (see Note 27.3).

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life	2.5 years
Average share price at grant date	P2.86
Average exercise price at grant date	P2.43
Average fair value at grant date	P0.15
Average standard deviation of share price returns	20.17%
Average dividend yield	14.95%
Average risk-free investment rate	2.59%

The underlying expected volatility was determined by reference to historical prices of the Parent Company's shares.

Share option benefits expense, which is included as part of Salaries and employee benefits under the Operating Expenses account, amounting to P2,115,986 and P3,005,840 was recognized in 2023 and 2022, respectively (see Note 24.1), while the corresponding credit to Share Options Outstanding account is presented as part of Equity Attributable to Owners of the Parent Company under the Equity section of the consolidated statements of financial position.

27.5 Revaluation Reserves

The components and reconciliation of items of other comprehensive income (loss) presented in the consolidated statement of changes in equity at their aggregate amount under the Revaluation Reserves account are shown below.

	Notes	2023	2022	2021
Balance at beginning of year		(P 13,910,501)	(P 13,477,472)	(P 12,883,375)
Other comprehensive income:				
Gain (loss) on remeasurement of post-employment defined benefit obligation	24.3	(5,836,964)	(577,372)	435,092
Tax income (expense)	25	<u>1,459,241</u>	<u>144,343</u>	<u>(1,029,189)</u>
		(<u>4,377,723</u>)	(<u>433,029</u>)	(<u>594,097</u>)
Balance at end of year		(<u>P 18,288,224</u>)	(<u>P 13,910,501</u>)	(<u>P 13,477,472</u>)

27.6 Retained Earnings

(a) Cash Dividends

On March 15, 2021, the Parent Company's BOD declared cash dividend of P0.25 per share totaling P388,749,900 to stockholders on record as of April 16, 2021 and was paid on May 10, 2021.

On March 15, 2022, the Parent Company's BOD declared regular and special cash dividends of P0.112 and P0.038 per share, respectively, totaling P519,780,221 to stockholders on record as of April 22, 2022 and were paid on May 17, 2022.

On March 20, 2023, the BOD declared regular and special cash dividends of P0.15 and P0.03 per share, respectively, totaling P623,736,265 to stockholders on record as of April 18, 2023. Such dividends were paid on April 28, 2023.

(b) Appropriations

On November 23, 2023 and December 6, 2022, the Parent Company's BOD approved the appropriation of P6,324,658,043 and P3,931,475,893, respectively, from its retained earnings for the construction of various real estate projects. The real estate projects are expected to be completed from dates ranging from the first quarter of 2023 until the second quarter of 2030.

The Parent Company released the appropriated retained earnings in 2022 amounting to P3,341,330,930 in 2023 and appropriated retained earnings in 2021 amounting to P172,049,912 in 2022 to unrestricted retained earnings after partial fulfillment of its intended purpose.

A portion of the Group's retained earnings, equivalent of the cost of treasury shares is legally restricted in accordance with Section 40 of the Revised Corporation Code.

In 2021, no appropriation has been made by the Parent Company and a release of P3,777,454,711 from previous appropriations was made.

27.7 Non-controlling Interests

The subsidiaries of the Group with significant NCI as at December 31, 2023, 2022 and 2021 are as follows:

Subsidiaries	NCI Ownership %			NCI Equity in Subsidiaries		
	2023	2022	2021	2023	2022	2021
YHEST	50%	50%	50%	P 4,361,054,926	P 3,875,590,923	P 3,706,027,295
CHDI	50%	50%	50%	1,548,403,514	786,666,552	672,519,752
El Camino	65%	65%	65%	1,086,949,888	1,122,368,628	1,113,400,062
YHES	50%	50%	50%	907,960,322	686,512,645	605,533,074
CBLRV	50%	50%	50%	416,435,594	105,222,808	98,733,293
GGTT	50%	50%	50%	393,007,824	267,015,020	90,043,506
CCLI	50%	50%	50%	158,489,937	91,485,695	96,831,317
CLI-LITE	12%	12%	12%	152,524,190	124,588,359	124,729,968
YES	50%	50%	50%	95,705,218	181,981,225	243,297,814
MDC	22%	22%	22%	79,728,192	79,813,515	59,453,985
MGR	55%	55%	55%	69,697,228	101,114,684	172,090,942
SPE	36%	36%	36%	46,960,280	14,296,286	(18,518,426)
BL Ventures	50%	50%	50%	28,437,150	74,395,398	128,164,739
				<u>P 9,345,354,263</u>	<u>P 7,511,051,738</u>	<u>P 7,092,307,321</u>

The analysis of the movement of NCI as at December 31, 2023, 2022 and 2021 are as follows:

	2023	2022	2021
Balance at beginning of year	P 7,511,051,738	P 7,092,307,321	P 6,895,639,697
Share in net profit during the year	1,067,182,525	437,003,407	57,934,293
New and additional investments	879,500,000	61,641,010	226,733,331
Dividends	(112,380,000)	(79,900,000)	(88,000,000)
Balance at end of year	<u>P9,345,354,263</u>	<u>P 7,511,051,738</u>	<u>P 7,092,307,321</u>

The new and additional investments came from the non-controlling shareholders of CHDI, CBLRV, CCLI and SPE in 2023, from the non-controlling shareholders of SPE and MDC in 2022, and from the non-controlling shareholders of CLI-LITE in 2021.

The dividends came from MGR and BL Ventures and YES in 2023, from MGR and BL Ventures, and only from MGR in 2021.

The summarized balance sheets of the subsidiaries with significant NCI before intragroup eliminations for the years ended December 31, 2023 and 2022 are shown below and in the succeeding page.

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Equity
December 31, 2023					
YHEST	P 7,734,595,875	P 3,546,876,031	P 1,859,479,842	P 699,882,212	P 8,722,109,852
CHDI	4,599,085,997	754,108,027	1,421,802,775	834,584,221	3,096,807,028
El Camino	3,356,543,217	1,905,626,745	2,128,113,784	1,461,825,581	1,672,230,597
YHES	2,269,517,130	3,448,370,957	2,088,005,396	1,813,962,047	1,815,920,644
CBLRV	681,079,710	1,360,702,524	892,598,764	316,312,282	832,871,188
GGTT	469,201,653	1,417,731,748	725,244,756	375,672,997	786,015,648
CCLI	147,574,518	1,385,762,580	282,662,087	933,695,137	316,979,874
CLI-LITE	695,597,554	1,473,557,615	703,143,944	245,817,705	1,220,193,520
YES	379,897,473	165,518,020	263,099,988	90,905,069	191,410,436
MDC	364,415,785	-	2,014,912	-	362,400,873
MGR	181,224,979	642,056	42,574,704	12,570,098	126,722,233
SPE	56,236,350	420,821,441	80,356,451	266,256,118	130,445,222
BL Ventures	76,490,553	668,892,636	369,764,081	318,744,808	56,874,300

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Equity
December 31, 2022					
YHEST	P 4,123,628,226	P 3,372,951,634	P 930,337,608	P 91,670,042	P 6,474,572,210
El Camino	3,265,465,140	2,368,266,476	1,437,453,690	2,469,023,658	1,727,254,268
CHDI	3,619,552,664	682,792,917	2,090,465,890	638,546,595	1,573,333,096
YHES	1,486,953,404	2,939,090,975	1,865,621,402	1,187,137,129	1,373,285,848
CLI-LITE	410,122,908	740,515,353	390,783,076	3,296,816	756,558,369
GGTT	383,824,261	1,055,346,456	533,367,538	244,043,137	661,760,042
YES	951,126,375	26,757,666	478,859,125	135,062,460	363,962,456
CBLRV	629,852,008	276,739,032	624,205,689	69,113,940	213,271,411
MGR	260,752,902	861,935	53,427,339	20,967,617	187,219,881
CCLI	218,137,796	716,187,814	86,343,000	665,011,219	182,971,391
MDC	178,469,710	-	1,865,870	-	176,603,840
BL Ventures	152,023,688	694,170,706	294,560,741	402,863,601	148,770,052
SPE	54,658,372	396,273,145	55,767,420	253,537,865	141,626,232

The summarized comprehensive income of the subsidiaries with significant NCI before intragroup eliminations for the years ended December 31, 2023, 2022 and 2021 is shown below.

	Revenues	Net Profit (Loss)	Other Comprehensive Income (Loss)
2023			
YHEST	P 2,865,787,323	P 970,928,006	P -
YHES	987,027,818	442,895,354	-
CBLRV	954,184,151	337,425,572	-
CHDI	1,012,029,844	289,473,924	-
GGTT	604,200,731	251,985,607	-
CLI-LITE	637,386,548	223,486,648	-
BL Ventures	50,452,086	(75,116,496)	-
El Camino	249,507,623	(59,490,369)	-
YES	22,310,048	(32,352,014)	-
SPE	-	(20,377,794)	-
CCLI	-	(25,991,516)	-
MGR	61,948,129	4,477,353	-
MDC	-	(381,832)	-
2022			
GGTT	P 820,847,579	P 354,846,240	P -
YHEST	868,396,211	339,127,564	-
CHDI	844,564,708	228,293,599	-
YHES	622,016,164	162,027,169	-
YES	166,545,780	(122,633,178)	-
BL Ventures	(4,367,243)	(90,732,683)	-
SPE	-	(24,517,493)	-
El Camino	408,514,109	13,797,794	-
CBLRV	34,842,825	12,979,029	-
CCLI	-	(10,691,245)	-
CLI-LITE	-	(1,156,876)	-
MGR	(26,999,881)	952,259	-
MDC	-	(413,395)	-
2021			
YHES	P 342,152,332	P 129,664,463	P -
YES	27,963,542	(102,856,292)	-
El Camino	726,343,098	81,621,893	-
GGTT	221,930,052	80,087,011	-
CHDI	176,756,441	35,869,739	-
MGR	(12,991,772)	(35,069,128)	-
BL Ventures	39,771,377	(35,002,671)	-
SPE	-	(24,179,468)	-
YHEST	-	(19,396,226)	-
CCLI	-	(16,440,305)	-
CLI-LITE	-	(13,060,257)	-
MDC	-	(3,274,357)	-
CBLRV	-	(1,398,623)	-

The allocation of profit or loss between the Parent Company and NCI as follows:

	<u>Parent Company's Shareholders</u>		<u>NCI</u>		<u>Net profit</u>	
2023						
YHEST	P	485,464,003	P	485,464,003	P	970,928,006
YHES		221,447,677		221,447,677		442,895,354
CBLRV		168,712,786		168,712,786		337,425,572
CHDI		144,736,962		144,736,962		289,473,924
GGTT		125,992,803		125,992,804		251,985,607
CLI-LITE		195,550,817		27,935,831		223,486,648
BL Ventures	(	37,558,248)	(	37,558,248)	(	75,116,496)
El Camino	(	19,071,629)	(	35,418,740)	(	54,490,369)
YES	(	16,176,007)	(	16,176,007)	(	32,352,014)
SPE	(	13,041,788)	(	7,336,006)	(	20,377,794)
CCLI	(	12,995,758)	(	12,995,758)	(	25,991,516)
MGR		2,014,809		2,462,544		4,477,353
MDC	(	302,509)	(	85,323)	(	387,832)
2022						
GGTT	P	177,423,120	P	177,423,120	P	354,846,240
YHEST		169,563,782		169,563,782		339,127,564
CHDI		114,146,799		114,146,800		228,293,599
YHES		81,013,584		81,013,585		162,027,169
YES	(	61,316,589)	(	61,316,589)	(	122,633,178)
BL Ventures	(	45,466,342)	(	45,366,341)	(	90,732,683)
SPE	(	15,691,196)	(	8,826,297)	(	24,517,493)
El Camino		4,829,228		8,968,566		13,797,794
CBLRV		6,489,514		6,489,515		12,979,029
CCLI	(	5,345,623)	(	5,345,622)	(	10,691,245)
CLI-LITE	(	1,012,266)	(	144,609)	(	1,156,876)
MGR		428,517		523,742		952,259
MDC	(	321,167)	(	92,228)	(	413,395)

28. EARNINGS PER SHARE

EPS is computed as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Income available to common stockholders	P3,575,837,120	P 3,170,887,739	P 2,612,937,324
Divided by weighted average number of outstanding common shares	<u>3,465,201,467</u>	<u>3,464,364,100</u>	<u>2,507,833,165</u>
Basic and diluted EPS	<u>P 1.03</u>	<u>P 0.92</u>	<u>P 1.04</u>

The Parent Company granted share options to qualified officers (see Note 27.4). The basic and diluted earnings per share in 2023 and 2022 are the same because the dilutive effects of potential common shares from the employee share options are negligible for the periods presented. The maximum increase in the weighted average number of outstanding shares from the exercise of employee shares options in 2023 and 2022 amounting to 10,876,872 shares and 4,773,547 shares, respectively, which results in the same EPS amounts.

Aside from the employee share options, there were no instruments that could potentially dilute basic earnings per share in 2023, 2022, and 2021; hence, basic EPS is the same as diluted EPS.

29. COMMITMENTS AND CONTINGENCIES

29.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering certain condominium and parking units and retail building space (see Note 13). To manage its risks over these operating leases, the Group retains its legal title over the underlying assets and requires its lessee to pay security deposits at the start of the lease, which are forfeited in case a lessee pre-terminates without prior notice or before the expiry of the lease term without cause. The leases have terms ranging from one to 15 years, with renewal options, and include annual escalation from 5% to 10%.

The future minimum lease receivables under these agreements are presented below.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Within one year	P 90,163,930	P 65,807,376	P 59,212,971
Within one to two years	107,102,709	38,881,603	41,589,378
Within two to three years	71,458,255	25,941,561	27,748,172
Within three to four years	23,406,711	8,497,362	9,089,131
Within four to five years	45,565,584	66,269,406	70,884,510
More than five years	<u>136,979,178</u>	<u>92,651,746</u>	<u>105,840,163</u>
	<u>P 474,676,367</u>	<u>P 298,049,054</u>	<u>P 314,364,325</u>

None of the rental income in 2023, 2022 and 2021 are relating to variable lease payments.

29.2 Operating Lease Commitments – Group as Lessee

The Group entered into several short-term cancellable leases for its billboards, warehouse and staff house. Rent expense incurred from the short-term cancellable leases are shown as rent under Operating Expenses in the consolidated statements of profit or loss (see Notes 20).

As at December 31, 2023 and 2022, the expected future rentals is expected to be more or less the same with the annual rent expense recognized because of the terms of the leases, which are less than 12 months.

29.3 Completion of Sold Units

The Group is obligated to finish the sold units that are at a certain stage of completion at the time of sale. The Group recognized a contract liability, which amounts to P449,338,207 and P598,391,867 as at December 31, 2023 and 2022, respectively, when it collects more than it is entitled to based on the stage of completion of the project development (see Note 18.2).

29.4 Purchase of Land

In 2023 and 2022, the Group had agreed in principle with multiple sellers of real estate properties in various locations in Visayas and Mindanao for the acquisition of parcels of land amounting to P349,502,459 and P129,996,729, respectively and transferred to raw land inventory amounting to P464,499,188 and nil in 2023 and 2022, respectively (see Note 8). There were no such commitments as at December 31, 2021.

29.5 Capital Commitments for Construction Cost

As at December 31, 2023 and 2022, the Group has capital commitments of about P7,869,502,871 and P8,812,246,977, respectively, for the construction of real estate inventories, property and equipment and investment properties.

29.6 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements because the possible outflow of economic resource as a result of present obligations is considered improbable or remote or the amount to be provided cannot be measured reliably. As at December 31, 2023 and 2022, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

30. EVENTS AFTER THE REPORTING PERIOD

30.1 Public Offering of Preferred Shares

On January 8, 2024, the BOD approved the proposed registration with the SEC of the Parent Company's perpetual, cumulative, non-voting, non-participating, non-convertible, and redeemable Philippine Peso-denominated Series "A" Preferred Shares with a firm offer of up to 3,000,000 Series "A" Preferred Shares with an oversubscription option up to 2,000,000 Series "A" Preferred Shares by way of a follow-on public offering. The Registration Statement covering the IPO was filed with the SEC and PSE on January 25, 2024 and January 26, 2024, respectively.

30.2 Declaration of Cash Dividends

On March 18, 2024, the Board approved the declaration of regular cash dividends amounting to P0.15 per share and special cash dividends amounting to P0.03 per share with record date on April 17, 2024 which will be paid on May 3, 2024.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 32. The main types of risks are market risk, credit risk and liquidity risk. The Group's risk management focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

It does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described as follows:

31.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from its operating, investing, and financing activities.

It has no significant foreign currency exposure risks as most of its transactions are carried out in Philippine pesos, its functional currency.

31.2 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. 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 transfers the corresponding title of the subdivision lots, house and lot units, condominium units and parking spaces only upon full payment of the contract price.

(a) Maximum exposure to credit risk

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets (including contract assets), as summarized below.

	Notes	2023	2022
Cash and cash equivalents	5	P 913,841,206	P 1,434,559,762
Receivables*	6	2,211,305,404	3,657,261,050
Contract assets	18.2	45,093,986,410	31,979,063,534
Due from related parties	26.1	48,596,767	35,802,341
Short-term investments	9	200,838,362	204,836,249
Refundable deposits	14	152,741,454	128,384,996
		<u>P48,621,309,603</u>	<u>P 37,439,907,932</u>

* Receivables excludes advances to officers and employees.

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

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure
2023			
Contract receivables	P 1,549,074,563	P 11,060,916,251	P -
Contract assets	<u>45,093,986,410</u>	<u>78,168,084,114</u>	<u>-</u>
	<u>P 46,643,060,973</u>	<u>P 89,229,000,365</u>	<u>P -</u>
2022			
Contract receivables	P 3,030,230,127	P 6,632,550,849	P -
Contract assets	<u>31,979,063,534</u>	<u>58,301,956,960</u>	<u>-</u>
	<u>P 35,009,293,661</u>	<u>P 64,934,507,809</u>	<u>P -</u>

(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 contract receivables and contract assets, net of allowance for impairment, is shown below.

	<u>2023</u>	<u>2022</u>
Cebu	P 21,835,148,629	P 16,921,619,068
Visayas	2,545,817,311	7,230,845,939
Mindanao	15,398,918,372	10,856,726,305
Luzon	<u>6,863,176,661</u>	<u>102,349</u>
	<u>P46,643,060,973</u>	<u>P 35,009,293,661</u>

(c) *Credit Quality*

The Group classifies cash in banks as high grade as these are deposited with reputable banks.

Other receivables and refundable deposits are considered to be unrated and are neither past due nor impaired. For trade receivables, standard grade pertains to receivables with no default in payments and are effectively collateralized by the real estate inventories which can be subject to repossession upon non-payment of customers after reasonable collection effort has been exerted by the Group.

The quality of the Group's financial assets as of December 31, 2023 and 2022 is shown below.

	<u>Neither past due nor impaired</u>			<u>Past due but</u>	<u>Individually</u>	
	<u>High grade</u>	<u>Standard grade</u>	<u>Unrated</u>	<u>not impaired</u>	<u>impaired</u>	<u>Total</u>
2023						
Cash	P 913,841,206	P -	P -	P -	P -	P 913,841,206
Receivables						
Contract	-	1,178,231,296	-	370,843,267	-	1,549,074,563
Others	-	-	659,988,579	-	2,242,262	662,230,841
Contract assets	-	45,093,986,410	-	-	-	45,093,986,410
Due from related parties	-	-	45,596,767	-	-	48,596,767
Short-term investments	200,838,362	-	-	-	-	200,838,362
Refundable deposits	-	-	152,741,454	-	-	152,741,454
	<u>P 1,114,679,568</u>	<u>P 46,272,217,706</u>	<u>P 858,326,800</u>	<u>P 370,843,267</u>	<u>P 2,242,262</u>	<u>P 48,621,309,603</u>
2022						
Cash	P 1,434,559,762	P -	P -	P -	P -	P 1,434,559,762
Receivables						
Contract	-	2,246,422,576	-	783,807,551	-	3,030,230,127
Others	-	-	625,221,454	-	1,809,469	627,030,923
Contract assets	-	31,979,063,534	-	-	-	31,979,063,534
Due from related parties	-	-	35,802,341	-	-	35,802,341
Short-term investments	204,836,249	-	-	-	-	204,836,249
Refundable deposits	-	-	128,384,996	-	-	128,384,996
	<u>P 1,639,396,011</u>	<u>P 34,225,486,110</u>	<u>P 789,408,791</u>	<u>P 783,807,551</u>	<u>P 1,809,469</u>	<u>P 37,439,907,932</u>

31.3 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 on a 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. It maintains cash to meet its liquidity. Excess cash are invested in short-term placements.

As at December 31, 2023 and 2022, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within Six Months	Six to 12 Months	One to Five Years	More than Five Years
December 31, 2023				
Interest-bearing loans and borrowings	P 9,445,312,066	P 4,952,650,498	P 29,024,476,051	P 7,153,781,014
Bonds payable	168,742,525	168,742,525	4,872,277,006	1,062,987,665
Trade and other payables*	<u>18,062,302,871</u>	<u>274,654,434</u>	<u>4,801,971,020</u>	<u>-</u>
	<u>P 26,019,437,410</u>	<u>P 3,924,517,266</u>	<u>P 34,573,391,066</u>	<u>P 6,113,144,735</u>
December 31, 2022				
Interest-bearing loans and borrowings	P 6,173,740,948	P 2,374,903,037	P 21,006,645,481	P 9,462,451,360
Bonds payable	168,742,525	168,742,525	3,849,718,073	2,423,031,648
Trade and other payables*	<u>11,863,581,836</u>	<u>3,807,034,840</u>	<u>3,135,384,424</u>	<u>-</u>
	<u>P 18,206,065,309</u>	<u>P 6,350,680,402</u>	<u>P 27,991,747,978</u>	<u>P 11,885,483,008</u>

* Trade and other payables excludes output VAT, government-related obligations and advance rental.

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

32. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND FAIR VALUE MEASUREMENTS AND DISCLOSURES

32.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	Notes	2023		2022	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
At amortized cost:					
Cash and cash equivalents	5	P 913,841,206	P 913,841,206	P 1,434,559,762	P 1,434,559,762
Receivables - net ¹	6	<u>2,211,305,404</u>	<u>2,211,305,404</u>	<u>3,657,261,050</u>	<u>3,657,261,050</u>
Due from related parties	26.1	<u>48,596,767</u>	<u>48,596,767</u>	<u>35,802,341</u>	<u>35,802,341</u>
Short-term investments	9	<u>200,838,362</u>	<u>200,838,362</u>	<u>204,836,249</u>	<u>204,836,249</u>
Refundable deposits	14	<u>152,741,454</u>	<u>152,741,454</u>	<u>128,384,996</u>	<u>128,384,996</u>
		<u>P 3,527,323,193</u>	<u>P 3,527,323,193</u>	<u>P 5,460,844,398</u>	<u>P 5,460,844,398</u>
Financial Liabilities					
At amortized cost:					
Interest-bearing loans and borrowings	15	P 42,188,845,736	P 43,660,634,271	P 35,062,290,611	P 32,892,943,912
Bonds payable	16	<u>5,000,000,000</u>	<u>5,159,876,668</u>	<u>4,930,582,631</u>	<u>5,074,171,211</u>
Trade and other payables ²	17	<u>22,771,317,468</u>	<u>22,771,317,468</u>	<u>18,806,001,100</u>	<u>18,806,001,100</u>
		<u>P 69,960,163,204</u>	<u>P 71,591,828,407</u>	<u>P 58,798,874,342</u>	<u>P 56,773,116,223</u>

1 Receivables - net excludes advances to officers and employees.

2 Trade and other payables excludes output VAT, government-related obligations and advance rental.

A description of the Group's risk management objectives and policies for financial instruments is provided in Note 31.

32.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statements of financial position		Net amount presented in the consolidated statements of financial position	Related amounts set-off in the consolidated statements of financial position		
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	Net amount
December 31, 2023						
Cash and cash equivalents	<u>P 913,841,206</u>	<u>P -</u>	<u>P 913,841,206</u>	<u>P 909,475,471</u>	<u>P -</u>	<u>P 4,365,735</u>
December 31, 2022						
Cash and cash equivalents	<u>P 1,434,559,762</u>	<u>P -</u>	<u>P 1,434,559,762</u>	<u>P 554,474,038</u>	<u>P -</u>	<u>P 880,085,724</u>

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statements of financial position		Net amount presented in the consolidated statements of financial position	Related amounts set-off in the consolidated statements of financial position		
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	Net amount
December 31, 2023						
Interest-bearing loans	<u>P 42,188,845,736</u>	<u>P -</u>	<u>P 42,188,845,736</u>	<u>P 909,475,471</u>	<u>P -</u>	<u>P 41,279,370,265</u>
December 31, 2022						
Interest-bearing loans	<u>P 35,062,290,611</u>	<u>P -</u>	<u>P 35,062,290,611</u>	<u>P 554,474,038</u>	<u>P -</u>	<u>P 34,507,816,573</u>

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Group and counterparties (i.e., banks) allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

32.3 Fair Value Measurements and Disclosures

(a) 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 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 the financial 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 value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

(b) *Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed*

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities, which are not measured at fair value in the 2023 and 2022 consolidated statements of financial position, but for which fair value is disclosed (see Note 32.1).

	Level 1	Level 2	Level 3	Total
2023				
<i>Financial assets:</i>				
Cash and cash equivalents	P 913,841,206	P -	P -	P 913,841,206
Receivables – net ¹	-	-	2,211,305,405	2,211,305,404
Due from related parties	-	-	48,596,767	48,596,767
Short-term investments	200,838,362	-	-	200,838,362
Refundable deposits	-	-	152,741,454	152,741,454
	<u>P 1,114,679,568</u>	<u>P -</u>	<u>P 2,412,643,625</u>	<u>P 3,527,323,193</u>
<i>Financial liabilities:</i>				
Interest-bearing loans	P -	P -	P 43,660,634,271	P 43,660,634,271
Bonds payable	-	-	5,159,879,668	5,159,879,668
Trade and other payables	-	-	22,771,317,470	22,771,317,470
	<u>P -</u>	<u>P -</u>	<u>P 71,591,828,409</u>	<u>P 71,591,828,409</u>
2022				
<i>Financial assets:</i>				
Cash and cash equivalents	P 1,434,559,762	P -	P -	P 1,434,559,762
Receivables – net ¹	-	-	3,657,261,050	3,657,261,050
Due from related parties	-	-	35,802,341	35,802,341
Short-term investments	204,836,249	-	-	204,836,249
Refundable deposits	-	-	128,384,996	128,384,996
	<u>P 1,639,396,011</u>	<u>P -</u>	<u>P 3,821,448,387</u>	<u>P 5,460,844,398</u>
<i>Financial liabilities:</i>				
Interest-bearing loans and borrowings	P -	P -	P 32,892,943,912	P 32,892,943,912
Bonds payable	-	-	5,074,171,211	5,074,171,211
Trade and other payables ²	-	-	18,806,001,100	18,806,001,100
	<u>P -</u>	<u>P -</u>	<u>P 56,773,116,223</u>	<u>P 56,773,116,223</u>

¹ Receivables excludes advances to officers and employees.

² Trade and other payables excludes output VAT, government-related obligations and advance rental.

For the Group's financial assets and financial liabilities, which are measured at amortized cost, management has determined that their carrying amounts are equal to or approximate their fair values, except for interest-bearing loans and borrowings, because of their short-term nature.

(c) *Fair Value Measurement for Non-financial Assets*

The Group has no non-financial assets measured at fair value as at December 31, 2023 and 2022.

The table below shows the Levels within the hierarchy of investment property, which are not carried at fair value but whose fair value are required to be disclosed on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2023	<u>P -</u>	<u>P -</u>	<u>P 18,422,843,422</u>	<u>P 18,422,843,422</u>
December 31, 2022	<u>P -</u>	<u>P -</u>	<u>P 20,627,177,086</u>	<u>P 20,627,177,086</u>

In 2023 and 2022, the fair value of the Group's Investment Properties is determined on the basis of the appraisals performed by an independent external appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the parcels of land and buildings, and the comparable prices in the corresponding property location.

The fair value of these parcels of land, condominium units and retail building were determined based on the following approaches:

(i) *Fair Value Measurement for Land, Condominium Units and Retail Buildings*

The Level 3 fair value of the parcels of land, condominium units, retail building and parking slots under Investment Properties account was determined using the market approach, adjusted for differences in key attributes such as properties size, zoning and accessibility.

Under the market approach, when comparable lease offerings of similar properties and sales prices of comparable land properties in close proximity are used in the valuation of the subject property with insignificant adjustment on the price, fair value is included in Level 2. Consequently, if the observable recent prices of the reference properties were adjusted significantly for differences in key attributes such as properties size, zoning and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(ii) *Fair Value Measurement for Improvements under Retail Buildings*

The Level 3 fair value of building improvements presented as part of retail buildings under Investment Properties account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change on the valuation techniques used by the Group, except as indicated above, during the period for its investment properties. Also, there were no transfers into or out of Level 2 fair value hierarchy for the years ended December 31, 2023 and 2022.

33. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2023</u>	<u>2022</u>
Total interest-bearing loans and borrowings and bonds payable	P47,136,668,257	P 39,992,873,242
Total equity	<u>25,796,756,536</u>	<u>21,012,614,893</u>
Debt-to-equity ratio	<u>1:83:1.00</u>	<u>1.90:1.00</u>

The Group's goal in capital management is to limit a maximum debt-to-equity structure ratio of 75:25 on a monthly basis. The Parent Company is required to maintain certain financial ratios in relation with its borrowings (see Note 15.2). The Group has complied with its covenant obligations for both years ended December 31, 2023 and 2022.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

34. 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.

	Bank Loans (see Note 15)	Lease Liabilities (see Note 12.2)	Bonds Payable (see Note 16)	Total
Balance as of January 1, 2023	P 35,062,290,611	P 1,237,059,483	P 4,930,582,631	P41,229,932,725
Cash flows from financing activities:				
Additional borrowings - net	12,943,572,215	-	-	12,943,572,215
Repayments	(5,791,848,745)	(54,646,634)	-	(5,846,495,379)
Reclassifications	(154,500,000)	-	-	(154,500,000)
Non-cash financing activities:				
Amortization of debt issue cost	129,331,655	-	17,239,890	146,571,545
Interest amortization on lease obligation	-	80,167,300	-	80,167,300
Amendment of lease contract	-	275,906	-	275,908
Balance at December 31, 2023	<u>P42,188,845,736</u>	<u>P 1,262,856,055</u>	<u>P 4,947,822,521</u>	<u>P48,399,524,312</u>
Balance as of January 1, 2022	P 32,021,719,390	P 1,126,130,301	P -	P 33,147,849,691
Cash flows from financing activities:				
Additional borrowings - net	11,749,374,715	-	4,926,627,631	16,676,002,346
Repayments	(8,807,422,731)	(17,574,742)	-	(8,824,997,473)
Non-cash financing activities:				
Amortization of debt issue cost	98,619,237	-	3,955,000	102,574,237
Interest amortization on lease obligation	-	75,629,879	-	75,629,879
Additional lease liabilities	-	52,874,045	-	52,874,045
Balance at December 31, 2022	<u>P 35,062,290,611</u>	<u>P 1,237,059,483</u>	<u>P 4,930,582,631</u>	<u>P 41,229,932,725</u>
Balance as of January 1, 2021	P 23,793,983,711	P 834,733,975	P -	P 24,628,717,686
Cash flows from financing activities:				
Additional borrowings - net	14,448,015,997	-	-	14,448,015,997
Repayments	(6,288,347,939)	(57,537,727)	-	(6,345,885,666)
Non-cash financing activities:				
Additional lease liabilities	-	290,015,132	-	290,015,132
Amortization of debt issue cost	68,067,621	-	-	68,067,621
Interest amortization on lease obligation	-	67,139,552	-	67,139,552
Amendment of lease contract	-	(8,220,631)	-	(8,220,631)
Balance at December 31, 2021	<u>P 32,021,719,390</u>	<u>P 1,126,130,301</u>	<u>P -</u>	<u>P33,147,849,691</u>

35. SUPPLEMENTAL INFORMATION ON NON-CASH ACTIVITIES

Discussed below are the supplemental information on non-cash investing and financing activities relative to the consolidated statements of cash flows of the Group.

- (a) The Group recognized additional Right-of-Use assets and Lease Liabilities amounting to P275,906 due to amendment of a lease contract in 2023 and P52,874,045 due to new lease contracts in 2022 (see Notes 12 and 34).
- (b) In 2023 and 2022, borrowing costs that were capitalized as part of Real Estate Inventories, Property and Equipment and Investment Properties totaled to P2,586,052,265 and P1,721,477,210, respectively (see Notes 7, 11, 13 and 15).
- (c) In 2023 and 2022, the Group recognized unpaid construction costs of P2,126,087,766 and P2,339,738,833, respectively, in Property and Equipment and Investment Properties (see Notes 11 and 13).

- (d) In 2023, the Group reclassified assets from Investment Properties totaling P1,220,235,831 and P502,646 to Real Estate Inventories and Property and equipment. In 2022, the group reclassified assets from Investment Properties totaling P729,713,956 and P1,301,034,975 to Real Estate Inventories and Property Equipment, respectively (see Notes 7, 11 and 13).
- (e) In 2023, the Group reclassified Real estate inventories to Property and equipment totaling P13,080,557 (see Notes 7 and 11).
- (f) In 2023, the Group reclassified interest-bearing loans obtained from co-venturer amounting to P154,500,000 from Interest-bearing loans and borrowings to Trade and other payables (see Notes 15 and 17).
- (g) In 2023, BL Ventures declared dividends amounting to P16,800,000 of which P8,400,000 is still outstanding and payable to shareholders as at December 31, 2023.

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

Punongbayan & Araullo
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The Enterprise Center
6766 Ayala Avenue
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**The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)**
10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Landmasters, Inc. and Subsidiaries (the Group) for the year ended December 31, 2023, on which we have rendered our report dated April 10, 2024. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO



By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805

TIN 221-843-037

PTR No. 10076150, January 3, 2024, Makati City

SEC Group A Accreditation

Partner - No. 107805-SEC (until financial period 2023)

Firm - No. 0002 (until financial period 2024)

BIR AN 08-002511-037-2022 (until Oct. 13, 2025)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 10, 2024

Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
List of Supplementary Information
December 31, 2023

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CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
Schedule A - Financial Assets
December 31, 2023

<i>Type of securities</i>	<i>Amount Shown in the Statement of Financial Position</i>	<i>Income Received and Accrued</i>
<u>Financial Assets at Amortized Cost</u>		
Cash and Cash Equivalents		
Cash in banks	P 864,263,028	P 3,967,760
Short-term placements	45,212,443	1,159,382
Cash on hand	<u>4,365,735</u>	<u>-</u>
	<u>913,841,206</u>	<u>5,127,142</u>
Receivables		
Contract receivables	1,549,074,563	-
Retention receivable	132,973,570	-
Management fee receivables	111,340,567	-
Receivable from insurance	77,373,832	-
Rent receivable	71,548,690	-
Other receivables	<u>268,994,182</u>	<u>-</u>
	<u>2,211,305,404</u>	<u>-</u>
Due from Related Parties	<u>48,596,767</u>	<u>-</u>
Prepayments and other current assets		
Short-term investments	<u>200,838,362</u>	<u>8,747,555</u>
Other Non-Current Assets		
Refundable deposits	<u>152,741,454</u>	<u>-</u>
Total	<u>P 3,527,323,193</u>	<u>P 13,874,697</u>

Cebu Landmasters, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
December 31, 2023

				Deductions		Ending Balance		
Name and designation of debtor	Balance at beginning of period	Additions	Reclassification	Amounts collected	Amounts Written off	Current*	Not-current**	Balance at end of period
Entities Under Common Ownership:								
Condominium Corporation								
Base Line Center Condo Corporation	P 15,507,686	P 425,355	P -	(P 196,418)	P -	P 15,736,623	P -	P 15,736,623
Casa Mira Towers Labangon	6,273,362	173,630	-	(155,710)	-	6,291,282	-	6,291,282
Mesatierra Garden Residences Condominium Corporation	59,501	5,158,086	-	-	-	5,217,587	-	5,217,587
Baseline Residences Condo Corporation	5,953,040	217,941	-	(3,421,323)	-	2,749,658	-	2,749,658
Latitude Corporate Center Condo Corp	1,404,876	263,200	-	937,671	-	2,605,747	-	2,605,747
Mivesa Garden Residences Condo Corporation	1,658,574	2,185,664	-	(2,033,854)	-	1,810,384	-	1,810,384
Mesaverte Residences Condominium Corporation	(1,278,800)	(5,462,388)	-	7,774,236	-	1,033,048	-	1,033,048
Midori Residences Condo Corporation	379,904	121,184	-	(177,184)	-	323,904	-	323,904
Asia Premier Condo Corporation	310,219	157,449	-	(165,622)	-	302,046	-	302,046
Mesavirre Garden Residences Condominium Corporation	33,954	166,479	-	(27,557)	-	172,876	-	172,876
38 Park Avenue Condominium Corporation	252,550	24,076	-	(201,408)	-	75,218	-	75,218
Casa Mira Towers Guadalupe Condominium Corp	-	42,000	-	-	-	42,000	-	42,000
Park Centrale Condo Corporation	(1,280,643)	(4,170,713)	-	4,676,018	-	(775,338)	-	(775,338)
	<u>29,274,223</u>	(<u>698,037</u>)	<u>-</u>	<u>7,008,849</u>	<u>-</u>	<u>35,585,035</u>	<u>-</u>	<u>35,585,035</u>
Homeowners' Associations								
Casa Mira South	2,213,785	(652,960)	-	2,046,618	-	3,607,443	-	3,607,443
Casa Mira Linao	1,545,268	2,661	-	(3,506)	-	1,544,423	-	1,544,423
Velmiro Heights	798,897	77,670	-	(198,520)	-	678,047	-	678,047
Midori Plains	346,592	241,700	-	(44,088)	-	544,204	-	544,204
Casa Mira Coast	103,878	166,876	-	-	-	270,754	-	270,754
San Josemaria Villages	315,916	15,339	-	(76,236)	-	255,019	-	255,019
Villa Casita North	48,382	-	-	(34,000)	-	14,382	-	14,382
Velmiro Uptown	-	(172,443)	-	-	-	(172,443)	-	(172,443)
	<u>5,372,718</u>	(<u>321,157</u>)	<u>-</u>	<u>1,690,268</u>	<u>-</u>	<u>6,741,829</u>	<u>-</u>	<u>6,741,829</u>
Others								
Regalos de Cebu	733,933	5,958,855	-	(4,498,490)	-	2,194,298	-	2,194,298
AB Soberano International Corp	-	1,687,466	-	-	-	1,687,466	-	1,687,466
Cebu Landmasters Foundation, Inc.	20,335	7,807	-	-	-	28,142	-	28,142
	<u>754,268</u>	<u>7,654,128</u>	<u>-</u>	(<u>4,498,490</u>)	<u>-</u>	<u>3,909,906</u>	<u>-</u>	<u>3,909,906</u>
	<u>35,401,209</u>	<u>6,634,934</u>	<u>-</u>	<u>4,200,627</u>	<u>-</u>	<u>46,236,770</u>	<u>-</u>	<u>46,236,770</u>
Associates								
Iloilo Global City Corporation	-	2,328,000	-	-	-	2,328,000	-	2,328,000
Magspeak Nature Park Inc	632,726	392,772	-	(953,367)	-	72,131	-	72,131
ICOM Air Corporation	(231,594)	8,000,000	-	(7,808,540)	-	(40,134)	-	(40,134)
	<u>401,132</u>	<u>10,720,772</u>	<u>-</u>	(<u>8,761,907</u>)	<u>-</u>	<u>2,359,997</u>	<u>-</u>	<u>2,359,997</u>
Ultimate Parent Company								
	<u>75,822,632</u>	<u>-</u>	<u>-</u>	(<u>75,137,048</u>)	<u>-</u>	<u>685,584</u>	<u>-</u>	<u>685,584</u>
Key Management Personnel								
	<u>53,973,659</u>	<u>-</u>	<u>-</u>	(<u>53,973,659</u>)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	P 165,598,632	P 17,355,706	P -	(P 133,671,987)	P -	P 49,282,351	p -	P 49,282,351

*Due within one year

**Due beyond one year

Cebu Landmasters, Inc. and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2023

					Deductions				
Name and Designation of debtor	Balance at beginning of period	Additions	Reclassification	Amounts collected	Amounts written off	Current*	Non-current**	Balance at end of period	
El Camino Developers Cebu, Inc.	P 214,178,112	P 209,845,349	p -	(P 40,311,715)	-	P 383,711,746	P -	P 383,711,746	
Yuson Excellence Soberano, Inc.	413,325,300	13,794,906	-	(313,750,755)	-	113,369,451	-	113,369,451	
Cebu Homegrown Developers, Inc.	497,308,642	87,559,072	(517,000,000)	(33,131,289)	-	34,736,425	-	34,736,425	
Cebu Landmasters Property Management, Inc.	31,078,755	10,664,873	-	(12,586,715)	-	29,156,913	-	29,156,913	
BL CBP Ventures, Inc.	19,841,675	9,821,882	-	(1,117,200)	-	28,546,357	-	28,546,357	
CLI Premier Hotels Int'l. Inc.	18,712,707	22,203,334	-	(20,713,591)	-	20,202,450	-	20,202,450	
Cebu BL-Ramos Ventures, Inc.	218,876,477	13,814,492	(142,000,000)	(78,334,751)	-	12,356,218	-	12,356,218	
CCLI Premier Hotels Int'l. Inc.	2,606,774	21,820,799	-	(13,225,787)	-	11,201,786	-	11,201,786	
YHEST Realty and Development Corporation	9,075,749	20,751,923	-	(19,841,001)	-	9,986,671	-	9,986,671	
GGTT Realty Corporation	4,375,802	1,700,831	-	(544,284)	-	5,532,349	-	5,532,349	
Sugbo Prime Estate, OPC.	1,461,685	7,165,559	-	(5,628,121)	-	2,999,123	-	2,999,123	
Yuson Huang Excellence Soberano, Inc.	7,392,874	8,143,047	-	(12,874,137)	-	2,661,784	-	2,661,784	
Mivesa Garden Residences, Inc.	1,790,866	8,654,777	-	(9,267,737)	-	1,177,906	-	1,177,906	
CLI Hotels and Resorts, Inc.	227,310	50,500	-	-	-	277,810	-	277,810	
CLI-LITE Panglao, Inc.	2,676,340	181,544	-	(2,805,776)	-	52,108	-	52,108	
Ming-mori Development Corporation	-	70,000	-	(70,000)	-	-	-	-	
	P 1,442,929,068	P 436,242,888	(P 659,000,000)	(P 564,202,859)	P -	P 655,969,097	P -	P 655,969,097	

*Due within one year

**Due beyond one year

Cebu Landmasters, Inc. and Subsidiaries
Schedule D - Long-Term Debt
December 31, 2023

<i>Title of issue and type of obligation</i>	<i>Amount shown under caption "Current portion of long-term debt" in related Statement of Financial Position</i>		<i>Amount shown under caption "Long-Term Debt" in related Statement of Financial Position</i>		<i>Interest Rate</i>	<i>No. of Periodic Installments</i>	<i>Maturity Date</i>
<i>Promissory notes</i>							
Bank of the Philippine Islands	P	2,135,541,671	P	7,969,697,864	3.75% to 8.25%	Various	1/13/24 to 7/26/34
Land Bank of the Philippines		1,249,946,183		936,861,706	5% to 7.50%	Various	2/5/24 to 8/30/29
BDO Unibank Inc.		308,333,332		294,476,245	6.38% to 8.37%	Various	1/3/24 to 7/25/2027
Bank of Commerce		293,750,000		650,828,136	7.23% to 8.75%	Various	1/20/24 to 3/3/29
Development Bank of the Philippines		2,119,173,032		2,326,007,733	5% to 8.5%	Various	1/24/24 to 5/30/34
China Banking Corporation		1,003,333,333		2,733,988,780	6.65% to 7.75%	Various	1/25/24 to 6/1/34
Rizal Commercial Banking Corporation		191,153,846		3,166,241,601	5.25% to 8.75%	Various	2/29/24 to 9/27/30
RCBC Capital Corporation		495,000,000	(	1,368,332)	7.25% to 7.5%	Various	3/3/24 to 6/21/24
Philippine National Bank		1,342,740,029		1,400,346,582	4.75% to 7.96%	Various	1/25/24 to 7/12/24
Philippine Veterans Bank		600,000,000	(	234,247)	6.18% to 6.26%	Various	2/17/2024
Robinsons Bank		277,777,778		319,600,054	5.5% to 8.5%	Various	1/8/24 to 5/13/27
Union Bank of the Philippines	-			407,743,027	7.24%	Various	4/26/2027
Asia United Bank		50,000,000		149,515,745	6.25% to 6.75%	Various	03/17/27 to 6/16/28
Sterling Bank of Asia	-			312,397,673	9% to 9.25%	Various	12/15/28 to 2/23/29
Security Bank		8,737,500		205,545,961	7.24% to 8.04%	Various	3/30/2029
		<u>10,075,486,704</u>		<u>20,871,648,528</u>			
<i>Corporate notes</i>							
Bank of the Philippine Islands		212,500,000		1,185,534,141	3.54% to 7.25%	Various	12/20/25 to 04/28/27
Land Bank of the Philippines		142,857,144		1,627,917,892	4.23% to 6.63%	Various	08/02/28 to 03/10/30
BDO Unibank Inc.		125,000,000		621,140,689	7.25%	Various	12/20/25
Development Bank of the Philippines		250,000,000		1,611,580,497	3.54% to 4.66%	Various	04/28/27
China Banking Corporation		440,476,190		2,998,847,245	3.46% to 7.25%	Various	09/04/25 to 10/10/28
Rizal Commercial Banking Corporation		270,833,333		1,518,831,323	3.46% to 4.66%	Various	09/04/25 to 04/28/27
Social Security System		50,000,000		186,192,050	3.460%	Various	09/04/25
		<u>1,491,666,667</u>		<u>9,750,043,837</u>			
<i>Bonds</i>							
Philippine Depository & Trust		<u>-</u>		<u>4,947,822,521</u>		1	4/7/26 to 10/7/29
<i>Loans to partners</i>							
IBC Holdings Co.		62,000,000	-		-	-	12/31/2024
Borromeo Bros Estate, Inc.		92,500,000	-		6.250%	Various	5/11/2024 to 7/29/2024
		<u>154,500,000</u>	-				
	P	11,721,653,371	P	35,569,514,886			

Cebu Landmasters, Inc. and Subsidiaries
Schedule E - Indebtedness to Related Parties
December 31, 2023

<i>Name of related party</i>	<i>Balance at beginning of period</i>	<i>Balance at end of period</i>

NOT APPLICABLE

Cebu Landmasters, Inc. and Subsidiaries
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2023

<i>Name of issuing entity of securities guaranteed by the company for which this statement is filed</i>	<i>Title of issue of each class of securities guaranteed</i>	<i>Total amount guaranteed and outstanding</i>	<i>Amount owned by person for which statement is filed</i>	<i>Nature of guarantee</i>

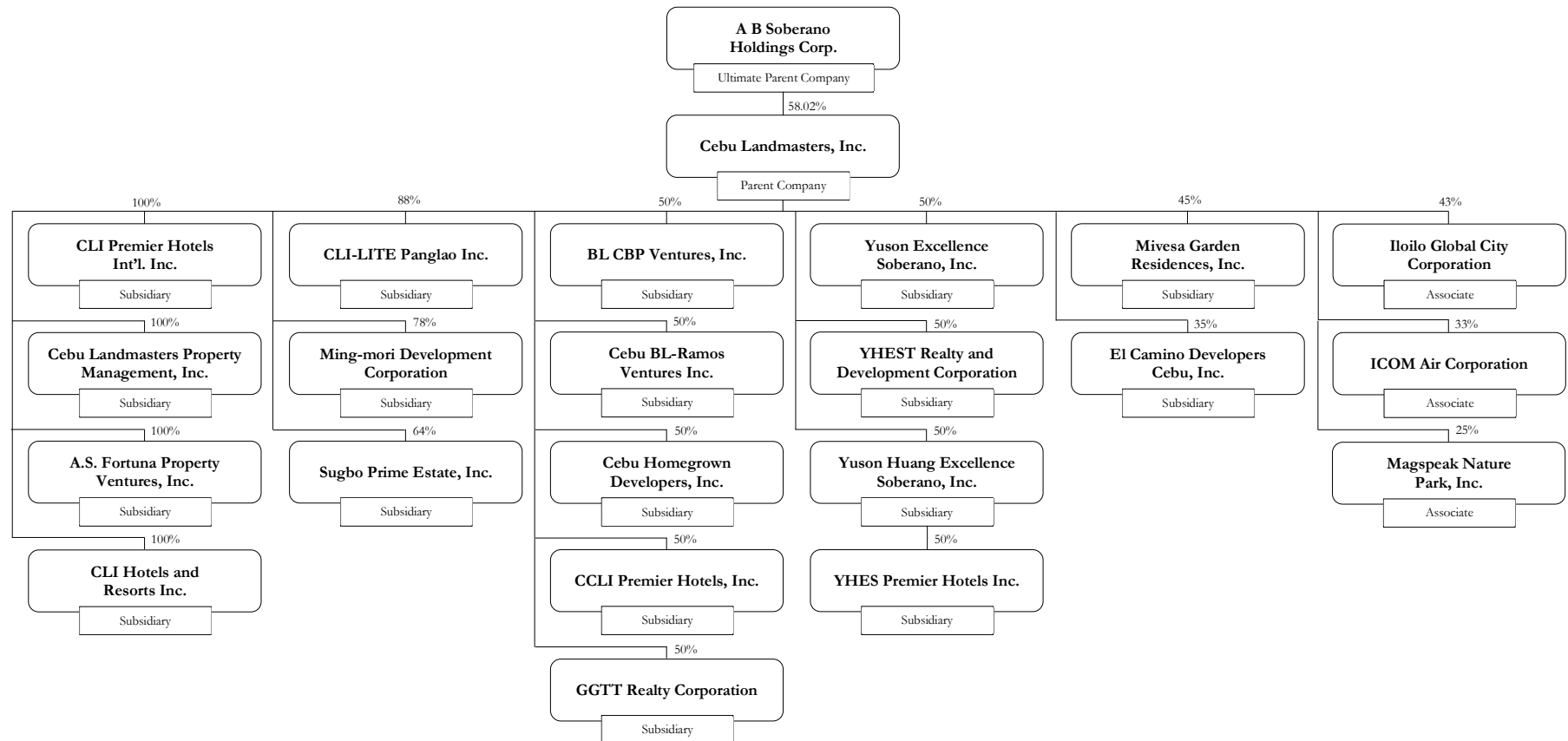
NOT APPLICABLE

Cebu Landmasters, Inc. and Subsidiaries
Schedule G - Capital Stock
December 31, 2023

				Number of shares held by		
<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related Statement of Financial Position caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares - P1 par value						
Authorized	9,000,000,000					
Issued and outstanding		3,465,201,467	158,250,530	2,267,130,595	48,502,500	1,149,568,372
Preferred Shares - P0.10 par value						
Authorized						
Series A	1,000,000,000					
Series B	100,000,000					
Issued and outstanding		-	-	-	-	-

CEBU LANDMASTERS, INC. AND SUBSIDIARIES

Map Showing the Relationship Between and Among the Company
and its Ultimate Parent, Subsidiaries, and Associates
December 31, 2023



CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu I.T. Park, Brgy. Apas, Cebu City
Reconciliation of Retained Earnings Available for Dividend Declaration
as of December 31, 2022
(Amounts in Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year		P	6,280,269,150
Prior Year's Outstanding Reconciling Items, net of tax			
Treasury stock, at cost	(	732,664,604)	
Share in profit of subsidiaries and associates	(	672,423,198)	
Gain on remeasurement of investment in associates	(	<u>32,438,511)</u>	
Unappropriated Retained Earnings Available for			
Dividend declaration at beginning of Year, as Adjusted			4,842,742,837
Net Profit Realized during the Year	P	3,205,817,635	
Share in profit of subsidiaries and associates	(	<u>430,697,764)</u>	2,775,119,871
Other Transactions During the Year			
Appropriation of retained earnings	(	3,931,475,893)	
Release of appropriated retained earnings		172,049,912	
Cash dividend declared	(	<u>519,780,221)</u>	(<u>4,279,206,202)</u>
Unappropriated Retained Earnings Available for			
Dividend declaration at end of Year			<u>P 3,338,656,506</u>



P&A
Grant Thornton

Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Landmasters, Inc. and Subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 10, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805

TIN 221-843-037

PTR No. 10076150, January 3, 2024, Makati City

SEC Group A Accreditation

Partner - No. 107805-SEC (until financial period 2023)

Firm - No. 0002 (until financial period 2024)

BIR AN 08-002511-037-2022 (until Oct. 13, 2025)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 10, 2024

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
Supplemental Schedule of Financial Soundness Indicators
December 31, 2023 and 2022
(Amounts in Philippine Pesos)

Ratio	Formula	2023	Formula	2022
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 54,423,422,829 Divide by: Total Current Liabilities 34,999,214,802 Current Ratio 1.55	1.55	Total Current Assets divided by Total Current Liabilities Total Current Assets 43,926,522,254 Divide by: Total Current Liabilities 27,743,683,313 Current Ratio 1.58	1.58
Acid test ratio	Quick assets (Cash and cash equivalents plus Current Receivables and Current Contract Assets and Due from Related Parties) divided by Total Current Liabilities Cash and cash equivalents 913,841,206 Add: Current Receivables 2,093,139,231 Current Contract Assets 26,225,182,718 Due from Related Parties 48,596,767 Quick Assets 29,280,759,922 Divide by: Total Current Liabilities 34,999,214,802 Acid test ratio 0.84	0.84	Quick assets (Cash and cash equivalents plus Current Receivables and Current Contract Assets and Due from Related Parties) divided by Total Current Liabilities Cash and cash equivalents 1,434,559,762 Add: Current Receivables 3,571,775,532 Current Contract Assets 16,208,926,784 Due from Related Parties 35,802,341 Quick Assets 21,251,064,419 Divide by: Total Current Liabilities 27,743,683,313 Acid test ratio 0.77	0.77
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities 76,289,532,378 Divide by: Total Assets 102,086,288,914 Solvency ratio 0.75	0.75	Total Liabilities divided by Total Assets Total Liabilities 64,032,254,131 Divide by: Total Assets 85,044,869,024 Solvency ratio 0.75	0.75
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 76,289,532,378 Divide by: Total Equity 25,796,756,536 Debt-to-equity ratio 2.96	2.96	Total Liabilities divided by Total Equity Total Liabilities 64,032,254,131 Divide by: Total Equity 21,012,614,893 Debt-to-equity ratio 3.05	3.05
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 102,086,288,914 Divide by: Total Equity 25,796,756,536 Assets-to-equity ratio 3.96	3.96	Total Assets divided by Total Equity Total Assets 85,044,869,024 Divide by: Total Equity 21,012,614,893 Assets-to-equity ratio 4.05	4.05
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense Profit before tax 6,199,194,664 Add: Interest charged to: Cost of Sales 1,203,143,299 Finance cost 518,839,684 EBIT 7,921,177,647 Divide by: Interest Expense* 3,104,891,949 Interest rate coverage ratio 2.55 <i>*Includes 2,521,540,922 interest capitalized as part of real estate inventory, property and equipment, and investment property</i>	2.55	Earnings before interest and taxes (EBIT) divided by Interest expense Profit before tax 4,767,604,383 Add: Interest charged to: Cost of Sales 460,629,194 Finance cost 274,920,150 EBIT 5,503,153,727 Divide by: Interest Expense* 1,996,397,360 Interest rate coverage ratio 2.76 <i>*Includes 1,721,477,210 interest capitalized as part of real estate inventory, property and equipment, and investment property</i>	2.76
Return on equity	Net Profit divided by Total Ave. Equity Net Profit 4,643,019,645 Divide by: Total Ave. Equity 23,404,685,715 Return on equity 20%	20%	Net Profit divided by Total Ave. Equity Net Profit 3,607,891,146 Divide by: Total Ave. Equity 19,472,398,209 Return on equity 19%	19%
Return on assets	Net Profit divided by Total Ave. Assets Net Profit 4,643,019,645 Divide by: Total Ave. Assets 93,565,578,969 Return on assets 5%	5%	Net Profit divided by Total Ave. Assets Net Profit 3,607,891,146 Divide by: Total Ave. Assets 75,848,487,229 Return on assets 5%	5%
Net profit margin	Net Profit divided by Revenues Net Profit 4,643,019,645 Divide by: Total Revenue 18,818,413,368 Return on assets 25%	25%	Net Profit divided by Revenues Net Profit 3,607,891,146 Divide by: Total Revenue 15,657,298,003 Return on assets 23%	23%
Other ratio				
Gross profit margin	Gross Profit divided by Total Revenue Gross Profit 9,178,065,839 Divide by: Total Revenue 18,818,413,368 Gross profit margin 49%	49%	Gross Profit divided by Total Revenue Gross Profit 7,289,662,454 Divide by: Total Revenue 15,657,298,003 Gross profit margin 47%	47%

COVER SHEET

For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	3	2	1	2	4	0

Company Name

C	E	B	U		L	A	N	D	M	A	S	T	E	R	S	,		I	N	C	.								
(	A		S	u	b	s	i	d	i	a	r	y		o	f		A		B		S	o	b	e	r	a	n	o	
H	o	l	d	i	n	g	s		C	o	r	p	.	)															

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

1	0	T	H		F	L	O	O	R		P	A	R	K		C	E	N	T	R	A	L	E		T	O	W	E	R
J	O	S	E		M	A	.		D	E	L		M	A	R		S	T	.	M	A	R		B	2		L	3	
C	E	B	U		I	.	T	.		P	A	R	K	,		B	R	G	Y	.		A	P	A	S	,			
C	E	B	U		C	I	T	Y	,		P	H	I	L	I	P	P	I	N	E	S		6	0	0	0			

Form Type

A	F	S	2	3

Department requiring the report

S	E	C	

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

jggarde@cebulandmasters.com

Company's Telephone Number/s

(032) 231 4870

Mobile Number

0966 410 9807

No. of Stockholders

21

Annual Meeting
Month/Day

1st Friday of July

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Jose R. Soberano III

Email Address

ceo@cebulandmasters.com

Telephone Number/s

(032) 231 4870

Mobile Number

Contact Person's Address

10th floor, Park Centrale Tower, Jose Ma. del Mar St., B2 L3, Cebu I.T. Park, Brgy. Apas, Cebu City, 6000

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

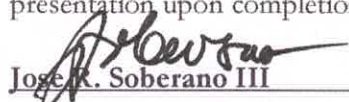
The management of **Cebu Landmasters, Inc.** (the Company) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the fiscal years ended **December 31, 2023, 2022 and 2021**, in accordance with the prescribed financial reporting 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 financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

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

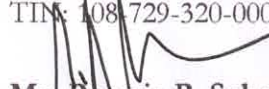
The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Company 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.


Jose R. Soberano III

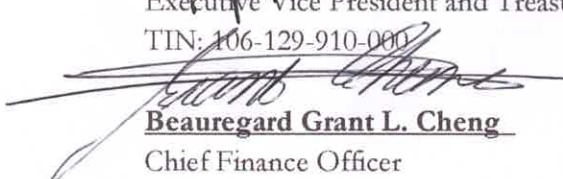
Chairman of the Board, Chief Executive Officer and President

TIN: 108-729-320-000


Ma. Rosario B. Soberano

Executive Vice President and Treasurer

TIN: 106-129-910-000


Beauregard Grant L. Cheng

Chief Finance Officer

TIN: 205-557-510-000

Signed this _____ day of **APR 10 2024** 2024.

SUBSCRIBED AND SWORN to before me this **APR 10 2024** at Cebu City,
affiants exhibiting to me their respective Tax Identification Nos.

Doc No. 227 ;
Page No. 47 ;
Book No. 9 ;
Series of 2424




ATTY. EDELINE O. COSIO
Notary Public
Bar Commission No. 040-23, Cebu C
Valid until December 31, 2024
Roll of Attorneys No. 82445
10th Floor, Park Centrale, J.M. del Mar St., Cebu LT. Park, Apas, Cebu City
Tel. No. (032) 231 - 4914 & (032) 231 - 4870 or Telefax (032) 231 - 5073
BP No. 385699 ; 01-02-2024; Cebu Chapter
10th Flr. Park Centrale Tower, J.M. del Mar St.,
Cebu LT. Park, Apas, Cebu City



Mark Anthony Yu <myucliacctg@gmail.com>

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Hi CEBU LANDMASTERS INC,

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Transaction Code: **AFS-0-69DL5JFD0QZSXVW1SPYP1Q1SP07DDJFKHC**

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Company TIN: **227-599-320**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
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Financial Statements and
Independent Auditors' Report

Cebu Landmasters, Inc.

December 31, 2023, 2022 and 2021
(With Corresponding Figures as of January 1, 2022)

Punongbayan & Araullo

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
Cebu Landmasters, Inc.
(A Subsidiary of A B Soberano Holdings Corp.)
10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy. Apas
Cebu City, Philippines

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cebu Landmasters, Inc. (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) and described in Note 2 to the financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which indicates that the financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the financial statements are disclosed in Note 2 to the financial statements. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2023 required by the Bureau of Internal Revenue as disclosed in Note 33 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO



By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805

TIN 221-843-037

PTR No. 10076150, January 3, 2024, Makati City

SEC Group A Accreditation

Partner - No. 107805-SEC (until financial period 2023)

Firm - No. 0002 (until financial period 2024)

BIR AN 08-002511-037-2022 (until Oct. 13, 2025)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 10, 2024

CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(With Corresponding Figures as of January 1, 2022)
(Amounts in Philippine Pesos)

			December 31, 2022 (As Restated - see Note 2)	January 1, 2022 (As Restated - see Note 2)
	Notes	2023		
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	4	P 441,670,591	P 465,354,066	P 333,090,459
Receivables	5	1,465,941,409	2,497,006,115	3,858,553,483
Contract assets	17	19,482,468,256	14,063,209,951	4,197,781,332
Due from related parties	25	698,510,600	1,481,499,405	1,009,485,690
Real estate inventories	6	9,093,063,224	8,591,824,122	9,948,060,927
Deposits on land for future development	7	-	121,996,729	-
Prepayments and other current assets	8	4,194,661,169	2,340,624,416	2,612,332,086
Total Current Assets		35,376,315,249	29,561,514,804	21,959,303,977
NON-CURRENT ASSETS				
Receivables	5	156,093,837	106,500,219	161,127,276
Contract assets	17	13,235,300,241	11,323,558,221	12,058,377,792
Investments in subsidiaries and associates	9	9,345,133,685	6,865,126,687	5,878,006,728
Property and equipment - net	10	6,012,622,261	4,076,726,251	393,883,159
Right-of-use assets - net	11	887,603,255	910,749,954	880,257,377
Investment properties - net	12	9,570,958,321	9,937,376,563	6,278,133,219
Other non-current assets - net	13	1,539,183,844	1,258,879,680	938,354,721
Total Non-current Assets		40,746,895,444	34,478,917,575	26,588,140,272
TOTAL ASSETS		P 76,123,210,693	P 64,040,432,379	P 48,547,444,249
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	14	P 10,443,628,947	P 7,521,349,177	P 7,529,549,385
Trade and other payables	16	14,223,925,249	12,202,834,640	7,804,074,512
Contract liabilities	17	164,891,955	289,366,657	353,200,147
Customers' deposits	17	135,710,979	76,996,569	57,469,700
Lease liabilities	11	37,685,586	36,716,315	-
Total Current Liabilities		25,005,842,716	20,127,263,358	15,744,293,744
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	14	25,514,057,795	21,932,094,231	19,380,660,006
Bonds payable	15	4,947,822,521	4,930,582,631	-
Lease liabilities	11	939,780,431	911,374,869	834,573,823
Trade and other payables	16	193,517,068	176,234,971	142,482,853
Post-employment defined benefit obligation	23	10,395,914	9,390,095	4,753,329
Deferred tax liabilities - net	24	2,924,076,644	2,333,833,716	1,517,640,834
Total Non-current Liabilities		34,529,650,373	30,293,510,513	21,880,110,845
Total Liabilities		59,535,493,089	50,420,773,871	37,624,404,589
EQUITY				
Capital stock	26	3,623,451,997	3,623,451,997	3,623,451,997
Additional paid-in capital		1,608,917,974	1,608,917,974	1,608,917,974
Share options outstanding		4,311,977	2,195,991	-
Treasury stock, at cost		(732,664,604)	(732,664,604)	(748,171,901)
Revaluation reserves - net		(18,288,224)	(13,910,501)	(13,477,472)
Retained earnings		12,101,988,484	9,131,667,651	6,452,319,062
Total Equity		16,587,717,604	13,619,658,508	10,923,039,660
TOTAL LIABILITIES AND EQUITY		P 76,123,210,693	P 64,040,432,379	P 48,547,444,249

See Notes to Financial Statements.

CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
REVENUES	17			
Sale of real estate		P 11,090,852,136	P 11,628,922,857	P 9,399,697,717
Rental		101,513,196	75,752,573	67,989,495
Management fees		154,376,800	141,931,941	110,519,689
		<u>11,346,742,132</u>	<u>11,846,607,371</u>	<u>9,578,206,901</u>
COST OF SALES AND SERVICES	18, 19	(<u>6,148,404,773</u>)	(<u>6,302,292,611</u>)	(<u>4,839,619,063</u>)
GROSS PROFIT		5,198,337,359	5,544,314,760	4,738,587,838
OPERATING EXPENSES	19	(1,968,974,042)	(1,869,225,902)	(1,631,230,305)
OTHER OPERATING INCOME	20	<u>363,652,839</u>	<u>158,898,108</u>	<u>206,723,560</u>
OPERATING PROFIT		3,593,016,156	3,833,986,966	3,314,081,093
SHARE IN NET PROFIT OF SUBSIDIARIES AND ASSOCIATES	9	1,249,633,091	430,697,764	24,587,593
FINANCE COSTS	22	(556,837,615)	(265,764,622)	(153,469,616)
FINANCE INCOME	21	43,989,261	70,675,962	30,505,137
OTHER LOSSES - Net	20	(<u>3,233,017</u>)	(<u>6,252,156</u>)	(<u>90,966,879</u>)
PROFIT BEFORE TAX		4,326,567,876	4,063,343,914	3,124,737,328
TAX EXPENSE	24	(<u>732,510,780</u>)	(<u>857,526,279</u>)	(<u>520,938,437</u>)
NET PROFIT		<u>P 3,594,057,096</u>	<u>P 3,205,817,635</u>	<u>P 2,603,798,891</u>

See Notes to Financial Statements.

CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	<u>2023</u>	<u>2022</u>	<u>2021</u>
NET PROFIT		P 3,594,057,096	P 3,205,817,635	P 2,603,798,891
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurements of post-employment defined benefit plan	23	(5,836,965)	(577,372)	435,092
Tax income (expense)	24	<u>1,459,242</u>	<u>144,343</u>	(<u>1,029,189</u>)
Other Comprehensive Loss - Net of tax		(<u>4,377,723</u>)	(<u>433,029</u>)	(<u>594,097</u>)
TOTAL COMPREHENSIVE INCOME		P <u>3,589,679,373</u>	P <u>3,205,384,606</u>	P <u>2,603,204,794</u>

See Notes to Financial Statements.

CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Capital Stock (See Note 26)	Additional Paid-in Capital (See Note 26)	Share Options Outstanding (See Note 26)	Treasury Stock, at Cost (See Note 26)	Revaluation Reserves (See Note 26)	Retained Earnings (See Note 26)			
						Appropriated	Unappropriated	Total	Total
Balance at January 1, 2023	P 3,623,451,997	P 1,608,917,974	P 2,195,991	(P 732,664,604)	(P 13,910,501)	P 3,931,475,893	P 5,200,191,758	P 9,131,667,651	P 13,619,658,508
Transactions with owners:									
Cash dividend	-	-	-	-	-	-	(623,736,263)	(623,736,263)	(623,736,263)
Stock option granted	-	-	2,115,986	-	-	-	-	-	2,115,986
	-	-	2,115,986	-	-	-	(623,736,263)	(623,736,263)	(621,620,277)
Appropriation of retained earnings									
Appropriations during the year	-	-	-	-	-	6,324,658,043	(6,324,658,043)	-	-
Release of appropriations during the year	-	-	-	-	-	(3,341,330,930)	3,341,330,930	-	-
	-	-	-	-	-	2,983,327,113	(2,983,327,113)	-	-
Total comprehensive income for the year:									
Net profit for the year	-	-	-	-	-	-	3,594,057,096	3,594,057,096	3,594,057,096
Other comprehensive loss	-	-	-	-	(4,377,723)	-	-	-	(4,377,723)
	-	-	-	-	(4,377,723)	-	3,594,057,096	3,594,057,096	3,589,679,373
Balance at December 31, 2023	P 3,623,451,997	P 1,608,917,974	P 4,311,977	(P 732,664,604)	(P 18,288,224)	P 6,914,803,006	P 5,187,185,478	P 12,101,988,484	P 16,587,717,604
Balance at January 1, 2022	P 3,623,451,997	P 1,608,917,974	P -	(P 748,171,901)	(P 13,477,472)	P 172,049,912	P 6,280,269,150	P 6,452,319,062	P 10,923,039,660
Transactions with owners:									
Cash dividend	-	-	-	-	-	-	(519,780,221)	(519,780,221)	(519,780,221)
Stock option granted	-	-	3,005,840	-	-	-	-	-	3,005,840
Stock option exercised	-	-	(809,849)	15,507,297	-	(6,688,825)	(6,688,825)	-	8,008,623
	-	-	2,195,991	15,507,297	-	-	(526,469,046)	(526,469,046)	(508,765,758)
Appropriation of retained earnings									
Appropriations during the year	-	-	-	-	-	3,931,475,893	(3,931,475,893)	-	-
Reversal of appropriations during the year	-	-	-	-	-	(172,049,912)	172,049,912	-	-
	-	-	-	-	-	3,759,425,981	(3,759,425,981)	-	-
Total comprehensive income for the year:									
Net profit for the year	-	-	-	-	-	-	3,205,817,635	3,205,817,635	3,205,817,635
Other comprehensive loss	-	-	-	-	(433,029)	-	-	-	(433,029)
	-	-	-	-	(433,029)	-	3,205,817,635	3,205,817,635	3,205,384,606
Balance at December 31, 2022	P 3,623,451,997	P 1,608,917,974	P 2,195,991	(P 732,664,604)	(P 13,910,501)	P 3,931,475,893	P 5,200,191,758	P 9,131,667,651	P 13,619,658,508
Balance at January 1, 2021	P 1,714,000,000	P 1,608,917,974	P -	(P 732,851,016)	(P 12,883,375)	P 3,949,504,623	P 2,197,217,445	P 6,146,722,068	P 8,723,905,651
Transactions with owners:									
Issuance of shares through stock dividend	1,909,451,997	-	-	-	-	-	(1,909,451,997)	(1,909,451,997)	-
Cash dividend	-	-	-	-	-	-	(388,749,900)	(388,749,900)	(388,749,900)
Acquisition of treasury stock	-	-	-	(15,320,885)	-	-	-	-	(15,320,885)
	1,909,451,997	-	-	(15,320,885)	-	-	(2,298,201,897)	(2,298,201,897)	(404,070,785)
Reversal of appropriations during the year	-	-	-	-	-	(3,777,454,711)	3,777,454,711	-	-
Total comprehensive income for the year:									
Net profit for the year	-	-	-	-	-	-	2,603,798,891	2,603,798,891	2,603,798,891
Other comprehensive loss	-	-	-	-	(594,097)	-	-	-	(594,097)
	-	-	-	-	(594,097)	-	2,603,798,891	2,603,798,891	2,603,204,794
Balance at December 31, 2021	P 3,623,451,997	P 1,608,917,974	P -	(P 748,171,901)	(P 13,477,472)	P 172,049,912	P 6,280,269,150	P 6,452,319,062	P 10,923,039,660

See Notes to Financial Statements.

CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022 (As Restated see Note 2)	2021 (As Restated see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 4,326,567,876	P 4,063,343,914	P 3,124,737,328
Adjustments for:				
Share in net profit of subsidiaries and associates	9	(1,249,633,091)	(430,697,764)	(24,587,593)
Interest expense on interest-bearing loans and borrowings	22	419,639,440	188,308,333	100,246,234
Depreciation and amortization	19	131,323,468	115,405,442	102,154,493
Interest expense on bonds	22	66,856,481	15,444,620	-
Interest expense on lease liabilities	22	65,882,750	61,205,859	52,757,989
Interest income on banks and advances to related parties	21	(43,989,261)	(70,675,962)	(29,344,200)
Share option benefits expense	23, 26	2,115,986	3,005,840	-
Loss on disposal of property and equipment - net	20	17,411	128,364	16,577
Operating profit before working capital changes		3,718,781,060	3,945,468,646	3,325,980,828
Decrease in receivables		981,471,088	1,416,174,425	730,401,253
Increase in contract assets		(7,331,000,325)	(9,130,609,048)	(6,785,502,849)
Decrease in real estate inventories		2,344,410,369	2,362,573,519	122,960,973
Decrease (increase) in deposits on land for future development		121,996,729	(121,996,729)	(376,327,882)
Decrease (increase) in prepayments and other current assets		(1,854,036,753)	960,574,771	(620,852,947)
Increase in other non-current assets		(449,046,103)	(879,540,808)	(511,894,414)
Increase in trade and other payables		1,941,120,588	2,518,197,107	2,435,396,433
Decrease in contract liabilities		(124,474,702)	(63,833,490)	(8,520,478)
Increase (decrease) in customers' deposits		58,714,410	19,526,869	(33,782,415)
Increase (decrease) in post-employment defined benefit obligation		(4,831,146)	4,059,395	4,567,238
Cash generated from (used in) operations		(596,894,785)	1,030,594,657	(1,717,574,260)
Cash paid for taxes		(140,808,610)	(176,807,609)	(91,100,985)
Net Cash From (Used in) Operating Activities		(737,703,395)	853,787,048	(1,808,675,245)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of equity interest in subsidiaries and associates	9	(1,336,593,907)	(650,822,195)	(1,303,891,928)
Acquisitions of property and equipment	10	(1,272,143,177)	(1,014,909,274)	(86,121,567)
Collections of advances to related parties	25	983,991,952	153,969,288	118,069,803
Acquisitions of investment properties	12	(842,441,388)	(3,989,896,837)	(2,389,976,164)
Advances to related parties	25	(201,003,147)	(625,983,003)	(800,124,927)
Dividends received	9	106,220,000	94,400,000	72,000,000
Interest received		43,989,261	70,675,962	29,344,200
Acquisitions of computer software	13	(1,914,986)	(3,064,324)	(10,242,943)
Proceeds from disposal of property and equipment		16,474	786,310	567,519
Net Cash Used in Investing Activities		(2,519,878,918)	(5,964,844,073)	(4,370,376,007)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds of interest-bearing loans and borrowings - net	14, 32	11,434,269,173	9,978,618,073	12,999,276,695
Repayments of interest-bearing loans and borrowings	14, 32	(5,050,319,185)	(7,524,170,278)	(5,288,736,576)
Interest paid on interest-bearing loans and borrowings		(2,152,046,014)	(1,546,828,245)	(1,210,229,172)
Cash dividends paid	26	(623,736,263)	(519,780,221)	(388,749,900)
Interest paid on bonds		(337,485,051)	(78,592,408)	-
Payments of lease liabilities	11, 32	(36,783,822)	(562,543)	(5,452,222)
Proceeds from reissuance of treasury stock	26	-	8,008,623	-
Proceeds from issuances of bonds - net	15, 32	-	4,926,627,631	-
Acquisition of treasury stock	26	-	-	(15,320,885)
Net Cash From Financing Activities		3,233,898,838	5,243,320,632	6,090,787,940
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(23,683,475)	132,263,607	(88,263,312)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		465,354,066	333,090,459	421,353,771
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 441,670,591	P 465,354,066	P 333,090,459

Supplemental Information for Non-cash Investing and Financing Activities:

- 1) In 2023, the Company reclassified investment property to real estate inventories amounting to P1,452.0 million. The Company also reclassified real estate inventory and deposit from purchased properties to property and equipment amounting to P13,080.6 million and P162,694.9 million, respectively. In 2022, the Company reclassified investment properties to property and equipment amounting to P1,301.0 million and reclassified real estate inventories to investment properties amounting to P12.6 million (see Notes 6, 10 and 12).
- 2) In 2023 and 2022, borrowing costs that were capitalized as part of Real Estate Inventories, Property and Equipment and Investment Properties amounted to P2,177.8 million and P1,514.4 million, respectively (see Notes 6, 10, 12, 14 and 15).
- 3) In 2023 and 2022, the Company recognized unpaid construction costs of P60.0 million and P1,914.3 million, respectively, for the construction of Property and Equipment and Investment Properties (see Notes 10 and 12).
- 4) There were no additions to right-of-use asset and lease liabilities in 2023. The Company recognized right-of-use assets and lease liabilities amounting to P52.9 million in 2022 (see Note 11).

CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Cebu Landmasters, Inc. (CLI or the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 26, 2003. The Company is presently engaged in real estate-related activities such as real estate development, sales, leasing and property management. The Company's real estate portfolio include condominium and subdivision for residence, mixed-use properties, townships, hotels and resorts, offices, and co-living space.

The Company is a subsidiary of A B Soberano Holdings Corp. (ABS). ABS is a holding company and is incorporated and domiciled in the Philippines. ABS is primarily and currently engaged in holding activities. The registered office and principal place of business of ABS is located at 2nd Street, Villa San Lorenzo, Quijada Street, Barangay Guadalupe, Cebu City.

On January 6, 2017, the Board of Directors (BOD) approved the Company's application for the registration of its common stocks with the SEC and application for the listing thereof in the Philippine Stock Exchange (PSE). The Company's shares were listed on the main board of the PSE on June 2, 2017 (see Note 26.2).

The Company's registered office address, which is also its principal place of business, is located at 10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu IT Park, Brgy. Apas, Cebu City, Philippines.

1.2 Subsidiaries and Associates

The Company holds ownership interests in the following subsidiaries and associates.

Entities	Note	Effective Percentage of Ownership	
		2023	2022
Subsidiaries			
CLI Premier Hotels Int’l. Inc. (CPH)	(a)	100%	100%
Cebu Landmasters Property Management, Inc. (CPM)	(b)	100%	100%
A.S. Fortuna Property Ventures, Inc. (ASF)	(c)	100%	100%
CLI Hotels and Resorts Inc. (CHR)	(d)	100%	100%
CLI-LITE Panglao Inc. (CLI-LITE)	(e)	88%	88%
Ming-mori Development Corporation (MDC)	(f)	78%	78%
Sugbo Prime Estate, Inc. (SPE)	(g)	64%	64%
BL CBP Ventures, Inc. (BL Ventures)	(h)	50%	50%
Yuson Excellence Soberano, Inc. (YES)	(i)	50%	50%
Yuson Huang Excellence Soberano, Inc. (YHES)	(j)	50%	50%
YHEST Realty and Development Corporation (YHEST)	(k)	50%	50%
CCLI Premier Hotels, Inc. (CCLI)	(l)	50%	50%

Forward

Effective Percentage

Entities	Note	of Ownership	
		2023	2022
Subsidiaries			
Cebu Homegrown Developers, Inc. (CHDI)	(m)	50%	50%
YHES Premier Hotels Inc. (YHESPH)*	(n)	50%	50%
Cebu BL-Ramos Ventures Inc. (CBLRV)	(o)	50%	50%
GGTT Realty Corporation (GGTT)	(p)	50%	50%
Mivesa Garden Residences, Inc. (MGR)	(q)	45%	45%
El Camino Developers Cebu, Inc. (El Camino)	(r)	35%	35%
Associates			
Iloilo Global City Corporation (IGCC)	(s)	43%	-
ICOM Air Corporation (ICOM)	(s)	33%	33%
Magspeak Nature Park, Inc. (Magspeak)	(t)	25%	25%

* YHESPH is a wholly owned subsidiary of YHES

All of the subsidiaries and associates of the Company are incorporated in the Philippines, and except CPH, CPM, CCLI, YHESPH and ICOM are in the same line of business as the Company. A brief description of these entities follows:

- (a) CPH was incorporated in 2016 as a wholly owned subsidiary of the CLI. CPH is engaged in the real estate and hotel management business, which started commercial operations on September 14, 2019. The principal place of business of CPH is located in Cebu City.
- (b) CPM was incorporated in 2017 as a wholly owned subsidiary of the CLI. CPM is engaged in the management of condominium corporations and housing associations affiliated with CLI. CPM has started commercial operations on September 1, 2017. The principal place of business of CPM is located in Cebu City.
- (c) ASF was incorporated in 2017 as a joint venture where CLI initially held 40% ownership interest. CLI acquired all the ownership interest of its business partners at the end of 2017 which made ASF its wholly owned subsidiary. The principal place of business of ASF is located in Cebu City.
- (d) CHR was incorporated in 2022 as a wholly owned subsidiary of the CLI. CHR is engaged in the real estate, and hotel and resorts management. The principal place of business of CHR is located in Cebu City.
- (e) CLI-LITE was incorporated on July 19, 2021 as an undertaking by CLI and two other corporations for the development of a mixed-use project with residential condominiums and a possible hotel component in Panglao Island, Bohol. The principal place of business of CLI-LITE is located in Cebu City.
- (f) MDC was incorporated in 2013 as an undertaking between CLI and four other entities for the development of an economic business district. The principal place of business of MDC is located in Cebu City.

On June 22, 2021, CLI acquired additional 6,379,980 common shares of MDC from nine other stockholders, resulting to an increased ownership interest from 20% to 77.69%. Such acquisition was considered as a business combination achieved in stages, otherwise known as step-up acquisition.

- (g) SPE was formed in 2019 as a one person corporation and was converted to an ordinary stock corporation after entering into a joint venture with CLI on March 4, 2021, for the development of a dormitory with retail and warehouse spaces. The principal place of business of SPE is located in Cebu City.
- (h) BL Ventures was formed by CLI and Borromeo Bros. Estate, Inc. (BBEI) to construct and operate Latitude Corporate Center. The principal place of business of BL Ventures is located in Cebu City.
- (i) YES was formed by CLI and Yuson Comm. Investments, Inc. to construct and operate Messatiera Garden Residences in Davao. The principal place of business of YES is located in Davao City.
- (j) YHES was incorporated in 2017 as an undertaking among CLI, Yuson Strategic Holdings, Inc., and Davao Filandia Realty Corp. for the development of mixed-used real estate project, the Paragon Davao. The principal place of business of YHES is located in Davao City.
- (k) YHEST was incorporated in 2018 as an undertaking among CLI and five corporations for the development of a central business district located at Matina, Davao. The principal place of business of YHEST is located in Davao City.
- (l) CCLI was incorporated in 2018 as an undertaking between CLI and Capitaine, Inc. for the development of Citadines hotel in Bacolod City. The principal place of business of CCLI is located in Bacolod City. As at December 31, 2021, CCLI has yet to start commercial operations.
- (m) CHDI is an undertaking between CLI and Aboitiz Land, Inc. and was incorporated on December 5, 2019. CHDI is engaged in the development of a high-rise mixed-use condominium complex in Mandaue City, Cebu, which commenced commercial operations in 2021. Its principal place of business is in Cebu City.
- (n) YHESPH was incorporated on October 28, 2019 as a wholly owned subsidiary of YHES that will engage in hotel business. Its ultimate parent is CLI, which owns 50% of YHES. As at December 31, 2023, YHESPH has yet to start commercial operations.
- (o) CBLRV, a new subsidiary in 2020, was incorporated on February 21, 2020 as an undertaking between CLI and BBEI and is engaged in the development of a mixed-use condominium tower in Cebu City. Its principal place of business also is located in Cebu City.
- (p) GGTT was incorporated on March 26, 2003 and is engaged to construct a residential condominium project in its principal place of business in Iloilo City.
- (q) MGR was incorporated in 2017 as an undertaking by CLI and three corporations for the construction of buildings 6 and 7 of the Mivesa Garden Residences condominium. The principal place of business of MGR is located in Cebu City.
- (r) El Camino was incorporated in 2016 as an undertaking between CLI and four other corporations for the development of 38 Park Avenue condominium project in Cebu City. The principal place of business of El Camino is located in Cebu City.

- (s) IGCC was incorporated in 2023 as an undertaking between CLI and two other corporations and is engaged in the development of a mixed-use condominium tower in Iloilo City. Its principal place of business is also located in Iloilo City.
- (t) ICOM was incorporated on December 7, 2020 as an undertaking of CLI and various individual stockholders and corporations to import aircraft(s) and to operate a transportation business in the Philippines. ICOM's principal place of business is in Iloilo City. As at December 31, 2023, ICOM has yet to start its commercial operations.
- (u) Magspeak was incorporated in 2011 as an undertaking among CLI and four other corporations for the development of a mountain resort to be located in Balamban, Cebu. The principal place of business of Magspeak is located in Cebu City.

1.3 Approval of Issuance of Financial Statements

The financial statements of the Company as at and for the year ended December 31, 2023 (including the comparative financial statements for the years ended December 31, 2022 and 2021, were authorized for issue by the BOD on April 10, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) *SEC Financial Reporting Reliefs Availed by the Company*

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

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

SEC MC No. 08-2021, Amendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 to clarify transitory provision, provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement. Discussed below and in the succeeding pages are the financial reporting reliefs availed of by the Company, including the descriptions of the implementation issues and their qualitative impacts to the financial statements. The Company opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

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

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

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

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

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

Had the Company elected not to defer this provision of the standard, it would have an impact in the financial statement as there would have been a significant financing component when there is a difference between the percentage of completion (POC) of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements or applied using modified retrospective approach.

In the initial calculation of the Company, adoption of the interpretation would have an impact on the following financial statement accounts as of and for the year ended December 31, 2023:

	Increase <u>(Decrease)</u>
Real estate sales	(P1,104,059,468)
Cost of real estate sales	(P1,003,701,447)
Interest expense	1,370,371,831
Interest income	1,125,491,464
Provision for deferred income tax	113,165,050
Net profit	501,267,430
Real estate inventories	(1,504,709,193)
Deferred tax liability	(345,878,683)
Opening balance of retained earnings	1,349,320,446

Furthermore, these 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 Company has decided to use the modified retrospective approach upon adoption.

(c) *Presentation of Financial Statements*

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

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

(d) *Functional and Presentation Currency*

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

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

(e) *Reclassification of Accounts*

The Company reclassified certain deferred commissions as part of Prepayments and Other Current Assets to Other Non-current Assets to match the timing of actual utilization/incurrence.

The effect of this reclassification in the consolidated financial statements as at December 31, 2022 and January 1, 2022 are summarized as follows:

(i) Statements of financial position

	As Previously Reported	Reclassification	As Restated
December 31, 2022			
<i>Changes in Assets</i>			
Prepayments and other current assets	P 2,802,500,412	(P 461,875,996)	P 2,340,624,416
Other non-current assets	<u>797,003,684</u>	<u>461,875,996</u>	<u>1,258,879,680</u>
		<u>P -</u>	
<i>Changes in Liabilities</i>			
Lease liability - current	P -	P 36,716,315	P 36,716,315
Lease liability - non-current	<u>984,091,184</u>	(<u>36,716,315</u>)	<u>911,374,869</u>
		<u>P -</u>	
January 1, 2022			
<i>Changes in Assets</i>			
Prepayments and other current assets	P 3,165,580,633	(P 553,248,547)	P 2,612,332,086
Other non-current assets	<u>385,106,174</u>	<u>553,248,547</u>	<u>938,354,721</u>
		<u>P -</u>	

There is no reclassification of lease liability as of January 1, 2022.

(ii) Statements of cash flows

	As Previously Reported	Reclassification	As Restated
December 31, 2022			
<i>Decrease (increase) in</i>			
Prepayments and other current assets	P 496,698,775	P 461,875,996	P 960,574,771
Other non-current assets	(<u>417,664,812</u>)	(<u>461,875,996</u>)	(<u>879,540,808</u>)
		<u>P -</u>	
January 1, 2022			
<i>Decrease (increase) in</i>			
Prepayments and other current assets	(P 1,174,101,494)	P 553,248,547	(P 620,852,947)
Other non-current assets	<u>41,354,133</u>	(<u>553,248,547</u>)	(<u>511,894,414</u>)
		<u>P -</u>	

The effect of the reclassification has no impact on the statements of profit or loss and statements of comprehensive income.

2.2 Adoption of Amended PFRS

(a) Effective in 2023 that are Relevant to the Company

The Company adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed below are the relevant information about these pronouncements.

- (i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Company's financial statements under Notes 2 and 3.

- (ii) PAS 8 (Amendments), *Definition of Accounting Estimates*. The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Company's financial statements.

- (iii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities 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 judgment (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). Management assessed that the application of such amendments had no significant impact on the Company's financial statements.

(b) *Effective in 2023 that is not Relevant to the Company*

Among the amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, are not relevant to the Company's financial statements.

(c) *Effective Subsequent to 2023 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and none of these are expected to have significant impact on the Company's financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2024)
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)
- (iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)
- (iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)

2.3 Separate Financial Statements and Investments in Subsidiaries and Associates

These financial statements are prepared as the Company's separate financial statements. The Company also prepares consolidated financial statements which is available to the public through the disclosures section of the PSE Edge and Company's website.

The Company assess 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 control.

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

2.4 Financial Instruments

(a) Financial Assets

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Company commits to purchase or sell the asset).

(i) Classification, Measurement and Reclassification of Financial Assets

The Company's financial assets are all categorized as financial assets at amortized cost.

(ii) Impairment of Financial Assets

The expected credit losses (ECL) on receivables and contract assets are estimated by a probability weighted estimate of credit losses over the expected life of the financial assets. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Company 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, except when there has been a significant increase in credit risk on the financial asset since initial recognition.

(b) Financial Liabilities

Financial liabilities include interest-bearing loans and borrowings, bonds payable, and trade and other payables [except government-related obligations, advance rental and output value-added tax (VAT)].

2.5 Real Estate Inventories

Costs of real estate inventories are assigned using specific identification of their individual costs.

The Company recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined. Repossessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or Contract Asset to be recognized and the cost of the repossessed property is recognized in the statement of comprehensive income.

2.6 Property and Equipment

Property and equipment are carried at acquisition or construction cost less subsequent depreciation, amortization and any impairment losses.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets. The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

Buildings and parking units	20 years
Transportation equipment	5 years
Leasehold improvements	5 years
Operating equipment	3-5 years
Furniture and fixtures	2-5 years

2.7 Investment Property

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Properties and carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subject to depreciation. Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives of the assets of 20 years.

2.8 Revenue and Expense Recognition

Revenue comprises revenue from sale of real properties. The Company uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized.

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

- (a) *Real Estate Sales on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Company measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized is presented as part of Real Estate Sales in the statement of comprehensive income.
- (b) *Real Estate Sales on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer. Revenue recognized from real estate sales is presented as part of Real Estate Sales in the statement of comprehensive income.
- (c) *Rendering of management services* – Revenue from the rendering of management services is recognized over time as the services are provided to the client entities. The client entities are invoiced monthly as work progresses, which are also due upon receipt by them. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

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

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

Under its contracts with customers, the Company 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 Company as it develops the property are presented as Contract Assets in the statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Company assesses impairment of its financial assets [see Note 2.4(a)(ii)].

Any consideration received by the Company in excess of the amount for which the Company is entitled is presented as Contract Liabilities in the statement of financial position.

2.9 Leases

(a) Company as Lessee

Subsequent to initial recognition, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term which is from two to five years.

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

(b) Company as Lessor

The Company applies judgment in determining whether a lease contract is a finance or operating lease.

2.10 Impairment of Non-financial Assets

The Company's Investment Properties, Property and Equipment and other non-financial assets are subject to impairment testing.

2.11 Employee Benefits

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

The Company's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory, and administered by a trustee.

The defined benefit obligation (DBO) is calculated annually by an independent actuary using the projected unit credit method.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic, requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Determining Existence of a Contract with Customer

In a sale of real estate properties, the Company'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 Company assesses the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Company 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 Timing of Satisfaction of Performance Obligations

The Company exercises critical judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Company considers the following:

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

The Company determined that its performance obligation is satisfied over time since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Company has rights over payment for development completed to date as the Company can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments. On the other hand, performance obligation for completed real estate properties is satisfied at a point in time when the control over the real estate property is transferred to the buyer.

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

The Company uses judgment in evaluating the probability of collection of transaction price on real estate sales as a criterion for revenue recognition. The Company uses historical payment pattern of customers and number of sales cancellation in establishing a percentage of collection threshold over which the Company determines that collection of the transaction price is reasonably assured. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Company. The Company considers that the initial and continuing investments by the buyer when reaching the set collection threshold would demonstrate the buyer's commitment to pay the total contract price.

(d) *Assessment Involving Right of Return*

The Company's sale of real estate under pre-completed contracts has variable consideration which is the right of return when a buyer defaulted the equity payments. Moreover, R.A. No. 6552, provides a statutory obligation to the Company to refund the buyer the cash surrender value of the collections received on the property equivalent to 50% of the total collected amount, and, after five years of installments, an additional 5% every year but not to exceed 90% of the total collections received.

(e) *Determination of ECL on Trade and Other Receivables and Contract Assets*

The Company uses the cumulative loss rate approach to calculate ECL for trade receivables and contract assets. 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 Company 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.

Details about the ECL on the Company's trade and other receivables are disclosed in Note 29.2.

(f) *Distinction Among Investment Properties and Owner-occupied Properties*

The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Company's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Company accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Company's main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

(g) *Distinction Between Real Estate Inventories and Investment Properties*

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

(h) *Distinction Between Operating and Finance Leases (Lessor)*

The Company has entered into various lease agreements. Critical judgment was exercised by management to distinguish each 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 properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management assessment, the Company's lease agreements are classified as operating lease.

(i) *Recognition of Provisions and Contingencies*

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

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 27.

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) Revenue Recognition for Performance Obligations Satisfied Over Time

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Company measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Company 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.

(b) 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). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 29.2.

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

In determining the net realizable value of real estate inventory, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of real estate inventory is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Company's real estate inventories within the next reporting period. Considering the Company's pricing policy, the net realizable values of real estate units for sale are higher than their related costs.

(d) Fair Value Measurement of Investment Properties

Investment properties are measured using the cost model. The fair value disclosed in Note 12 to the financial statements is determined by the Company using the discounted cash flows valuation technique since the information on current or recent prices is not available. The Company uses assumptions that are mainly based on market conditions existing at the end of each reporting period, such as: receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and, appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Company and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

For land with undetermined use, the fair value is determined using the observable recent prices of the reference properties adjusted for differences in key attributes such as property size, zoning and accessibility. A significant change in the elements may affect prices and the value of the assets.

(e) *Estimation of Useful Lives of Property and Equipment and Investment Properties*

The Company estimates the useful lives of property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets.

An analysis of amount of Property and Equipment and Investment Properties is presented in Notes 10 and 12, respectively.

(f) *Impairment of Non-financial Assets*

In assessing impairment, 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 uncertainties relates to assumptions about future operating results and the determination of suitable discount rate. 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 these 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.

There were no impairment losses on the Company's non-financial assets required to be recognized in 2023 and 2022 based on management's assessment.

(g) *Valuation of Post-employment Defined Benefit Obligation*

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

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 23.3.

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

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of deferred tax assets recognized as at December 31, 2023 and 2022 will be utilized in the succeeding years.

The carrying amount of the net deferred tax assets arising from unrealized foreign currency loss, retirement benefit obligation, and impairment losses as at December 31, 2023 and 2022 is disclosed in Note 24.

4. CASH AND CASH EQUIVALENTS

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

	<u>2023</u>	<u>2022</u>
Cash on hand	P 3,096,637	P 2,487,619
Cash in banks	393,361,510	419,008,956
Short-term placements	<u>45,212,444</u>	<u>43,857,491</u>
	<u>P 441,670,591</u>	<u>P 465,354,066</u>

Cash in banks (savings and demand deposits) generally earn interest based on daily bank deposit rates. Short-term placements are made for varying period from 60 to 62 days and earn effective interest ranging from 3.5% to 6%, 2.50% to 3%, and 0.75% to 1.90% per annum for 2023, 2022 and 2021, respectively.

Interest income earned from cash and cash is presented as part of Finance Income in the statements of profit or loss (see Note 21).

5. RECEIVABLES

This account includes the following:

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Contract receivables			
Third parties		P 1,164,195,965	P 1,965,297,209
Related parties	25.4, 25.5	685,584	129,796,291
Retention receivable		111,577,658	106,529,324
Charges to contractors and suppliers		109,754,180	41,212,041
Receivable from insurance claims		75,371,849	142,791,495
Rent receivable	27.1	67,016,313	46,369,378
Advances to officers and employees		36,371,824	20,582,391
Receivables from move in fees		15,060,152	5,618,942
Receivable from buy-back transactions		7,179,996	12,394,628
Receivable from water income		4,912,754	4,228,016
Management fee receivable		3,982,960	9,733,183
Other receivables		<u>25,926,011</u>	<u>118,953,436</u>
		<u>P 1,622,035,246</u>	<u>P 2,603,506,334</u>

Receivables are presented in the statements of financial position as follows:

	<u>2023</u>	<u>2022</u>
Current	P 1,465,941,409	P 2,497,006,115
Non-current	<u>156,093,837</u>	<u>106,500,219</u>
	<u>P 1,622,035,246</u>	<u>P 2,603,506,334</u>

Buyers of real estate properties are given two to three years to complete the amortization of their down payment, which ranges from 10% to 20% of the contract price of the real estate being purchased. Contract receivables, which are all covered by postdated checks, are only recognized when the total transaction price is reasonably assured. Generally, full payment by buyers of their equity payments is made within 24 to 36 months following the recognition of sale, which is then followed by full settlement by the buyer's chosen financing institution of the buyer's account. Title to real estate properties are transferred to the buyers once full payment has been made.

Long-term contract receivables, which are noninterest-bearing, are receivables from buyers whose equity payments are expected to be fully paid after 12 months following the end of the reporting period. These are measured at amortized cost which is determined by discounting future cash flows using the applicable rates of similar types of instruments. The aggregate unamortized discount on noninterest-bearing contract receivables amounts to P5,309,083 and P1,557,409 as at December 31, 2023 and 2022, respectively.

In 2023 and 2022, the Company has day-one loss on noninterest-bearing contract receivables, net of amortization of day one loss, amounting to P3,751,674 and P257,332, and is presented as part of Finance Costs in the 2023 and 2022 statements of profit or loss (see Note 22). On the other hand, the amortization of day-one loss of noninterest-bearing contract receivables, net of day-one loss, amounted to P1,160,937 in 2021 (nil in 2023 and 2022) and is presented as part of Finance Income in the 2021 statement of profit or loss (see Note 21).

Receivable from insurance pertains to outstanding claims filed with various insurance companies in relation to damages incurred to the insured properties of the Company.

Retention receivable represents 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 Company, which will be received three to four months after release of loan.

Advances to officers and employees are composed of advances intended for the Company's operations and are subject to liquidation.

The Company assesses an ECL when the receivables from contract with customers and other counterparties are initially recognized and updates the assessment at each reporting date based on the analysis determined by management. No allowance for ECL need to be recognized in 2023, 2022 and 2021 (see Note 29.2)

6. REAL ESTATE INVENTORIES

This account includes the following inventories, which are all at cost.

	Note	<u>2023</u>	<u>2022</u>
Subdivision units		P 470,257,538	P 723,515,775
Condominium units		<u>269,063,334</u>	<u>195,654,846</u>
		<u>739,320,872</u>	<u>919,170,621</u>
Construction-in-progress (CIP):			
Land development costs		3,919,921,918	4,365,318,179
Condominium building costs		2,506,044,729	1,692,159,086
Housing costs		<u>1,463,227,862</u>	<u>1,330,557,606</u>
		<u>7,889,194,509</u>	<u>7,388,034,871</u>
Raw land inventory	7	<u>464,547,843</u>	<u>284,618,630</u>
		<u>P 9,093,063,224</u>	<u>P 8,591,824,122</u>

An analysis of the cost of real estate inventories included in cost of sales for the year is presented in Note 18.

Land development costs pertain to the cost of acquisition of land and site development costs of subdivision projects and other future site projects of the Company.

Housing costs pertain to the cost of house construction for the horizontal projects of the Company.

Condominium building costs consist of the cost of acquisition of land and the cost to construct the units of the vertical projects of the Company.

Raw land inventory consists of parcels of land owned by the Company that are located in various locations. These are expected to be developed into saleable condominium or subdivision units. In 2023 the Company reclassified deposits on land for future development amounting to P121,996,729 to raw land inventory, i.e., applied as part of the payment for the land acquisitions that were consummated (see Note 7). There were no similar reclassifications in 2022.

Borrowing costs that are capitalized as part of real estate inventories amounted to P1,406,687,855 and P1,018,896,316 in 2023 and 2022, respectively, which represents the specific borrowing costs incurred on bank loans, corporate notes and bonds obtained to fund the construction projects (see Notes 14 and 15). Capitalization rate used for the borrowings ranges from 4.75% to 9.25% and 4% to 7.50% in 2023 and 2022, respectively.

In 2023, the Company reclassified real estate inventories to property and equipment (see Note 10) and investment properties to real estate inventories (see Note 12).

In 2022, the Company reclassified real estate inventories to investment properties (see Note 12).

Certain real estate inventories amounting to P5,308,547,812 and P4,976,334,244 as at December 31, 2023 and 2022, respectively, are used as collateral for certain interest-bearing loans of the Company (see Note 14).

7. DEPOSITS ON LAND FOR FUTURE DEVELOPMENT

Deposits on land for future development pertains to advance payments for acquisitions of certain parcels of land which are intended for future development into saleable real estate projects. A reconciliation of the carrying amount of deposits on land for future development as at beginning and end of 2023 and 2022 is presented below.

	Note	<u>2023</u>	<u>2022</u>
Balance at beginning of year		P 121,996,729	P -
Transferred to raw land inventory	6	(121,996,729)	-
Additions		<u>-</u>	<u>121,996,729</u>
Balance at end of year		<u>P -</u>	<u>P 121,996,729</u>

8. PREPAYMENTS AND OTHER CURRENT ASSETS

This account includes the following:

	<u>2023</u>	<u>2022</u> (As restated - see Note 2)
Deferred commissions and incentives	P 1,320,763,478	P 188,870,264
Advances to subcontractors	1,173,327,064	968,438,203
Input VAT and deferred input VAT	698,470,288	591,692,464
Prepaid income tax	394,652,955	269,493,001
Advances to suppliers	392,560,042	205,941,986
Short-term investments	184,532,637	101,034,408
Prepaid expenses	30,281,204	15,080,589
Others	<u>73,501</u>	<u>73,501</u>
	<u>P 4,194,661,169</u>	<u>P 2,340,624,416</u>

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses that were paid on behalf of subcontractors. These are applied against the billings of subcontractors.

Deferred commissions and incentives pertain to sales commissions and incentives incurred and capitalized by the Company upon execution of contracts to sell real properties to customers. These are amortized over the expected construction period on the same basis as how the Company measures progress towards complete satisfaction of its performance obligation in its contracts. In 2023, 2022 and 2021, the Company expensed deferred commissions and incentives based on the POC of the related real estate contract and is presented as Commissions and incentives under the Operating Expenses account in the statements of profit or loss (see Note 19).

Short-term investments pertain to escrow funds that are required to be set up in relation to the Company's compliance with the regulatory requirements for issuance of license to sell and are restricted for use in the Company's operations. The escrow funds is significantly comprised of investments in treasury bills with maturity dates of up to 12 months, earning effective interest ranging from 3.5% to 6% and 2.50% to 3% per annum in 2023 and 2022, respectively.

Prepaid expenses include advance payment for insurance and rent.

9. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

This account comprises the following as at December 31:

	Notes	<u>2023</u>	<u>2022</u>
Investment in subsidiaries	9.1	P 9,202,644,254	P 6,731,567,105
Investments in associates	9.2	<u>142,489,431</u>	<u>133,559,582</u>
		<u>P 9,345,133,685</u>	<u>P 6,865,126,687</u>

A reconciliation of the carrying amounts of investments in subsidiaries and associates at the beginning and end of 2023 and 2022 is shown below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 6,865,126,687	P 5,878,006,728
Investments during the year	1,336,593,907	650,822,195
Equity in net profit during the year	1,249,633,091	430,697,764
Dividends received	(106,220,000)	(94,400,000)
Balance at end of year	<u>P 9,345,133,685</u>	<u>P 6,865,126,687</u>

9.1 Investments in Subsidiaries

A reconciliation of the carrying amounts of the investments in subsidiaries at the beginning and end of 2023 and 2022 is shown below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 6,731,567,105	P 5,743,093,372
Additions	1,315,093,907	642,822,195
Equity in net profit	1,262,203,242	440,051,538
Dividends received	(106,220,000)	(94,400,000)
Balance at end of year	<u>P 9,202,644,254</u>	<u>P 6,731,567,105</u>

9.2 Investments in Associates

A reconciliation of the carrying amounts of the investments in associates at the beginning and end of 2023 and 2022 is shown below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 133,559,582	P 134,913,356
Additions	21,500,000	(9,353,774)
Equity in net loss	(12,570,151)	<u>8,000,000</u>
Balance at end of year	<u>P 142,489,431</u>	<u>P 133,559,582</u>

10. PROPERTY AND EQUIPMENT

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

		<u>Building and Parking Units</u>	<u>Operating Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Fixture</u>	<u>Leasehold Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2023								
Cost	P	546,791,391	P 122,949,665	P 56,101,383	P 44,479,066	P 4,392,461	P 5,496,193,456	P 6,270,907,422
Accumulated depreciation and amortization	(	113,442,334)	(68,471,110)	(43,808,343)	(29,926,065)	(2,637,309)	-	(258,285,161)
Net carrying amount	<u>P</u>	<u>433,349,057</u>	<u>P 54,478,555</u>	<u>P 12,293,040</u>	<u>P 14,553,001</u>	<u>P 1,755,152</u>	<u>P 5,496,193,456</u>	<u>P 6,012,622,261</u>
December 31, 2022								
Cost	P	373,019,225	P 111,049,218	P 52,286,882	P 35,095,811	P 4,370,139	P 3,708,701,466	P 4,284,522,741
Accumulated depreciation and amortization	(	88,891,788)	(52,185,686)	(38,939,854)	(25,346,548)	(2,432,614)	-	(207,796,490)
Net carrying amount	<u>P</u>	<u>284,127,437</u>	<u>P 58,863,532</u>	<u>P 13,347,028</u>	<u>P 9,749,263</u>	<u>P 1,937,525</u>	<u>P 3,708,701,466</u>	<u>P 4,076,726,251</u>
January 1, 2022								
Cost	P	285,064,231	P 91,655,631	P 54,891,520	P 32,175,937	P 2,352,961	P 102,799,019	P 568,939,299
Accumulated depreciation and amortization	(	73,868,573)	(40,091,131)	(37,021,957)	(21,743,468)	(2,331,011)	-	(175,056,140)
Net carrying amount	<u>P</u>	<u>211,195,658</u>	<u>P 51,564,500</u>	<u>P 17,869,563</u>	<u>P 10,432,469</u>	<u>P 21,950</u>	<u>P 102,799,019</u>	<u>P 393,883,159</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2023, 2022 and 2021 is shown below.

		<u>Building and Parking Units</u>	<u>Operating Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Fixture</u>	<u>Leasehold Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2023, net of accumulated depreciation and amortization	P	284,127,437	P 58,863,532	P 13,347,028	P 9,749,263	P 1,937,525	P 3,708,701,466	P 4,076,726,251
Additions	(	2,003,261)	12,009,288	3,814,501	9,383,255	22,321	1,787,491,990	1,810,718,094
Disposal	-	(33,885)	-	-	-	-	-	(33,885)
Reclassification	175,775,427	-	-	-	-	-	-	175,775,427
Depreciation and amortization charges for the year	(	24,550,546)	(16,360,380)	(4,868,489)	(4,579,517)	(204,694)	-	(50,563,626)
Balance at December 31, 2023, net of accumulated depreciation and amortization	<u>P</u>	<u>433,349,057</u>	<u>P 54,478,555</u>	<u>P 12,293,040</u>	<u>P 14,553,001</u>	<u>P 1,755,152</u>	<u>P 5,496,193,456</u>	<u>P 6,012,622,261</u>
Balance at January 1, 2022, net of accumulated depreciation and amortization	P	211,195,658	P 51,564,500	P 17,869,563	P 10,432,469	P 21,950	P 102,799,019	P 393,883,159
Additions	55,888,147	19,487,678	1,587,688	2,919,875	2,017,179	2,336,934,319	2,418,834,886	2,418,834,886
Disposal	-	(94,092)	(4,192,326)	-	-	-	-	(4,286,418)
Reclassification	32,066,847	-	-	-	-	-	1,268,968,128	1,301,034,975
Depreciation and amortization charges for the year	(	15,023,215)	(12,094,554)	(1,917,897)	(3,603,081)	(101,604)	-	(32,740,351)
Balance at December 31, 2022, net of accumulated depreciation and amortization	<u>P</u>	<u>284,127,437</u>	<u>P 58,863,532</u>	<u>P 13,347,028</u>	<u>P 9,749,263</u>	<u>P 1,937,525</u>	<u>P 3,708,701,466</u>	<u>P 4,076,726,251</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization	P	169,885,320	P 39,103,235	P 9,380,276	P 8,093,487	P 3,286	P 104,849,195	P 331,314,799
Additions	11,782,632	21,800,399	13,413,303	6,126,083	22,322	32,976,828	86,121,567	86,121,567
Disposal	-	(66,514)	-	(517,582)	-	-	-	(584,096)
Reclassification	43,004,043	-	-	-	-	-	(35,027,004)	7,977,039
Depreciation and amortization charges for the year	(	13,476,337)	(9,272,620)	(4,924,016)	(3,269,519)	(3,658)	-	(30,946,150)
Balance at December 31, 2021, net of accumulated depreciation and amortization	<u>P</u>	<u>211,195,658</u>	<u>P 51,564,500</u>	<u>P 17,869,563</u>	<u>P 10,432,469</u>	<u>P 21,950</u>	<u>P 102,799,019</u>	<u>P 393,883,159</u>

Depreciation and amortization expenses on property and equipment is presented as part of Operating Expenses in the statements of profits or loss (see Note 19).

In 2023, the Company reclassified Real Estate Inventory and Deposit from Purchased Properties with a carrying amount of P13,080,558 and P162,694,869, respectively, to Building and Parking Units as these properties will be used for administrative purposes.

In 2022, the Company reclassified certain retail buildings previously presented as Investment Properties with an aggregate amount of P1,301,034,975 to Property and Equipment (see Note 12). These pertain to the ongoing construction of buildings which will be used in hotel operations and for administrative purposes.

Borrowing costs that are capitalized as part of property and equipment amounted to P515,412,919 and P413,771,181 in 2023 and 2022, respectively, which represents the interest incurred on loans and corporate notes obtained to fund the construction projects (see Note 14). Capitalization rate used for the borrowings ranges from 4.75% to 9.25% and 4% to 8% in 2023 and 2022, respectively.

Property and equipment with a total carrying amount of P5,446,829,756 and P3,688,924,771 as at December 31, 2023 and 2022, respectively, are used as collateral for certain interest-bearing loans and borrowings (see Note 14).

As at December 31, 2023 and 2022, the cost of the Company's fully-depreciated property and equipment that are still used in operations amounts to P113,057,781 and P103,301,639, respectively.

11. LEASES

The Company entered into lease contracts, as lessee, for leases of land. With the exception of short-term leases and leases of low-value underlying assets, each lease is presented in the statement of financial position as Right-of-use Assets and the corresponding obligation as Lease Liabilities. Variable lease payments which do not depend on an index, or a rate are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublease the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Company is prohibited from selling or pledging the underlying leased assets as security. For the lease on the land, the Company must insure all the improvements made on the property.

The table below describes the nature of the Company's leasing activity by type of right-of-use asset recognized in the statements of financial position.

	<u>Number of right-of-use asset leased</u>	<u>Range of remaining term</u>	<u>Number of leases with extension option</u>	<u>Number of leases with purchase option</u>	<u>Number of leases with termination option</u>
December 31, 2023					
Land	3	29 to 39 years	-	-	-
December 31, 2022					
Land	2	30 to 42 years	-	-	-

11.1 Right-of-use Assets

The carrying amounts of the Company's right-of-use assets as at December 31, 2023 and 2022 and the movements during the year are shown below.

	<u>2023</u>	<u>2022</u>
Cost		
Balance at beginning of year	P 980,062,635	P 927,188,591
Additions	-	52,874,044
Amendment of lease contract	<u>275,905</u>	<u>-</u>
Balance at end of year	<u>980,338,540</u>	<u>980,062,635</u>
Accumulated amortization		
Balance at beginning of year	69,312,681	46,931,213
Amortization	<u>23,422,604</u>	<u>22,381,468</u>
Balance at end of year	<u>92,735,285</u>	<u>69,312,681</u>
Carrying amount	<u>P 887,603,255</u>	<u>P 910,749,954</u>

11.2 Lease Liabilities

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

	<u>2023</u>	2022 (As restated - see Note 2)
Current	P 37,685,586	P 36,716,315
Non-current	<u>939,780,431</u>	<u>911,374,869</u>
	<u>P 977,466,017</u>	<u>P 948,091,184</u>

The contracts of lease do not provide for any future lease termination and extension options. The lease liabilities are secured by the related underlying asset. The undiscounted maturity analysis of lease liabilities are as follows:

	<u>2023</u>	2022 (As restated - see Note 2)
Gross payments		
Within one year	P 37,685,586	P 36,716,315
From one to two years	40,551,343	37,527,340
From two to three years	53,991,333	40,463,482
From three to four years	55,067,747	53,991,333
From four to five years	56,693,315	55,067,747
More than five years	<u>3,151,343,613</u>	<u>3,208,036,928</u>
	3,395,332,937	3,431,803,145
Total discount	(<u>2,417,866,920</u>)	(<u>2,483,711,961</u>)
Net present value	<u>P 977,466,017</u>	<u>P 984,091,184</u>

11.3 Lease Payments Not Recognized as Liabilities

The Company has elected not to recognize lease liability for short-term leases or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. The expense relating to short-term leases and low-value assets and is presented as Rent as part of Operating Expenses in the statements of profit or loss (see Note 19).

11.4 Additional Profit or Loss and Cash Flow Information

The total cash outflows in respect of leases amounted to P36,783,822, P562,543 and P5,452,222 in 2023, 2022 and 2021, respectively. The Interest expense in relation to lease liabilities are presented as part of Finance Costs in the statements of profit or loss (see Note 22).

12. INVESTMENT PROPERTIES

The Company's investment properties include condominium units and retail building. The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2023 and 2022 are shown below.

	<u>Retail Building</u>	<u>Condominium Units</u>	<u>Parking Units</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2023					
Costs	P 818,087,172	P 804,566,616	P 31,371,804	P 8,167,614,923	P 9,821,640,515
Accumulated depreciation	(94,143,690)	(145,870,372)	(10,668,132)	-	(250,682,194)
Carrying amount	<u>P 723,943,482</u>	<u>P 658,696,244</u>	<u>P 20,703,672</u>	<u>P 8,167,614,923</u>	<u>P 9,570,958,321</u>
December 31, 2022					
Costs	P 777,095,974	P 804,566,616	P 31,371,804	P 8,525,649,180	P 10,138,683,574
Accumulated depreciation	(71,367,624)	(120,839,845)	(9,099,542)	-	(201,307,011)
Carrying amount	<u>P 705,728,350</u>	<u>P 683,726,771</u>	<u>P 22,272,262</u>	<u>P 8,525,649,180</u>	<u>P 9,937,376,563</u>
January 1, 2022					
Costs	P 776,845,973	P 792,007,014	P 31,371,804	P 4,831,135,183	P 6,431,359,974
Accumulated depreciation	(49,310,883)	(96,384,966)	(7,530,906)	-	(153,226,755)
Carrying amount	<u>P 727,535,090</u>	<u>P 695,622,048</u>	<u>P 23,840,898</u>	<u>P 4,831,135,183</u>	<u>P 6,278,133,219</u>

A reconciliation of the carrying amounts of investment properties at the beginning and end of year 2023, 2022 and 2021 is shown below.

	<u>Retail Building</u>	<u>Condominium Units</u>	<u>Parking Units</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2023, net of accumulated depreciation	P 705,728,350	P 683,726,771	P 22,272,262	P 8,525,649,180	P 9,937,376,563
Additions	40,991,198	-	-	1,094,007,916	1,134,999,114
Reclassifications	-	-	-	(1,452,042,173)	(1,452,042,173)
Depreciation during the year	(22,776,066)	(25,030,527)	(1,568,590)	-	(49,375,183)
Balance at December 31, 2023, net of accumulated depreciation	<u>P 723,943,482</u>	<u>P 658,696,244</u>	<u>P 20,703,672</u>	<u>P 8,167,614,923</u>	<u>P 9,570,958,321</u>
Balance at January 1, 2022, net of accumulated depreciation	P 727,535,090	P 695,622,048	P 23,840,898	P 4,831,135,183	P 6,278,133,219
Additions	250,000	-	-	4,995,548,972	4,995,798,972
Reclassifications	-	12,559,602	-	(1,301,034,975)	(1,288,475,373)
Depreciation during the year	(22,056,740)	(24,454,879)	(1,568,636)	-	(48,080,255)
Balance at December 31, 2022, net of accumulated depreciation	<u>P 705,728,350</u>	<u>P 683,726,771</u>	<u>P 22,272,262</u>	<u>P 8,525,649,180</u>	<u>P 9,937,376,563</u>
Balance at January 1, 2021, net of accumulated depreciation	P 561,426,632	P 476,377,691	P 25,409,488	P 2,966,272,566	P 4,029,486,377
Additions	696,786	-	-	2,389,279,378	2,389,976,164
Reclassifications	184,643,291	240,046,211	-	(524,416,761)	(99,727,259)
Depreciation during the year	(19,231,619)	(20,801,854)	(1,568,590)	-	(41,602,063)
Balance at December 31, 2021, net of accumulated depreciation	<u>P 727,535,090</u>	<u>P 695,622,048</u>	<u>P 23,840,898</u>	<u>P 4,831,135,183</u>	<u>P 6,278,133,219</u>

In 2023, the Company reclassified investment property to real estate inventories amounting to P1,452,042,173 (see Note 6). In 2022, the Company reclassified investment properties to property and equipment amounting to P1,301,034,975 (see Note 10) and reclassified real estate inventories to investment properties amounting to P12,559,602 (see Note 6).

Income and expenses from investment properties for the years ended December 31, 2023, 2022 and 2021 are presented below.

	<u>Notes</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Rental income:				
Retail building		P 66,607,399	P 58,487,878	P 61,961,988
Hotel		17,808,753	6,553,177	-
Condominium units		12,631,070	9,789,476	3,882,427
Parking units		823,682	922,042	728,102
Others		<u>3,642,292</u>	<u>-</u>	<u>1,416,978</u>
	17.1	<u>P 101,513,196</u>	<u>P 75,752,573</u>	<u>P 67,989,495</u>
Expenses:				
Depreciation	18	P 49,375,183	P 48,080,255	P 41,602,063
Repairs and maintenance	19	-	-	1,550,278
Others	18	<u>793,674</u>	<u>-</u>	<u>63,258</u>
		<u>P 50,168,857</u>	<u>P 48,080,255</u>	<u>P 43,215,599</u>

Investment properties have a total fair value of P10,480,049,923 and P10,917,052,491 as at December 31, 2023 and 2022, respectively, based on the appraisal done by an independent expert [see Note 30.3(c)]. On the basis primarily of the foregoing valuations, management has assessed that no impairment loss is required to be provided on the Company's investment properties as at December 31, 2023 and 2022.

Investment property with a total carrying amount of P5,641,374,289 and P5,614,802,742 as at December 31, 2023 and 2022, respectively, are used as collateral for certain interest-bearing loans of the Company (see Note 14).

13. OTHER NON-CURRENT ASSETS

This account includes the following:

	Note	<u>2023</u>	2022 (As Restated - see Note 2)
Deferred commission		P 822,527,957	P 461,875,996
Advances to subcontractors		540,406,800	473,134,430
Refundable deposits		135,422,187	113,438,998
Computer software - net		25,314,992	31,362,061
Investment in equity securities		9,375,002	9,375,002
Deferred input VAT		4,624,926	4,624,926
Deposits for purchased properties	25.3	169,252	163,134,122
Others		1,342,728	1,934,145
		<u>P 1,539,183,844</u>	<u>P 1,258,879,680</u>

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses for on-going construction of investment properties. These are applied against the progress billings of subcontractors.

Refundable deposits pertain to recoverable payments by the Company which are expected to be realized at the end of the term of the agreement. These are measured at amortized cost.

The gross carrying amounts and accumulated amortization of Computer software at the beginning and end of 2023 and 2022 are shown below.

	<u>2023</u>	<u>2022</u>
Cost	P 65,252,045	P 63,337,059
Accumulated amortization	(39,937,053)	(31,974,998)
Carrying amount	<u>P 25,314,992</u>	<u>P 31,362,061</u>

Deposit for purchased properties pertains to the condominium units purchased by the Company under pre-completed contracts. Upon completion, the Company intends to use these properties.

Total additions to computer software amounted to P1,914,986, P3,064,324 and P10,242,943 in 2023, 2022 and 2021, respectively. The amortization expense on the computer software amounted to P7,962,055, P8,831,626 and P8,983,546 in 2023, 2022 and 2021, respectively, and is presented as part of Depreciation and amortization under Operating Expenses in the statements of profit or loss (see Note 19).

14. INTEREST-BEARING LOANS AND BORROWINGS

The outstanding balance of interest-bearing loans and corporate notes are presented in the statement of financial position as follows:

	Notes	<u>2023</u>	<u>2022</u>
Current:			
Bank loans	14.1	P 8,951,962,280	P 6,403,789,653
Corporate notes	14.2	<u>1,491,666,667</u>	<u>1,117,559,524</u>
		<u>10,443,628,947</u>	<u>7,521,349,177</u>
Non-current:			
Bank loans	14.1	15,764,013,957	10,715,107,978
Corporate notes	14.2	<u>9,750,043,838</u>	<u>11,216,986,253</u>
		<u>25,514,057,795</u>	<u>21,932,094,231</u>
		<u>P35,957,686,742</u>	<u>P 29,453,443,408</u>

14.1 Bank Loans

An analysis of the movements in the balance of interest-bearing loans is presented below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 17,118,897,631	P 11,070,432,665
Proceeds and drawdowns - net	11,434,269,173	9,978,618,073
Repayments	(3,932,759,661)	(3,978,932,183)
Amortization of debt issue costs	<u>95,569,094</u>	<u>48,779,076</u>
Balance at end of year	<u>P24,715,976,237</u>	<u>P 17,118,897,631</u>

A reconciliation of the unamortized debt issue cost at the beginning and end of 2023 and 2022 are shown below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 77,970,874	P 43,461,023
Debt issue costs from new loans	135,897,962	83,288,927
Amortization of debt issue cost	(95,569,095)	(48,779,076)
Balance at end of the year	<u>P 118,299,741</u>	<u>P 77,970,874</u>

The loans bear interest rates per annum ranging from 4.75% to 9.25%, 4% to 7.50% and 4.25% to 5.55% in 2023, 2022, and 2021, respectively. Certain loans are collateralized by the certain projects for which the loans were obtained. The cost of such projects aggregating to P16,396,751,857 and P14,280,061,757 as at December 31, 2023 and 2022, respectively, are included in the Real Estate Inventories, Property and Equipment, and Investment Properties accounts in the statements of financial position (see Notes 6, 10 and 12).

The Group's new loans bear interest ranging from 5.25% to 9.25% in 2023 and 4.125% to 7.50% in 2022.

Total interest incurred from the foregoing loans, including amortization of debt issuance cost, amounted to P1,639,338,596, P798,855,982 and P350,165,748 in 2023, 2022 and 2021, respectively, and of which P1,219,699,156, P610,547,649 and P265,810,070, respectively, were capitalized as part of construction costs (see Notes 6, 10 and 12).

Capitalization rate used in determining the amount of interest charges qualified for capitalization ranges from 4.75% to 9.25% and 4% to 7.50% in 2023 and 2022, respectively.

14.2 Corporate Notes

The Company and various financial institutions executed a Notes Facility Agreement (NFA) for the issuance of long-term corporate notes (LTCN) totaling P13,000,000,000 and two short-dated notes (SDN) amounting to P2,000,000,000 and P3,000,000,000, respectively.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P12,334,545,777	P 15,839,776,726
Repayments	(1,117,559,524)	(3,545,238,095)
Amortization of debt issue cost	<u>24,724,252</u>	<u>40,007,146</u>
Balance at end of the year	<u>P 11,241,710,505</u>	<u>P 12,334,545,777</u>

The NFA is composed of the following tranches:

<u>NFA</u>	<u>Date Executed</u>	<u>Tranche</u>	<u>Tenor</u>	<u>Principal Amount</u>
LTCN	07/20/2018	Series A	Seven years	P 2,500,000,000
		Series B	Ten years	1,000,000,000
		Series C	Ten years with repricing on the interest rate re-setting date	1,500,000,000
	03/05/2020	Series D	Five years	1,300,000,000
		Series E	Seven years	5,700,000,000
		Series F	Ten years	<u>1,000,000,000</u>
				<u>P 13,000,000,000</u>
SDN	10/25/2019	SDN 1	18 months from drawdown date	P 2,000,000,000
	04/30/2021	SDN 2	18 months from drawdown date	<u>3,000,000,000</u>
				<u>P 5,000,000,000</u>

The Company made the following drawdowns from the NFA.

<u>Year</u>	<u>Tranche</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
2021	SDN 2	3.88%	November 2022	<u>P 3,000,000,000</u>
2020	Series D	3.46%	September 2025	P 1,300,000,000
	Series E	3.54% - 4.66%	April 2027	5,700,000,000
	Series F	4.23% - 5.23%	March 2030	<u>1,000,000,000</u>
				<u>P 8,000,000,000</u>
2019	Series A	7.25%	January 2026	P 2,000,000,000
	SDN 1	4.75%	April 2021	<u>2,000,000,000</u>
				<u>P 4,000,000,000</u>
2018	Series A	7.25%	December 2025	P 500,000,000
	Series B	6.63%	August - September 2028	1,000,000,000
	Series C	6.75%	October - December 2028	<u>1,500,000,000</u>
				<u>P 3,000,000,000</u>

In 2021 the Company recognized debt issuance costs for new NFA amounting to P27,236,842 which has a carrying amount of P77,634,734 and P102,358,985 as at December 31, 2023 and 2022, respectively, in relation to the drawdowns from the NFA. The debt issuance cost amortization in 2023, 2022 and 2021 amounted to P24,724,251, P40,007,146 and P40,721,693, respectively. The debt issuance costs are deducted from the fair value or issue price of the note.

The total interest incurred related to the NFA, including amortization of debt issuance cost, amounted to P667,255,268, P836,758,484 and P861,785,646 in 2023, 2022 and 2021, respectively, of which P667,255,268, P836,758,484 and P861,785,646 was capitalized as part of construction costs in 2023, 2022 and 2021, respectively (see Notes 6, 10 and 12).

The Company is required to maintain the specifically defined financial ratios with respect to (a) maximum debt to equity ratio ranging from 2.5:1 to 3.0:1; (b) minimum current ratio of 1:1; and, (c) minimum interest coverage ratio of 3:1. As at December 31, 2023 and 2022, the Company is compliant with the requirements.

The total interest expense related to the above loans, which are included as part of Finance Costs in the statements of profit or loss (see Note 22).

The total accrued interest on bank loans and corporate notes amounted to P165,362,057 and P124,685,521 as at December 31, 2023 and 2022, respectively, and is presented as part of Accrued expenses under the Trade and Other Payables account in the statements of financial position (see Note 16).

15. BONDS PAYABLE

On September 23, 2022, CLI registered with the SEC its debt securities program of P15,000,000,000 fixed rate bonds, which will be offered in one or more tranches within three years.

On October 7, 2022, the Company issued the first tranche of its fixed rate bonds amounting to P5,000,000,000 and was listed with the Philippine Dealing & Exchange Corp. (PDEx). The bonds have been rated “PRS Aa plus” with a stable outlook by PhilRatings and are comprised of the following tenors:

- Series A – maturity of 3.5 years and a coupon rate of 6.4222%;
- Series B – maturity of 5.5 years and a coupon rate of 6.9884%; and,
- Series C – maturity of 7 years and a coupon rate of 7.3649%.

In 2022, the Company recognized bond issuance costs amounting to P73,372,369 in relation to the issuance of the first tranche of the bonds, which has a carrying amount of P52,177,479 and P69,417,369 as at December 31, 2023 and 2022, respectively. In 2023, the Company capitalized a portion of the amortization of bond issuance costs amounting to P14,081,503 as part of real estate inventory, property and equipment and investment property. No similar capitalization was made in 2022. The Company expensed the amortization amounting to P3,158,387 and P3,955,000, in 2023 and 2022, respectively.

The total interest incurred related to the bonds, including amortization of bond issuance cost, amounted to P357,691,033 and P82,547,408 in 2023 and 2022, respectively, of which P290,834,552 and P67,102,788 was capitalized as part of real estate inventories and investment properties in 2023 and 2022, respectively. In 2023 and 2022, the Company recognized interest expense amounting to P66,856,481 and P15,444,620, respectively.

Capitalization rate used in determining the amount of interest charges qualified for capitalization ranges from 6.89% to 7.64% and from 6.89% to 7.64% in 2023 and 2022, respectively.

The Company is required to maintain the financial ratios with respect to (a) maximum debt to equity ratio of 2.5:1; (b) minimum current ratio of 1:1; and, (c) minimum interest coverage ratio of 3:1. As at December 31, 2023 and 2022, the Company is compliant with the requirements.

16. TRADE AND OTHER PAYABLES

This account is composed of the following:

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Current:			
Unbilled construction costs		P 7,413,695,902	P 7,353,664,380
Trade payables		2,935,361,656	2,597,240,481
Sales commissions payable		2,737,881,417	1,114,048,487
Retention payable		741,489,590	633,964,617
Accrued expenses	14	226,069,294	319,834,823
Government-related obligations		65,655,634	75,997,476
Due to related parties	25.2	60,834,175	62,484,708
Output VAT		39,027,257	41,500,631
Other payables		3,910,324	4,099,037
		<u>14,223,925,249</u>	<u>12,202,834,640</u>
Non-current:			
Retention payable		140,513,947	148,726,165
Advance rental		24,267,048	14,269,141
Security deposits from tenants		19,931,968	10,751,887
Accrued land cost		6,304,042	-
Other payables		2,500,063	2,487,778
		<u>193,517,068</u>	<u>176,234,971</u>
		<u>P 14,417,442,317</u>	<u>P 12,379,069,611</u>

Unbilled construction costs pertain to obligations to contractors for services already performed but not yet billed to the Company.

Trade payables mainly represent outstanding obligations to owners of parcels of land acquired, subcontractors and suppliers of construction materials for the Company's projects.

Sales commissions payable pertain to estimated obligations to agents.

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. A portion of the amount retained that is not expected to be paid within 12 months from the end of the reporting period is presented as part of non-current liabilities in the statements of financial position.

Accrued expenses pertain to accruals for contracted services, security services, professional fees, and other recurring accruals in the Company's operations.

17. REVENUE FROM CONTRACTS WITH CUSTOMERS AND CONTRACT BALANCES

17.1 Disaggregation of Contract Revenues

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical areas:

	2023				
	Cebu	Visayas	Mindanao	Luzon	Total
<i>Sale of real estate units</i>					
Over time	P 5,851,080,829	P 3,007,663,343	P 1,457,391,813	P 544,680,899	P 10,860,816,884
At a point in time	<u>17,677,346</u>	<u>139,887,766</u>	<u>49,590,140</u>	<u>22,880,000</u>	<u>230,035,252</u>
	5,868,758,175	3,147,551,109	1,506,981,953	567,560,899	11,090,852,136
<i>Lease of properties</i>					
Over time	101,513,196	-	-	-	101,513,196
<i>Render of management services</i>					
Over time	<u>75,098,972</u>	<u>24,874,604</u>	<u>54,403,224</u>	<u>-</u>	<u>154,376,800</u>
	<u>P 6,045,370,343</u>	<u>P 3,172,425,713</u>	<u>P 1,561,385,177</u>	<u>P 567,560,899</u>	<u>P 11,346,742,132</u>
	2022				
	Cebu	Visayas	Mindanao	Luzon	Total
<i>Sale of real estate units</i>					
Over time	P 4,896,280,081	P 3,514,891,401	P 2,837,004,591	P 7,441,250	P 11,255,617,323
At a point in time	<u>270,421,612</u>	<u>30,553,637</u>	<u>29,351,185</u>	<u>42,979,100</u>	<u>373,285,534</u>
	5,166,701,693	3,545,445,038	2,866,355,776	50,420,350	11,628,922,857
<i>Lease of properties</i>					
Over time	75,752,573	-	-	-	75,752,573
<i>Render of management services</i>					
Over time	<u>76,944,068</u>	<u>11,948,758</u>	<u>53,039,115</u>	<u>-</u>	<u>141,931,941</u>
	<u>P 5,319,398,334</u>	<u>P 3,557,393,796</u>	<u>P 2,919,394,891</u>	<u>P 50,420,350</u>	<u>P 11,846,607,371</u>
	2021				
	Cebu	Visayas	Mindanao	Luzon	Total
<i>Sale of real estate units</i>					
Over time	P 4,981,552,014	P 2,297,929,320	P 1,943,338,200	P -	P 9,222,819,534
At a point in time	<u>99,321,739</u>	<u>32,795,711</u>	<u>29,159,733</u>	<u>15,601,000</u>	<u>176,878,183</u>
	5,080,873,753	2,330,725,031	1,972,497,933	15,601,000	9,399,697,717
<i>Lease of properties</i>					
Over time	67,989,495	-	-	-	67,989,495
<i>Render of management services</i>					
Over time	<u>46,530,721</u>	<u>16,771,110</u>	<u>47,217,858</u>	<u>-</u>	<u>110,519,689</u>
	<u>P 5,195,393,969</u>	<u>P 2,347,496,141</u>	<u>P 2,019,715,791</u>	<u>P 15,601,000</u>	<u>P 9,578,206,901</u>

17.2 Contract Balance

The breakdown of contract balances is as follows:

	2023	2022
Contract assets	P32,717,768,497	P 25,386,768,172
Contract liabilities	(164,891,955)	(289,366,657)
Contract assets - net	<u>P32,552,876,542</u>	<u>P 25,097,401,515</u>

The Company recognizes a contract asset when the performance of property development is ahead of the collection of the consideration.

A reconciliation of the opening and closing balance of Contract Assets in 2023 and 2022 is shown below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P25,386,768,172	P 16,256,159,124
Performance of property development	10,909,809,204	11,522,430,042
Collections	(3,578,808,879)	(1,406,604,041)
Transfers to contract receivables	<u>-</u>	<u>(985,216,953)</u>
Balance at end of year	<u>P32,717,768,497</u>	<u>P 25,386,768,172</u>

Contract assets is presented in the statements of financial position as follows.

	<u>2023</u>	<u>2022</u>
Current	P19,482,468,256	P 14,063,209,951
Non-current	<u>13,235,300,241</u>	<u>11,323,558,221</u>
	<u>P32,717,768,497</u>	<u>P 25,386,768,172</u>

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

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 289,366,657	P 353,200,147
Revenue recognized that was included in contract liability at the beginning of year	(181,042,932)	(106,492,815)
Increase due to cash received excluding amount recognized as revenue during the year	<u>56,568,230</u>	<u>42,659,325</u>
Balance at end of year	<u>P 164,891,955</u>	<u>P 289,366,657</u>

Contract liabilities pertains to collections from buyers that are ahead of the stage of completion of the real estate units sold. Collections from buyers on sale of real estate units where the gating criteria for recognition of sales contract have yet to be met are accounted as Customers' Deposits, which amounted to P135,710,979 and P76,996,569 as at December 31, 2023 and 2022, respectively.

17.3 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts as at December 31, 2023 and 2022 is P16,714,681,514 and P10,761,956,088, respectively. As at December 31, 2023 and 2022, the Company expects to recognize revenue from unsatisfied contracts as follows:

	<u>2023</u>	<u>2022</u>
Within a year	P11,250,735,558	P 5,138,616,192
More than one year to three years	<u>5,463,945,956</u>	<u>5,623,339,896</u>
	<u>P 16,714,681,514</u>	<u>P 10,761,956,088</u>

18. COSTS OF SALES AND SERVICES

Components of costs of sales and services are analyzed below.

	Notes	2023	2022	2021
Cost of real estate sales:				
Materials and contracted labor	19	P 4,127,147,153	P 4,909,657,508	P 3,934,382,086
Borrowing costs	19	1,020,382,662	353,230,629	531,194,326
Land cost	19	755,964,353	832,338,731	226,630,439
Other costs		<u>194,741,748</u>	<u>158,985,488</u>	<u>105,746,891</u>
		<u>6,098,235,916</u>	<u>6,254,212,356</u>	<u>4,797,953,742</u>
Cost of rental services:				
Depreciation	12	49,375,183	48,080,255	41,602,063
Real property taxes	12	<u>793,674</u>	<u>-</u>	<u>63,258</u>
		<u>50,168,857</u>	<u>48,080,255</u>	<u>41,665,321</u>
		<u>P6,148,404,773</u>	<u>P6,302,292,611</u>	<u>P4,839,619,063</u>

Cost of real estate sales include contracted services, cost of land, capitalizable borrowing costs and other costs incidental to housing and condominium projects development as shown in Note 19. Contracted services pertain to the constructions contracts which are related to construction labor and materials for the units sold.

19. COSTS AND EXPENSES BY NATURE

The details of costs and expenses by nature are shown below.

	Notes	2023	2022	2021
Materials and contracted labor	18	P 4,127,147,153	P 4,909,657,508	P 3,934,382,086
Borrowing cost	18	1,020,382,662	353,230,629	531,194,326
Land cost	18	755,964,353	832,338,731	226,630,439
Commissions and incentives	8	638,005,683	627,869,052	600,232,618
Salaries and employee benefits	23.1	607,390,097	515,728,192	431,568,938
Taxes and licenses		135,632,710	208,560,487	176,165,566
Depreciation and amortization	10, 11.1, 12, 13	131,323,468	115,405,442	102,154,493
Advertising		62,677,462	45,305,124	32,367,610
Repairs and maintenance	12	54,044,006	61,972,854	14,189,462
Security and janitorial services		39,950,608	22,184,525	11,083,160
Utilities		33,787,485	23,937,928	19,627,604
Insurance		32,814,534	19,446,501	14,083,581
Representation and entertainment		32,410,097	30,874,801	18,601,448
Transportation and travel		26,138,770	22,685,610	4,842,676
Penalties		22,366,855	2,874,976	1,819,433
Rent	11.3, 27.2	20,897,167	13,212,227	15,121,820
Professional and legal fees		20,567,022	24,661,729	25,220,118
Selling expense		17,021,412	4,812,800	1,443,463
Subscriptions and membership dues		16,922,321	12,993,887	12,934,117
Supplies		15,537,631	16,598,691	10,170,328
Fuel and lubricants		7,474,661	9,876,935	6,373,908
Communications		6,434,035	5,556,960	7,384,210
Donations		6,020,619	3,253,849	106,556,752
Trainings and seminars		1,594,705	1,463,617	856,107
Others		<u>284,873,299</u>	<u>287,015,458</u>	<u>165,845,105</u>
		<u>P 8,117,378,815</u>	<u>P 8,171,518,513</u>	<u>P 6,470,849,368</u>

The costs and expenses are classified in the statements of profit or loss as follows:

	Note	2023	2022	2021
Cost of sales and services	18	P6,148,404,773	P 6,302,292,611	P 4,839,619,063
Operating expenses		<u>1,968,974,042</u>	<u>1,869,225,902</u>	<u>1,631,230,305</u>
		<u>P 8,117,378,815</u>	<u>P 8,171,518,513</u>	<u>P 6,470,849,368</u>

20. OTHER OPERATING INCOME AND OTHER LOSSES

20.1 Other Operating Income

This account is composed of the following:

	2023	2022	2021
Administrative charges	P 125,496,612	P 63,889,484	P 37,634,896
Reversal of payables	115,283,578	-	61,690,791
Commitment fee	39,655,599	13,716,111	-
Documentation fee	23,192,879	10,039,993	8,536,557
Water service fee	16,337,568	14,260,920	11,150,077
Sponsorships	14,056,920	7,957,554	2,125,098
Utilities charged to tenants	10,723,514	3,902,053	5,749,848
Late payment penalties charged to customers	9,139,667	6,057,854	2,111,708
Scrap sales	2,163,848	2,017,777	2,541,366
Foreign exchange gains	1,338,935	4,262,002	1,410,012
Referral incentive	1,141,985	1,720,250	336,386
Reservation fees foregone	125,403	187,047	43,750
Move-in fee income	-	26,488,948	33,651,002
Concession income	-	-	1,733,355
Gain on remeasurement of Investment in associates	-	-	32,438,511
Others	<u>4,996,331</u>	<u>4,398,115</u>	<u>5,570,203</u>
	<u>P 363,652,839</u>	<u>P 158,898,108</u>	<u>P 206,723,560</u>

Administrative charges pertain to standard fees charged to the buyers when they withdraw from the sale.

Reversal of payables pertains to outstanding payables related to advances from buyers in excess of the paid transfer charges and move-in fees which are not refunded to the buyers. It also includes outstanding payables from cancelled contracts with certain building contractors and suppliers which the Group is no longer required to pay and income from the write-off of long-outstanding unidentified deposits.

Water service fee pertains to fees charged to home or unit-owners of the turned-over units and condominium projects.

Move-in fee income pertain to excess fees charged to real estate buyers upon turn-over of their units over the cost of services to make the buyers' units habitable which include requisition of building insurance and fire extinguisher, processing of related taxes, utility connections and others.

20.2 Other Losses - Net

This account is composed of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Foreign exchange losses	P 3,215,606	P 6,380,520	P 1,391,339
Losses due to typhoon	-	-	89,558,963
Loss (gain) on sale of assets - net	<u>17,411</u>	(<u>128,364</u>)	<u>16,577</u>
	<u>P 3,233,017</u>	<u>P 6,252,156</u>	<u>P 90,966,879</u>

Losses due to typhoon pertain to cost of damages sustained by the Company's projects and properties from a typhoon, which hit Cebu in 2021.

21. FINANCE INCOME

This is composed of the following:

	<u>Notes</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Interest income on:				
Advances to related parties	25.1	P 32,371,122	P 58,794,923	P 26,524,249
Banks	4	11,618,139	11,881,039	2,819,951
Amortization of day one loss on non-current contract receivables - net	5	<u>-</u>	<u>-</u>	<u>1,160,937</u>
		<u>P 43,989,261</u>	<u>P 70,675,962</u>	<u>P 30,505,137</u>

22. FINANCE COSTS

This is composed of the following:

	<u>Notes</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Interest expense on:				
Interest-bearing loans	14	P 419,639,440	P 188,308,333	P 100,246,234
Bonds	15	66,856,481	15,444,620	-
Lease liabilities	11,32	65,882,750	61,205,859	52,757,989
Post-employment defined benefit obligation	23.3	428,176	241,469	24,537
Day-one loss, net of amortization	5	3,751,674	257,332	-
Bank charges		<u>279,094</u>	<u>307,009</u>	<u>440,856</u>
		<u>P 556,837,615</u>	<u>P 265,764,622</u>	<u>P 153,469,616</u>

Interest expense on loans is the portion not capitalized as part of real estate inventories, property and equipment or investment properties (see Notes 6, 10, and 12).

23. EMPLOYEE BENEFITS

23.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits (see Note 19) are presented below.

	Notes	2023	2022	2021
Short-term employee benefits		P 600,634,984	P 508,138,583	P 426,966,578
Post-employment defined benefit	23.3	4,639,127	4,583,769	4,602,360
Share options	23.2, 26.4	2,115,986	3,005,840	-
	19	<u>P 607,390,097</u>	<u>P 515,728,192</u>	<u>P 431,568,938</u>

23.2 Employee Share Option

Employee share option expense, included as part of Salaries and employee benefits expense under the Operating Expenses account in the statements of profit or loss, amounted to P2,115,986 in 2023 and P3,005,840 in 2022 (see Note 23.1), while the corresponding cumulative credit to Share Options Outstanding account is presented under the Equity section of the statements of financial position (see Note 26.4). There was no similar transaction in 2021.

23.3 Post-Employment Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Company maintains a funded and non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Company. The trustee bank manages the fund in coordination with the Company's top management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Company's BOD. Normal retirement benefit is an amount equivalent to 50% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment defined benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from an independent actuary in 2023 and 2022.

The amounts of post-employment defined benefit obligation recognized in the statements of financial position are determined as follows:

	<u>2023</u>	<u>2022</u>
Present value of the obligation	P 53,883,058	P 44,024,728
Fair value of plan assets	(43,487,144)	(34,634,633)
	<u>P 10,395,914</u>	<u>P 9,390,095</u>

The movements in the present value of the post-employment defined benefit obligation recognized in the books are presented as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 44,024,728	P 40,124,208
Current service cost	4,639,127	4,583,769
Interest cost	3,178,585	2,038,310
Benefits paid	(2,979,087)	(765,844)
Remeasurements - actuarial losses (gains) arising from:		
Changes in financial assumptions	2,343,402	(4,166,909)
Experience adjustments	<u>2,676,303</u>	<u>2,211,194</u>
Balance at end of year	<u>P 53,883,058</u>	<u>P 44,024,728</u>

The movements in the fair value of plan assets are presented below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 34,634,633	P 35,370,879
Interest income	2,750,409	1,796,841
Contributions	6,919,362	-
Loss on plan assets (excluding amounts included in net interest expense)	(817,260)	(2,533,087)
Balance at end of year	<u>P 43,487,144</u>	<u>P 34,634,633</u>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	<u>2023</u>	<u>2022</u>
Unitized investment funds	P 35,963,869	P 29,623,378
Government securities	6,901,410	4,888,091
Cash and cash equivalents	530,543	84,245
Receivables	<u>91,322</u>	<u>38,919</u>
	<u>P 43,487,144</u>	<u>P 34,634,633</u>

The fair values of the above unitized investment funds and government debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

Plan assets do not comprise any of the Company's own financial instruments or any of its assets occupied and/or used in its operations. The plan assets recognized an income of P1,933,149 in 2023 and a loss of P736,246 in 2022 and P507,111 in 2021.

The components of amounts recognized in profit or loss and other comprehensive income in respect of the defined benefit post-employment plan are presented below.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<i>Recognized in profit or loss</i>			
Current service cost - net	P 4,639,127	P 4,583,769	P 4,602,360
Net interest expense on defined benefit obligation	<u>428,176</u>	<u>241,469</u>	<u>24,537</u>
	<u>P 5,067,303</u>	<u>P 4,825,238</u>	<u>P 4,626,897</u>
<i>Recognized in other comprehensive income</i>			
Actuarial losses (gains) arising from changes in:			
Experience adjustments	P 2,676,303	P 2,211,194	(P 1,316,633)
Financial assumptions	2,343,402	(4,166,909)	(2,420,116)
Demographic assumptions		-	2,431,649
Loss on plan assets (excluding amounts included in net interest expense)	<u>817,260</u>	<u>2,533,087</u>	<u>870,008</u>
	<u>P 5,836,965</u>	<u>P 577,372</u>	<u>(P 435,092)</u>

The net interest expense is included in Finance Costs in profit or loss (see Note 22).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Discount rates	6.12%	7.22%	5.08%
Salary increase rates	7%	7%	7%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 24.90. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are as follows:

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation:

	<u>Impact on Post-employment Defined Benefit Obligation</u>		
	<u>Changes in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
December 31, 2023			
Discount rate	+/-1.0%	(P 2,148,365)	P 1,759,621
Salary increase rate	+/-1.0%	2,571,038	(1,514,962)
December 31, 2022			
Discount rate	+/-1.0%	(P 1,499,020)	P 1,759,621
Salary increase rate	+/-1.0%	1,745,813	(1,514,962)

In addition, assuming there are no attrition rates, the increase in post-employment defined benefit obligation would be P102,849,832, P64,956,547 and P84,572,943 in 2023, 2022, and 2021, respectively.

The foregoing sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-Liability Matching Strategies*

To efficiently manage the retirement plan, the Company, through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the post-employment obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments match the expected cash outflows arising from the post-employment obligations.

There has been no change in the Company's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

The Company does not expect to make a contribution during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	<u>2023</u>		<u>2022</u>
Within one year	P 36,662,697	P	31,203,897
More than one year to five years	11,257,978		10,454,910
More than five years to ten years	<u>11,757,739</u>		<u>11,154,743</u>
	<u>P 59,678,414</u>	P	<u>52,813,550</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 3.7 years.

24. CURRENT AND DEFERRED TAXES

The Company is registered with the Board of Investments (BOI) as a developer of various economic and low-cost housing projects. Accordingly, the Company enjoys an income tax holiday on the BOI registered projects within three to four taxable years from its registration. The Company has 8 and 10 registered projects with BOI as at December 31, 2023 and 2022, respectively.

The components of tax expense relating to profit or loss and other comprehensive income are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<i>Recognized in profit or loss</i>			
Current tax expense:			
RCIT at 25%	P 138,485,018	P 38,813,545	P 25,004,538
Final tax	2,323,592	2,375,510	547,058
Adjustment in 2020 income taxes due to change in income tax rates	<u>-</u>	<u>-</u>	(<u>6,800,285</u>)
	<u>140,808,610</u>	<u>41,189,055</u>	<u>18,751,311</u>
Deferred tax expense relating to:			
Origination and reversal of temporary differences	591,702,170	816,337,224	671,965,242
Effect of the change in income tax rate	<u>-</u>	<u>-</u>	(<u>169,778,116</u>)
	<u>591,702,170</u>	<u>816,337,224</u>	<u>502,187,126</u>
	<u>P 732,510,780</u>	<u>P 857,526,279</u>	<u>P 520,938,437</u>
<i>Recognized in other comprehensive income</i>			
Deferred tax income (expense) arising from:			
Origination and reversal of temporary differences	P 1,459,242	P 144,343	(P 108,773)
Effect of the change in income tax rate	<u>-</u>	<u>-</u>	(<u>920,416</u>)
	<u>P 1,459,242</u>	<u>P 144,343</u>	<u>(P 1,029,189)</u>

In 2021, the recognized net deferred tax liabilities as at December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized deferred tax liabilities in 2020 by P168,857,700 and such was recognized in the 2021 profit or loss and in other comprehensive income.

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of profit or loss is presented below.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Tax on pretax profit at 25%	P 1,081,641,969	P 1,015,835,979	P 781,184,332
Adjustments for income subject to lower tax rates	(580,943)	(594,750)	(157,930)
Effect of the change in income tax rate	-	-	(176,578,401)
Tax effects of:			
Non-taxable income	(305,762,480)	(107,674,441)	(290,234)
Timing difference from tax exempt real estate sales	(36,364,853)	(56,968,067)	(90,408,481)
Non-deductible expenses	(6,422,913)	<u>6,927,558</u>	<u>7,189,151</u>
Tax expense	<u>P 732,510,780</u>	<u>P 857,526,279</u>	<u>P 520,938,437</u>

Non-taxable income primarily pertains to the tax effect of the Company's share in net profit of its subsidiaries and associates which is a permanent difference for tax purposes.

The net deferred tax liabilities relate to the following as at December 31:

	<u>2023</u>	<u>2022</u>
Deferred tax liabilities:		
Difference between tax reporting base and financial reporting base used in sales recognition	P 3,066,638,124	P 2,438,897,120
Rental income	11,108,472	4,600,071
Post-employment defined benefit asset	875,788	-
Others	<u>-</u>	<u>11,541</u>
	<u>3,078,622,384</u>	<u>2,443,508,732</u>
Deferred tax assets:		
Recognition of commission	(112,382,021)	(81,631,338)
Net lease liabilities	(35,256,594)	(24,957,130)
Post-employment defined benefit obligation	(3,116,095)	(1,052,212)
Unamortized past service cost	(1,486,199)	(1,774,086)
Employee stock option	(644,905)	-
Others	(<u>1,659,926</u>)	(<u>260,250</u>)
	<u>(154,545,740)</u>	<u>(109,675,016)</u>
	<u>P 2,924,076,644</u>	<u>P 2,333,833,716</u>

The components of deferred tax expense (income) are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<i>Reported in profit or loss:</i>			
Deferred tax liabilities:			
Difference between tax reporting base and financial reporting base used in sales recognition	P 627,741,004	P 861,232,438	P 542,147,470
Rental income	6,508,401	11,891,664	1,158,026
Others	(67,882)	(319,048)	(54,733)
Deferred tax assets:			
Recognition of commission	(30,750,683)	(34,648,764)	(36,199,861)
Net lease liabilities	(10,299,464)	(20,896,832)	(5,163,596)
Unamortized past service cost	287,887	272,617	888,898
Post-employment defined benefit obligation-net	(1,188,097)	(1,078,942)	(589,078)
Others	(<u>528,996</u>)	(<u>115,909</u>)	<u>-</u>
Tax expense	<u>P 591,702,170</u>	<u>P 816,337,224</u>	<u>P 502,187,126</u>
<i>Reported in other comprehensive income:</i>			
Post-employment defined benefit obligation	(<u>P 1,459,242</u>)	(<u>P 144,343</u>)	<u>P 1,029,189</u>

In 2023, 2022 and 2021, the Company is subject to the minimum corporate income tax (MCIT) which is computed at 1% of gross income before July 1, 2023 and 2% thereafter, net of allowable deductions, as defined under the tax regulations, or to RCIT, whichever is higher. No MCIT was reported in 2023, 2022 and 2021 as the RCIT was higher than MCIT in these years.

The Company opted to treat the capitalized borrowing costs as capital expenditure in accordance with Section 34(b) of the NIRC; hence, there are no deferred taxes related to the transaction.

The Company opted to claim itemized deductions in computing its income tax due for the years ended December 31, 2023, 2022 and 2021.

25. RELATED PARTY TRANSACTIONS

The Company's related parties include its ultimate parent or ABS, entities under common ownership, associates, joint ventures, shareholders, the Company's key management personnel, and others.

A summary of the Company's transactions and outstanding balances with its related parties is presented below.

	Note	Amount of Transaction			Outstanding Balance	
		2023	2022	2021	2023	2022
Ultimate Parent Company						
Sale of real estate	25.4	P 4,638,528	P 5,902,841	P -	P 685,584	P 77,699,074
Entities under Common Ownership						
Net advances (collections)	25.1	2,603,003	2,858,969	12,778,398	40,141,370	37,538,367
Subsidiaries						
Advances to (collections)	25.1	787,326,615	450,691,824	669,293,633	655,969,100	1,443,295,715
Purchase of property	25.3	-	112,631,089	50,802,967	-	163,134,122
Accommodation payment	25.2	-	1,872,522	9,007,084	-	(62,484,708)
Associates						
Advances to (collections)	25.1	1,734,807	632,726	16,907	2,400,130	665,323
Key Management Personnel						
Sale of real estate	25.5	-	4,870,084	-	-	49,911,322
Compensation	25.6	209,130,536	150,137,277	122,750,352	-	-

Based on management's assessment, no impairment loss is required to be provided on the Company's receivables from related parties as at December 31, 2023 and 2022. The cash advances to and from related parties are noninterest-bearing, unsecured, due on demand and are expected to be settled in cash or offsetting of accounts within one year from end of the reporting period. In respect of contract receivables, it is fully secured by the units purchased, expected to be settled in cash and due based on the contract terms.

Details of the foregoing transactions follow.

25.1 Due from Related Parties

The Company grants cash advances to shareholders, entities under common ownership, subsidiary, associates, and joint ventures. An analysis of such advances in 2023 and 2022 is presented as follows:

		Entities Under Common Ownership	Subsidiaries	Associates	Total
Balance at January 1, 2023	P	37,538,367	P 1,443,295,715	P 665,323	P 1,481,499,405
Advances		6,696,668	191,978,479	2,328,000	201,003,147
Collections	(	4,093,665)	(979,305,094)	(593,193)	(983,991,952)
Balance at December 31, 2023	P	40,141,370	P 655,969,100	P 2,400,130	P 698,510,600
Balance at January 1, 2022	P	34,679,398	P 974,773,695	P 32,597	P 1,009,485,690
Advances		2,869,851	619,862,008	3,251,144	625,983,003
Collections	(	10,882)	(151,339,988)	(2,618,418)	(153,969,288)
Balance at December 31, 2022	P	37,538,367	P 1,443,295,715	P 665,323	P 1,481,499,405

The outstanding balances from these transactions, which are payable on demand, unsecured and interest bearing, are presented as Due from related parties in the statements of financial position. The interest income from these advances is presented as part of finance income (see Note 21).

25.2 Advances from Related Parties

In 2017, the Company assumed the development of Astra Center Project and acknowledged its obligation to ASF amounting to P59,610,753 for the development cost it incurred. The outstanding balance of the Company's payable to related parties as at December 31, 2023 and 2022, respectively and is presented as Due to related parties under of Trade and other payables in the statements of financial position (see Note 16).

25.3 Purchases of Condominium Units

The Company purchased condominium units that are still under construction from GGTT in 2021 and from BL Ventures in 2017. Contract prices of the purchased units from GGTT and BL Ventures amounted to P78,308,543 and P172,711,550, respectively.

In 2023, payments to GGTT and BL Ventures for such purchases amounted to P270,000 and nil, respectively.

In 2022, payments to GGTT and BL Ventures for such purchases amounted to nil, and P115,601,222, respectively.

The outstanding balance of the deposit for purchased properties from GGTT and BL Ventures amounted to P169,252 and P163,134,122 as at December 31, 2023 and 2022, respectively, which is presented, net of input VAT, as Deposits for purchased properties under Other non-current assets in the statements of financial position (see Note 13).

25.4 Sale of Real Estate to Ultimate Parent Company

In 2023, 2022 and 2021, the Company sold condominium units to the Ultimate Parent Company amounting to P4,638,528, P5,902,641 and nil, respectively. The outstanding balance related to this transaction is presented as part of Contracts receivable under the Receivables account in the statements of financial position (see Note 5).

25.5 Sale of Real Estate to Key Management Personnel

In 2023, 2022 and 2021, the Company sold condominium units totaling nil, P4,870,084 and nil, respectively, to key management personnel. The outstanding balance related to these transactions amounts to nil and P49,911,322 as at December 31, 2023 and 2022, respectively. These are presented as part of Contract receivables under the Receivables account in the statements of financial position (see Note 5).

25.6 Key Management Personnel Compensation

The composition of key management personnel compensation for the years ended December 31, 2023, 2022 and 2021 are shown below.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Short-term benefits	P 159,664,014	P 142,201,016	P 121,082,068
Post-employment benefits	47,350,536	4,930,421	1,668,284
Share options	<u>2,115,986</u>	<u>3,005,840</u>	<u>-</u>
	<u>P 209,130,536</u>	<u>P 150,137,277</u>	<u>P 122,750,352</u>

25.7 Retirement Fund

The Company's retirement fund for its defined post-employment plan is administered and managed by a trustee bank. The fair value of plan assets in 2023 and 2022 consists of the contributions to the plan and interest earned (see Note 23.3). The plan assets do not comprise investment in any of the Company's own financial instruments or any of its assets occupied and/or used in its operations.

26. EQUITY

26.1 Capital Stock

Details of the Company's authorized capital stock as at December 31, 2023 and 2022 are as follows:

	Shares		Amount	
	2023	2022	2023	2022
Preferred shares				
Authorized				
Series A – P1.00 par value	1,000,000,000		P 1,000,000,000	
Series B – P0.10 par value	<u>1,000,000,000</u>		<u>100,000,000</u>	
Total	<u>2,000,000,000</u>	<u>1,000,000,000</u>	<u>P 1,100,000,000</u>	<u>P 100,000,000</u>
Common shares – P1.00 par value				
Authorized	<u>9,000,000,000</u>	<u>10,000,000,000</u>	<u>P 9,000,000,000</u>	<u>P 10,000,000,000</u>
Issued:				
Balance at beginning and end of year	3,623,451,997	3,623,451,997	P 3,623,451,997	P 3,623,451,997
Treasury shares	(<u>158,250,530</u>)	(<u>158,250,530</u>)	(<u>732,664,604</u>)	(<u>732,664,604</u>)
Issued and outstanding	<u>3,465,201,467</u>	<u>3,465,201,467</u>	<u>P 2,890,787,393</u>	<u>P 2,890,787,393</u>

The par value of the authorized preferred shares in 2022 is P0.10 per share. There is no issued preferred stock as at December 31, 2023 and 2022.

On April 25, 2023, the BOD approved the amendment of the Articles of Incorporation (AOI) of CLI to reallocate the authorized capital stock of P10,100,000,000 to be divided as follows:

- 9,000,000,000 common shares with a par value of P1 per share;
- 1,000,000,000 Series A preferred shares with a par value of P1 per share; and,
- 1,000,000,000 Series B preferred shares with a par value of P0.10 per share.

The amendment to the AOI was later approved by the stockholders on June 1, 2023. On October 18, 2023, the SEC officially accepted CLI's application for the amendment of its AOI which was later approved on December 29, 2023.

The share price of the Company's common stock closed at P2.47 and P2.80 per share on December 29, 2023 and 2022, respectively, the last trading day in the PSE for 2023 and 2022.

The Company has no other listed equity securities as at December 31, 2023 and 2022.

26.2 Additional Paid-in Capital

On June 2, 2017, the Company made an initial public offering of 430,000,000 unissued common shares at an offer price of P5 per share, which is equivalent to P2,150,000,000. Accordingly, the Company recognized additional paid-in capital of P1,608,917,974 in the statements of financial position after deducting the related share issuance costs of P111,082,026.

26.3 Treasury Shares

An analysis of treasury shares as at December 31, 2023 and 2022, respectively is shown below.

	Shares		Amount	
	2023	2022	2023	2022
Balance at beginning of year	158,250,350	161,600,000	P 732,664,604	P 748,171,901
Re-issuance of shares	-	(3,349,470)	-	(15,507,297)
Balance at end of year	<u>158,250,530</u>	<u>158,250,530</u>	<u>P 732,664,604</u>	<u>P 732,664,604</u>

On February 27, 2018, the BOD of the Company approved a P250,000,000 budget for a share buy-back program and employee stock option plan. On March 2022, qualified employees started exercising their stock options (see Note 26.1).

On March 27, 2020, the BOD of the Company approved an additional P500,000,000 stock buy-back program for its valuation plans over the next two years.

In relation to this program, the Parent Company reacquired 2,599,600 shares and 104,180,400 shares of its common stock in 2021 and 2020, respectively, for P15,320,885 and P485,657,205, respectively, and presented them as Treasury Stock in the consolidated statement of financial position. No additional shares were reacquired in 2022.

In 2022, the Company has reissued 3,349,470 shares of treasury shares, respectively, as a result of exercise of the same number of stock options (see Note 26.4).

As at December 31, 2022 and 2023, total reacquired shares totals to 158,250,530 which amounts to P732,664,604.

The common stock of the Company that is held under nominee accounts totaled 1,285,302,905 shares and 1,307,052,405 shares as at December 31, 2023 and 2022, respectively. This represents 35% and 36% of the Company's outstanding shares as at December 31, 2023 and 2022, respectively.

26.4 Employee Share Option

On October 6, 2021, the BOD of the Company approved the Executive Stock Option Plan (ESOP) for its qualified officers. The ESOP grants options to purchase the shares of the Company at a price of P2.25 or current market price with a 15% discount, whichever is higher. Shares bought under the ESOP cannot be sold, assigned, or transferred in any manner for at least six months from the exercise date. Voting and dividend rights vest upon the issuance of the shares to the employees.

Pursuant to this ESOP, on January 5, 2022, the Company granted share options to qualified officers to subscribe to 31,016,200 common shares of the Company, with the following vesting period.

- The 1st 25% of the options granted can be exercised immediately upon the year of grant;
- The 2nd 25% of the options granted can be exercised one year after the options were granted;
- The 3rd 25% of the options granted can be exercised two years after the options were granted; and,
- The last 25% of the options granted can be exercised three years after the options were granted.

A total 3,349,470 share options at a price of P2.40 were exercised in 2022, respectively, using the Company treasury shares (see Note 26.3).

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life	2.5 years
Average share price at grant date	P2.86
Average exercise price at grant date	P2.43
Average fair value at grant date	P0.15
Average standard deviation of share price returns	20.17%
Average dividend yield	14.95 %
Average risk-free investment rate	2.59 %

The underlying expected volatility was determined by reference to historical prices of the Company's shares over a period of five years.

Share option benefits expense, which is included as part of Salaries and employee benefits under the Operating Expenses account, amounting to P2,115,986 and P3,005,840 was recognized in 2023 and 2022, respectively (see Note 23.1), while the corresponding credit to Share Options Outstanding account is presented as under the Equity section of the statements of financial position.

26.5 Revaluation Reserves

The components and reconciliation of items of other comprehensive income (loss) presented in the statements of changes in equity at their aggregate amount under the Revaluation Reserves account are shown below.

	Notes	2023	2022	2021
Balance at beginning of year		(P 13,910,501)	(P 13,477,472)	(P 12,883,375)
Other comprehensive loss:				
Gain (loss) on remeasurement of post-employment defined benefit obligation	23.3	(5,836,965)	(577,372)	435,092
Tax income (expense)	24	(1,459,242)	(144,343)	(1,029,189)
		(4,377,723)	(433,029)	(594,097)
Balance at end of year		(P 18,288,244)	(P 13,910,501)	(P 13,477,472)

26.6 Retained Earnings

(a) Cash Dividends

On March 15, 2022, the BOD declared regular and special cash dividends of P0.112 and P0.038 per share, respectively, totaling P519,780,221 to stockholders on record as of April 22, 2022 and were paid on May 17, 2022.

On March 20, 2023, the BOD declared regular and special cash dividends of P0.15 and P0.03 per share, respectively, totaling P623,736,263 to stockholders on record as of April 18, 2023. Such dividends were paid on April 28, 2023.

(b) Appropriations

On November 23, 2023 and December 6, 2022, the Parent Company's BOD approved the appropriation of P6,324,658,043 and P3,931,475,893, respectively, from its retained earnings for the construction of various real estate projects. The real estate projects are expected to be completed from dates ranging from the first quarter of 2023 until the second quarter of 2030.

The Parent Company released the appropriated retained earnings in 2022 amounting to P3,341,330,930 in 2023 and appropriated retained earnings in 2021 amounting to P172,049,912 in 2022 to unrestricted retained earnings after partial fulfillment of its intended purpose.

A portion of the Group's retained earnings, equivalent of the cost of treasury shares is legally restricted in accordance with Section 40 of the Revised Corporation Code.

In 2021, no appropriation has been made by the Parent Company and a release of P3,777,454,711 from previous appropriations are made.

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

27.1 Operating Lease Commitments – Company as Lessor

The Company is a lessor under several operating leases covering investment properties (see Note 12). The leases have terms ranging from one to five years, with renewal options, and include annual escalation from 3% to 10%. The future minimum lease receivables under these agreements are presented below.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Within one year	P 54,456,693	P 54,686,546	P 54,346,158
Within one to two years	39,968,650	40,327,275	32,369,818
Within two to three years	25,341,618	32,781,403	32,408,582
Within three to four years	19,829,151	22,147,218	21,895,339
Within four to five years	40,696,055	16,452,302	16,265,191
More than five years	<u>78,907,709</u>	<u>92,651,746</u>	<u>116,723,431</u>
	<u>P 259,199,876</u>	<u>P 259,046,490</u>	<u>P 274,008,519</u>

Rental income is shown in Notes 12 and 17.1. None of the rental income in 2023, 2022 and 2021 are relating to variable lease payments. Outstanding rent receivables as at December 31, 2023 and 2022 and are shown as Rent receivable under the Receivables account in the statements of financial position (see Note 5).

27.2 Operating Lease Commitments – Company as Lessee

The Company entered into several short-term cancellable leases for its billboards, warehouse and staff house. Rent expense incurred from the short-term cancellable leases are shown as Rent under Operating Expenses in the statements of profit or loss (see Note 19).

As at December 31, 2023 and 2022, the expected future rentals is expected to be more or less the same with the annual rent expense recognized because of the terms of the leases, which are less than 12 months.

27.3 Completion of Sold Units

The Company is obligated to finish the sold units that are at a certain stage of completion at the time of sale. The Company recognized a contract liability, which amounts to P164,891,955 and P289,366,657 as at December 31, 2023 and 2022, respectively, when it collects more than it is entitled to based on the stage of completion of the project development (see Note 17.2).

27.4 Purchase of Land

In 2022, the Company had agreed in principle with multiple sellers of real estate properties in various locations in Visayas and Mindanao for the acquisition of parcels of land for about P121,996,729. There were no such commitments as at December 31, 2023.

27.5 Capital Commitments

As at December 31, 2023 and 2022, the Company has capital commitments of about P4,100,931,220 and P3,997,304,687, respectively, for the construction of condominium and subdivision projects.

27.6 Others

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations that are not reflected in the financial statements because the possible outflow of economic resource as a result of present obligations is considered improbable or remote or the amount to be provided cannot be measured reliably. As at December 31, 2023 and 2022, management is of the opinion that losses, if any, from these items will not have a material effect on the Company's financial statements.

28. EVENTS AFTER THE REPORTING PERIOD

28.1 Public Offering of Preferred Shares

On January 8, 2024, the BOD approved the proposed registration with the SEC of the Parent Company's perpetual, cumulative, non-voting, non-participating, non-convertible, and redeemable Philippine Peso-denominated Series "A" Preferred Shares with a firm offer of up to 3,000,000 Series "A" Preferred Shares with an oversubscription option up to 2,000,000 Series "A" Preferred Shares by way of a follow-on public offering. The Registration Statement covering the IPO was filed with the SEC and PSE on January 25, 2024 and January 26, 2024, respectively.

28.2 Declaration of Cash Dividends

On March 18, 2024, the Board approved the declaration of regular cash dividends amounting to P0.15 per share and special cash dividends amounting to P0.03 per share with record date on April 17, 2024 which will be paid on May 3, 2024.

29. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to certain financial risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 30. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most relevant financial risks to which the Company is exposed to are described as follows.

29.1 Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from its operating, investing and financing activities.

The Company has no significant foreign currency exposure risks as most of its transactions are carried out in Philippine pesos, its functional currency.

The Company has no significant interest rate risk exposure as most of its interest-bearing financial assets and liabilities bear fixed interest rates.

29.2 Credit Risk

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

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 Company transfers the corresponding title of the subdivision lots, house and lot units, condominium units and parking spaces only upon full payment of the contract price.

(a) *Maximum Exposure to Credit Risk*

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets (including contract assets), as summarized below.

	Notes	2023	2022
Cash and cash equivalents	4	P 441,670,591	P 465,354,066
Receivables*	5	1,585,663,422	2,582,923,943
Contract assets	17.2	32,717,768,497	25,386,768,172
Due from related parties	25.1	698,510,600	1,481,499,405
Short-term investments	8	184,532,637	101,034,408
Refundable deposits	13	135,422,187	113,438,998
		<u>P35,763,567,934</u>	<u>P 30,131,018,992</u>

* *Receivables excludes advances to officers and employees.*

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

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure
2023			
Contract receivables	P 1,170,190,633	P 3,223,074,939	P -
Contract assets	<u>32,717,768,497</u>	<u>57,481,534,007</u>	<u>-</u>
	<u>P 33,887,959,130</u>	<u>P 60,704,608,946</u>	<u>P -</u>
2022			
Contract receivables	P 2,096,650,909	P 5,077,139,665	P -
Contract assets	<u>25,386,768,172</u>	<u>44,346,182,422</u>	<u>-</u>
	<u>P 27,483,419,081</u>	<u>P 49,423,322,087</u>	<u>P -</u>

(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 Company's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Company'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 Company's receivables and contract assets, net of allowance for impairment, is shown below.

	<u>2023</u>	<u>2022</u>
Cebu	P 17,197,995,172	P 13,236,787,310
Visayas	9,350,666,894	7,969,747,027
Mindanao	6,863,176,661	6,276,782,395
Luzon	<u>476,120,403</u>	<u>102,349</u>
	<u>P33,887,959,130</u>	<u>P 27,483,419,081</u>

(c) *Credit Quality*

The Company classifies cash in banks as high grade as these are deposited with reputable banks.

Other receivables and refundable deposits are considered to be unrated and are neither past due nor impaired. For trade receivables, standard grade pertains to receivables with no default in payments and are effectively collateralized by the real estate inventories which can be subject to repossession upon non-payment of customers after reasonable collection effort has been exerted by the Company.

	<u>2023</u>					
	<u>Neither past due nor impaired</u>			<u>Past due but not impaired</u>	<u>Individually impaired</u>	<u>Total</u>
	<u>High grade</u>	<u>Standard grade</u>	<u>Unrated</u>			
Cash	P 441,670,591	P -	P -	P -	P -	P 441,670,591
Receivables						
Contract	-	1,170,190,633	-	-	-	1,170,190,633
Others	-	-	415,472,789	-	-	415,472,789
Contract assets	-	32,717,768,497	-	-	-	32,717,768,497
Due from related parties	-	-	698,510,600	-	-	698,510,600
Short-term investments	184,532,637	-	-	-	-	184,532,637
Refundable deposits	-	-	135,422,187	-	-	135,422,187
	<u>P 626,203,228</u>	<u>P 33,887,959,130</u>	<u>P 1,249,405,576</u>	<u>P -</u>	<u>P -</u>	<u>P 35,763,567,934</u>

	<u>2022</u>					
	<u>Neither past due nor impaired</u>			<u>Past due but not impaired</u>	<u>Individually impaired</u>	<u>Total</u>
	<u>High grade</u>	<u>Standard grade</u>	<u>Unrated</u>			
Cash	P 465,354,066	P -	P -	P -	P -	P 465,354,066
Receivables						
Contract	-	2,095,093,500	-	-	-	2,095,093,500
Others	-	-	487,830,443	-	-	487,830,443
Contract assets	-	25,386,768,172	-	-	-	25,386,768,172
Due from related parties	-	-	1,481,499,405	-	-	1,481,499,405
Short-term investments	101,034,408	-	-	-	-	101,034,408
Refundable deposits	-	-	113,438,998	-	-	113,438,998
	<u>P 566,388,474</u>	<u>P 27,481,861,672</u>	<u>P 2,082,768,846</u>	<u>P -</u>	<u>P -</u>	<u>P 30,131,018,992</u>

29.3 Liquidity Risk

The Company 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 on a 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. Management maintains enough cash to meet the Company's liquidity. Excess cash are invested in short-term placements.

As at December 31, 2023 and 2022, the Company's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within Six Months	Six to 12 Months	One to Five Years	More than Five Years
December 31, 2023				
Interest-bearing loans and borrowings	P 8,308,626,703	P 4,139,813,400	P24,318,315,445	P 5,499,406,048
Bonds payable	168,742,525	168,742,525	4,872,277,006	1,062,987,665
Trade and other payables*	<u>7,814,941,195</u>	<u>6,304,301,164</u>	<u>169,250,020</u>	<u>-</u>
	<u>P16,292,310,423</u>	<u>P10,612,857,089</u>	<u>P29,359,842,451</u>	<u>P 6,562,393,713</u>
December 31, 2022				
Interest-bearing loans and borrowings	P 6,156,471,789	P 2,043,253,024	P18,696,834,007	P 6,521,406,969
Bonds payable	168,742,525	168,742,525	3,849,718,073	2,423,031,648
Trade and other payables*	<u>6,689,182,884</u>	<u>5,396,153,649</u>	<u>161,965,830</u>	<u>-</u>
	<u>P13,014,397,198</u>	<u>P 7,608,149,198</u>	<u>P22,708,517,910</u>	<u>P 8,944,438,617</u>

* Trade and other payables exclude output VAT, government-related obligations and advance rental.

The foregoing contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

30. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND FAIR VALUE MEASUREMENTS AND DISCLOSURES

30.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are presented as follows:

	Notes	2023		2022	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Financial assets at amortized cost:					
Cash and cash equivalents	4	P 441,670,591	P 441,670,591	P 465,354,066	P 465,354,066
Receivables - net ¹	5	<u>1,585,663,422</u>	<u>1,585,663,422</u>	<u>2,582,923,943</u>	<u>2,582,923,943</u>
Due from related parties	25.1	<u>698,510,600</u>	<u>728,553,541</u>	<u>1,481,499,405</u>	<u>1,545,218,694</u>
Short-term investments	8	<u>184,532,637</u>	<u>184,532,637</u>	<u>101,034,408</u>	<u>101,034,408</u>
Refundable deposits	13	<u>135,422,187</u>	<u>135,422,187</u>	<u>113,438,998</u>	<u>113,438,998</u>
		<u>P 3,045,799,437</u>	<u>P 3,075,842,378</u>	<u>P 4,744,250,820</u>	<u>P 4,807,970,109</u>
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowing	14	P 35,957,686,742	P 36,717,195,523	P 29,453,443,408	P 27,278,278,881
Bonds payable	15	<u>4,947,822,521</u>	<u>5,154,973,779</u>	<u>4,930,582,631</u>	<u>5,074,171,211</u>
Trade and other payables ²	16	<u>14,288,492,378</u>	<u>14,288,492,378</u>	<u>12,247,302,363</u>	<u>12,247,302,363</u>
		<u>P 55,194,001,641</u>	<u>P 56,160,661,680</u>	<u>P 46,631,328,402</u>	<u>P 44,599,752,455</u>

¹ Receivables - net excludes advances to subcontractors and advances to officers and employees.

² Trade and other payables excludes output VAT, government-related obligations and advance rental.

See Note 2.4 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 29.

30.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position		Net amount presented in the statements of financial position	Related amounts not set-off in the statements of financial position		Net amount
	Financial assets	Financial liability set off		Financial instruments	Cash collateral received	
December 31, 2023						
Cash and cash equivalents	P 441,670,591	P -	P 441,670,591	P 393,361,510	P -	P 48,309,081
Short-term investments	<u>184,532,637</u>	<u>-</u>	<u>184,532,637</u>	<u>184,532,637</u>	<u>-</u>	<u>-</u>
Total	<u>P 626,203,228</u>	<u>P -</u>	<u>P 626,203,328</u>	<u>P 577,894,147</u>	<u>P -</u>	<u>P 48,309,081</u>
December 31, 2022						
Cash and cash equivalents	P 465,354,066	P -	P 465,354,066	P 427,494,831	P -	P 37,859,235
Short-term investments	<u>101,034,408</u>	<u>-</u>	<u>101,034,408</u>	<u>101,034,408</u>	<u>-</u>	<u>-</u>
Total	<u>P 566,388,474</u>	<u>P -</u>	<u>P 566,388,474</u>	<u>P 528,529,239</u>	<u>P -</u>	<u>P 37,859,235</u>

The following financial liabilities with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position		Net amount presented in the statements of financial position	Related amounts not set-off in the statements of financial position		Net amount
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	
December 31, 2023						
Interest-bearing loans	<u>P35,957,686,744</u>	<u>P -</u>	<u>P35,957,686,742</u>	<u>P 577,894,147</u>	<u>P -</u>	<u>P36,535,580,889</u>
December 31, 2022						
Interest-bearing loans	<u>P 29,453,443,409</u>	<u>P -</u>	<u>P 29,453,443,408</u>	<u>P 528,529,239</u>	<u>P -</u>	<u>P 29,981,972,647</u>

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Company and counterparties (i.e., related parties and contractors) allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

30.3 Fair Value Measurements and Disclosures

(a) 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 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 the financial 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 Company, 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 value of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company 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.

(b) *Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed*

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities, which are not measured at fair value in the 2023 and 2022 statements of financial position, but for which fair value is disclosed (see Note 30.1).

		<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>		<u>Total</u>
2023								
	Financial assets							
	Cash and cash equivalents	P	441,670,591	P	-	P	-	P 441,670,591
	Receivables - net		-		-		1,585,663,422	1,585,663,422
	Due from related parties		-		-		728,553,541	728,553,541
	Short-term investments		184,532,637		-		-	184,532,637
	Refundable deposits		<u>-</u>		<u>-</u>		<u>135,422,187</u>	<u>135,422,187</u>
		P	<u>626,203,228</u>	P	<u>-</u>	P	<u>2,449,639,150</u>	P <u>3,075,842,378</u>
	Financial liabilities							
	Interest-bearing loans	P	-	P	-	P	36,717,195,523	P 36,717,195,523
	Bonds payable		-		-		5,154,973,779	5,154,973,779
	Trade and other payables		<u>-</u>		<u>-</u>		<u>14,288,492,378</u>	<u>14,288,492,378</u>
		P	<u>-</u>	P	<u>-</u>	P	<u>56,160,661,680</u>	P <u>56,160,661,680</u>
2022								
	Financial assets							
	Cash and cash equivalents	P	465,354,066	P	-	P	-	P 465,354,066
	Receivables - net		-		-		2,582,923,943	2,582,923,943
	Due from related parties		-		-		1,545,218,694	1,545,218,694
	Short-term investments		101,034,408		-		-	101,034,408
	Refundable deposits		<u>-</u>		<u>-</u>		<u>113,438,998</u>	<u>113,438,998</u>
		P	<u>566,388,474</u>	P	<u>-</u>	P	<u>4,139,581,635</u>	P <u>4,807,970,109</u>
	Financial liabilities							
	Interest-bearing loans	P	-	P	-	P	27,278,278,881	P 27,278,278,881
	Bonds payable		-		-		5,074,171,211	5,074,171,211
	Trade and other payables		<u>-</u>		<u>-</u>		<u>12,247,302,363</u>	<u>12,247,302,363</u>
		P	<u>-</u>	P	<u>-</u>	P	<u>44,599,752,455</u>	P <u>44,599,752,455</u>

For the Company's financial assets and financial liabilities, which are measured at amortized cost, management has determined that their carrying amounts are equal to or approximate their fair values because, except for interest-bearing loans, of their short-term nature.

(c) *Fair Value Measurement for Non-financial Assets*

The Company has no non-financial assets measured at fair value as at December 31, 2023 and 2022. However, the fair values of its investment properties are required to be disclosed, as shown in Note 12.

The table below shows the Levels within the hierarchy of non-financial assets (investment property), which are not carried at fair value but whose fair value are required to be disclosed on a recurring basis as at December 31, 2023 and 2022.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2023				
Investment properties	<u>P -</u>	<u>P -</u>	<u>P 10,840,049,923</u>	<u>P 10,480,049,923</u>
December 31, 2022				
Investment properties	<u>P -</u>	<u>P -</u>	<u>P 10,917,052,491</u>	<u>P 10,917,052,491</u>

In 2023 and 2022, the fair value of the Company's Investment Properties [see Note 3.2(d)] are determined on the basis of the appraisals performed by an independent external appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Company's management with respect to the determination of the inputs such as the size, age, and condition of the parcels of land and buildings, and the comparable prices in the corresponding property location.

The fair value of these parcels of land, condominium units and retail building were determined based on the following approaches:

(i) *Fair Value Measurement for Land, Condominium Units and Retail Buildings*

The Level 3 fair value of the parcels of land, condominium units, retail building and parking slots under Investment Properties account was determined using the market approach, adjusted for differences in key attributes such as properties size, zoning and accessibility.

Under the market approach, when comparable lease offerings of similar properties and sales prices of comparable land properties in close proximity are used in the valuation of the subject property with insignificant adjustment on the price, fair value is included in Level 2. Consequently, if the observable recent prices of the reference properties were adjusted significantly for differences in key attributes such as properties size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(ii) *Fair Value Measurement for Improvements under Retail Buildings*

The Level 3 fair value of building improvements presented as part of retail buildings under Investment Properties account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence.

The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change on the valuation techniques used by the Company, except as indicated above, during the period for its investment properties. Also, there were no transfers into or out of Level 2 fair value hierarchy for the years ended December 31, 2023 and 2022.

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2023</u>	<u>2022</u>
Total interest-bearing loans and borrowings and bonds payable	P40,905,509,263	P 34,384,026,039
Total equity	<u>16,587,717,604</u>	<u>13,619,658,508</u>
Debt-to-equity ratio	<u>2.46:1.00</u>	<u>2.52:1.00</u>

The Company's goal in capital management is to limit a maximum interest-bearing debt to total equity structure ratio of 75:25 on a monthly basis (see Note 14). This is in line with the Company's compliance with requirement of the BOI and banks.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Company has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years ended December 31, 2023 and 2022.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Bank Loans (see Note 14)	Lease Liabilities (see Note 11)	Bonds Payable (see Note 15)	Total
Balance as of January 1, 2023	P29,453,443,408	P 948,091,184	P 4,930,582,631	P35,332,117,223
Cash flows from financing activities:				
Additional borrowings - net	11,434,269,173	-	-	11,434,269,173
Repayments	(5,050,319,185)	(36,783,822)	-	(5,087,103,007)
Non-cash financing activities:				
Amortization of debt issue cost	120,293,346	-	17,239,890	137,533,236
Interest amortization on lease obligation	-	65,882,750	-	65,882,750
Additional lease liabilities	-	275,905	-	275,905
Balance at December 31, 2023	<u>P35,957,686,742</u>	<u>P 977,466,017</u>	<u>P 4,947,822,521</u>	<u>P41,882,975,280</u>
Balance as of January 1, 2022	P26,910,209,391	P 834,573,823	P -	P27,744,783,214
Cash flows from financing activities:				
Additional borrowings - net	9,978,618,073	-	4,926,627,631	14,905,245,704
Repayments	(7,524,170,278)	(562,543)	-	(7,524,732,821)
Non-cash financing activities:				
Amortization of debt issue cost	88,786,222	-	3,955,000	92,741,222
Interest amortization on lease obligation	-	61,205,859	-	61,205,859
Additional lease liabilities	-	52,874,045	-	52,874,045
Balance at December 31, 2022	<u>P29,453,443,408</u>	<u>P 948,091,184</u>	<u>P 4,930,582,631</u>	<u>P35,332,117,223</u>
Balance as of January 1, 2021	P19,135,019,268	P 828,252,812	P -	P19,963,272,080
Cash flows from financing activities:				
Additional borrowings - net	12,999,276,695	-	-	12,999,276,695
Repayments	(5,288,736,576)	(5,452,222)	-	(5,294,188,798)
Non-cash financing activities:				
Amortization of debt issue cost	64,650,004	-	-	64,650,004
Interest amortization on lease obligation	-	52,757,989	-	52,757,989
Amendment of lease contract	-	(40,948,756)	-	(40,948,756)
Balance at December 31, 2021	<u>P26,910,209,391</u>	<u>P 834,573,823</u>	<u>P -</u>	<u>P27,744,783,214</u>

33. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

Following is the supplementary information which is required by the Bureau of Internal Revenue under Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic.

(a) Output VAT

In 2023, the Company declared output VAT as follows relating to sale of real estate:

	Tax Base	Output VAT
Taxable sales	P2,877,608,588	P 345,313,031
Exempt sales	2,828,636,265	-
Zero-rated services	17,239,061	-
	<u>P5,723,483,914</u>	<u>P 345,313,031</u>

The Company's taxable real estate sales (at 12% and 0%) and VAT exempt real estate sales were determined pursuant to Section 106, VAT on Sale of Goods or Properties and Section 109, *VAT-Exempt Transactions*, of the 1997 NIRC, as amended.

The tax base for the real estate sales is based on the provisions under the VAT regulations (installment plan or deferred payment basis); hence, may not be the same as the amounts reported in the 2023 profit or loss of the Company for financial reporting purposes.

(b) *Input VAT*

The movements in input VAT for the year ended December 31, 2023 are summarized below.

Balance at beginning of year	P 477,976,910
Goods for resale/manufacture or further processing	242,920,393
Services lodged under cost of goods sold and other accounts	394,063,763
Capital goods subject to amortization	3,727,753
Capital goods not subject to amortization	
Services rendered by non-residents	222,115
Input tax on sale to government	
Allocable to exempt sales	(249,847,836)
Applied against output VAT	(<u>345,313,031</u>)
Balance at end of year	<u>P 523,750,067</u>

(c) *Taxes on Importation*

The Company have one importation transaction during 2023. The details are as follows:

Dutiable value	1,841,888
Other charges	<u>9,072</u>
Total landed cost	1,850,960
VAT on importation rate	<u>12%</u>
Balance at end of year	<u>P 222,115</u>

(d) *Excise Tax*

The Company did not have any transactions in 2023, which are subject to excise tax.

(e) *Documentary Stamp Tax (DST)*

The details of the DST that was accrued and paid by the Company in 2023 are as follows:

Loans/Bonds/Mortgage	P 30,231,701
Conveyance of properties	36,459,120
Rentals	<u>181,656</u>
	<u>P 66,872,477</u>

The Company capitalized P26,341,305 of the documentary stamp tax as deduction of the interest-bearing loans.

(f) *Taxes and Licenses*

Details of taxes and licenses in 2023 are as follows:

DST	P	40,531,172
Land Registration Authority		23,855,543
Business Taxes and Permits		21,952,191
Real property tax		15,424,225
Transfer taxes		13,843,829
Bureau of Internal Revenue		9,736,840
Registry of Deeds		4,887,230
City Treasurer's Office		2,608,676
Bureau of Fire Protection		1,891,245
Others		503,075
Pag-IBIG processing fee		390,743
Securities and Exchange Commission		<u>7,941</u>
	P	<u>135,632,710</u>

(g) *Withholding Taxes*

Details of total withholding taxes for the year ended December 31, 2023 are as follows:

Expanded	P	270,686,841
Final		77,013,396
Compensation and employee benefits		<u>49,401,355</u>
	P	<u>397,101,592</u>

(h) *Deficiency Tax Assessments and Tax Cases*

As at December 31, 2023, the Company does not have any final deficiency tax assessments from BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in the open taxable years.

CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
 10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu I.T. Park, Brgy. Apas, Cebu City
Reconciliation of Retained Earnings Available for Dividend Declaration
as of December 31, 2023
(Amounts in Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year	P	3,338,656,506	
Add: Items that are directly credited to Unappropriated Retained Earnings			
Reversal of Retained Earnings Appropriation/s			3,341,330,930
Less: Items that are directly debited to Unappropriated Retained Earnings			
Dividend declaration during the reporting period	P	623,736,263	
Retained Earnings appropriated during the reporting period		<u>6,324,658,043</u>	<u>6,948,394,306</u>
Unappropriated Retained Earnings at Beginning of Year, as adjusted			(268,406,870)
Add: Net Income for the Current Year			3,594,057,096
Less: Unrealized income recognized in the profit or loss during the reporting period (net of tax)			
Equity in net income of associates/subsidiaries, net of dividends declared		857,559,818	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents (net of unrealized foreign exchange loss)		<u>136,480</u>	
Subtotal			857,696,298
Add: Unrealized income recognized in profit or loss in prior reporting periods but realized in the current reporting period (net of tax)			
Realized foreign exchange gain, except those attributable to cash and cash equivalents (net of realized foreign exchange loss)			<u>867,722</u>
Unappropriated Retained Earnings Available for Dividend declaration at end of Year	P	<u>2,468,821,650</u>	



We Build with You in Mind

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

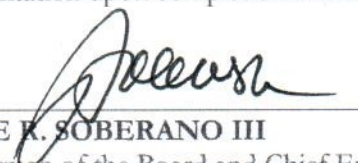
The management of **Cebu Landmasters, Inc. and Subsidiaries (the Group)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, **for the years ended December 31, 2022, 2021 and 2020**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

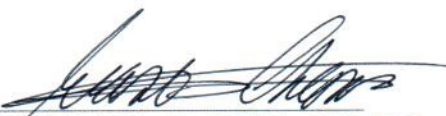
The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the 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.



JOSE R. SOBERANO III

Chairman of the Board and Chief Executive Officer
TIN# 108-729-320-000



BEAUREGARD GRANT L. CHENG
Chief Financial Officer
TIN# 205-557-510-000

Signed this _____ day of 28 ^{my} MAR 2023

SUBSCRIBED AND SWORN to before me this 28 ^{my} MAR 2023 at Cebu City,
affiants exhibiting to me their respective Tax Identification Nos.

Doc. No. 13;
Page No. 4;
Book No. 1;
Series of 2023



ATTY. EDELINE O. COSICOL

Notary Public
Notarial Commission No. 040-23, Cebu City
Valid until December 31, 2024
Roll of Attorneys No. 82445
MCLE Compliance No. VIII-0000258, issued on 08-30-2022
PTR No. 1023144; 12-07-2022; Cebu
IBP No. 242099; 12-08-2022; Cebu Chapter

10th Floor, Park Central, J.M. del Mar St., Cebu IT Park, Apas, Cebu City
Tel. No. (032) 231-4914 & (032) 231-4870 or Telefax (032) 231-5073

Consolidated Financial Statements and
Independent Auditors' Report

Cebu Landmasters, Inc. and Subsidiaries

December 31, 2022, 2021 and 2020

Report of Independent Auditors

Punongbayan & Araullo

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)

10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

Opinion

We have audited the consolidated financial statements of Cebu Landmasters, Inc. and Subsidiaries (collectively referred to herein as the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of profit or 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, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the consolidated financial statements are disclosed in Note 2 to the consolidated financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

(a) Revenue Recognition for Real Estate Sales***Description of the Matter***

We considered the Group's recognition of revenue from real estate sales a key audit matter because of the significant volume of transactions and amount of revenue from real estate sales involved. In 2022, the Group's revenue from real estate sales amounted to P15.4 billion which accounts for 99% of the Group's total revenues. It uses the percentage of completion (POC) method, which is determined using the input method, i.e., based on efforts or inputs to the satisfaction of a performance obligation, to determine the appropriate amount of contract revenues to be recognized for the reporting period. 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 judgment and estimate could cause a material misstatement in the consolidated financial statements.

We have also considered the continuing implications of the COVID-19 pandemic as it affects a major factor in the Group's revenue recognition criteria which is the probability of collecting the contract price.

The Group's accounting policy on recognition of revenue from real estate sales, and basis of significant judgment and estimates are disclosed in Notes 2 and 3 to the consolidated financial statements, respectively. In addition, the details of contract revenues, specifically the disaggregation of revenues are disclosed in Notes 18 to the consolidated financial statements.

How the Matter was Addressed in the Audit

To address the risk of material misstatements in revenue recognition, we have performed tests of design and operating effectiveness of internal controls, including information technology (IT) general controls, over processes relating to generation of contract revenue, and revenue recognition and measurement. In addition, we reviewed sales agreements, on a sampling basis, and the relevant facts and circumstances about the real estate transactions to determine compliance with a set of criteria for revenue recognition. We have also tested the reasonableness of management's judgment in determining the probability of collection of the contract price which involves a historical analysis of customer payment pattern and behavior.

To ascertain the reasonableness of the measurement of progress towards complete satisfaction of performance obligation using the input method, we have tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs. Our procedures include understanding of controls over recording of costs and direct examination of supporting documents. We have also performed physical inspection of selected projects under development to determine if the completion based on costs is consistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualification of project engineers who prepared the budgets and reviewed the actual performance of completed projects with reference to their budgeted costs.

(b) Existence and Valuation of Real Estate Inventories***Description of the Matter***

Real estate inventories amount to P18.3 billion, which accounts for 41% of total current assets and 22% of total assets of the Group, as at December 31, 2022. Because of the asset's material effect on the consolidated financial statements, we considered its valuation a key audit matter. Valuation of the Group's real estate inventories, particularly construction-in-progress, involves determination and estimation of significant unbilled materials and project contractors' services at the end of the reporting period. Management's failure to consider such unbilled materials and services, and an error in estimating the same, could have a material impact on the carrying value of real estate inventories as well as POC and cost of real estate sales.

The valuation of the real estate inventories is also hinged on their existence. Given that the Group's real estate projects are located in various locations and the varying stages of completion of the projects, which require significant judgement and estimation, we have also considered the existence of real estate inventories as a key audit matter.

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

How the Matter was Addressed in the Audit

We have obtained an understanding, and performed tests of design and operating effectiveness of internal controls, including IT general controls, over processes relating to initiation and recording of purchases and allocation of cost to real estate inventories. We also performed ocular inspection of selected real estate projects on a date closest to the end of the reporting period to confirm their existence and examined documents, such as land titles, progress reports, contractors' accomplishment billings among others, to corroborate with other procedures as well as to ensure completeness of recorded costs. We tested the assumptions used by management in estimating the unbilled materials and services as well as the stage of completion of the projects which we used to further assess the reasonableness of the assets' valuation.

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

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

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

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

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

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

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

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 audit.

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

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

The engagement partner on the audits resulting in this independent auditors' report is Mailene Sigue-Bisnar.

PUNONGBAYAN & ARAULLO



By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 9566627, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 90230-SEC (until financial period 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 3, 2023

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 1,434,559,762	P 1,095,821,916
Receivables - net	6	3,571,775,532	5,844,643,647
Contract assets - net	18	16,208,926,784	6,558,006,000
Real estate inventories	7	18,309,208,981	18,708,757,553
Deposits on land for future development	8	129,996,729	-
Due from related parties	26	35,802,341	57,434,271
Prepayments and other current assets	9	4,964,507,403	4,737,412,289
Total Current Assets		44,654,777,532	37,002,075,676
NON-CURRENT ASSETS			
Receivables - net	6	106,500,218	161,127,276
Contract assets - net	18	15,770,136,750	13,732,299,185
Investments in associates	10	133,559,576	135,064,930
Property and equipment - net	11	4,813,732,450	915,671,703
Right-of-use assets	12	1,168,049,405	1,152,854,127
Investment properties - net	13	17,749,297,533	13,240,123,662
Other non-current assets - net	14	648,815,560	312,888,874
Total Non-current Assets		40,390,091,492	29,650,029,757
TOTAL ASSETS		P 85,044,869,024	P 66,652,105,433
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	P 8,123,643,987	P 8,813,501,067
Trade and other payables	17	18,843,635,888	12,650,588,490
Contract liabilities	18	598,361,867	604,254,603
Customers' deposits	18	120,250,096	89,897,007
Lease liabilities	12	54,145,058	3,288,349
Income tax payable		3,646,417	2,177,192
Total Current Liabilities		27,743,683,313	22,163,706,708
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	26,938,646,624	23,208,218,323
Bonds payable	16	4,930,582,631	-
Trade and other payables	17	195,075,703	169,777,112
Lease liabilities	12	1,182,914,425	1,122,841,952
Post-employment defined benefit obligation	24	9,390,095	4,753,329
Deferred tax liabilities - net	25	3,031,961,340	2,050,626,485
Total Non-current Liabilities		36,288,570,818	26,556,217,201
Total Liabilities		64,032,254,131	48,719,923,909
EQUITY			
Equity attributable to shareholders of Parent Company	27	13,501,563,155	10,839,874,203
Non-controlling interest		7,511,051,738	7,092,307,321
Total Equity		21,012,614,893	17,932,181,524
TOTAL LIABILITIES AND EQUITY		P 85,044,869,024	P 66,652,105,433

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
REVENUES	18			
Sale of real estates		P 15,439,136,362	P 10,996,247,695	P 8,146,432,329
Hotel operations		83,418,279	48,683,577	54,558,131
Rental		79,277,559	74,272,000	55,237,972
Management fees		55,465,803	42,967,412	42,591,886
		<u>15,657,298,003</u>	<u>11,162,170,684</u>	<u>8,298,820,318</u>
COST OF SALES AND SERVICES	19	(8,367,635,549)	(5,972,289,664)	(4,282,111,458)
GROSS PROFIT		7,289,662,454	5,189,881,020	4,016,708,860
OPERATING EXPENSES	20	(2,368,932,953)	(1,950,338,710)	(1,265,920,859)
OTHER OPERATING INCOME	21	202,542,753	257,229,190	68,597,820
OPERATING PROFIT		5,123,272,254	3,496,771,500	2,819,385,821
FINANCE COSTS	22	(351,048,830)	(264,069,008)	(65,805,262)
FINANCE INCOME	23	14,819,366	7,689,872	39,708,261
SHARE IN NET LOSS OF ASSOCIATES	10	(9,505,354)	(4,229,178)	(615,777)
IMPAIRMENT LOSS ON FINANCIAL ASSETS	6	(1,855,555)	-	(252,478)
OTHER LOSSES	21	(8,077,498)	(132,572,525)	(839,657)
PROFIT BEFORE TAX		4,767,604,383	3,103,590,661	2,791,580,908
TAX EXPENSE	25	(1,159,713,237)	(432,719,044)	(715,853,587)
NET PROFIT		<u>P 3,607,891,146</u>	<u>P 2,670,871,617</u>	<u>P 2,075,727,321</u>
Net profit attributable to:				
Parent Company's shareholders		P 3,170,887,739	P 2,612,937,324	P 1,846,119,733
Non-controlling interests		<u>437,003,407</u>	<u>57,934,293</u>	<u>229,607,588</u>
		<u>P 3,607,891,146</u>	<u>P 2,670,871,617</u>	<u>P 2,075,727,321</u>
Earnings per Share:				
Basic and diluted	28	<u>P 0.92</u>	<u>P 1.04</u>	<u>P 1.15</u>

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
NET PROFIT		P 3,607,891,146	P 2,670,871,617	P 2,075,727,321
OTHER COMPREHENSIVE INCOME (LOSS) - Net of Tax				
Item that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurements of post-employment defined benefit plan	24	(577,372)	435,092	(8,991,642)
Tax income (expense)	25	<u>144,343</u>	(<u>1,029,189</u>)	<u>2,697,492</u>
		(<u>433,029</u>)	(<u>594,097</u>)	(<u>6,294,150</u>)
TOTAL COMPREHENSIVE INCOME		<u>P 3,607,458,117</u>	<u>P 2,670,277,520</u>	<u>P 2,069,433,171</u>
Total comprehensive income attributable to:				
Parent Company's shareholders		P 3,170,454,710	P 2,612,343,227	P 1,839,825,583
Non-controlling interests		<u>437,003,407</u>	<u>57,934,293</u>	<u>229,607,588</u>
		<u>P 3,607,458,117</u>	<u>P 2,670,277,520</u>	<u>P 2,069,433,171</u>

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Attributable to Shareholders of Parent Company										Non-controlling	
	Capital Stock (See Note 27)	Additional Paid-in Capital (See Note 27)	Treasury Stock (See Note 27)	Share Options Outstanding (See Note 27)	Revaluation Reserves (See Note 27)	Retained Earnings (See Note 27)			Total	Interests (See Note 27)	Total	
						Appropriated	Unappropriated	Total				
Balance at January 1, 2022	P 3,623,451,997	P 1,608,917,974	(P 748,471,901)	P -	(P 13,477,472)	P 172,049,912	P 6,197,103,693	P 6,369,153,605	P 10,839,874,203	P 7,092,307,321	P 17,932,181,524	
Transactions with owners	-	-	-	-	-	-	-	-	-	-	-	
Investments from non-controlling stockholders	-	-	-	-	-	-	-	-	-	61,641,010	61,641,010	
Cash dividends	-	-	-	-	-	-	(519,780,221)	(519,780,221)	(519,780,221)	(79,900,000)	(599,680,221)	
Stock option granted	-	-	-	3,005,840	-	-	-	-	3,005,840	-	3,005,840	
Stock option exercised	-	-	15,507,297	(809,849)	-	-	(6,688,825)	(6,688,825)	8,008,623	-	8,008,623	
	-	-	15,507,297	2,195,991	-	-	(526,469,046)	(526,469,046)	(508,765,758)	(18,258,990)	(527,024,748)	
Appropriation of retained earnings	-	-	-	-	-	3,931,475,893	(3,931,475,893)	-	-	-	-	
Appropriations during the year	-	-	-	-	-	(172,049,912)	172,049,912	-	-	-	-	
Reversal of appropriations during the year	-	-	-	-	-	3,759,425,981	(3,759,425,981)	-	-	-	-	
Total comprehensive income for the year	-	-	-	-	-	-	3,170,887,739	3,170,887,739	3,170,887,739	437,003,407	3,607,891,146	
Net profit for the year	-	-	-	-	(433,029)	-	3,170,887,739	3,170,887,739	(433,029)	-	3,607,891,146	
Other comprehensive loss	-	-	-	-	(433,029)	-	3,170,887,739	3,170,887,739	3,170,454,739	437,003,407	3,607,454,117	
	-	-	-	-	-	-	-	-	-	-	-	
Balance at December 31, 2022	P 3,623,451,997	P 1,608,917,974	(P 732,664,604)	P 2,195,991	(P 13,910,501)	P 3,931,475,893	P 5,082,096,405	P 9,013,572,298	P 13,501,563,155	P 7,511,051,738	P 21,012,614,893	
Balance at January 1, 2021	P 1,714,000,000	P 1,608,917,974	(P 732,851,016)	P -	(P 12,883,375)	P 3,949,504,623	P 2,104,913,555	P 6,054,418,178	P 8,631,601,761	P 6,895,639,697	P 15,527,241,458	
Transactions with owners	-	-	-	-	-	-	-	-	-	-	-	
Investments from non-controlling stockholders	-	-	-	-	-	-	-	-	-	226,733,331	226,733,331	
Cash dividends	-	-	-	-	-	-	(388,749,900)	(388,749,900)	(388,749,900)	(88,000,000)	(476,749,900)	
Stock dividends	1,909,451,997	-	-	-	-	-	(1,909,451,997)	(1,909,451,997)	-	-	-	
Acquisition of treasury stock	-	-	(15,320,885)	-	-	-	-	-	(15,320,885)	-	(15,320,885)	
	1,909,451,997	-	(15,320,885)	-	-	-	(2,298,201,897)	(2,298,201,897)	(404,070,785)	138,733,331	(265,337,454)	
Reversal of appropriations during the year	-	-	-	-	-	(3,777,454,711)	3,777,454,711	-	-	-	-	
Total comprehensive income for the year	-	-	-	-	-	-	2,612,937,324	2,612,937,324	2,612,937,324	57,934,293	2,670,871,617	
Net profit for the year	-	-	-	-	(594,097)	-	2,612,937,324	2,612,937,324	(594,097)	-	(594,097)	
Other comprehensive loss	-	-	-	-	(594,097)	-	2,612,937,324	2,612,937,324	2,612,543,227	57,934,293	2,670,277,520	
	-	-	-	-	-	-	-	-	-	-	-	
Balance at December 31, 2021	P 3,623,451,997	P 1,608,917,974	(P 748,171,901)	P -	(P 13,477,472)	P 172,049,912	P 6,197,103,693	P 6,369,153,605	P 10,839,874,203	P 7,092,307,321	P 17,932,181,524	
Balance at January 1, 2020	P 1,714,000,000	P 1,608,917,974	(P 247,193,811)	P -	(P 6,589,225)	P 3,050,000,000	P 1,573,093,445	P 4,623,093,445	P 7,092,228,383	P 6,056,029,005	P 13,748,258,288	
Transactions with owners	-	-	-	-	-	-	-	-	-	-	-	
Investments from non-controlling stockholders	-	-	-	-	-	-	-	-	-	647,502,204	647,502,204	
Cash dividend	-	-	-	-	-	-	(414,795,000)	(414,795,000)	(414,795,000)	(37,500,000)	(452,295,000)	
Acquisition of treasury stock	-	-	(485,657,205)	-	-	-	-	-	-	(485,657,205)	(485,657,205)	
	-	-	(485,657,205)	-	-	-	(414,795,000)	(414,795,000)	(900,452,205)	610,002,204	(290,450,001)	
Appropriation of retained earnings	-	-	-	-	-	3,300,000,000	(3,300,000,000)	-	-	-	-	
Appropriations during the year	-	-	-	-	-	(2,400,495,377)	2,400,495,377	-	-	-	-	
Reversal during the year	-	-	-	-	-	899,504,623	(899,504,623)	-	-	-	-	
Total comprehensive income for the year	-	-	-	-	-	-	1,846,119,733	1,846,119,733	1,846,119,733	229,607,588	2,075,727,321	
Net profit for the year	-	-	-	-	(6,294,150)	-	1,846,119,733	1,846,119,733	(6,294,150)	-	(6,294,150)	
Other comprehensive gain	-	-	-	-	(6,294,150)	-	1,846,119,733	1,846,119,733	1,839,825,583	229,607,588	2,069,433,171	
	-	-	-	-	-	-	-	-	-	-	-	
Balance at December 31, 2020	P 1,714,000,000	P 1,608,917,974	(P 732,851,016)	P -	(P 12,883,375)	P 3,949,504,623	P 2,104,913,555	P 6,054,418,178	P 8,631,601,761	P 6,895,639,697	P 15,527,241,458	

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 4,767,604,383	P 3,103,590,661	P 2,791,580,908
Adjustments for:				
Interest expense on interest-bearing loans	22	259,475,530	196,904,919	8,677,442
Depreciation and amortization	20	170,626,662	121,798,863	104,119,622
Interest expense on lease liabilities	12	75,629,879	67,139,552	57,127,820
Interest expense on bonds	22	15,444,620	-	-
Interest income	5	(14,664,879)	(6,528,935)	(8,701,101)
Share in net losses of associates	10	9,505,354	4,229,178	615,777
Share option benefits expense	24, 27	3,005,840	-	-
Recognition of impairment loss on financial assets	6	1,855,555	-	252,478
Loss (gain) on sale of property and equipment	11	(128,365)	16,577	-
Operating profit before working capital changes		5,288,354,579	3,487,150,815	2,953,672,946
Decrease (increase) in receivables		2,325,639,618	136,187,839	(266,148,302)
Increase in contract assets		(11,688,758,349)	(6,433,654,690)	(4,964,140,467)
Decrease (increase) in real estate inventories		2,409,017,134	(1,290,125,235)	(563,703,631)
Increase in deposits on land for future development		(129,996,729)	(376,327,882)	(868,104,916)
Increase in prepayments and other current assets		(102,926,831)	(1,529,208,933)	(747,606,864)
Decrease (increase) in other non-current assets		(341,693,990)	50,242,017	(206,460,224)
Increase in trade and other payables		3,804,705,659	5,317,928,215	993,330,034
Increase (decrease) in contract liabilities		(5,892,736)	71,605,256	113,681,688
Increase (decrease) in customers' deposits		30,353,089	(106,227,005)	5,081,093
Increase (decrease) in post-employment defined benefit obligation		4,059,394	3,538,048	(2,446,874)
Cash generated from (used in) operations		1,592,860,838	(668,891,555)	(3,552,845,517)
Cash paid for taxes		(300,933,097)	(252,045,906)	(151,023,857)
Net Cash From (Used in) Operating Activities		1,291,927,741	(920,937,461)	(3,703,869,374)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment properties	13	(5,174,664,275)	(4,865,426,664)	(1,421,274,390)
Acquisitions of property and equipment	11	(1,204,019,547)	(299,836,002)	(235,693,169)
Collections of advances to related parties	26	22,000,465	16,907	-
Interest received	5, 23	14,664,879	6,528,935	8,701,101
Investments in associates	10	(8,000,000)	(25,310,918)	(114,090,016)
Acquisitions of computer software	14	(3,064,323)	(10,242,943)	(8,960,023)
Proceeds from sale of property and equipment	11	1,043,039	75,961	-
Advances to related parties	26	(368,535)	(35,500,674)	(12,003,087)
Net Cash Used in Investing Activities		(6,352,408,297)	(5,229,695,398)	(1,783,319,584)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of interest-bearing loans - net	15	11,749,374,715	14,448,015,997	12,583,999,063
Repayments of interest-bearing loans	15	(8,807,422,731)	(6,288,347,939)	(5,672,248,772)
Proceeds from issuances of bonds - net	16	4,926,627,631	-	-
Interest paid on interest-bearing loans	15	(1,907,051,243)	(1,387,522,892)	(1,091,629,524)
Cash dividends paid	27	(599,680,221)	(476,749,900)	(452,295,000)
Additional investment from non-controlling shareholders	27	61,641,010	226,733,331	647,502,204
Interest paid on lease liabilities	12	(17,574,742)	(57,537,727)	(57,127,820)
Interest paid on bonds	16	(14,704,640)	-	-
Proceeds from reissuance of treasury stock	27	8,008,623	-	-
Acquisition of treasury stock		-	(15,320,885)	(485,657,205)
Repayments of lease liabilities		-	-	(105,339,849)
Net Cash From Financing Activities		5,399,218,402	6,449,269,985	5,367,203,097
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		338,737,846	298,637,126	(119,985,861)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,095,821,916	797,184,790	917,170,651
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 1,434,559,762	P 1,095,821,916	P 797,184,790

Supplemental Information on Non-cash Activities is disclosed in Note 35.

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General

Cebu Landmasters, Inc. (the Parent Company or CLI) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 26, 2003. CLI is presently engaged in real estate-related activities which include real estate development, sales, leasing and property management. Its real estate portfolios include residential condominium units, subdivision house and lots, and townhouses as well as office projects, retail spaces and hotels.

In 2016, A B Soberano Holdings Corp. (ABS), formerly A B Soberano International Corporation, one of CLI's stockholders, assumed control of CLI by acquiring additional 400,000,000 shares of CLI and became the parent company of CLI.

On January 6, 2017, the Board of Directors (BOD) approved CLI's application for the registration of 1,714,000,000 of its common shares with the SEC and application for the listing thereof in the Philippine Stock Exchange (PSE). The BOD's approval also covered the planned initial public offering (IPO) of 430,000,000 unissued common shares of CLI. CLI's shares were listed in the PSE on June 2, 2017 (see also Note 27).

ABS is a holding company, which is incorporated and domiciled in the Philippines. The registered office and principal place of business of ABS is located at 2nd Street Villa San Lorenzo, Quijada Street, Barangay Guadalupe, Cebu City.

The registered office address of CLI, which is also its principal place of business, is located at 10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu I.T. Park, Brgy. Apas, Cebu City, Philippines.

1.2 Subsidiaries and Associates

CLI holds ownership interests in the following subsidiaries and associates:

Entity	Note	Effective Percentage of Ownership	
		2022	2021
<i>Subsidiaries</i>			
CLI Premier Hotels Int'l. Inc. (CPH)	(a)	100%	100%
Cebu Landmasters Property Management, Inc. (CPM)	(b)	100%	100%
A.S. Fortuna Property Ventures, Inc. (ASF)	(c)	100%	100%
CLI Hotels and Resorts Inc. (CHR)	(d)	100%	-
CLI-LITE Panglao Inc. (CLI-LITE)	(e)	88%	88%
Ming-mori Development Corporation (MDC)	(f)	78%	78%
Sugbo Prime Estate, Inc. (SPE)	(g)	64%	64%
BL CBP Ventures, Inc. (BL Ventures)	(h)	50%	50%
Yuson Excellence Soberano, Inc. (YES)	(i)	50%	50%
Yuson Huang Excellence Soberano, Inc. (YHES)	(j)	50%	50%

Forward

Entity	Note	Effective Percentage of Ownership	
		2022	2021
<i>Subsidiaries</i>			
YHEST Realty and Development Corporation (YHEST)	(k)	50%	50%
CCLI Premier Hotels, Inc. (CCLI)	(l)	50%	50%
Cebu Homegrown Developers, Inc. (CHDI)	(m)	50%	50%
YHES Premier Hotels Inc. (YHESPH)	(n)	50%	50%
Cebu BL-Ramos Ventures Inc. (CBLRV)	(o)	50%	50%
GGTT Realty Corporation (GGTT)	(p)	50%	50%
Mivesa Garden Residences, Inc. (MGR)	(q)	45%	45%
El Camino Developers Cebu, Inc. (El Camino)	(r)	35%	35%
<i>Associates</i>			
ICOM Air Corporation (ICOM)	(s)	33%	33%
Magspeak Nature Park, Inc. (Magspeak)	(t)	25%	25%

CLI and its subsidiaries (collectively referred as “the Group”), and associates are all incorporated in the Philippines. The subsidiaries and associates, except CPM, CPH, CCLI and YHESPH, are in the same line of business with CLI. A brief description of these entities follows:

- (a) CPH was incorporated in 2016 as a wholly owned subsidiary of the CLI. CPH is engaged in the real estate and hotel management business which started commercial operations on September 14, 2019. The principal place of business of CPH is located in Cebu City.
- (b) CPM was incorporated in 2017 as a wholly owned subsidiary of the CLI. CPM is engaged in the management of condominium corporations and housing associations affiliated with CLI. CPM has started commercial operations on September 1, 2017. The principal place of business of CPH is located in Cebu City.
- (c) ASF was incorporated in 2017 as a joint venture where CLI initially held 40% ownership interest. CLI acquired all the ownership interest of its business partners at the end of 2017 which made ASF its wholly owned subsidiary. The principal place of business of ASF is located in Cebu City.
- (d) CHR was incorporated on August 4, 2022 as a wholly-owned subsidiary of CLI and is engaged to run and manage the Group’s various hotel projects. Its principal place of business is located in Cebu City. As at December 31, 2022, CHR has yet to start commercial operations.
- (e) CLI-LITE was incorporated on July 19, 2021 as an undertaking by CLI and two other corporations for the development of a mixed-use project with residential condominiums and a possible hotel component in Panglao Island, Bohol. The principal place of business of CLI-LITE is located in Cebu City.
- (f) MDC was incorporated in 2013 as an undertaking between CLI and four other entities for the development of an economic business district. The principal place of business of MDC is located in Cebu City.
- (g) SPE was formed in 2019 as a one person corporation and was converted to an ordinary stock corporation after entering into a joint venture with CLI on March 4, 2021, for the development of a dormitory with retail and warehouse spaces. The principal place of business of SPE is located in Cebu City.

- (h) BL Ventures was formed by CLI and Borromeo Bros. Estate, Inc. (BBEI) to construct and operate Latitude Corporate Center. The principal place of business of BL Ventures is located in Cebu City.
- (i) YES was formed by CLI and Yuson Comm. Investments, Inc. to construct and operate Messatiera Garden Residences in Davao. The principal place of business of YES is located in Davao City.
- (j) YHES was incorporated in 2017 as an undertaking among CLI, Yuson Strategic Holdings, Inc., and Davao Filandia Realty Corp. for the development of mixed-used real estate project, the Paragon Davao. The principal place of business of YHES is located in Davao City.
- (k) YHEST was incorporated in 2018 as an undertaking among CLI and five corporations for the development of a central business district located at Matina, Davao. The principal place of business of YHEST is located in Davao City.
- (l) CCLI was incorporated in 2018 as an undertaking between CLI and Capitaine, Inc. for the development of Citadines hotel in Bacolod City. The principal place of business of CCLI is located in Bacolod City. As at December 31, 2022, CCLI has yet to start commercial operations.
- (m) CHDI is an undertaking between CLI and Aboitiz Land, Inc. and was incorporated on December 5, 2019. CHDI is engaged in the development of a high-rise mixed-use condominium complex in Mandaue City, Cebu, which commenced commercial operations in 2021. Its principal place of business is in Cebu City.
- (n) YHESPH was incorporated on October 28, 2019 as a wholly owned subsidiary of YHES that will engage in hotel business. Its ultimate parent is CLI which owns 50% of YHES.
- (o) CBLRV, a new subsidiary in 2020, was incorporated on February 21, 2020 as an undertaking between CLI and BBEI and is engaged in the development of a mixed-use condominium tower in Cebu City. Its principal place of business also is located in Cebu City.
- (p) GGTT was incorporated on March 26, 2003 and is engaged to construct a residential condominium project in its principal place of business in Iloilo City.
- (q) MGR was incorporated in 2017 as an undertaking by CLI and three corporations for the construction of buildings 6 and 7 of the Mivesa Garden Residences condominium. The principal place of business of MGR is located in Cebu City.
- (r) El Camino was incorporated in 2016 as an undertaking between CLI and four other corporations for the development of 38 Park Avenue condominium project in Cebu City. The principal place of business of El Camino is located in Cebu City.
- (s) ICOM was incorporated on December 7, 2020 as an undertaking of CLI and various individual stockholders and corporations to import aircraft(s) and to operate a transportation business in the Philippines. ICOM's principal place of business is in Iloilo City. As at December 31, 2022, ICOM has yet to start its commercial operations.

- (t) Magspeak was incorporated in 2011 as an undertaking among CLI and four other corporations for the development of a mountain resort to be located in Balamban, Cebu. The principal place of business of Magspeak is located in Cebu City.

1.3 Approval of Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2022 (including the comparative consolidated financial statements for the years ended December 31, 2021 and 2020, were authorized for issue by the BOD on April 3, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) SEC Financial Reporting Reliefs Availed by the Group

In 2020, the Group has availed of several financial reporting reliefs granted by the SEC under Memorandum Circular (MC) No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*, MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*, MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*, and MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*, relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

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

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

Relief	Description and Implication	Deferral period
IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry	The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories. Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements: • interest expense would have been higher; • cost of real estate inventories would have been lower; • total comprehensive income would have been lower; • retained earnings would have been lower; and, • the carrying amount of real estate inventories would have been lower.	Until December 31, 2023

Relief	Description and Implication	Deferral period
PIC Q&A No. 2018-12-D, <i>Concept of the significant financing component in the contract to sell</i> and PIC Q&A No. 2020-04, <i>Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments</i>	PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group do not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant. Had the Group elected not to defer this provision of the standard, it would have an impact in the financial statement as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method. This will impact the retained earnings, real estate sales, and profit or loss in 2022 and prior years.	Until December 31, 2023

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

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period.

(d) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, 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 Adoption of New and Amended PFRS

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

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
PFRS 3 (Amendments)	:	Business Combination – Reference to the Conceptual Framework
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements

- (i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Group's consolidated financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.
- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Group's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Group's consolidated financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.
- (iii) PFRS 3 (Amendments), *Business Combinations*. The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard. The application of these amendments had no significant impact on the Group's consolidated financial statements.
- (iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Group's consolidated financial statements:
 - PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective in 2022 that is not Relevant to the Group*

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following Annual Improvements to PFRS 2018-2020 Cycle are not relevant to the Group's financial statements:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) *Effective Subsequent to 2022 but not Adopted Early*

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

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
- (v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

2.3 Basis of Consolidation

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

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles. The Parent Company accounts for its investments in subsidiaries and associates and non-controlling interests as shown below.

(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 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 recognized amounts of acquiree's identifiable net assets.

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

(b) *Investments in Associates*

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for 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 consolidated financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company'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 Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the share in net loss of associates in the consolidated statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

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

(c) *Transactions with Non-controlling Interests*

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions—that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.4 Business Combination

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

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

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

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

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in 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, Contingent Liabilities and Contingent Assets*, either in profit or loss, or as a charge 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 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 goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. In order to meet the definition of a business, the acquired set of activities and assets must have inputs and substantive processes that can collectively significantly contribute to the creation of outputs.

A business usually consists of the three elements as follows:

- (a) inputs, which is an economic resource that creates outputs or can contribute to the creation of outputs when processes are applied to it;
- (b) processes, which a system, standard, protocol, convention or rule that when applied to an input, creates outputs or can contribute to the creation of outputs; and,
- (c) outputs, which are the result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income (such as dividends or interest) or generate other income from ordinary activities.

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 Instruments*

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

(a) *Financial assets*

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

(i) *Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Currently, the Group's financial assets are all categorized as financial assets at amortized cost.

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

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Receivables (excluding Advances to officers and employees), Due from Related Parties and Other Non-current Assets in respect of the refundable deposits included therein.

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

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

Interest income 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). The interest earned is recognized in the statement of profit or loss as part of Finance Income.

(ii) *Impairment of Financial Assets*

The Group assesses and recognizes an allowance for expected credit losses (ECL) on its financial assets measured at amortized cost. 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 amount of allowance for ECL is updated at the end of each reporting period to reflect the changes in credit risk of the financial asset since initial recognition. In assessing the credit quality of a financial asset, the Group assesses whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In determining whether the financial asset is in default, which is aligned with the definition of credit-impaired, the Group considers both quantitative and qualitative criteria as further discussed in Note 31.2(b).

The amount of allowance for ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of any collateral held or other credit enhancements that are integral to the contractual terms.

The Group assesses impairment of receivables and contract assets on a collective basis based on shared credit risk characteristics of financial assets. The Group determines the ECL for receivables and contract assets by applying a method that evaluates the credit quality of a portfolio of receivables and contract assets 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 other credit exposures such as due from related parties and refundable deposit, 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 cash and cash equivalents, 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 key elements used in the calculation of ECL are as follows:

- *Probability of Default* – it is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss Given Default* – it is an estimate of loss related to the amount that may not be recovered after the default occurs. It is based on the difference between the contractual cash flows due in accordance with the terms of the instrument and all the cash flows that the Group expects to receive. For receivables and contract assets, this include cash flows from resale of repossessed real estate properties, net of direct costs of obtaining and selling the properties such as commission, refurbishment, and refund payment under Republic Act (RA) 6552, *Realty Installment Buyer Protection Act* or *Maceda law*.
- *Exposure at Default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

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

(iii) *Derecognition of Financial Assets*

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

(b) *Financial liabilities*

Financial liabilities, which include interest-bearing loans and borrowings, bonds, payable, and trade and other payables [except government-related obligations, advance rental and output value-added tax (VAT)], 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.

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. Interest-bearing loans and bonds payable are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss, except for capitalized borrowing cost, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD.

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.

All interest-related charges are recognized as expense in profit or loss under the caption Finance and Other Charges account in the consolidated statement of comprehensive income.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) *Offsetting 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 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 financial instruments.

2.6 Real Estate Inventories

Cost of real estate inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group (see Note 2.13). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed.

Costs of real estate inventories are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

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

Reposessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or Contract Asset to be derecognized and the cost of the reposessed property is recognized in the consolidated statement of comprehensive income.

2.7 Deposits on Land for Future Development

Deposits on land for future development pertain to advance cash payments made to sellers of properties purchased by the Group but title over the properties have not yet been transferred to the Group. Once sale is consummated, which is usually within 12 months from the date the deposit is made, such advance payments are applied to the full amount of the contract price and debited to either Real Estate Inventory or Investment Property account depending on the intended use of the property acquired. The Group presents deposit on land for future development that are intended for real estate inventories under current assets while those that are intended for investment properties as non-current assets in the consolidated statement of financial position.

2.8 Prepayments and Other Assets

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

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period are classified as part of non-current assets.

2.9 Property and Equipment

Property and equipment are carried at acquisition or construction cost less subsequent depreciation, amortization and any impairment losses. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred. Cost also includes capitalized borrowing costs (see Note 2.13).

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 years
Transportation equipment	5 years
Office equipment	3-5 years
Furniture and fixtures	2-5 years

Leasehold improvements are amortized over the useful life of the improvements of 10 years or the lease term, whichever is shorter.

Construction-in-progress is not depreciated until the completion of the constructed asset.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.15).

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

An item of property and equipment, including the related accumulated depreciation and amortization, and impairment losses, if any, 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.

2.10 Investment Properties

Investment properties are completed and under construction or development properties that are held to earn rental income, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Cost of the asset includes purchase price, cost of construction and capitalized borrowing costs (see Note 2.13).

Investment properties are carried at cost, net of accumulated depreciation, except for undeveloped land which is not subjected to depreciation, and any impairment in value. Depreciation of investment properties that are subject to depreciation is computed using the straight-line method over the estimated useful lives of the assets of 20 to 50 years.

Construction in progress represents properties under construction and is stated at cost. This includes cost of developed land, costs of construction, applicable borrowing costs (see Note 2.13) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

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 2.15).

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal.

2.11 Provisions and Contingencies

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a 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.

2.12 Revenue and Expense Recognition

Revenue of the Group arises mainly from the sale of real estate units, lease of property, rendering of management services and hotel operations. However, lease of property is accounted for separately (see Note 2.14).

The Group follows the five-step process below to when it recognizes revenue.

- (1) identifying the contract with a customer;
- (2) identifying the performance obligation;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligations; and,
- (5) recognizing revenue when/as performance obligations are satisfied.

A contract with a customer is identified when the following five gating criteria are present:

- (i) the parties to the contract have approved the contract either in writing or in accordance with the customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;

- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

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

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

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

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

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b)]:

- (a) *Sale of real estate units* – Revenue from the sale of real estate units are recognized as the control transfers at either over time for units sold under pre-completed contracts or at a point in time for ready for occupancy units, provided that the collectability of the contract price is reasonably assured. Invoicing for real estate sales are based on the agreed amortization schedule by the Group and the buyer. When the price gating criteria of the revenue recognition has not been met, including assessment that collectability of the contract price is not yet assured, the consideration received from buyers are accounted as Customers' Deposits which is presented under current liabilities in the consolidated statement of financial position.

Subsequent cancellations of prior year sales are accounted for as contract modification on the year of cancellation. Cumulative revenues and costs recognized on cancelled contracts are deducted from the real estate sales and the related costs in the year in which such cancellations are made.

For tax reporting purposes, the taxable income for the year is based on the provisions of Section 49 of the National Internal Revenue Code (NIRC), as amended, which governs installment sales. Under the NIRC, revenue on sale and cost of real estate sold are recognized in full when the initial payments collected in the year of sale exceed 25% of the selling price; otherwise, revenue and cost of real estate sold are recognized based on the collections.

- (b) *Rendering of management services* – Revenue from the rendering of management services is recognized over time as the services are provided to the client entities, which consume the benefit as the Group performs. The client entities are invoiced monthly as work progresses, which are also due upon receipt by them. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as part of contract receivables as only the passage of time is required before payment of these amounts will be due.
- (c) *Hotel operations* – Revenues 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 have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold.

Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the 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(a)(ii)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's 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.

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

2.13 Borrowing Costs

Borrowing costs are recognized 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 cost of such asset. 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. Capitalization ceases when substantially all such activities are complete.

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

2.14 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

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

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

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.15).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented separately from property and equipment and other liabilities, respectively.

(b) *Group as Lessor*

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

2.15 Impairment of Non-financial Assets

The Group's property and equipment, right-of-use assets, investment properties, investment in associates and other non-financial assets are subject to impairment testing. 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 amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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

2.16 Employee Benefits

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

(a) *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies.

The Group's defined benefit post-employment plan, which became effective on January 1, 2015, covers all regular full-time employees. The pension plan is noncontributory and administered by a trustee.

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

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

(b) *Post-Employment Defined Contribution Plans*

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

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) *Performance Bonus*

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) *Compensated Absences*

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

2.17 Share-based Employee Remuneration

The Parent Company grants share options to qualified employees eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (e.g., profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in the consolidated profit or loss with a corresponding credit to Share Options Outstanding account under the Equity section of the consolidated statement of financial position.

The share-based remuneration expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number of share options that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options expire or are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital.

Upon expiration of the unexercised share option, the value assigned to the stock option is transferred to additional paid-in capital.

2.18 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in 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 end of 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 profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each 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 deductible temporary differences 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 in 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 profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.19 Related Party Transactions and Relationships

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

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

For purposes of reporting material related party transactions of publicly-listed companies to the SEC, transactions amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with the related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote to approve the material related party transactions may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of ten 10% of the Group's total assets based on the latest audited consolidated financial statements, the same board approval would be required for the transactions that meets and exceeds the materiality threshold covering the same related party.

2.20 Segment Reporting

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

In identifying its operating segments, management generally follows the Group's geographical location, which represent the main products and services provided by the Group.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except post-employment benefit expenses in arriving at the operating profit of the operating segments.

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

2.21 Equity

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

Additional paid-in capital represents the proceeds in excess of the par value of shares issued less directly attributable costs in relation to the issuance of the shares.

Share options outstanding represents unexercised and unexpired share options granted to employees.

Treasury shares represent the shares that are reacquired by the Parent Company at cost but are not cancelled shares.

Revaluation reserves comprise gains and losses arising from remeasurements of post-employment defined benefit plan.

Retained earnings represent all current and prior period results of operations as reported in the consolidated statement of profit or loss, reduced by the amounts of dividends declared. Appropriated retained earnings are retained earnings that have been set aside by the Group for specific purpose and are not available for dividend declarations.

Non-controlling interest (NCI) represents equity in consolidated entities that are not attributable, directly or indirectly to the Parent Company. This increases by equity investments from non-controlling shareholders, share in profit or loss and share in each component of other comprehensive income in the consolidated entities. This decreases by dividends declared to non-controlling shareholders.

The Group adjusts the carrying amount of NCI to reflect the changes in their relative interests in the consolidated entities when the proportion of the equity held by NCI changes. The Group directly recognize in equity any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received, and attribute it to the shareholders of the Parent Company.

2.22 Earnings Per Share

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

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

2.23 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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, 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 Timing of Satisfaction of Performance Obligations

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

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

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

(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. The Group uses historical payment pattern of customers and number of sales cancellation in establishing a percentage of collection threshold over which the Group determines that collection of the transaction price is reasonably assured. 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. Management is confident that when the collections received from the buyers exceed a certain threshold, it would be unlikely for the buyer to default and therefore, cancel the contract. Accordingly, as discussed in Note 2.12 under identification of contract, the Group will not recognize the whole contract and no revenue will be recognized when the collection threshold is not yet reached.

(d) *Assessment Involving Right of Return*

The Group's real estate sales under pre-completed contracts has variable consideration, which is the right of return when a buyer defaulted the equity payments. Moreover, RA No. 6552, *Realty Installment Buyer Act* or, which is popularly known in the Philippines as the Maceda Law, provides a statutory obligation to the Group to refund the buyer the cash surrender value of the collections received on the property equivalent to 50% of the total collected amount, and, after five years of installment payments, an additional 5% every year but not to exceed 90% of the total collections received.

(e) *Determination of ECL on Receivables and Contract Assets*

The Group uses the cumulative loss rate approach to calculate ECL for receivables and contract assets. 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.

Details about the ECL on the Group's trade and other receivables and contract assets are disclosed in Note 31.2.

(f) *Distinction Between Investment Properties and Owner-managed Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the operations.

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

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each 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 properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Currently, its leases are all operating leases.

(h) *Determination of Lease Term of Contracts with Renewal and Termination Options*

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

For leases of land and office space, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

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

(i) *Accounting for Equity Ownership Interest in Subsidiaries and Associates*

In classifying its equity acquisitions as an investment in a subsidiary or associates, the Group evaluates whether control or significant influence exists. Control is present when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policy decisions.

The Parent Company was able to demonstrate control over the operations of CBLRV (since 2020), CHDI and YHESPH (since 2019), YHEST and CCLI (since 2018), MGR and YHES (since 2017), and BL Ventures, El Camino and YES (since 2016), from the time of their incorporation, as indicated in Note 1.2. It had been able to demonstrate control over the operations of the foregoing investees despite having 50% or less equity ownership interest in them by virtue of a formal agreement with the respective other shareholders of the investees and the Parent Company's actual role in the investees' operations. Accordingly, the said entities are accounted for as subsidiaries.

(j) 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 Group 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 outstanding shares of GGTT in 2020 does not qualify as business acquisition under PFRS 3, and hence accounted for as an asset acquisition.

(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 2.11 and disclosures on relevant contingencies are presented in Note 29.

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) Revenue Recognition for Performance Obligations Satisfied Over Time

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance 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.

(b) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

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

(c) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit 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 31.2.

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

In determining the net realizable value of real estate inventories, management takes into account the most reliable evidence available at the dates the estimates are made. The future realization of the carrying amounts of real estate inventory as presented in Note 7, is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's real estate inventories within the next financial reporting period.

Considering the Group's pricing policy, the net realizable values of real estate inventories for sale are determined to be higher than their related costs.

(e) *Estimation of Useful Lives of Property and Equipment, Investment Properties and Right-of-use Assets*

The Group estimates the useful lives of property and equipment, investment properties and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, right-of use assets and investment properties are analyzed in Notes 11, 12 and 13, respectively. Based on management's assessment as at December 31, 2022 and 2021, there is no change in estimated useful lives of these assets during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned.

(f) *Impairment of Non-financial Assets*

In assessing impairment, 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 2.15).

Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated 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.

Management assessed that no impairment loss is required to be provided on its significant non-financial assets, particularly property and equipment, right-of-use assets and investment properties, as at December 31, 2022, 2021 and 2020.

(g) *Valuation of Post-employment Defined Benefit Obligation*

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

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit as well as the significant assumptions used in estimating such obligation are presented in Note 24.3.

(h) *Fair Value Measurement of Share Options*

The Group estimates the fair value of the share option by applying an option valuation model, taking into account the terms and conditions on which the share option was granted. The estimates and assumptions used are presented in Note 27.3 which include, among others, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Parent Company's share price. Changes in these factors can affect the fair value of share options at grant date.

Details of employee share option plan and the amount of fair value recognized is presented in Note 27.3.

(i) *Fair Value Measurement for Investment Properties*

Investment properties are measured using the cost model. The fair value of investment property held for capital appreciation and to earn rental income disclosed in the consolidated financial statements is determined by the Group based on the appraisal reports of a professional and independent appraiser.

The fair value is determined by reference to market-based evidence, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Such amount is influenced by different factors including the location and specific characteristics of the property, quantity of comparable properties in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets being disclosed.

The fair value the Group's investment properties as at December 31, 2022 and 2021 is disclosed in Notes 13 and 32.3(c).

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating segments are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's real estate segment covers the development and sale of residential and office units to individual and corporate buyers. The rental segment includes leasing of office and commercial spaces to corporate organizations. The management services segment focuses on the management of real estate projects and upkeep services to condominium corporations and housing associations. The hotel operations segment relates to the management of hotel business operations that caters hotel guest.

Segment accounting policies are the same as the policies described in Note 2.20. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, real estate inventories, property and equipment, and investment properties, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and segment liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation, if any.

4.4 Analysis of Segment Information

The following tables present revenue and profit information regarding industry segments for the years ended December 31, 2022, 2021 and 2020 and certain assets and liabilities information regarding segments as at December 31, 2022 and 2021:

	2022				
	Real Estate	Rental	Management Services	Hotel Operations	Total
REVENUES					
Sale to external customer	P 15,439,136,362	P 79,277,559	P 55,465,803	P 83,418,279	P 15,657,298,003
Intersegment sales	<u>4,451,344</u>	<u>6,553,177</u>	<u>144,248,732</u>	<u>-</u>	<u>155,253,253</u>
Total revenues	<u>15,443,587,706</u>	<u>85,830,736</u>	<u>199,714,535</u>	<u>83,418,279</u>	<u>15,812,551,256</u>
COSTS AND EXPENSES					
Costs of sales and services excluding depreciation and amortization	8,226,034,323	-	24,274,537	32,688,802	8,282,997,662
Operating expenses excluding depreciation and amortization	2,210,563,101	9,081,245	2,803,398	60,496,434	2,282,944,178
Depreciation and amortization	73,939,300	84,637,886	46,111	12,003,365	170,626,662
Impairment loss	<u>-</u>	<u>-</u>	<u>1,208,773</u>	<u>646,782</u>	<u>1,855,555</u>
Total costs and expenses	<u>10,510,536,724</u>	<u>93,719,131</u>	<u>28,332,819</u>	<u>105,835,383</u>	<u>10,738,424,057</u>
FINANCE COST (INCOME)					
Interest expense on:					
Loans	258,010,575	1,963,756	-	-	259,974,331
Bonds	15,444,620	-	-	-	15,444,620
Lease liabilities	75,629,879	-	-	-	75,629,879
Interest income on banks	(<u>14,568,391</u>)	(<u>107,185</u>)	(<u>10,166</u>)	(<u>133,624</u>)	(<u>14,819,366</u>)
Total finance cost (income)	<u>334,516,683</u>	<u>1,856,571</u>	(<u>10,166</u>)	(<u>133,624</u>)	<u>336,229,464</u>
SEGMENT PROFIT (LOSS) BEFORE TAX					
	<u>P 4,598,534,299</u>	(<u>P 9,744,966</u>)	<u>P 171,391,882</u>	(<u>P 22,283,480</u>)	<u>P 4,737,897,735</u>
ASSETS AND LIABILITIES					
Segment assets	P 73,165,463,251	P17,680,288,533	P 101,569,240	P 2,323,842,175	P 93,271,163,200
Segment liabilities	<u>60,403,425,069</u>	<u>44,140,094</u>	<u>98,345,315</u>	<u>2,025,168,139</u>	<u>62,571,078,617</u>
	2021				
	Real Estate	Rental	Management Services	Hotel Operations	Total
REVENUES					
Sale to external customer	P 10,996,247,695	P 74,271,999	P 42,967,413	P 48,683,577	P 11,162,170,684
Intersegment sales	(<u>83,694,730</u>)	<u>2,607,317</u>	<u>112,754,994</u>	<u>-</u>	<u>31,667,581</u>
Total revenues	<u>10,912,552,965</u>	<u>76,879,316</u>	<u>155,722,407</u>	<u>48,683,577</u>	<u>11,193,838,265</u>
COSTS AND EXPENSES					
Costs of sales and services excluding depreciation and amortization	5,834,729,247	63,259	18,740,197	20,693,997	5,874,226,700
Operating expenses excluding depreciation and amortization	1,926,845,038	7,813,579	3,253,570	48,400,793	1,986,312,980
Depreciation and amortization	<u>79,388,040</u>	<u>42,410,823</u>	<u>-</u>	<u>-</u>	<u>121,798,863</u>
Total costs and expenses	<u>7,840,962,325</u>	<u>50,287,661</u>	<u>21,993,767</u>	<u>69,094,790</u>	<u>7,982,338,543</u>
FINANCE COST (INCOME)					
Interest expense on:					
Loans	206,602,933	1,576,018	656,253	-	208,835,204
Lease liabilities	67,139,552	-	-	-	67,139,552
Interest income on banks	(<u>5,992,874</u>)	(<u>49,612</u>)	(<u>20,658</u>)	(<u>155,633</u>)	(<u>6,218,777</u>)
Total finance cost (income)	<u>267,749,611</u>	<u>1,526,406</u>	<u>635,595</u>	(<u>155,633</u>)	<u>269,755,979</u>
SEGMENT PROFIT (LOSS) BEFORE TAX					
	<u>P 2,803,841,029</u>	<u>P 25,065,249</u>	<u>P 133,093,045</u>	(<u>P 20,255,580</u>)	<u>P 2,941,743,743</u>
ASSETS AND LIABILITIES					
Segment assets	P 59,241,930,021	P13,257,992,141	P 47,761,136	P 668,752,885	P 73,216,436,183
Segment liabilities	<u>47,210,106,719</u>	<u>36,400,266</u>	<u>8,264,159</u>	<u>476,195,105</u>	<u>47,730,966,249</u>

	2020				
	Real Estate	Rental	Management Services	Hotel Operations	Total
REVENUES					
Sale to external customer	P 8,146,432,329	P 55,237,972	P 42,591,886	P 54,558,131	P 8,298,820,318
Intersegment sales	<u>32,386,714</u>	<u>6,290,421</u>	<u>51,071,575</u>	<u>-</u>	<u>89,748,710</u>
Total revenues	<u>8,178,819,043</u>	<u>61,528,393</u>	<u>93,663,461</u>	<u>54,558,131</u>	<u>8,388,569,028</u>
COSTS AND EXPENSES					
Costs of sales and services excluding depreciation and amortization	4,208,259,774	-	14,537,862	19,620,573	4,242,418,209
Operating expenses excluding depreciation and amortization	1,213,385,183	6,692,007	2,381,485	43,355,942	1,265,814,617
Depreciation and amortization	64,330,744	39,693,249	95,630	-	104,119,623
Reversal of impairment losses	<u>-</u>	<u>-</u>	<u>252,478</u>	<u>-</u>	<u>252,478</u>
Total costs and expenses	<u>5,485,975,701</u>	<u>46,385,256</u>	<u>17,267,455</u>	<u>62,976,515</u>	<u>5,612,604,927</u>
FINANCE COST (INCOME)					
Interest expense on:					
Loans	8,677,442	-	-	-	8,677,442
Lease liabilities	-	8,505,235	-	48,622,585	57,127,820
Amortization of day one loss - net (	30,761,435)	-	-	-	(30,761,435)
Interest income on banks	(8,701,101)	-	-	-	(8,701,101)
Total finance cost (income)	(30,785,094)	8,505,235	-	48,622,585	26,342,726
SEGMENT PROFIT (LOSS)					
BEFORE TAX	<u>P 2,723,628,436</u>	<u>P 6,637,902</u>	<u>P 76,396,006</u>	<u>(P 57,040,969)</u>	<u>P 2,749,621,375</u>
ASSETS AND LIABILITIES					
Segment assets	P 40,383,454,972	P10,109,861,036	P 26,525,944	P 397,946,646	P 50,917,788,598
Segment liabilities	33,012,060,943	29,854,341	5,536,745	186,205,150	33,233,657,179

The real estate segment is further analyzed based on their geographical location as shown in Note 18.1. Both rental and management services segments are located in Cebu City.

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented.

4.5 Reconciliation

Following is a reconciliation of the Group's segment information to the key financial information presented in its financial statements.

	2022	2021	2020
Revenues			
Total segment revenues	P15,812,551,256	P11,193,838,265	P 8,388,569,028
Elimination of intersegment revenues	(<u>155,253,253</u>)	(<u>31,667,581</u>)	(<u>89,748,710</u>)
Revenues as reported in profit or loss	<u>P15,657,298,003</u>	<u>P11,162,170,684</u>	<u>P 8,298,820,318</u>

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Profit or loss			
Segment profit before tax	P 4,737,897,735	P 2,941,743,743	P 2,749,621,375
Elimination of intersegment accounts	155,253,253	41,419,431	(25,428,578)
Other operating income	202,542,753	257,229,190	68,597,820
Share in net loss in associates	(9,505,354)	(4,229,178)	(615,777)
Other losses - net	(8,077,498)	(132,572,525)	(593,932)
Profit before tax as reported in profit or loss	<u>P 4,767,604,383</u>	<u>P 3,103,590,661</u>	<u>P 2,791,580,908</u>
Assets			
Segment assets and total assets reported in statements of financial position	P93,271,163,200	P 73,216,436,183	P 50,917,788,598
Elimination of intercompany accounts	(8,226,294,176)	(6,564,330,750)	(827,287,155)
Total assets as reported in statements of financial position	<u>P85,044,869,024</u>	<u>P 66,652,105,433</u>	<u>P 50,090,501,443</u>
Liabilities			
Segment liabilities	P62,571,078,617	P 47,730,966,249	P 33,233,657,179
Deferred tax liabilities	3,033,039,074	2,063,035,449	1,707,563,195
Elimination of intercompany accounts	(1,571,863,560)	(1,074,077,789)	(377,960,389)
Total liabilities as reported in statements of financial position	<u>P64,032,254,131</u>	<u>P 48,719,923,909</u>	<u>P 34,563,259,985</u>

5. CASH AND CASH EQUIVALENTS

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

	<u>2022</u>	<u>2021</u>
Cash on hand	P 3,024,222	P 4,544,386
Cash in banks	1,322,678,049	769,344,992
Short-term placements	<u>108,857,491</u>	<u>321,932,538</u>
	<u>P1,434,559,762</u>	<u>P1,095,821,916</u>

Cash in banks (savings and demand deposits) generally earn interest based on daily bank deposit rates. Short-term placements are made for varying period from 30 to 123 days and earn effective interest ranging from 0.75% to 4.25% per annum in 2022, ranging from 0.75% to 1.90% per annum in 2021 and ranging from 1.19% to 2.20% per annum in 2020.

Interest income earned from cash and cash equivalents amounted to P14,664,879, P6,528,935 and P8,701,101 in 2022, 2021 and 2020, respectively, and are presented as part of Finance Income in the consolidated statements of profit or loss (see Note 23).

6. RECEIVABLES

This account includes the following:

	Notes	2022	2021
Contract receivables:			
Third parties		P2,900,433,836	P 5,360,189,498
Related parties	26.2, 26.3	129,796,291	137,597,839
Receivable from insurance	36	144,893,228	44,118,616
Retention receivable		113,229,317	81,429,356
Management fee receivable		102,357,085	50,087,038
Rent receivable		53,640,904	61,234,152
Receivable from contractors and suppliers		41,212,041	3,335,238
Advances to officers and employees		21,014,700	1,443,532
Receivable from hotel operations customers		2,621,371	21,414,128
Other receivables		170,886,446	245,522,221
		3,680,085,219	6,006,371,618
Allowance for impairment	31.2(c)	(1,809,469)	(600,695)
		<u>P3,678,275,750</u>	<u>P6,005,770,923</u>

Receivables are presented in the consolidated statements of financial position as follows.

	2022	2021
Current	P3,571,775,532	P 5,844,643,647
Non-current	106,500,218	161,127,276
	<u>P3,678,275,750</u>	<u>P6,005,770,923</u>

Buyers of real estate properties are given two to four years to complete the equity amortization which ranges from 10% to 30% of the contract price of the real estate being purchased. Contract receivables, which are all covered by postdated checks, are only recognized when the collection of total transaction price is reasonably assured and the corresponding revenue is recognized. Generally, full payment by buyers of their equity amortization is followed by full settlement by the buyer's chosen financing institution of the buyer's account within 12 months. Title to real estate properties are transferred to the buyers once full payment has been made. Hence, contract receivables are fully secured by the real properties acquired by buyers.

Long-term contract receivables, which are noninterest-bearing, are receivables from buyers whose equity payments are expected to be fully paid after 12 months following the end of the reporting period. These are measured at amortized cost which is determined by discounting future cash flows using the applicable rates of similar types of instruments. The aggregate unamortized discount on noninterest-bearing contract receivables amounts to P1,557,409 and P1,300,077 as at December 31, 2022 and 2021, respectively.

In 2022, the Parent Company has day one loss on noninterest-bearing contract receivables, net of amortization of day one loss, amounting to P257,332, and is presented as part of Finance Costs in the 2022 consolidated statement of profit or loss (see Note 22). On the other hand, the amortization of day one loss of noninterest-bearing contract receivables, net of day one loss, amounted to nil, P1,160,937, and P30,761,435 in 2022, 2021, and 2020, respectively, are presented as part of Finance Income in the consolidated statements of profit or loss (see Note 23).

Receivable from insurance pertains to outstanding claims filed with various insurance companies in relation to damages incurred to the insured properties of the Group (see Note 36).

Retention receivable represents 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.

Advances to officers and employees are composed of advances intended for the Group's operations and are subject to liquidation.

The Group assesses an ECL when the receivables from contract with customers and other counterparties are initially recognized and updates the assessment at each reporting date based on the analysis determined by management. A reconciliation of the allowance for impairment at the beginning and end of 2022 and 2021 is shown below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 600,695	P 600,695
Impairment losses	1,855,555	-
Written-off	(646,781)	-
Balance at end of year	<u>P 1,809,469</u>	<u>P 600,695</u>

7. REAL ESTATE INVENTORIES

This account includes the following inventories, which are all at cost.

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Subdivision units	P	723,515,775	P 509,213,661
Condominium units		<u>442,847,171</u>	<u>481,000,844</u>
		<u>1,166,362,946</u>	<u>990,214,505</u>
Construction-in-progress (CIP):			
Land development costs		9,090,488,250	11,358,311,375
Condominium building costs		3,538,686,897	3,092,544,557
Housing costs		<u>1,330,557,606</u>	<u>1,202,816,678</u>
		<u>13,959,732,753</u>	<u>15,653,672,610</u>
Raw land inventory	8	<u>3,183,113,282</u>	<u>2,064,870,438</u>
		<u>P 18,309,208,981</u>	<u>P18,708,757,553</u>

An analysis of the cost of real estate inventory included in cost of sales is presented in Note 19.

Land development costs pertain to the cost of land acquisition, and site development costs of horizontal projects and other future site projects of the Group.

Condominium building costs consist of the cost of land and the cost to construct the units of the vertical projects of the Group. Housing costs pertain to the cost of house construction for the horizontal projects of the Group.

Raw land inventory consists of parcels of land owned by the Group in various locations. These are expected to be developed into saleable condominium or subdivision units. In 2021, the Group reclassified deposits on land for future development amounting to P1,076,100,742, to raw land inventory, i.e., applied as part of the payment for the land acquisitions that were consummated during the reporting period (see Note 8).

Borrowing costs that are capitalized as part of real estate inventory amounted to P1,177,920,349 and P1,104,112,548 in 2022 and 2021, respectively, which represents the specific borrowing costs incurred on loans and corporate notes obtained to fund the construction projects (see Note 15). Capitalization rate used for specific borrowings ranges from 4.00% to 8.00% and 4.25% to 7.25% for the years ended December 31, 2022 and 2021, respectively.

In 2022 and 2021, the Group reclassified investment properties totaling P729,713,956 and P1,840,846,826, respectively, to real estate inventories (see Note 13).

As at December 31, 2022 and 2021, real estate inventories totaling to P8,128,280,586 and P9,388,860,245, respectively, are used as collateral for certain interest-bearing loans and borrowings of the Parent Company (see Note 15.1).

8. DEPOSITS ON LAND FOR FUTURE DEVELOPMENT

Deposits on land for future development pertains to advance payments for acquisitions of certain parcels of land which are intended for future development into saleable real estate projects (see Note 2.7). A reconciliation of the deposits on land for future development is presented below.

	Note	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P	-	P 699,772,860
Additions		129,996,729	376,327,882
Transferred to raw land inventory	7	<u>-</u>	<u>(1,076,100,742)</u>
Balance at end of year		<u>P 129,996,729</u>	<u>P -</u>

The deposits on land for future development is presented as current assets in the consolidated statements of financial position.

9. PREPAYMENTS AND OTHER CURRENT ASSETS

This account includes the following:

	<u>2022</u>	<u>2021</u>
Advances to subcontractors	P1,555,905,543	P 1,845,467,300
Input VAT and deferred input VAT	1,401,290,754	1,174,824,254
Deferred commissions	1,212,239,383	1,038,929,121
Prepaid taxes	298,208,444	174,040,162
Advances to suppliers	248,056,728	302,615,456
Short-term investments	204,836,249	149,901,854
Prepaid expenses	34,567,894	41,371,168
Others	<u>9,402,408</u>	<u>10,262,974</u>
	<u>P4,964,507,403</u>	<u>P 4,737,412,289</u>

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses for on-going construction of subdivision and condominium units for sale. These are applied against the progress billings of subcontractors.

Deferred commissions pertain to sales commissions incurred and capitalized by the Group upon execution of contracts to sell real properties to customers. These are amortized over the expected construction period on the same basis as how the Group measures progress towards complete satisfaction of its performance obligation in its contracts. In 2022, 2021 and 2020, the Group expensed deferred commissions of P847,167,494, P725,648,666, and P429,725,150, respectively, based on the POC of its related real estate project and is presented as Commissions under Operating Expenses in the consolidated statements of profit or loss (see Note 20).

Short-term investments pertain to escrow funds that are required to be set up in relation to the Group's compliance with the regulatory requirements for issuance of license to sell, and are restricted for use in the Group's operations. The escrow funds is significantly comprised of investments in treasury bills with maturity dates of up to 12 months, earning effective interest ranging from 0.75% to 4.25% per annum in 2022 and ranging from 1.20% to 1.90% per annum in 2021.

Prepaid expenses include advance payment for insurance and rent.

10. INVESTMENTS IN ASSOCIATES

A reconciliation of the carrying amounts of investments in associates at the beginning and end of 2022 and 2021 is shown below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 135,064,930	P 129,852,662
Share in net loss during the year	(9,505,354)	(4,229,178)
Additional investments	8,000,000	25,310,918
Reclassification	<u>-</u>	<u>(15,869,472)</u>
Balance at end of year	<u>P 133,559,576</u>	<u>P 135,064,930</u>

An analysis of the carrying amount of the Parent Company's investments in associates as at December 31, 2022 is shown below.

	<u>Magspeak</u>	<u>ICOM</u>	<u>Total</u>
Cost			
Balance at beginning of year	P 25,735,096	P 114,300,934	P 140,036,030
Additional investments	<u>-</u>	<u>8,000,000</u>	<u>8,000,000</u>
Balance at end of year	<u>25,735,096</u>	<u>122,300,934</u>	<u>148,036,030</u>
Accumulated equity in net losses			
Balance at beginning of year	(1,487,450)	(3,483,650)	(4,971,100)
Equity in net losses during the year	<u>(1,350,845)</u>	<u>(8,154,509)</u>	<u>(9,505,354)</u>
Balance at end of year	<u>(2,838,295)</u>	<u>(11,638,159)</u>	<u>(14,476,454)</u>
Net carrying amount	<u>P 22,896,801</u>	<u>P 110,662,775</u>	<u>P 133,559,576</u>

An analysis of the carrying amount of the Parent Company's investments in associates as at December 31, 2021 is shown below.

	<u>Magspeak</u>	<u>MDC</u>	<u>ICOM</u>	<u>Total</u>
Cost				
Balance at beginning of year	P 18,235,096	P 21,600,000	P 96,490,016	P 136,325,112
Additional investments	7,500,000	-	17,810,918	25,310,918
Reclassification	<u>-</u>	<u>(21,600,000)</u>	<u>-</u>	<u>(21,600,000)</u>
Balance at end of year	<u>25,735,096</u>	<u>-</u>	<u>114,300,934</u>	<u>140,036,030</u>
Accumulated equity in net losses				
Balance at beginning of year	(849,697)	(5,541,682)	(81,071)	(6,472,450)
Equity in net loss during the year	<u>(637,753)</u>	<u>(188,846)</u>	<u>(3,402,579)</u>	<u>(4,229,178)</u>
Reclassification	<u>-</u>	<u>5,730,528</u>	<u>-</u>	<u>5,730,528</u>
Balance at end of year	<u>(1,487,450)</u>	<u>-</u>	<u>(3,483,650)</u>	<u>(4,971,100)</u>
Net carrying amount	<u>P 24,247,646</u>	<u>P -</u>	<u>P 110,817,284</u>	<u>P 135,064,930</u>

(a) *Magspeak*

Significant information on Magspeak's financial position as at December 31, 2022 and 2021, and financial performance for the years ended December 31, 2022, 2021 and 2020 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P 30,050,432	P 30,659,907
Non-current assets	<u>78,471,424</u>	<u>56,329,911</u>
Total assets	<u>P 108,521,856</u>	<u>P 86,989,818</u>

	<u>2022</u>	<u>2021</u>
Current liabilities	P 8,443,530	P 11,125,780
Non-current liabilities	<u>5,920,929</u>	<u>-</u>
Total liabilities	<u>P 14,364,459</u>	<u>P 11,125,780</u>
	<u>2022</u>	<u>2021</u>
Net loss	(P 4,934,527)	(P 2,551,014)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>(P 4,934,527)</u>	<u>(P 2,551,014)</u>
	<u>2020</u>	
	<u>(P 1,233,204)</u>	

The Parent Company's share in the net assets of Magspeak as of December 31, 2022 and 2021 which agrees with the carrying amount of the investment in Magspeak is shown below.

	<u>2022</u>	<u>2021</u>
Net assets of Magspeak	P 94,157,397	P 75,864,038
Proportion of equity interest by the Parent Company	<u>25%</u>	<u>25%</u>
Parent Company's share in the net assets of Magspeak	23,539,349	18,966,010
Other stockholders unpaid subscription	(<u>642,548</u>)	<u>5,281,636</u>
Carrying amount of investment	<u>P 22,896,801</u>	<u>P 24,247,646</u>

(b) MDC

On June 22, 2021, CLI assumed control of the MDC by acquiring additional 6,379,980 common shares of MDC from nine other stockholders. CLI became the Company's parent company with a 77.69% ownership interest of the MDC's outstanding shares, an increase from its previously held 20% ownership interest. Such acquisition was considered as a business combination achieved in stages, otherwise known as step-up acquisition (see Note 1.2).

Upon acquisition, CLI remeasured its investment in an associate to its acquisition-date fair value and recognized a Gain on remeasurement of investments in associates presented under Other Operating Income in the 2021 statement of profit or loss (see Note 21.1), computed as follows.

Acquisition-date fair value of previously held interest	P 48,307,983
Acquisition-date carrying value of investment in associate	<u>(15,869,472)</u>
Gain on remeasurement	<u>P 32,438,511</u>

The fair values of the identifiable assets acquired and liabilities assumed from the increased acquisition in MDC as at the date of acquisition and the total consideration used are presented below.

Consideration made:

Consideration transferred on additional acquisition	P 159,499,500
Acquisition-date fair value of previously held interest	48,307,983
Amount of non-controlling interest	<u>59,692,017</u>
	<u>267,499,500</u>

Fair value of net assets acquired:

Cash	P 18,088,271
Real estate inventory	245,551,610
Other current assets	5,775,694
Trade and other payables	(1,880,803)
Due to a related party	(<u>35,272</u>)
	<u>267,499,500</u>

Goodwill	P <u>-</u>

Non-controlling interest was computed using the proportionate share in the recognized amounts of the acquiree's identifiable net assets. There were no trade and other receivables acquired and no contingent consideration arising from the foregoing transaction. The acquisition-related costs for this transaction were also immaterial. Moreover, the acquisition did not result to any goodwill or any gain on bargain purchase.

The total revenues and net losses of MDC included in the 2021 consolidated statement of comprehensive income since acquisition date are nil and P2,330,126, respectively. Had the acquisition occurred at the beginning of the year, the total revenues and net losses of MDC to be included in the 2021 consolidated statement of comprehensive income are nil and P4,329,135, respectively.

(c) *ICOM AIR*

Significant information on ICOM's financial position and financial performance as at and for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P 30,759,869	P 33,287,705
Non-current assets	<u>300,684,537</u>	<u>306,275,863</u>
Total assets	<u>P 331,444,406</u>	<u>P 339,563,568</u>
Current liabilities	P 1,379,372	P 7,214,820
Non-current liabilities	<u>39,000,000</u>	<u>39,943,000</u>
Total liabilities	<u>P 40,379,372</u>	<u>P 47,157,820</u>

	<u>2022</u>	<u>2021</u>
Revenues	<u>P 14,448,415</u>	<u>P 8,312,631</u>
Net loss	(P 24,360,430)	(P 10,310,845)
Other comprehensive income	<u> </u>	<u>-</u>
Total comprehensive loss	(P 24,360,430)	(P 10,310,845)

The Parent Company's share in the net assets of ICOM as of December 31, 2022 and 2021 which agrees with the carrying amount of the investment in ICOM is shown in the next page.

	<u>2022</u>	<u>2021</u>
Net assets of ICOM	P 291,065,034	P 292,405,748
Proportion of equity interest by the Parent Company	<u>33%</u>	<u>33%</u>
Parent Company's share in the net assets of ICOM	96,051,461	97,468,583
Other stockholders unpaid subscription	<u>14,611,314</u>	<u>13,348,701</u>
Carrying amount of investment	<u>P 110,662,775</u>	<u>P 110,817,284</u>

Shares in net losses of associates totaling P9,505,354, P4,229,178 and P615,777 were recognized in 2022, 2021 and 2020, respectively, in the consolidated statements of profit or loss.

There were no dividends received from the Group's associates in 2022, 2021 and 2020.

11. PROPERTY AND EQUIPMENT

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

	<u>Land</u>	<u>Building</u>	<u>Office Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Fixture</u>	<u>Leasehold Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2022								
Cost	P 359,058,133	P 401,375,877	P 111,382,859	P 57,015,172	P 40,459,135	P 14,547,842	P 4,077,078,853	P 5,060,917,871
Accumulated depreciation and amortization	-	(117,269,272)	(53,078,326)	(42,285,966)	(27,932,433)	(6,619,424)	-	(247,185,421)
Net carrying amount	<u>P 359,058,133</u>	<u>P 284,106,605</u>	<u>P 58,304,533</u>	<u>P 14,729,206</u>	<u>P 12,526,702</u>	<u>P 7,928,418</u>	<u>P 4,077,078,853</u>	<u>P 4,813,732,450</u>
December 31, 2021								
Cost	P 140,896,820	P 313,420,883	P 91,775,926	P 59,603,223	P 36,731,888	P 12,514,727	P 471,807,019	P 1,126,750,486
Accumulated depreciation and amortization	-	(102,246,056)	(40,841,416)	(39,453,413)	(23,778,921)	(4,758,977)	-	(211,078,783)
Net carrying amount	<u>P 140,896,820</u>	<u>P 211,174,827</u>	<u>P 50,934,510</u>	<u>P 20,149,810</u>	<u>P 12,952,967</u>	<u>P 7,755,750</u>	<u>P 471,807,019</u>	<u>P 915,671,703</u>
December 31, 2020								
Cost	P 140,896,820	P 255,033,535	P 70,755,434	P 46,189,920	P 28,848,061	P 4,585,537	P 269,748,169	P 816,057,476
Accumulated depreciation and amortization	-	(84,445,236)	(31,271,468)	(33,586,991)	(19,911,373)	(3,454,802)	-	(172,669,870)
Net carrying amount	<u>P 140,896,820</u>	<u>P 170,588,299</u>	<u>P 39,483,966</u>	<u>P 12,602,929</u>	<u>P 8,936,688</u>	<u>P 1,130,735</u>	<u>P 269,748,169</u>	<u>P 643,387,606</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2022 and 2021 is shown below.

		<u>Land</u>	<u>Building</u>	<u>Office Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Fixture</u>	<u>Leasehold Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2022 net of accumulated depreciation and amortization	P	140,896,820	P 211,174,827	P 50,934,510	P 20,149,810	P 12,952,967	P 7,755,750	P 471,807,019	P 915,671,703
Additions		218,161,313	55,888,147	19,701,024	1,604,275	3,727,247	2,033,115	2,336,303,706	2,637,418,827
Disposals		-	-	(56,627)	(858,046)	-	-	-	(914,673)
Reclassification		-	32,066,847	-	-	-	-	1,268,968,128	1,301,034,975
Depreciation and amortization for the year		-	(15,023,216)	(12,274,374)	(6,166,833)	(4,153,512)	(1,860,447)	-	(39,478,382)
Balance at December 31, 2022 net of accumulated depreciation and amortization		<u>P 359,058,133</u>	<u>P 284,106,605</u>	<u>P 58,304,533</u>	<u>P 14,729,206</u>	<u>P 12,526,702</u>	<u>P 7,928,418</u>	<u>P 4,077,078,853</u>	<u>P 4,813,732,450</u>
Balance at January 1, 2021 net of accumulated depreciation and amortization	P	140,896,820	P 170,588,299	P 39,483,966	P 12,602,929	P 8,936,688	P 1,130,735	P 269,748,169	P 643,387,606
Additions		-	11,827,275	21,178,971	13,413,303	8,401,409	7,929,190	237,085,854	299,836,002
Disposals		-	-	(23,178)	-	(69,360)	-	-	(92,538)
Reclassification		-	43,004,043	-	-	-	-	(35,027,004)	7,977,039
Depreciation and amortization for the year		-	(14,244,790)	(9,613,285)	(5,866,422)	(4,315,770)	(1,304,175)	-	(35,344,442)
Balance at December 31, 2021 net of accumulated depreciation and amortization		<u>P 140,896,820</u>	<u>P 211,174,827</u>	<u>P 50,934,510</u>	<u>P 20,149,810</u>	<u>P 12,952,967</u>	<u>P 7,755,750</u>	<u>P 471,807,019</u>	<u>P 915,671,703</u>
Balance at January 1, 2020 net of accumulated depreciation and amortization	P	139,794,060	P 83,076,321	P 38,833,292	P 11,220,784	P 10,019,737	P 97,701	P 72,079,085	P 355,120,980
Additions		-	19,542,518	8,286,592	5,177,704	2,762,373	2,254,898	197,669,084	235,693,169
Reclassification		1,102,760	85,001,437	-	-	-	-	-	86,104,197
Depreciation and amortization for the year		-	(17,031,977)	(7,635,918)	(3,795,559)	(3,845,422)	(1,221,864)	-	(33,530,740)
Balance at December 31, 2020 net of accumulated depreciation and amortization		<u>P 140,896,820</u>	<u>P 170,588,299</u>	<u>P 39,483,966</u>	<u>P 12,602,929</u>	<u>P 8,936,688</u>	<u>P 1,130,735</u>	<u>P 269,748,169</u>	<u>P 643,387,606</u>

Depreciation and amortization expense on property and equipment is presented as part of Operating Expenses (see Note 20).

In 2022, the Group reclassified construction in progress under Investment Properties with an aggregate carrying amount of P1,301,034,975 to construction in progress under Property and Equipment as these properties will be used for hotel operations of the Group. Additionally, construction in progress with an aggregate carrying amount of P32,066,847 was reclassified to Building for office renovations completed during the year.

In 2021 and 2020, the Group reclassified certain retail building previously presented as Investment Properties with an aggregate amount of P7,977,039 and P86,104,197, respectively, to Property and Equipment (see Note 13) because CLI used these units as one of its offices.

Borrowing costs that are capitalized as part of property and equipment amounted to P441,588,741 and P12,703,961 in 2022 and 2021, respectively, which represents the specific borrowing costs incurred on loans and corporate notes obtained to fund the construction projects (see Note 15). Capitalization rate used for specific borrowings ranges from 4.00% to 8.00% in 2022 and ranges from 5.25% to 5.70% in 2021.

Certain transportation equipment and office equipment with a total carrying amount of P914,673 of the Parent Company were sold in 2022 for P1,043,039, thereby resulting in gain on disposal amounting to P128,365. Certain office equipment and furniture and fixtures of the Parent Company with an aggregate carrying amount of P92,538 were sold in 2021 for a total of P75,961 resulting to a net loss on disposal amounting to P16,577 (see Note 21.2).

Certain land, building, office equipment, furniture and fixtures and construction in progress with an aggregate carrying amount of P4,353,935,990 and P620,695,904 as at December 31, 2022 and 2021, respectively, are used as collateral for certain interest-bearing loans of the Group (see Note 15.1).

As at December 31, 2022 and 2021, the cost of the Group's fully-depreciated property and equipment that are still used in operations amounted to P103,615,868 and P96,606,491, respectively.

12. LEASES

The Group entered into lease contracts, as lessee, for leases of land and office spaces. With the exception of short-term leases and leases of low-value underlying assets, each lease is presented in the consolidated statements of financial position as Right-of-use Assets and the corresponding obligation, as Lease Liabilities. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublease the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term.

Under the lease contracts, the Group is prohibited from selling or pledging the underlying leased assets as security. For the lease of an office space, the Group must keep the related property in a good state of repair and return the property in good state at the end of the lease. For the lease on the land, the Group must insure all the improvements made on the property.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the 2022 and 2021 consolidated statement of financial position.

	Number of right of-use assets leased	Lease term	Number of leases with extension option	Number of leases with purchase option	Number of leases with termination options
December 31, 2022					
Land	4	25 to 42 years	-	-	-
Office space	2	4 to 5 years	1	-	1
December 31, 2021					
Land	3	25 to 42 years	-	-	-
Office space	2	4 to 5 years	1	-	1

12.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets as at December 31, 2022 and 2021 and the movements during the year are shown below.

	<u>Land</u>	<u>Office Space</u>	<u>Total</u>
<u>December 31, 2022</u>			
Cost			
Balance at beginning of year	P 1,209,882,682	P 15,877,921	P 1,225,760,603
Additions	<u>52,874,045</u>	<u>-</u>	<u>52,874,045</u>
Balance at end of year	<u>1,262,756,727</u>	<u>15,877,921</u>	<u>1,278,634,648</u>
Accumulated amortization			
Balance at beginning of year	67,834,649	5,071,827	72,906,476
Amortization	<u>34,326,290</u>	<u>3,352,477</u>	<u>37,678,767</u>
Balance at end of year	<u>102,160,939</u>	<u>8,424,304</u>	<u>110,585,243</u>
Carrying amount at December 31, 2022	<u>P 1,160,595,788</u>	<u>P 7,453,617</u>	<u>P 1,168,049,405</u>
<u>December 31, 2021</u>			
Cost			
Balance at beginning of year	P 971,236,695	P 8,556,881	P 979,793,576
Additions	282,694,092	7,321,040	290,015,132
Amendment of lease contract	(<u>44,048,105</u>)	<u>-</u>	(<u>44,048,105</u>)
Balance at end of year	<u>1,209,882,682</u>	<u>15,877,921</u>	<u>1,225,760,603</u>
Accumulated amortization			
Balance at beginning of year	26,308,480	2,580,647	28,889,127
Amortization	<u>41,526,169</u>	<u>2,491,180</u>	<u>44,017,349</u>
Balance at end of year	<u>67,834,649</u>	<u>5,071,827</u>	<u>72,906,476</u>
Carrying amount at December 31, 2021	<u>P 1,142,048,033</u>	<u>P 10,806,094</u>	<u>P 1,152,854,127</u>

The additional right-of-use asset in 2022 pertains to a 30-year lease contract for a piece of land intended for the development of a commercial complex.

The additional right-of-use assets in 2021 pertain to a 25-year lease contract for a piece of land intended for the development of a new real estate project (dormitory with retail and warehouse spaces) and a five-year lease contract for an office space.

12.2 Lease Liabilities

Lease liabilities presented in the consolidated statements of financial position as follows:

	<u>2022</u>	<u>2021</u>
Current	P 54,145,058	P 3,288,349
Non-current	<u>1,182,914,425</u>	<u>1,122,841,952</u>
	<u>P 1,237,059,483</u>	<u>P 1,126,130,301</u>

The Group is fully liable for the rentals on the remaining term of the lease of office space, including any interest, penalties, utility charges and damages for termination prior to expiration of the contract. The contracts of lease on land does not provide for any future lease termination and extension options.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities are as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
December 31, 2022							
Lease payments	P 134,277,530	P 55,551,518	P 57,377,308	P 70,139,485	P 68,764,525	P 3,549,579,395	P 3,935,689,761
Finance charges	(80,132,472)	(82,165,440)	(84,290,065)	(85,903,334)	(90,260,395)	(2,275,878,572)	(2,698,630,278)
Net present values	<u>P 54,145,058</u>	<u>(P 26,613,922)</u>	<u>(P 26,912,757)</u>	<u>(P 15,763,849)</u>	<u>(P 21,495,870)</u>	<u>P 1,273,700,823</u>	<u>P 1,237,059,483</u>
December 31, 2021							
Lease payments	P 34,721,673	P 53,119,361	P 55,214,074	P 55,104,221	P 67,203,542	P 3,543,106,066	P 3,808,468,937
Finance charges	(31,433,324)	(118,086,952)	(82,618,076)	(80,440,172)	(82,009,070)	(2,287,751,042)	(2,682,338,636)
Net present values	<u>P 3,288,349</u>	<u>(P 64,967,591)</u>	<u>(P 27,404,002)</u>	<u>(P 25,335,951)</u>	<u>(P 14,805,528)</u>	<u>P 1,255,355,024</u>	<u>P 1,126,130,301</u>

12.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. The expense relating to short-term leases and low-value assets has an aggregate amount of P24,410,422, P23,699,072 and P18,441,626 in 2022, 2021 and 2020, respectively, and is presented as Rent under Operating Expenses in the consolidated statements of profit or loss (see Note 20).

12.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P17,574,742, P57,537,727 and P162,467,669 in 2022, 2021 and 2020, respectively, including the interest expense in relation to the lease liabilities amounting to P75,629,879, P67,139,552 and P57,127,820, respectively, for the same periods ended. This is presented as part of Interest expense on lease liabilities under Finance Costs in the consolidated statement of profit or loss. (see Note 22).

13. INVESTMENT PROPERTIES

The Group's investment properties include parcels of land held for development of properties, condominium units and retail building for lease. The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2022 and 2021 are shown below.

	Retail Building	Condominium Units	Parking Units	Land	Construction in Progress	Total
December 31, 2022						
Costs	P 1,312,033,280	P 910,086,051	P 122,067,668	P 2,682,185,384	P 12,961,598,553	P 17,987,970,936
Accumulated depreciation	(98,114,489)	(126,885,260)	(13,673,654)	-	-	(238,673,403)
Carrying amount	<u>P 1,213,918,791</u>	<u>P 783,200,791</u>	<u>P 108,394,014</u>	<u>P 2,682,185,384</u>	<u>P 12,961,598,553</u>	<u>P 17,749,297,533</u>
December 31, 2021						
Costs	P 776,845,974	P 828,036,331	P 33,036,981	P 5,449,949,151	P 6,306,290,741	P 13,394,159,178
Accumulated depreciation	(49,310,883)	(97,154,410)	(7,570,223)	-	-	(154,035,516)
Carrying amount	<u>P 727,535,091</u>	<u>P 730,881,921</u>	<u>P 25,466,758</u>	<u>P 5,449,949,151</u>	<u>P 6,306,290,741</u>	<u>P 13,240,123,662</u>

	Retail Building	Condominium Units	Parking Units	Land	Construction in Progress	Total
January 1, 2021						
Costs	P 595,061,927	P 551,960,802	P 31,371,804	P 5,742,622,708	P 3,287,906,544	P 10,208,923,785
Accumulated depreciation	(33,635,295)	(75,583,112)	(5,962,316)	-	-	(115,180,723)
Carrying amount	<u>P 561,426,632</u>	<u>P 476,377,690</u>	<u>P 25,409,488</u>	<u>P 5,742,622,708</u>	<u>P 3,287,906,544</u>	<u>P 10,093,743,062</u>

A reconciliation of the carrying amounts of investment properties at the beginning and end of year 2022 and 2021 is shown below.

	Retail Building	Condominium Units	Parking Units	Land	Construction in Progress	Total
Balance at January 1, 2022 net of accumulated depreciation	P 727,535,091	P 730,881,921	P 25,466,758	P 5,449,949,151	P 6,306,290,741	P 13,240,123,662
Additions	250,000	1,535,704	-	-	6,622,774,985	6,624,560,689
Reclassifications	534,937,306	80,514,016	89,030,687	(2,767,763,767)	(32,532,827)	(2,030,748,931)
Depreciation during the year	(48,803,606)	(29,730,850)	(6,103,431)	-	-	(84,637,887)
Balance at December 31, 2022 net of accumulated depreciation	<u>P 1,213,918,791</u>	<u>P 783,200,791</u>	<u>P 108,394,014</u>	<u>P 2,682,185,384</u>	<u>P 12,961,598,553</u>	<u>P 17,749,297,533</u>
Balance at January 1, 2021 net of accumulated depreciation	P 561,426,632	P 476,377,690	P 25,409,488	P 5,742,622,708	P 3,287,906,544	P 10,093,743,062
Additions	696,786	-	-	740,506,424	4,269,412,078	5,037,615,288
Reclassifications	184,643,291	276,075,529	1,665,177	(1,033,179,881)	(1,278,027,881)	(1,848,823,865)
Depreciation during the year	(19,231,618)	(21,571,298)	(1,607,907)	-	-	(42,410,823)
Balance at December 31, 2021 net of accumulated depreciation	<u>P 727,535,091</u>	<u>P 730,881,921</u>	<u>P 25,466,758</u>	<u>P 5,449,949,151</u>	<u>P 6,306,290,741</u>	<u>P 13,240,123,662</u>
Balance at January 1, 2020 net of accumulated depreciation	P 85,115,746	P 229,432,066	P 26,978,078	P 5,742,274,541	P 3,307,055,593	P 8,904,844,700
Additions	-	-	-	348,167	2,311,995,526	2,312,343,693
Reclassifications	494,833,922	266,547,247	-	-	(1,845,133,252)	(1,083,752,083)
Depreciation during the year	(18,523,036)	(19,601,623)	(1,568,590)	-	-	(39,693,249)
Balance at December 31, 2020 net of accumulated depreciation	<u>P 561,426,632</u>	<u>P 476,377,690</u>	<u>P 25,409,488</u>	<u>P 5,742,622,708</u>	<u>P 3,287,906,544</u>	<u>P 10,093,743,062</u>

In 2022, the Group reclassified certain investment properties with aggregate carrying amounts of P729,713,956 and P1,301,034,975 to real estate inventories and property and equipment, respectively. In 2021, the Group reclassified certain investment properties with aggregate carrying amounts of P1,840,846,826 and P7,977,039 to real estate inventories and property and equipment, respectively (see Notes 7 and 11). These reclassifications were made as a result of the change in the use of the properties from being held for lease to being held for sale and for use in the operations.

Borrowing costs that are capitalized as part of investment property amounted to P101,968,120 and P172,188,624 in 2022 and 2021, respectively, which represents the specific borrowing costs incurred on loans and corporate notes obtained to fund the construction projects (see Note 15).

Capitalization rate used for specific borrowings ranges from 4.00% to 8.00% and 4.25% to 7.25% for the years ended December 31, 2022 and 2021, respectively.

Income and expenses from investment properties for the years ended December 31, 2022, 2021 and 2020 are presented below.

	Notes	<u>2022</u>	<u>2021</u>	<u>2020</u>
Rental income:	18.1			
Retail building		P 68,094,916	P 68,244,532	P 52,925,898
Condominium units		9,789,476	3,882,427	1,837,157
Parking units		1,287,074	728,102	474,917
Others		<u>106,093</u>	<u>1,416,939</u>	<u>-</u>
		<u>P 79,277,559</u>	<u>P 74,272,000</u>	<u>P 55,237,972</u>
Expenses:				
Depreciation	19	P 84,637,886	P 42,410,823	P 39,693,249
Repairs and maintenance	20	-	2,041,149	509,627
Others	19	<u>-</u>	<u>63,259</u>	<u>-</u>
		<u>P 84,637,886</u>	<u>P 44,515,231</u>	<u>P 40,202,876</u>

The depreciation and other expenses are included as part of Cost of Sales and Services in the consolidated statements of profit or loss in 2022, 2021 and 2020 (see Note 19).

Investment properties have a total fair value of P20,627,177,086 and P16,210,917,528 as at December 31, 2022 and 2021, respectively, based on the appraisal done by an independent expert [see Note 32.3(c)]. On the basis primarily of the foregoing valuations, management has assessed that no impairment loss is required to be provided on the Group's investment properties as at December 31, 2022 and 2021 [see also Note 3.2(f)].

Investment properties with a total carrying amount of P7,165,081,902 and P6,782,367,866 as at December 31, 2022 and 2021, respectively, are used as collateral for certain interest-bearing loans and borrowings of the Parent Company (see Note 15.1).

14. OTHER NON-CURRENT ASSETS

This account includes the following:

	<u>2022</u>	<u>2021</u>
Advances to subcontractors	P 473,134,430	P 165,368,935
Refundable deposits	128,384,996	94,473,055
Computer software – net of accumulated amortization of P31,974,998 and P23,143,372, respectively	31,362,061	37,129,364
Investment in equity securities	9,375,002	9,375,002
Deferred input VAT	4,624,926	4,624,926
Others	<u>1,934,145</u>	<u>1,917,592</u>
	<u>P 648,815,560</u>	<u>P 312,888,874</u>

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses for on-going construction of investment properties. These are applied against the progress billings of subcontractors.

Refundable deposits pertain to recoverable payments, which are expected to be realized at the termination of the contract, to lessors and various payees. These are measured at amortized cost.

The total additions to computer software amounted to P3,064,323, P10,242,943 and P8,960,023 in 2022, 2021 and 2020, respectively. The amortization expense on the computer software amounted to P8,831,626, P8,988,002 and P7,243,253 in 2022, 2021 and 2020, respectively, and is presented as part of Depreciation and amortization under Operating Expenses (see Note 20).

15. INTEREST-BEARING LOANS AND BORROWINGS

The outstanding balance of interest-bearing loans and corporate notes are presented in the consolidated statements of financial position as follows:

	Note	<u>2022</u>	<u>2021</u>
Current:			
Bank loans	15.1	P 7,006,084,463	P 5,268,262,872
Corporate notes	15.2	<u>1,117,559,524</u>	<u>3,545,238,195</u>
		<u>8,123,643,987</u>	<u>8,813,501,067</u>
Non-current:			
Bank loans	15.1	15,721,660,371	10,913,679,792
Corporate notes	15.2	<u>11,216,986,253</u>	<u>12,294,538,531</u>
		<u>26,938,646,624</u>	<u>23,208,218,323</u>
		<u>P35,062,290,611</u>	<u>P32,021,719,390</u>

15.1 Bank Loans

An analysis of the movements in the balance of interest-bearing loans is presented below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 16,181,942,664	P 8,949,834,693
Proceeds and drawdowns - net	11,749,374,715	11,475,252,839
Repayments	(5,262,184,636)	(4,270,490,796)
Amortization of debt issue costs	<u>58,612,091</u>	<u>27,345,928</u>
Balance at end of year	<u>P 22,727,744,834</u>	<u>P 16,181,942,664</u>

The unamortized debt issue cost as at December 31, 2022 and 2021 amounts to P107,967,127 and P64,046,933, respectively. A reconciliation of the unamortized debt issue cost at the beginning and end of 2022 and 2021 is shown below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 64,046,933	P 22,600,198
Debt issue costs from new loans	102,532,285	68,792,663
Amortization of debt issue cost	<u>(58,612,091)</u>	<u>(27,345,928)</u>
Balance at end of the year	<u>P 107,967,127</u>	<u>P 64,046,933</u>

The loans bear interest rates per annum ranging from 4.00% to 8.00% in 2022, 1.71% to 6.25% in 2021 and 1.84% to 7.13% in 2020. Certain loans are collateralized by the specific projects and developments and certain property and equipment for which the loans were obtained. The cost of such projects aggregating to P19,647,298,478 and P16,791,924,015 as at December 31, 2022 and 2021, respectively, are included in the Real Estate Inventory, Property and Equipment and Investment Properties accounts in the consolidated statements of financial position (see Notes 7, 11 and 13).

In 2022, the Group availed of new bank loans amounting to P11,749,374,715, net of debt issuance cost, which bear interest ranging from 4.00% to 8.00% and have maturity dates ranging from 2023 to 2034. Loans obtained in 2021 from various commercial banks amounting to P11,475,252,839, net of debt issuance cost, which bear interest ranging from 3.88% to 6.25% and have maturity dates ranging from 2022 to 2034.

The total interest incurred from the foregoing loans, including amortization of debt issuance cost, amounted to P1,077,091,468, P612,575,458 and P475,802,271 in 2022, 2021 and 2020, respectively, and of which P817,615,938, P414,515,526 and P473,363,035, respectively, were capitalized as part of construction costs (see Notes 7 and 13). Capitalization rate used in determining the amount of interest charges qualified for capitalization ranges from 4.00% to 8.00% and 4.25% to 7.25% for the years ended December 31, 2022 and 2021, respectively.

15.2 Corporate Notes

The Parent Company and various financial institutions executed a Notes Facility Agreement (NFA) for the issuance of long-term corporate notes (LTCN) totalling P13,000,000,000 and two short-dated notes (SDN) amounting to P2,000,000,000 and P3,000,000,000, respectively.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 15,839,776,726	P14,844,149,018
Repayments	(3,545,238,095)	(2,017,857,143)
Proceeds and drawdowns - net	-	2,972,763,158
Amortization of debt issue cost	<u>40,007,146</u>	<u>40,721,693</u>
Balance at end of the year	<u>P 12,334,545,777</u>	<u>P15,839,776,726</u>

The NFA is composed of the following tranches:

<u>NFA</u>	<u>Date Executed</u>	<u>Tranche</u>	<u>Tenor</u>	<u>Principal Amount</u>
LTCN	03/05/2020	Series D	Five years	P 1,300,000,000
		Series E	Seven years	5,700,000,000
		Series F	Ten years	1,000,000,000
	07/20/2018	Series A	Seven years	2,500,000,000
		Series B	Ten years	1,000,000,000
		Series C	Ten years with repricing on the interest rate re-setting date	<u>1,500,000,000</u>
				<u>P 13,000,000,000</u>

<u>NFA</u>	<u>Date Executed</u>	<u>Tranche</u>	<u>Tenor</u>	<u>Principal Amount</u>
SDN	04/30/2021	SDN 2	18 months from drawdown date	P 3,000,000,000
	10/25/2019	SDN 1	18 months from drawdown date	<u>2,000,000,000</u>
				<u>P 5,000,000,000</u>

The Parent Company made the following drawdowns from the NFA.

<u>Year</u>	<u>Tranche</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
2021	SDN 2	3.88%	November 2022	P <u>3,000,000,000</u>
2020	Series D	3.46%	September 2025	P 1,300,000,000
	Series E	3.54% - 4.66%	April 2027	5,700,000,000
	Series F	4.23% - 5.23%	March 2030	<u>1,000,000,000</u>
				<u>P 8,000,000,000</u>
2019	Series A	7.25%	January 2026	P 2,000,000,000
	SDN 1	4.75%	April 2021	<u>2,000,000,000</u>
				<u>P 4,000,000,000</u>
2018	Series A	7.25%	December 2025	P 500,000,000
	Series B	6.63%	August – September 2028	1,000,000,000
	Series C	6.75%	October – December 2028	<u>1,500,000,000</u>
				<u>P 3,000,000,000</u>

In 2021 and 2020, the Parent Company recognized debt issuance costs for new NFA amounting to P27,236,842 and P108,124,311, respectively, which has a carrying amount of P183,087,824 and P185,079,683 as at December 31, 2021 and 2020, respectively, in relation to the drawdowns from the NFA. The debt issuance cost amortization in 2022 and 2021 amounted to P40,007,146 and P40,721,693, respectively. The debt issuance costs are deducted from the fair value or issue price of the note.

The total interest incurred related to the NFA, including amortization of debt issuance cost, amounted to P836,758,484, P861,785,646 and P655,265,056 in 2022, 2021 and 2020, respectively, of which P836,758,484, P861,785,646 and P649,026,850 was capitalized as part of real estate inventories and investment properties in 2022, 2021 and 2020, respectively (see Notes 7 and 13).

The Parent Company is required to maintain the financial ratios with respect to (a) maximum debt to equity ratio of 2.5:1; (b) minimum current ratio of 1:1; and, (c) minimum interest coverage ratio of 3:1. As at December 31, 2022 and 2021, the Parent Company is compliant with the requirements.

The total interest expense related to the above loans, which are included as part of Finance Costs in the consolidated statements of profit or loss, amounted to P259,475,530, P196,904,919 and P8,677,442 in 2022, 2021 and 2020, respectively (see Note 22).

The accrued interest on these loans amounts to P136,111,341 and P140,706,007 as at December 31, 2022 and 2021, respectively, and is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

16. BONDS PAYABLE

On September 23, 2022, CLI registered with the SEC its debt securities program of P15,000,000,000 fixed rate bonds which will be offered in one or more tranches within three (3) years.

On October 7, 2022, the Parent Company issued the first tranche of its fixed rate bonds amounting to P5,000,000,000 and was listed with the Philippine Dealing & Exchange Corp. (PDEX). The bonds have been rated “PRS Aa plus” with a stable outlook by PhilRatings and are comprised of the following tenors:

- Series A – maturity of 3.5 years and a coupon rate of 6.4222%;
- Series B – maturity of 5.5 years and a coupon rate of 6.9884%; and,
- Series C – maturity of 7 years and a coupon rate of 7.3649%.

In 2022, the Parent Company recognized bond issuance costs amounting to P73,372,369 in relation to the issuance of the first tranche of the bonds which has a carrying amount of P69,417,369 as at December 31, 2022. The bond issuance cost amortization in 2022 amounted to P3,955,000.

The total interest incurred related to the bonds, including amortization of bond issuance cost, amounted to P82,547,408 in 2022 of which P67,102,788 was capitalized as part of real estate inventories and investment properties and P15,444,620 was recognized as interest expense as part of Finance Costs in the consolidated statements of profit or loss.

Capitalization rate used in determining the amount of interest charges qualified for capitalization ranges from 6.89% to 7.64% in 2022.

The Parent Company is required to maintain the financial ratios with respect to (a) maximum debt to equity ratio of 2.5:1; (b) minimum current ratio of 1:1; and, (c) minimum interest coverage ratio of 3:1. As at December 31, 2022, the Parent Company is compliant with the requirements.

17. TRADE AND OTHER PAYABLES

This account is composed of the following:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Current:			
Unbilled construction costs		P 10,491,702,481	P 6,086,771,507
Trade payables		4,357,836,398	3,699,864,798
Sales commissions payable		1,944,995,963	1,529,749,549
Retention payable		968,787,106	698,516,297
Advances from NCI		467,105,353	11,641,010
Accrued expenses	15	282,466,666	179,239,081
Output VAT		117,142,226	96,352,902
Government-related obligations		99,495,460	98,835,287
Other payables		<u>114,104,235</u>	<u>249,618,060</u>
		<u>18,843,635,888</u>	<u>12,650,588,490</u>
Non-current:			
Retention payable		172,064,151	150,281,975
Advance rental		16,072,805	16,353,673
Other payables		<u>6,938,747</u>	<u>3,141,464</u>
		<u>195,075,703</u>	<u>169,777,112</u>
		<u>P 19,038,711,591</u>	<u>P12,820,365,602</u>

Unbilled construction costs pertain to estimated obligations to contractors for services already performed but not yet billed to the Group. Trade payables mainly represent outstanding obligations to owners of parcels of land acquired, subcontractors and suppliers of construction materials.

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Portion of the amount retained that is not expected to be paid within 12 months from the end of the reporting period is presented as part of non-current liabilities in the consolidated statements of financial position.

Advances from NCI pertains to noninterest-bearing advances of certain subsidiaries from non-controlling shareholders.

Accrued expenses pertain to accruals for interest, contracted services, security services, professional fees and other recurring accruals in the Group's operations. Current portion of the other payables are mostly construction bonds from various subcontractors.

18. REVENUE FROM CONTRACTS WITH CUSTOMERS AND CONTRACT BALANCES

18.1 Disaggregation of Contract Revenues

The Group derives revenue from the transfer of goods and services over time and at a point in time. Presented below are revenues from its major product lines and geographical areas for the years ended December 31, 2022, 2021 and 2020.

	2022				
	Cebu	Visayas	Mindanao	Luzon	Total
<i>Sale of real estate units</i>					
Over time	P 5,339,637,015	P 4,335,738,980	P 5,171,981,673	P 7,441,250	P 14,854,798,918
At a point in time	<u>314,907,742</u>	<u>30,553,637</u>	<u>195,896,965</u>	<u>42,979,100</u>	<u>584,337,444</u>
	5,654,544,757	4,366,292,617	5,367,878,638	50,420,350	15,439,136,362
<i>Hotel operations</i>					
Over time	83,418,279	-	-	-	83,418,279
<i>Lease of properties</i>					
Over time	79,277,559	-	-	-	79,277,559
<i>Render of management services</i>					
Over time	<u>46,653,575</u>	<u>135,000</u>	<u>8,677,228</u>	<u>-</u>	<u>55,465,803</u>
	<u>P 5,863,894,170</u>	<u>P 4,366,427,617</u>	<u>P 5,376,555,866</u>	<u>P 50,420,350</u>	<u>P 15,657,298,003</u>
	2021				
	Cebu	Visayas	Mindanao	Luzon	Total
<i>Sale of real estate units</i>					
Over time	P 5,968,595,568	P 2,519,430,086	P 2,313,454,074	P -	P 10,801,479,728
At a point in time	<u>117,211,523</u>	<u>32,795,711</u>	<u>29,159,733</u>	<u>15,601,000</u>	<u>194,767,967</u>
	6,085,807,091	2,552,225,797	2,342,613,807	15,601,000	10,996,247,695
<i>Lease of properties</i>					
Over time	74,272,000	-	-	-	74,272,000
<i>Hotel operations</i>					
Over time	48,683,577	-	-	-	48,683,577
<i>Render of management services</i>					
Over time	<u>35,645,074</u>	<u>-</u>	<u>7,322,338</u>	<u>-</u>	<u>42,967,412</u>
	<u>P 6,244,407,742</u>	<u>P 2,552,225,797</u>	<u>P 2,349,936,145</u>	<u>P 15,601,000</u>	<u>P 11,162,170,684</u>
	2020				
	Cebu	Visayas	Mindanao	Luzon	Total
<i>Sale of real estate units</i>					
Over time	P 3,930,384,286	P 1,910,041,689	P 1,781,112,311	P -	P 7,621,538,286
At a point in time	<u>387,048,809</u>	<u>-</u>	<u>99,985,234</u>	<u>37,860,000</u>	<u>524,894,043</u>
	4,317,433,095	1,910,041,689	1,881,097,545	37,860,000	8,146,432,329
<i>Lease of properties</i>					
Over time	55,237,972	-	-	-	55,237,972
<i>Hotel operations</i>					
Over time	54,558,131	-	-	-	54,558,131
<i>Render of management services</i>					
Over time	<u>29,162,597</u>	<u>-</u>	<u>6,709,289</u>	<u>6,720,000</u>	<u>42,591,886</u>
	<u>P 4,456,391,795</u>	<u>P 1,910,041,689</u>	<u>P 1,887,806,834</u>	<u>P 44,580,000</u>	<u>P 8,298,820,318</u>

18.2 Contract Balance

The breakdown of contract balances is as follows:

	<u>2022</u>	<u>2021</u>
Contract assets - net	P 31,979,063,534	P20,290,305,185
Contract liabilities	(598,361,867)	(604,254,603)
Contract assets - net	<u>P 31,380,701,667</u>	<u>P19,686,050,582</u>

A reconciliation of the opening and closing balance of Contract Assets is shown below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 20,290,305,185	P13,856,650,495
Performance of property development	15,220,156,341	10,857,219,592
Collections	(2,546,181,039)	(3,145,156,150)
Transfers to contract receivables	(985,216,953)	(1,278,408,752)
Balance at end of year	<u>P 31,979,063,534</u>	<u>P20,290,305,185</u>

The Group recognizes contract assets, due to timing difference of payment and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period. Its classification and presentation in the statement of financial position is based on the Group's estimate of project completion, hence, any change in estimated completion period affects transfers to contracts receivables.

The Group assesses an ECL when the contract assets are initially recognized and updates the assessment at each reporting date based on the analysis determined by management [see Note 31.2(a)]. The Group's contract assets as at December 31, 2022 and 2021 are presented in the consolidated statements of the financial position as follows:

	<u>2022</u>	<u>2021</u>
Current	P 16,208,926,784	P 6,558,006,000
Non-current	<u>15,770,136,750</u>	<u>13,732,299,185</u>
	<u>P 31,979,063,534</u>	<u>P20,290,305,185</u>

A reconciliation of the opening and closing balance of Contract Liabilities is shown in below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 604,254,603	P 532,649,347
Revenue recognized that was included in contract liability at the beginning of year	(218,980,021)	(139,028,103)
Increase due to cash received excluding amount recognized as revenue during the year	<u>213,087,285</u>	<u>210,633,359</u>
Balance at end of year	<u>P 598,361,867</u>	<u>P 604,254,603</u>

Contract liabilities pertains to collections from buyers that are ahead of the stage of completion of the real estate units sold. Collections from buyers on sale of real estate units where the gating criteria for recognition of sales contract have yet to be met are accounted for and presented as Customers' Deposits in the consolidated statements of financial position. The balance of Customers' Deposits amounts to P120,250,096 and P89,897,007 as at December 31, 2022 and 2021, respectively. Changes in the contract assets and contract liabilities are recognized by the Group when a right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively.

18.3 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts as of December 31, 2022 and 2021 is P21,166,752,524 and P10,784,939,911, respectively. As of December 31, 2022 and 2021, the Group expects to recognize revenue from unsatisfied contracts as follows:

	<u>2022</u>	<u>2021</u>
Within a year	P 10,644,823,054	P 5,826,525,578
More than one year to three years	<u>10,521,929,470</u>	<u>4,958,414,333</u>
	<u>P 21,166,752,524</u>	<u>P10,784,939,911</u>

19. COST OF SALES AND SERVICES

Components of costs of sales and services are analyzed below (see Note 20).

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cost of real estate sales:				
Contracted services	20	P6,542,806,165	P4,846,649,738	P3,463,826,643
Land	20	1,126,978,391	623,070,696	201,523,220
Borrowing costs	20	460,629,194	307,427,540	394,329,036
Other costs		<u>95,620,574</u>	<u>113,233,414</u>	<u>148,580,875</u>
		<u>8,226,034,324</u>	<u>5,890,381,388</u>	<u>4,208,259,774</u>
Cost of rental services:				
Depreciation		84,637,886	42,410,823	39,693,249
Others		-	63,259	-
	13	<u>84,637,886</u>	<u>42,474,082</u>	<u>39,693,249</u>
Cost of management services:				
Salaries and wages		24,220,828	18,716,268	14,537,862
Materials and supplies		<u>53,709</u>	<u>23,929</u>	<u>-</u>
		<u>24,274,537</u>	<u>18,740,197</u>	<u>14,537,862</u>
Cost of hotel operations:				
Salaries and wages		11,235,316	9,147,270	5,971,450
Materials and supplies		9,293,657	5,944,099	6,030,712
Utilities		4,454,328	2,366,117	2,535,861
Advertising and promotion		3,256,197	572,891	2,532,464
Others		<u>4,449,304</u>	<u>2,663,620</u>	<u>2,550,086</u>
		<u>32,688,802</u>	<u>20,693,997</u>	<u>19,620,573</u>
		<u>P 8,367,635,549</u>	<u>P 5,972,289,664</u>	<u>P 4,282,111,458</u>

20. COSTS AND EXPENSES BY NATURE

Details of costs and expenses by nature are shown below.

	Notes	2022	2021	2020
Contracted services	19	P 6,542,806,165	P 4,846,649,738	P 3,463,826,643
Land	19	1,126,978,391	623,070,696	201,523,220
Commissions	9	847,167,494	725,648,666	429,725,150
Salaries and employee benefits	24.1	540,416,163	450,644,706	367,040,855
Borrowing costs	7, 15	460,629,194	307,427,540	394,329,036
Taxes and licenses		323,092,809	352,965,277	166,834,481
Depreciation and amortization	11, 12, 13, 14	170,626,662	121,798,863	104,119,622
Repairs and maintenance		87,599,940	19,427,792	20,918,624
Advertising		71,973,193	43,175,289	44,096,688
Utilities		50,536,408	37,931,503	34,342,361
Transportation and travel		40,131,671	13,040,272	20,397,177
Security services		35,588,415	19,179,307	14,995,988
Association dues		34,626,976	19,337,420	6,193,550
Representation and entertainment		33,552,413	20,694,266	17,119,169
Hotel operations		32,688,802	20,693,997	31,545,278
Professional and legal fees		29,603,118	55,365,530	115,756,965
Insurance		27,249,959	18,401,367	12,209,359
Rent	12.3, 29.2	24,410,422	23,699,072	18,441,626
Supplies		21,027,969	12,178,787	16,205,708
Subscription and membership dues		14,108,468	15,313,005	8,845,166
Donations		13,629,849	110,667,997	15,427,666
Management fee		11,767,780	7,965,205	11,924,705
Communications		8,540,822	10,374,788	8,931,604
Trainings and seminars		1,463,617	880,012	453,611
Others		186,351,802	46,097,279	22,828,065
		<u>P 10,736,568,502</u>	<u>P 7,922,628,374</u>	<u>P 5,548,032,317</u>

These costs and expenses are classified in the consolidated statements of profit or loss as follows:

	Note	2022	2021	2020
Cost of sales and services	19	P 8,367,635,549	P 5,972,289,664	P 4,282,111,458
Operating expenses		<u>2,368,932,953</u>	<u>1,950,338,710</u>	<u>1,265,920,859</u>
		<u>P 10,736,568,502</u>	<u>P 7,922,628,374</u>	<u>P 5,548,032,317</u>

21. OTHER OPERATING INCOME AND OTHER LOSSES

21.1 Other Operating Income

This account is composed of the following:

	Note	2022	2021	2020
Administrative charges	P	91,633,272	P 67,830,520	P 29,841,918
Move-in fee income		38,348,832	41,299,914	-
Water service fee		14,260,920	11,150,077	9,019,740
Documentation fee		13,604,956	11,045,486	7,591,518
Sponsorships		7,957,554	2,125,098	-
Late payment penalties charged to customers		7,524,767	2,612,361	5,718,465
Foreign exchange gains		6,454,820	2,108,206	2,484,376
Utilities charged to tenants		5,612,043	6,660,345	3,647,996
Scrap sales		3,389,340	3,837,069	-
Referral incentive		2,240,129	609,488	75,728
Reversal of payables		40,320	61,973,774	6,486,587
Concession income		-	1,733,355	1,803,088
Gain on remeasurement of investment in associates	10(b)	-	32,438,511	-
Others		11,475,800	11,804,986	1,928,404
		P 202,542,753	P 257,229,190	P 68,597,820

Administrative charges include standard fees charged to the buyers and non-refundable portion of the buyers' payment upon withdrawal from sale.

Move-in fee income pertain to excess fees charged to real estate buyers upon turn-over of their units over the cost of services to make the buyers' units habitable which include requisition of building insurance and fire extinguisher, processing of related taxes, utility connections and others.

Reversal of payables pertains to outstanding payables related to cancelled contracts with certain building contractors and suppliers which the Group is no longer required to pay. This also includes income from the write-off of long-outstanding unidentified deposits.

21.2 Other Losses

This account is composed of the following:

	2022	2021	2020
Foreign exchange losses	P 8,205,863	P 2,716,588	P 839,657
Loss (gain) on sale of assets - net	(128,365)	16,577	-
Losses due to typhoon	-	129,839,360	-
	P 8,077,498	P 132,572,525	P 839,657

Losses due to typhoon pertain to the damages of CLI and certain subsidiaries sustained from a typhoon Odette which affected its projects and properties in Cebu (see Note 36).

22. FINANCE COSTS

This is composed of the following:

	Notes	<u>2022</u>	<u>2021</u>	<u>2020</u>
Interest expense on:				
Loans	15	P 259,475,530	P 196,904,919	P 8,677,442
Bonds	16	15,444,620	-	-
Lease liabilities	12.4	75,629,879	67,139,552	57,127,820
Post-employment defined benefit obligation	24.2	241,469	24,537	-
Day one loss, net of amortization of day one loss on non-current contract receivables		<u>257,332</u>	<u>-</u>	<u>-</u>
		<u>P 351,048,830</u>	<u>P 264,069,008</u>	<u>P 65,805,262</u>

Interest expense on loans is the portion not capitalized as part of real estate inventory (see Notes 7 and 15).

23. FINANCE INCOME

This is composed of the following:

	Notes	<u>2022</u>	<u>2021</u>	<u>2020</u>
Interest income on banks	5	P 14,664,879	P 6,528,935	P 8,701,101
Amortization of day one loss on non-current contract receivables - net	6	-	1,160,937	30,761,435
Others		<u>154,487</u>	<u>-</u>	<u>245,725</u>
		<u>P 14,819,366</u>	<u>P 7,689,872</u>	<u>P 39,708,261</u>

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	<u>2022</u>	<u>2021</u>	<u>2020</u>
Short-term employee benefits		P 532,585,085	P 446,017,809	P 369,487,729
Post-employment defined benefit expense (income)	24.3	4,825,238	4,626,897	(2,446,874)
Share options	24.2, 27.3	<u>3,005,840</u>	<u>-</u>	<u>-</u>
	20	<u>P 540,416,163</u>	<u>P 450,644,706</u>	<u>P 367,040,855</u>

24.2 Employee Share Option

Employee share option expense, included as part of Salaries and employee benefits expense under the Operating Expenses account in the consolidated statements of profit or loss, amounted to P3,005,840 (see Note 24.1), while the corresponding cumulative credit to Share Options Outstanding account is presented under the Equity section of the consolidated statements of financial position (see Note 27.3).

24.3 Post-Employment Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group maintains a funded and non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank manages the fund in coordination with the Group's top management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Group's BOD. Normal retirement benefit is an amount equivalent to 50% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the post-employment defined benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the actuarial valuation reports obtained from an independent actuary in 2022 and 2021.

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	<u>2022</u>	<u>2021</u>
Present value of the obligation	P 44,024,728	P 40,124,208
Fair value of plan assets	(34,634,633)	(35,370,879)
	<u>P 9,390,095</u>	<u>P 4,753,329</u>

The movements in the present value of the post-employment defined benefit obligation recognized in the books are presented below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 40,124,208	P 35,484,952
Current service cost	4,583,769	4,602,360
Interest cost	2,038,310	1,401,656
Benefits paid	(765,844)	(59,660)
Remeasurements – actuarial losses (gains) arising from:		
Changes in financial assumptions	(4,166,909)	2,431,649
Experience adjustments	2,211,194	(1,316,633)
Changes in demographic assumptions	<u>-</u>	<u>(2,420,116)</u>
Balance at end of year	<u>P 44,024,728</u>	<u>P 40,124,208</u>

The movements in the fair value of plan assets are presented below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 35,370,879	P 34,863,768
Interest income	1,796,841	1,377,119
Return on plan assets (excluding amounts included in net interest)	(2,533,087)	(870,008)
Balance at end of year	<u>P 34,634,633</u>	<u>P 35,370,879</u>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	P 84,245	P 56,593
Receivables	38,919	449,210
Unitized investment funds	29,623,378	27,967,755
Government debt securities	<u>4,888,091</u>	<u>6,897,321</u>
	<u>P 34,634,633</u>	<u>P 35,370,879</u>

The fair values of the above unitized investment funds and government debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations. The plan assets recognized losses of P2,533,087, P870,008, and P1,040,784 in 2022, 2021 and 2020, respectively.

The components of amounts recognized in profit or loss and other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Recognized in profit or loss</i>			
Current service cost - net	P 4,583,769	P 4,602,360	(P 2,201,149)
Net interest expense (income) on defined benefit obligation	<u>241,469</u>	<u>24,537</u>	(<u>245,725</u>)
	<u>P 4,825,238</u>	<u>P 4,626,897</u>	<u>(P 2,446,874)</u>
<i>Recognized in other comprehensive income</i>			
Actuarial losses (gains) arising from changes in:			
Experience adjustments	P 2,211,194	(P 1,316,633)	P 44,456,648
Financial assumptions	(4,166,909)	2,431,649	2,395,087
Loss on plan assets (excluding amounts included in net interest expense)	<u>2,533,087</u>	<u>870,008</u>	<u>1,040,784</u>
Demographic assumptions	<u>-</u>	(<u>2,420,116</u>)	(<u>38,900,877</u>)
	<u>P 577,372</u>	<u>(P 435,092)</u>	<u>P 8,991,642</u>

The net interest expense (income) is included in Finance Costs (Income) in profit or loss (see Notes 22 and 23).

Amounts recognized in other comprehensive income (loss) were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Discount rates	7.22%	5.08%	3.95%
Salary increase rates	7.00%	7.00%	7.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 25 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are as follows:

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation:

<u>Impact on Post-employment Defined Benefit Obligation</u>					
	<u>Changes in Assumption</u>		<u>Increase in Assumption</u>		<u>Decrease in Assumption</u>
<u>December 31, 2022</u>					
Discount rate	+/-1.0%	(P	1,499,020)	P	1,759,621
Salary increase rate	+/-1.0%		1,745,813	(	1,514,962)
<u>December 31, 2021</u>					
Discount rate	+/-1.0%	(P	1,758,332)	P	2,114,346
Salary increase rate	+/-1.0%		2,051,714	(	1,744,371)

In addition, assuming there are no attrition rates, the increase in post-employment defined benefit obligation would be P64,956,547 and P84,572,943 for the years ended December 31, 2022 and 2021, respectively.

The foregoing sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-Liability Matching Strategies*

To efficiently manage the retirement plan, the Group, through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the post-employment obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the post-employment obligations.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

The Group does not expect to make a contribution during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	<u>2022</u>	<u>2021</u>
Within one year	P 31,203,897	P 23,208,680
More than one year to five years	10,454,910	12,449,260
More than five years to ten years	<u>11,154,743</u>	<u>9,975,732</u>
	<u>P 52,813,550</u>	<u>P 45,633,672</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 3.7 years.

25. CURRENT AND DEFERRED TAXES

On March 26, 2021, RA No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Group.

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return of the Parent Company and the subsidiaries, was lower by P11,812,475 than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized deferred tax liabilities in 2020 by P280,801,696 and such was recognized in the 2021 profit or loss and in other comprehensive income.

The Group was registered with the Board of Investments (BOI) as a developer of various economic and low-cost housing projects. Accordingly, the Group enjoys an income tax holiday on the BOI registered projects within three to four taxable years from its registration. The Group has 10 and 17 registered projects with BOI as of December 31, 2022 and 2021, respectively.

The components of tax expense relating to profit or loss and other comprehensive loss (income) are as shown below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax at 25% in 2022 and 2021 and 30% in 2020	P 173,257,102	P 81,211,577	P 147,796,447
Minimum corporate income tax at 1% in 2022 and 2021 and 2% in 2020	2,061,395	-	874,408
Final income tax	2,915,541	1,212,829	1,785,428
Adjustment in 2020 income taxes due to change in income tax rates	<u>-</u>	(<u>11,812,475</u>)	<u>-</u>
	<u>178,234,038</u>	<u>70,611,931</u>	<u>150,456,283</u>
Deferred tax expense (income) arising from:			
Origination and reversal of temporary differences	981,479,199	643,829,225	565,397,304
Effect of the change in income tax rate	<u>-</u>	(<u>281,722,112</u>)	<u>-</u>
	<u>981,479,199</u>	<u>362,107,113</u>	<u>565,397,304</u>
	<u>P1,159,713,237</u>	<u>P 432,719,044</u>	<u>P 715,853,587</u>

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in other comprehensive income:</i>			
Deferred tax expense (income)			
arising from:			
Origination and reversal			
of temporary differences	(P 144,343)	P 108,773	(P 2,697,492)
Effect of the change			
in income tax rate	<u>-</u>	<u>920,416</u>	<u>-</u>
	<u>(P 144,343)</u>	<u>P 1,029,189</u>	<u>(P 2,697,492)</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of profit or loss is presented below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax on pretax profit at 25% in 2022 and 2021, and 30% in 2020	P 1,191,901,096	P 775,897,665	P 837,474,272
Adjustments for income subject to lower tax rate	(749,364)	(318,128)	(823,490)
Effect of the change in income tax rate	-	(293,534,597)	-
Tax effects of:			
Tax-exempt real estate sales	(31,596,098)	(60,528,608)	(127,041,518)
Non-deductible expenses	7,015,969	8,500,064	4,867,412
Changes in unrecognized deferred tax assets	<u>(6,858,366)</u>	<u>2,702,648</u>	<u>1,376,911</u>
Tax expense	<u>P 1,159,713,237</u>	<u>P 432,719,044</u>	<u>P 715,853,587</u>

The net deferred tax liabilities relate to the following as of December 31:

	<u>2022</u>	<u>2021</u>
Deferred tax liabilities:		
Difference between tax reporting base and financial reporting base used in sales recognition	P 3,314,825,173	P 2,153,017,177
Rental income	5,515,232	5,819,005
Post-employment defined benefit asset	875,788	(849,057)
Others	<u>11,541</u>	<u>107,066</u>
	<u>P 3,321,227,734</u>	<u>2,158,094,191</u>
Deferred tax assets:		
Sales commissions	(216,383,222)	(70,783,803)
Net operating loss carry-over (NOLCO)	(34,044,857)	(14,392,568)
Net lease liabilities	(33,211,533)	(21,120,420)
Post-employment defined benefit obligation	(2,070,585)	875,787
Unamortized past service cost	(1,774,557)	(2,046,702)
Allowance for impairment	(464,599)	-
MCIT	(327,168)	-
Employee stock option	(115,908)	-
Others	<u>(873,965)</u>	<u>-</u>
	<u>(289,266,394)</u>	<u>(107,467,706)</u>
	<u>P 3,031,961,340</u>	<u>P 2,050,626,485</u>

The components of deferred tax expense (income) are as follows:

	Consolidated Statements of Profit or Loss			Consolidated Statements of Comprehensive Income		
	2022	2021	2020	2022	2021	2020
Deferred tax liabilities:						
Difference between tax reporting base and financial reporting base used in sales recognition	P1,078,452,609	P 335,614,825	P 658,068,216	P -	P -	P -
Rental income	621,241	2,489,526	265,887	-	-	-
Post-employment defined benefit asset	(2,802,029)	(1,061,941)	(1,564,191)	-	-	-
Allowance for impairment	(314,425)	(30,610)	30,610	-	-	-
Others	(2,214,351)	(278,254)	385,320	-	-	-
Deferred tax assets:						
Sales commissions	(60,477,471)	46,547,593	(78,877,057)	-	-	-
Net lease liabilities	(12,160,455)	(11,017,733)	(8,642,694)	-	-	-
NOLCO	(21,179,834)	(10,891,790)	(1,333,186)	-	-	-
MCIT	(327,169)	-	-	-	-	-
Unamortized past service cost	272,146	888,899	(2,935,601)	-	-	-
Employee stock options	(115,908)	-	-	-	-	-
Post-employment defined benefit obligation	1,724,845	(153,402)	-	(144,343)	1,029,189	(2,697,492)
Deferred tax expense (income)	P 981,479,199	P 362,107,113	P 565,397,304	(P 144,343)	P 1,029,189	(P 2,697,492)

NOLCO can be claimed as deduction from future taxable income within three and five years from the year the taxable loss was incurred. In accordance with RA 11494 Bayanihan to Recover as One Act 2, NOLCO incurred in 2021 and 2020 by certain subsidiaries can be claimed as deduction from the gross income until 2026 and 2025, respectively. Details of the Group's NOLCO are shown below.

<u>Inception Year</u>	<u>Amount</u>	<u>Utilized</u>	<u>Expired</u>	<u>Balance</u>	<u>Expiry Year</u>
2022	P 115,783,317	P -	P -	P 115,783,317	2025
2021	84,075,238	(12,992,024)	-	71,083,214	2026
2020	33,422,697	(9,362,012)	-	24,060,685	2025
2019	<u>50,554,813</u>	(<u>37,282,369</u>)	(<u>13,272,444</u>)	<u>-</u>	2022
	P 283,836,065	(P 59,636,405)	(P 13,272,444)	P 210,927,216	

The Group has deferred tax assets related to NOLCO of P17,463,815 and P36,909,098 as at December 31, 2022 and 2021, respectively, which were not recognized because the subsidiaries to which such are attributable may not be able to generate enough taxable profit yet within the validity period of NOLCO for the assets to be recovered. As at December 31, 2022, only the Parent Company, MDC, CPM, ASF, CPH, BL Ventures, YES, MGRI, YHES, YHEST, El Camino, and GGT are subject to MCIT which is computed at the applicable rate (1% in 2022 and 2021, respectively) of gross income net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. Other components of the Group are not yet subject to MCIT as those have not operated beyond four taxable years. The Group reported MCIT amounting to P2,061,395 and P12,237,602 in 2022 and 2021, respectively.

The Group opted to treat the capitalized borrowing costs as capital expenditure in accordance with Section 34(b) of the NIRC; hence, there are no deferred taxes related to the transaction. Furthermore, it opted to claim itemized deductions in computing its income tax due for the years ended December 31, 2022, 2021 and 2020.

26. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent or ABS, entities under common ownership, associates, shareholders, the Group's key management personnel, its retirement fund and others as described in Note 2.19. A summary of the Group's transactions and outstanding balances with related parties is presented below.

	Note	Amount of Transaction			Outstanding Balance	
		2022	2021	2020	2022	2021
Ultimate Parent Company						
Real estate sales	26.2	(P 4,589,149)	P 96,272,362	P 41,538,000	P 75,822,632	P 80,411,781
Entities under Common Ownership						
Net advances (collections)	26.1	(22,000,465)	35,500,674	11,953,583	35,401,209	57,401,674
Associates						
Net advances (collections)	26.1	368,535	(16,907)	49,504	401,132	32,597
Key Management Personnel						
Real estate sales	26.3	(3,212,399)	52,101,000	39,075,750	53,973,659	57,186,058
Compensation	26.4	149,885,801	122,750,352	94,966,157	-	-

Based on management's assessment, no impairment loss is required to be provided on the Group's receivables from related parties as at December 31, 2022 and 2021. In respect of contract receivables, it is fully secured by the units purchased, expected to be settled in cash and due based on the contract terms.

Details of the foregoing transactions are discussed below.

26.1 Advances to Related Parties

The Group grants cash advances to shareholders, entities under common ownership and associates. An analysis of such advances in 2022 and 2021 is presented below.

	Entities Under Common Ownership			Associates	Total
Balance at January 1, 2022	P	57,401,674	P	32,597	P 57,434,271
Additional advances		-		368,535	368,535
Collections	(	22,000,465)		-	(22,000,465)
Balance at December 31, 2022	P	35,401,209	P	401,132	P 35,802,341
Balance at January 1, 2021	P	21,901,000	P	49,504	P 21,950,504
Additional advances		35,500,674		-	35,500,674
Collections		-	(	16,907)	(16,907)
Balance at December 31, 2021	P	57,401,674	P	32,597	P 57,434,271

The outstanding balances from these transactions, which are payable on demand, unsecured and noninterest-bearing, are presented as Due from related parties in the consolidated statements of financial position.

26.2 Real Estate Sales to Ultimate Parent Company

In 2022, 2021, and 2020, CLI sold condominium units to ABS totaling P15,445,769, P96,272,362 and P41,538,000, respectively. The outstanding balance related to these transactions amounted to P75,822,632 and P80,411,781 as at December 31, 2022 and 2021, respectively, and is presented as part of Contract Receivables under the Receivables account in the consolidated statements of financial position (see Note 6).

26.3 Real Estate Sales to Key Management Personnel

In 2022, 2021 and 2020, CLI sold condominium units totaling P34,868,415, P52,101,000, and P39,075,750, respectively, to key management personnel. The outstanding balance related to these transactions amounts to P53,973,659 and P57,186,058 as at December 31, 2022 and 2021, respectively. These are presented as part of Contract receivables under the Receivables account in the consolidated statements of financial position (see Note 6).

26.4 Key Management Personnel Compensation

The composition of key management personnel compensation for the years ended December 31, 2022, 2021 and 2020 is shown below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Short-term benefits	P 141,949,540	P 121,082,068	P 90,246,704
Post-employment benefits	4,930,421	1,668,284	4,719,453
Share options	<u>3,005,840</u>	<u>-</u>	<u>-</u>
	<u>P 149,885,801</u>	<u>P 122,750,352</u>	<u>P 94,966,157</u>

26.5 Retirement Fund

CLI's retirement fund for its defined post-employment plan is administered and managed by a trustee bank. The fair value of plan assets in 2022 and 2021 consists of the contributions to the plan and interest earned (see Note 24.3). The plan assets do not comprise investment in any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

27. EQUITY

27.1 Capital Stock

Details of the Parent Company's authorized capital stock as of December 31, 2022 and 2021 are as follows:

	<u>Shares</u>		<u>Amount</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Preferred shares – P0.10 par value				
Authorized	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>P 100,000,000</u>	<u>P 100,000,000</u>
Common shares – P1.00 par value				
Authorized	<u>10,000,000,000</u>	<u>10,000,000,000</u>	<u>P10,000,000,000</u>	<u>P 10,000,000,000</u>

	Shares		Amount	
	2022	2021	2022	2021
Issued:				
Balance at beginning of year	3,623,451,997	1,714,000,000	P 3,623,451,997	P 1,714,000,000
Stock dividends	-	1,909,451,997	-	1,909,451,997
Balance at end of year	<u>3,623,451,997</u>	<u>3,623,451,997</u>	<u>3,623,451,997</u>	<u>3,623,451,997</u>
Treasury shares:				
Balance at beginning of year	(161,600,000)	(159,000,400)	(748,171,901)	(732,851,016)
Reissued during the year	3,349,470	-	15,507,297	-
Acquisitions during the year	-	(2,599,600)	-	(15,320,885)
Balance at end of year	<u>(158,250,530)</u>	<u>(161,600,000)</u>	<u>(732,664,604)</u>	<u>(748,171,901)</u>
Issued and outstanding	<u>3,465,201,467</u>	<u>3,461,851,997</u>	<u>P 2,890,787,393</u>	<u>P 2,875,280,096</u>

As disclosed in Note 1.1, the Parent Company had a successful IPO of 430,000,000 unissued common shares at an offer price of P5 per share, which is equivalent to P2,150,000,000 on June 2, 2017. Accordingly, the Parent Company recognized additional paid-in capital of P1,608,917,974 in the consolidated statements of financial position after deducting the related share issuance costs of P111,082,026.

On November 24, 2020, the Parent Company's BOD approved the proposed increase in its authorized common stock from P2,400,000,000, divided into 2,400,000,000 common shares with a par value of P1.00 per share to P10,000,000,000, divided into 10,000,000,000 common shares with a par value of P1.00 per share. Relative to the increase in authorized common stock, on the same date, the Parent Company's BOD approved to declare stock dividends, subject to the approval of the stockholders, of at least 1,900,000,000 or such number of common shares as sufficient to pay the required subscription to the increase in the authorized common stock and as necessary to avoid fractional shares, to be issued to stockholders of record as of the record date fixed and approved by the SEC, and to be paid on such payment date as shall be fixed by the BOD after the determination of the record date. The increase in the authorized common stock and declaration of stock dividends were approved by the Parent Company's stockholders on February 26, 2021.

On May 21, 2021, the SEC approved the Parent Company's application for the increase of authorized capital stock and declaration of stock dividends, and subsequently approved by the PSE on July 6, 2021.

On July 14, 2021, the Parent Company distributed stock dividends of 1,909,451,997 common shares with a par value of P1.00 or P1,909,451,997.

As at December 31, 2022 and 2021, common shares issued is 3,623,451,997 which amounts to P3,623,451,997. There is no issued preferred stock as at December 31, 2022 and 2021.

The share price of the Parent Company's common stock closed at P2.80 and P3.00 per share on December 29, 2022 and December 31, 2021, respectively, the last trading day in the PSE for 2022 and 2021.

The Group has no other listed securities as at December 31, 2022 and 2021.

27.2 Treasury Shares

An analysis of treasury shares as of December 31, 2022 and 2021, respectively is shown below.

	Shares		Amount	
	2022	2021	2022	2021
Balance at beginning of year	161,600,000	159,000,400	P 748,171,901	P 732,851,016
Reissued during the year	(3,349,470)	-	(15,507,297)	-
Reacquired during the year	-	2,599,600	-	15,320,885
Balance at end of year	158,250,530	161,600,000	P 732,664,604	P 748,171,901

On February 27, 2018, the BOD of the Parent Company approved a P250,000,000 budget for a share buy-back program and employee stock option plan. On March 2022, qualified employees started exercising their stock options (see Note 27.1).

On March 27, 2020, the BOD of the Parent Company approved an additional P500,000,000 stock buy-back program for its valuation plans over the next two years.

In relation to this program, the Parent Company reacquired 2,599,600 shares and 104,180,400 shares of its common stock in 2021 and 2020, respectively, for P15,320,885 and P485,657,205, respectively, and presented them as Treasury Stock in the consolidated statement of financial position. No additional shares reacquired in 2022.

In 2022, the Parent Company has reissued 3,349,470 treasury shares as a result of exercise of the same number of stock options (Note 27.3).

As at December 31, 2022 and 2021, total reacquired shares totals 158,250,530 and 161,600,000, respectively, which amounts to P732,664,604 and P748,171,901, respectively.

The common stock of the Parent Company that is held under nominee accounts totaled 1,307,052,405 shares and 1,310,696,135 shares as of December 31, 2022 and 2021, respectively. This represents 36% of the Parent Company's outstanding shares as of December 31, 2022 and 2021.

27.3 Employee Share Option

On October 6, 2021, the BOD of the Parent Company approved the Executive Stock Option Plan (ESOP) for its qualified officers. The ESOP grants options to purchase the shares of the Parent Company at a price of P2.25 or current market price with a 15% discount, whichever is higher. Shares bought under the ESOP cannot be sold, assigned, or transferred in any manner for at least six months from the exercise date. Voting and dividend rights vest upon the issuance of the shares to the employees.

Pursuant to this ESOP, on January 5, 2022, the Parent Company granted share options to qualified officers to subscribe to 31,016,200 common shares of the Parent Company, with the following vesting period.

- The 1st 25% of the options granted can be exercised immediately upon the year of grant;
- The 2nd 25% of the options granted can be exercised one year after the options were granted;

- The 3rd 25% of the options granted can be exercised two years after the options were granted; and,
- The last 25% of the options granted can be exercised three years after the options were granted.

A total of 3,349,470 share options were exercised at a price of P2.40 per share in 2022 using the Parent Company treasury shares (see Note 27.2).

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life	2.5 years
Average share price at grant date	P 2.86
Average exercise price at grant date	P 2.43
Average fair value at grant date	P 0.15
Average standard deviation of share price returns	20.17 %
Average dividend yield	14.95 %
Average risk-free investment rate	2.59 %

The underlying expected volatility was determined by reference to historical prices of the Parent Company's shares over a period of five years.

Share option benefits expense, which is included as part of Salaries and employee benefits under the Operating Expenses account, amounting to P3,005,840 was recognized in 2022 (see Note 24.2), while the corresponding credit to Share Options Outstanding account is presented as part of Equity Attributable to Owners of the Parent Company under the Equity section of the consolidated statements of financial position.

27.4 Revaluation Reserves

The components and reconciliation of items of other comprehensive income (loss) presented in the consolidated statement of changes in equity at their aggregate amount under the Revaluation Reserves account are shown below.

	Notes	2022	2021	2020
Balance at beginning of year		(P 13,477,472)	(P 12,883,375)	(P 6,589,225)
Other comprehensive income:				
Gain (loss) on remeasurement of post-employment defined benefit obligation	24.2	(577,372)	455,092	(8,991,642)
Tax income	25	144,343	(1,029,189)	2,697,492
		(433,029)	(594,097)	(6,294,150)
Balance at end of period		(P 13,910,501)	(P 13,477,472)	(P 12,883,375)

27.5 Retained Earnings

(a) Cash Dividends

On February 19, 2020, the Parent Company's BOD declared cash dividend of P0.25 per share totaling P414,795,000 to stockholders on record as of April 3, 2020 and was paid on April 30, 2020.

On March 15, 2021, the Parent Company's BOD declared cash dividend of P0.25 per share totaling P388,749,900 to stockholders on record as of April 16, 2021 and was paid on May 10, 2021.

On March 15, 2022, the Parent Company's BOD declared regular and special cash dividends of P0.112 and P0.038 per share, respectively, totaling P519,780,221 to stockholders on record as of April 22, 2022 and were paid on May 17, 2022.

(b) *Appropriations*

The movements of the appropriated retained earnings in 2022 are shown below.

<u>Purpose</u>	<u>January 1, 2022</u>	<u>Additions</u>	<u>Reversals</u>	<u>December 31, 2022</u>
Funding of CLI's projects:				
Casa Mira Towers Mandaue	P 87,799,633	P -	(P 87,799,633)	P -
Cebu Business Park Office	32,762,848	-	(32,762,848)	-
Mactan Lowaii Project/ Costa Mira Beachtown Mactan	29,141,419	551,585,305	(29,141,419)	551,585,305
Casa Mira and Velmiro Homes Davao	22,346,012	-	(22,346,012)	-
Masters Tower	-	623,204,982	-	623,204,982
Casa Mira Towers Bacolod	-	567,099,274	-	567,099,274
Mivela Garden Residences	-	407,113,996	-	407,113,996
Abaca Resort Mactan	-	392,233,257	-	392,233,257
Patria de Cebu	-	338,758,725	-	338,758,725
Casa Mira Towers Guadalupe	-	274,708,994	-	274,708,994
Casa Mira Towers LPU	-	271,901,531	-	271,901,531
Casa Mira Towers CDO	-	270,133,666	-	270,133,666
Velmiro Homes Consolacion	-	234,736,163	-	234,736,163
Balance at end of year	<u>P 172,049,912</u>	<u>P3,931,475,893</u>	<u>(P 172,049,912)</u>	<u>P 3,931,475,893</u>

The movements of the appropriated retained earnings in 2021 are shown below.

<u>Purpose</u>	<u>January 1, 2021</u>	<u>Reversals</u>	<u>December 31, 2021</u>
Funding of CLI's projects:			
Mivela Garden Residences	P 500,000,000	(P 500,000,000)	P -
Casa Mira Towers Mandaue	500,000,000	(412,200,367)	87,799,633
Casa Mira and Velmiro Homes Davao	400,000,000	(377,653,988)	22,346,012
Cebu Business Park Office/ Hotel Tower	364,269,107	(331,506,259)	32,762,848
Abaca Resort Mactan	148,209,601	(148,209,601)	-
Mactan Lowaii Project	72,216,550	(43,075,131)	29,141,419
Velmiro Heights Teakwood	<u>64,809,365</u>	<u>(64,809,365)</u>	-
	2,049,504,623	(1,877,454,711)	172,049,912
Distribution of stock dividends	<u>1,900,000,000</u>	<u>(1,900,000,000)</u>	-
Balance at end of year	<u>P 3,949,504,623</u>	<u>(P 3,777,454,711)</u>	<u>P 172,049,912</u>

On December 6, 2022, the Parent Company's BOD approved the appropriation of P3,931,475,893 retained earnings for various projects for capital expenditures, financing costs, and other related development costs.

Details of the appropriation are as follows:

- i. P623,204,982 for the on-going development of Masters Tower, which commenced in the second quarter of 2021 and is expected to be completed by fourth quarter of 2025;
- ii. P567,099,274 for the on-going development of Casa Mira Towers Bacolod Tower 1 and Tower 2. The on-going development commenced in the first quarter of 2022 and is expected to be completed by the third quarter of 2025;
- iii. P551,585,305 for the on-going development of Costa Mira Beachtown Mactan, which commenced in the third quarter of 2022 and is expected to be completed by second quarter of 2026;
- iv. P407,113,996 for the on-going development of Mivela Garden Residences, which commenced in the second quarter of 2020 and is expected to be completed by second quarter of 2023;
- v. P392,233,257 for the on-going development of Abaca Resort Mactan, which commenced in the third quarter of 2021 and is expected to be completed by fourth quarter of 2024;
- vi. P338,758,725 for the on-going development of Patria de Cebu, which commenced in the fourth quarter of 2019 and is expected to be completed by second quarter of 2024;
- vii. P274,708,994 for the on-going development of Casa Mira Towers Guadalupe. The Casa Mira Towers Guadalupe is composed of three towers. Tower 1 commenced in the third quarter of 2018 and is expected to be completed by first quarter of 2023. Tower 2 commenced in the fourth quarter of 2020 and is expected to be completed by third quarter of 2023. Tower 3 commenced in the third quarter of 2021 and is expected to be completed by fourth quarter of 2024;
- viii. P271,901,531 for the on-going development of Casa Mira Towers – LPU, which commenced in the second quarter of 2021 and is expected to be completed by second quarter of 2023;
- ix. P270,133,666 for the on-going development of Casa Mira Towers CDO, which commenced in the third quarter of 2019 and is expected to be completed by fourth quarter of 2022; and
- x. P234,736,163 for the development of Velmiro Homes Consolacion. The project is expected to commence in the first quarter of 2023 and is expected to be completed by first quarter of 2027.

In 2022 and 2021, the Parent Company released the appropriated retained earnings in 2021 and 2020 for funding of certain projects amounting to P172,049,912 and P1,877,454,711, respectively, to unrestricted retained earnings after partial fulfillment of its intended purpose. Moreover, appropriated retained earnings of P1,900,000,000 in 2021 was released to unappropriated retained earnings after the distribution of stock dividends by the Parent Company on July 14, 2021.

On November 24, 2020, the BOD approved the appropriation of P3,300,000,000 retained earnings for various projects. Details of the appropriation are as follows:

- P1,900,000,000 is intended for the Parent Company's proposed increase in authorized common stock and of which portion will be issued through stock dividend. (see Note 27.1)
- P1,400,000,000 for the capital expenditures, financing costs, and other related development costs of certain projects that the Parent Company expects to incur in 2021 with details below:
 - i. P400,000,000 for the on-going development of the Casa Mira and Velmiro Homes Davao projects. Project developments commenced in December 2019 and are expected to be completed by fourth quarter of 2023.
 - ii. P500,000,000 for the on-going development of Mivela Garden Residences. Project development commenced in September 2019 and is expected to be completed by fourth quarter of 2023.
 - iii. P500,000,000 for the on-going development of Casa Mira Towers Mandaue. Project development commenced in September 2019 and is expected to be completed by fourth quarter of 2023.

A portion of the Group's retained earnings, equivalent of the cost of treasury shares is legally restricted in accordance with Section 40 of the Revised Corporation Code.

27.6 Non-controlling Interests

The subsidiaries of the Group with significant NCI as at December 31, 2022, 2021 and 2020 are as follows.

Subsidiaries	NCI Ownership %			NCI Equity in Subsidiaries		
	2022	2021	2020	2022	2021	2020
YHEST	50%	50%	50%	P 3,875,590,923	P 3,706,027,295	P 3,715,725,255
El Camino	65%	65%	65%	1,122,368,628	1,113,400,062	1,060,345,832
CHDI	50%	50%	50%	786,666,552	672,519,752	654,584,882
YHES	50%	50%	50%	686,512,645	605,533,074	540,728,657
GGTT	50%	50%	-	267,015,020	90,043,506	-
YES	50%	50%	50%	181,981,225	243,297,814	294,725,960
CLI-LITE	12%	12%	-	124,588,359	124,729,968	-
CBLRV	50%	50%	50%	105,222,808	98,733,293	99,432,604
MGR	55%	55%	55%	101,114,684	172,090,942	279,378,963
CCLI	50%	50%	50%	91,485,695	96,831,317	105,051,470
BL Ventures	50%	50%	50%	74,398,398	128,164,739	145,666,074
SPE	36%	36%	-	14,296,286	(18,518,426)	-
MDC	22%	22%	-	79,813,515	59,453,985	-
				<u>P 7,511,051,738</u>	<u>P 7,092,307,321</u>	<u>P 6,895,639,697</u>

The analysis of the movement of NCI as at December 31, 2022, 2021 and 2020 are as follows.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 7,092,307,321	P 6,895,639,697	P 6,056,029,905
Share in net profit during the year	437,003,407	57,934,293	229,607,588
Dividends	(79,900,000)	(88,000,000)	(37,500,000)
New and additional investments	<u>61,641,010</u>	<u>226,733,331</u>	<u>647,502,204</u>
Balance at end of year	<u>P 7,511,051,738</u>	<u>P 7,092,307,321</u>	<u>P 6,895,639,697</u>

In 2022, a non-controlling shareholder of SPE contributed P41,641,010 as additional investment. This includes P11,641,010 advanced in 2021 under Trade and other payables and reclassified as equity in April 2022. Additionally, non-controlling shareholders of MDC contributed cash of P20,000,000 in 2022. In the same year, MGR and BL Ventures declared cash dividends amounting to P130,000,000 and P16,800,000, respectively, of which P71,500,000 and P8,400,000 is payable to non-controlling shareholders.

As at December 31, 2021, CLI's acquisition of GGTT was accounted for as an acquisition of a business as it already commenced commercial operations in 2021 (see Note 1). Thus, the pre-existing contribution of GGTT's non-controlling stockholders amounting to P50,000,000 was accounted as an additional investment during the year. In addition, non-controlling shareholders of CLI-LITE contributed cash totalling P252,725,000 as paid-in capital upon its incorporation in July 2021.

In 2021, MGR declared total cash dividends of P160,000,000 of which P88,000,000 is payable to non-controlling shareholders.

In 2020, CBLRV was incorporated with paid-in capital from non-controlling stockholders amounting to P100,002,200. Other significant activities of the Group's NCI in 2020 are as follows:

- CHDI's non-controlling shareholders contributed cash of P430,000,000 as paid-in capital.
- CCLI's deposits for future share subscription from non-controlling shareholders amounting to P20,000,001 was transferred to capital stock after compliance of SEC requirements of the reclassification.
- El Camino's non-controlling shareholders contributed cash amounting to P97,500,002 as additional capital; and,
- YES declared a cash dividend of P20,000,000 in September 2020 and of which P10,000,000 was paid to non-controlling shareholders.

Significant information on the financial position and financial performance of YHEST as at and for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P4,123,628,226	P2,215,752,383
Non-current assets	<u>3,372,951,634</u>	<u>3,751,960,049</u>
Total assets	<u>P7,496,579,860</u>	<u>P5,967,712,432</u>

	<u>2022</u>	<u>2021</u>
Current liabilities	P 930,337,608	P 98,663,124
Non-current liabilities	<u>91,670,042</u>	(<u>6,395,339</u>)
Total liabilities	<u>P1,022,007,650</u>	<u>P 92,267,785</u>
Revenues	<u>P 868,396,211</u>	<u>P -</u>
Net profit	P 339,127,564	(P 19,396,226)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>P 339,127,564</u>	<u>(P 19,396,226)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2022</u>	<u>2021</u>
Parent Company's shareholders	P 169,563,782	(P 9,698,113)
Non-controlling interests	<u>169,563,782</u>	(<u>9,698,113</u>)
Net loss	<u>P 339,127,564</u>	<u>(P 19,396,226)</u>

Significant information on the financial position and financial performance of El Camino as at and for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P3,265,471,837	P3,768,937,784
Non-current Assets	<u>2,368,266,476</u>	<u>2,305,807,154</u>
Total assets	<u>P5,633,738,313</u>	<u>P6,074,744,938</u>
Current liabilities	P1,437,453,690	P1,948,151,718
Non-current liabilities	<u>2,469,023,658</u>	<u>2,413,130,052</u>
Total liabilities	<u>P3,906,484,045</u>	<u>P4,361,281,770</u>
Revenues	<u>P 408,514,109</u>	<u>P 726,343,098</u>
Net profit	P 13,797,794	P 81,621,893
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>P 13,797,794</u>	<u>P 81,621,893</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2022</u>	<u>2021</u>
Parent Company's shareholders	P 4,829,228	P 28,567,663
Non-controlling interests	<u>8,968,566</u>	<u>53,054,230</u>
Net profit	<u>P 13,797,794</u>	<u>P 81,621,893</u>

Significant information on the financial position and financial performance of CHDI as at and for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P3,619,552,664	P 3,161,482,353
Non-current Assets	<u>682,792,917</u>	<u>18,913,837</u>
Total assets	<u>P4,302,345,581</u>	<u>P 3,180,396,190</u>
Current liabilities	P2,090,465,890	P 1,657,531,211
Non-current liabilities	<u>638,546,595</u>	<u>177,825,482</u>
Total liabilities	<u>P2,729,012,485</u>	<u>P1,835,356,693</u>
Revenues	<u>P 844,564,708</u>	<u>P 176,756,441</u>
Net profit	P 228,293,599	P 35,869,739
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>P 228,293,599</u>	<u>P 35,869,739</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2022</u>	<u>2021</u>
Parent Company's shareholders	P 114,146,799	P 17,934,870
Non-controlling interests	<u>114,146,800</u>	<u>17,934,869</u>
Net profit	<u>P 228,293,599</u>	<u>P 35,869,739</u>

Significant information on the financial position and financial performance of YHES as at and for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P1,486,953,404	P 1,951,443,450
Non-current Assets	<u>2,939,090,975</u>	<u>752,918,167</u>
Total assets	<u>P4,426,044,379</u>	<u>P2,704,361,617</u>
Current liabilities	P1,865,621,402	P 953,031,316
Non-current liabilities	<u>1,187,137,129</u>	<u>540,071,622</u>
Total liabilities	<u>P3,052,758,531</u>	<u>P1,493,102,938</u>
Revenues	<u>P 622,016,164</u>	<u>P 342,152,332</u>
Net profit	P 162,027,169	P 129,664,463
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>P 162,027,169</u>	<u>P 129,664,463</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2022</u>	<u>2021</u>
Parent Company's shareholders	P 81,013,584	P 64,832,232
Non-controlling interests	<u>81,013,585</u>	<u>64,832,231</u>
Net profit	<u>P 162,027,169</u>	<u>P 129,664,463</u>

Significant information on the financial position and financial performance of YES as at and for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P 951,126,375	P 1,467,120,104
Non-current Assets	<u>26,757,666</u>	<u>111,356,246</u>
Total assets	<u>P 977,884,041</u>	<u>P 1,578,476,350</u>
Current liabilities	P 478,859,125	P 932,716,673
Non-current liabilities	<u>135,062,460</u>	<u>159,164,043</u>
Total liabilities	<u>P 613,921,585</u>	<u>P 1,091,880,716</u>
Revenues	<u>P 166,545,780</u>	<u>P 27,963,542</u>
Net loss	(P 122,633,178)	(P 102,856,292)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>(P 122,633,178)</u>	<u>(P 102,856,292)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2022</u>	<u>2021</u>
Parent Company's shareholders	(P 61,316,589)	(P 51,428,146)
Non-controlling interests	<u>(61,316,589)</u>	<u>(51,428,146)</u>
Net loss	<u>(P 122,633,178)</u>	<u>(P 102,856,292)</u>

Significant information on the financial position and financial performance of MGR as at and for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P 260,752,900	P 637,568,406
Non-current Assets	<u>861,935</u>	<u>679,432</u>
Total assets	<u>P 261,614,835</u>	<u>P 638,247,838</u>
Current liabilities	P 53,427,339	P 241,397,387
Non-current liabilities	<u>20,967,615</u>	<u>80,582,830</u>
Total liabilities	<u>P 74,394,954</u>	<u>P 321,980,217</u>

	<u>2022</u>	<u>2021</u>
Revenues - net	(P 26,999,881)	(P 12,991,772)
Net loss (profit)	P 952,259	(P 35,069,128)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	(P 952,259)	(P 35,069,128)

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2022</u>	<u>2021</u>
Parent Company's shareholders	P 428,517	(P 15,781,108)
Non-controlling interests	<u>523,742</u>	(19,288,020)
Net income (loss)	P 952,259	(P 35,069,128)

Significant information on the financial position and financial performance of BL Ventures as at and for the year ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P 152,023,688	P 484,676,774
Non-current Assets	<u>694,170,706</u>	<u>729,302,544</u>
Total assets	P 846,194,394	P1,213,979,318
Current liabilities	P 294,560,741	P 243,537,654
Non-current liabilities	<u>402,863,601</u>	<u>714,138,930</u>
Total liabilities	P 697,424,342	P 957,676,584
Revenues - net	(P 4,367,243)	P 39,771,377
Net loss	(P 90,732,683)	(P 35,002,671)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	(P 90,732,683)	(P 35,002,671)

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2022</u>	<u>2021</u>
Parent Company's shareholders	(P 45,366,342)	(P 17,501,335)
Non-controlling interests	<u>(45,366,341)</u>	(17,501,336)
Net loss	(P 90,732,683)	(P 35,002,671)

Significant information on the financial position and financial performance of CLI-LITE as at and for the year ended December 31, 2022 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P 410,122,908	P 346,359,819
Non-current Assets	<u>740,515,353</u>	<u>740,506,424</u>
Total assets	<u>P1,150,638,261</u>	<u>P1,086,866,243</u>
Current liabilities	390,783,076	P 102,872,211
Non-current liabilities	<u>3,296,816</u>	<u>372,278,788</u>
Total liabilities	<u>P 394,079,892</u>	<u>P 475,150,999</u>
Revenues	<u>P -</u>	<u>P -</u>
Net loss	(P 1,156,876)	(P 13,060,257)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>(P 1,156,876)</u>	<u>(P 13,060,257)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

Parent Company's shareholders	(P 1,012,266)	(P 11,427,725)
Non-controlling interests	<u>(144,609)</u>	<u>(1,632,532)</u>
Net loss	<u>(P 1,156,876)</u>	<u>(P 13,060,257)</u>

Significant information on the financial position and financial performance of CBLRV as at and for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P 627,021,812	P 427,299,380
Non-current Assets	<u>276,739,032</u>	<u>20,000</u>
Total assets	<u>P 903,760,844</u>	<u>P 427,319,380</u>
Current liabilities	P 624,205,689	P 31,870,806
Non-current liabilities	<u>69,113,940</u>	<u>197,986,389</u>
Total liabilities	<u>P 690,489,433</u>	<u>P 229,857,195</u>
Revenues	<u>P 34,842,825</u>	<u>P -</u>
Net income (loss)	P 12,979,029	(P 1,398,623)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	<u>P 12,979,029</u>	<u>(P 1,398,623)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2022</u>	<u>2021</u>
Parent Company's shareholders	P 6,489,514	(P 699,311)
Non-controlling interests	<u>6,489,515</u>	<u>(699,312)</u>
Net income (loss)	<u>P 12,979,029</u>	<u>(P 1,398,623)</u>

Significant information on the financial position and financial performance of CCLI as at and for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P 218,137,796	P 114,426,923
Non-current Assets	<u>716,187,814</u>	<u>498,786,042</u>
Total assets	<u>P 934,325,610</u>	<u>P 613,212,965</u>
Current liabilities	P 86,343,000	P 67,696,785
Non-current liabilities	<u>665,011,219</u>	<u>351,853,544</u>
Total liabilities	<u>P 751,354,219</u>	<u>P 419,550,329</u>
Revenues	<u>P -</u>	<u>P -</u>
Net loss	(P 10,691,245)	(P 16,440,305)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>(P 10,691,245)</u>	<u>(P 16,440,305)</u>

The profit or loss is allocated between the Parent Company and NCI as follows:

	<u>2022</u>	<u>2021</u>
Parent Company's shareholders	(P 5,345,623)	(P 8,220,152)
Non-controlling interests	<u>(5,345,622)</u>	<u>(8,220,153)</u>
Net loss	<u>(P 10,691,245)</u>	<u>(P 16,440,305)</u>

Significant information on the financial position and financial performance of GGTT as at and for the year ended December 31, 2022 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P 383,824,261	P 512,554,913
Non-current Assets	<u>1,055,346,456</u>	<u>249,193,934</u>
Total assets	<u>P1,439,170,717</u>	<u>P 761,748,847</u>
Current liabilities	P 533,367,538	P 426,715,192
Non-current liabilities	<u>244,043,137</u>	<u>28,119,854</u>
Total liabilities	<u>P 777,410,675</u>	<u>P 454,835,046</u>

	<u>2022</u>	<u>2021</u>
Revenues	<u>P 820,847,579</u>	<u>P 221,930,052</u>
Net income	P 354,846,240	P 80,087,011
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>P 354,846,240</u>	<u>P 80,087,011</u>

The profit or loss is allocated between the Parent Company and NCI as follows:

Parent Company's shareholders	P 177,423,120	P 40,043,506
Non-controlling interests	<u>177,423,120</u>	<u>40,043,505</u>
Net profit	<u>P 354,846,240</u>	<u>P 80,087,011</u>

Significant information on the financial position and financial performance of SPE as at and for the year ended December 31, 2022 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P 54,658,372	P 33,255,756
Non-current Assets	<u>396,273,145</u>	<u>280,859,912</u>
Total assets	<u>P 450,931,517</u>	<u>P 314,115,668</u>
Current liabilities	P 55,767,420	P 57,146,330
Non-current liabilities	<u>253,537,865</u>	<u>274,962,623</u>
Total liabilities	<u>P 309,305,285</u>	<u>P 332,108,953</u>
Revenues	<u>P -</u>	<u>P -</u>
Net loss	(P 24,517,493)	(P 24,179,468)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>(P 24,517,493)</u>	<u>(P 24,179,468)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

Parent Company's shareholders	(P 15,691,196)	(P 15,474,860)
Non-controlling interests	(8,826,297)	(8,704,608)
Net loss	(P 24,517,493)	(P 24,179,468)

Significant information on the financial position and financial performance of MDC as at and for the year ended December 31, 2022 are as follows:

	<u>2022</u>	<u>2021</u>
Current assets	P 178,469,710	P 78,233,892
Non-current Assets	<u>-</u>	<u>-</u>
Total assets	<u>P 178,469,710</u>	<u>P 78,233,892</u>
Current liabilities	P 1,865,870	P 2,215,857
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>P 1,865,870</u>	<u>P 2,215,857</u>
Revenues	<u>P -</u>	<u>P -</u>
Net loss	(P 413,395)	(P 3,274,357)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>(P 413,395)</u>	<u>(P 3,274,357)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

Parent Company's shareholders	(P 321,167)	(P 2,543,848)
Non-controlling interests	<u>(92,228)</u>	<u>(730,509)</u>
Net loss	<u>(P 413,395)</u>	<u>(P 3,274,357)</u>

28. EARNINGS PER SHARE

EPS is computed as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Income available to common stockholders	P 3,170,887,739	P 2,612,937,324	P 1,846,119,733
Divided by weighted average number of outstanding common stock	<u>3,464,364,100</u>	<u>2,507,833,165</u>	<u>1,605,279,067</u>
Basic and diluted EPS	<u>P 0.92</u>	<u>P 1.04</u>	<u>P 1.15</u>

On January 5, 2022, the Parent Company granted share options to qualified officers to subscribe to 31,016,200 common shares of the Parent Company, an exercise price of P2.25 or current market price with a 15% discount, whichever is higher.

The basic and diluted earnings per share in 2022 are the same because the dilutive effects of potential common shares from the employee share options are negligible for the periods presented. Thus, the weighted average number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the employee share options.

There were no instruments that could potentially dilute basic earnings per share for years ended December 31, 2022, 2021, and 2020; hence, basic EPS is the same as diluted EPS.

29. COMMITMENTS AND CONTINGENCIES

29.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering certain condominium and parking units and retail building space (see Note 13). To manage its risks over these operating leases, the Group retains its legal title over the underlying assets and requires its lessee to pay security deposits at the start of the lease, which are forfeited in case a lessee pre-terminates without prior notice or before the expiry of the lease term without cause. The leases have terms ranging from one to 15 years, with renewal options, and include annual escalation from 5.00% to 10.00%. The future minimum lease receivables under these agreements are presented below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Within one year	P 65,807,376	P 59,212,971	P 53,712,626
After one year but not more than five years	139,589,932	149,311,191	71,468,344
More than five years	<u>92,651,746</u>	<u>105,840,163</u>	<u>118,400,559</u>
	<u>P 298,049,054</u>	<u>P 314,364,325</u>	<u>P 243,581,529</u>

Rental income amounted to P79,277,559, P74,272,000 and P55,237,972 in 2022, 2021 and 2020, respectively (see Note 13). None of the rental income in 2022, 2021 and 2020 are relating to variable lease payments.

29.2 Operating Lease Commitments – Group as Lessee

The Group entered into several short-term cancellable leases for its billboards, warehouse and staff house. Rent expense incurred from the short-term cancellable leases amounted to P24,410,422, P23,699,072 and P18,441,626 in 2022, 2021 and 2020, respectively, and is shown as rent under Operating Expenses in the consolidated statements of profit or loss (see Notes 20).

As at December 31, 2022 and 2021, the expected future rentals is expected to be more or less the same with the annual rent expense recognized because of the terms of the leases, which are less than 12 months.

29.3 Completion of Sold Units

The Group is obligated to finish the sold units that are at a certain stage of completion at the time of sale. The Group recognized a contract liability, which amounts to P598,391,867 and P604,254,603 as at December 31, 2022 and 2021, respectively, when it collects more than it is entitled to based on the stage of completion of the project development (see Note 18.2).

29.4 Purchase of Land

In 2022 and 2020, the Group had agreed in principle with multiple sellers of real estate properties in various locations in Visayas and Mindanao for the acquisition of parcels of land amounting to P129,996,729 and P122,412,000, respectively. There were no such commitments as at December 31, 2021.

29.5 Capital Commitments for Construction Cost

As at December 31, 2022 and 2021, the Group has capital commitments of about P8,812,246,977 and P8,346,359,878, respectively, for the construction of real estate inventories, property and equipment and investment properties.

29.6 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements because the possible outflow of economic resource as a result of present obligations is considered improbable or remote or the amount to be provided cannot be measured reliably. As at December 31, 2022 and 2021, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

30. EVENTS AFTER THE REPORTING PERIOD

On March 20, 2023, the BOD declared regular and special cash dividends of P0.15 and P0.03 per share, respectively, totaling P623,736,264 to stockholders on record as of April 18, 2023. Such dividends will be paid on April 28, 2023.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 32. The main types of risks are market risk, credit risk and liquidity risk. The Group's risk management focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

It does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described as follows.

31.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from its operating, investing, and financing activities.

It has no significant foreign currency exposure risks as most of its transactions are carried out in Philippine pesos, its functional currency.

31.2 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.

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 transfers the corresponding title of the subdivision lots, house and lot units, condominium units and parking spaces only upon full payment of the contract price.

(a) *Maximum exposure to credit risk*

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets (including contract assets), as summarized below.

	Notes	2022	2021
Cash and cash equivalents	5	P 1,434,559,762	P 1,095,821,916
Receivables*	6	3,657,261,050	6,004,327,391
Contract assets	18.2	31,979,063,534	20,290,305,185
Due from related parties	26.1	35,802,341	57,434,271
Short-term investments	9	204,836,249	149,901,854
Refundable deposits	14	128,384,996	94,473,055
		<u>P37,439,907,932</u>	<u>P 27,692,263,672</u>

* Receivables - net excludes advances to officers and employees.

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

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure
<u>2022</u>			
Contract receivables	P 3,030,230,127	P 6,632,550,849	P -
Contract assets	<u>31,979,063,534</u>	<u>58,301,956,960</u>	<u>-</u>
	<u>P35,009,293,661</u>	<u>P64,934,507,809</u>	<u>P -</u>
<u>2021</u>			
Contract receivables	P 3,698,337,693	P 7,853,276,713	P -
Contract assets	<u>20,290,305,185</u>	<u>35,539,865,028</u>	<u>-</u>
	<u>P 23,988,642,878</u>	<u>P 43,393,141,741</u>	<u>P -</u>

(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 contract receivables and contract assets, net of allowance for impairment, is shown below.

	<u>2022</u>	<u>2021</u>
Cebu	P 16,921,619,068	P 9,989,965,155
Visayas	7,230,845,939	5,642,592,784
Mindanao	10,856,726,305	4,321,914,120
Luzon	<u>102,349</u>	<u>166,366</u>
	<u>P35,009,293,661</u>	<u>P 19,954,638,425</u>

(c) *Credit quality*

The Group classifies cash in banks as high grade as these are deposited with reputable banks.

Other receivables and refundable deposits are considered to be unrated and are neither past due nor impaired. For trade receivables, standard grade pertains to receivables with no default in payments and are effectively collateralized by the real estate inventories which can be subject to repossession upon non-payment of customers after reasonable collection effort has been exerted by the Group.

	<u>2022</u>					
	<u>Neither past due nor impaired</u>		<u>Unrated</u>	<u>Past due but not impaired</u>	<u>Individually impaired</u>	<u>Total</u>
	<u>High grade</u>	<u>Standard grade</u>				
Cash	P 1,434,559,762	P -	P -	P -	P -	P 1,434,559,762
Receivables						
Contract	-	2,246,422,576	-	783,807,551	-	3,030,230,127
Others	-	-	625,221,454	-	1,809,469	627,030,923
Contract assets	-	31,979,063,534	-	-	-	31,979,063,534
Due from related parties	-	-	35,802,341	-	-	35,802,341
Short-term investments	204,836,249	-	-	-	-	204,836,249
Refundable deposits	-	-	128,384,996	-	-	128,384,996
	<u>P 1,639,396,011</u>	<u>P34,225,486,110</u>	<u>P 789,408,791</u>	<u>P 783,807,551</u>	<u>P 1,809,469</u>	<u>P37,439,907,932</u>
	<u>2021</u>					
	<u>Neither past due nor impaired</u>		<u>Unrated</u>	<u>Past due but not impaired</u>	<u>Individually impaired</u>	<u>Total</u>
	<u>High grade</u>	<u>Standard grade</u>				
Cash	P 1,095,821,916	P -	P -	P -	P -	P 1,095,821,916
Receivables						
Contract	-	3,706,840,456	-	1,790,946,881	-	5,497,787,337
Others	-	-	505,939,359	-	600,695	506,540,054
Contract assets	-	20,290,305,185	-	-	-	20,290,305,185
Due from related parties	-	-	57,434,271	-	-	57,434,271
Short-term investments	149,901,854	-	-	-	-	149,901,854
Refundable deposits	-	-	94,473,055	-	-	94,473,055
	<u>P 1,245,723,770</u>	<u>P23,997,145,641</u>	<u>P 657,846,685</u>	<u>P 1,790,946,881</u>	<u>P 600,695</u>	<u>P27,692,263,672</u>

31.3 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 on a 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. It maintains cash to meet its liquidity. Excess cash are invested in short-term placements.

As at December 31, 2022 and 2021, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years
December 31, 2022				
Interest-bearing loans and borrowings	P 6,173,740,948	P 2,374,903,037	P 21,006,645,481	P 9,462,451,360
Bonds payable	168,742,525	168,742,525	3,849,718,073	2,423,031,648
Trade and other payables*	<u>11,863,581,836</u>	<u>3,807,034,840</u>	<u>3,135,384,424</u>	<u>-</u>
	<u>P18,206,065,309</u>	<u>P 6,350,680,402</u>	<u>P 27,991,747,978</u>	<u>P 11,885,483,008</u>
December 31, 2021				
Interest-bearing loans and borrowings	P 4,372,926,971	P 4,391,719,080	P 14,001,035,043	P 9,462,451,360
Trade and other payables*	<u>5,352,277,771</u>	<u>5,886,663,859</u>	<u>1,106,244,334</u>	<u>238,639,111</u>
	<u>P 9,725,204,742</u>	<u>P10,278,382,939</u>	<u>P 15,107,279,377</u>	<u>P 9,701,090,471</u>

* Trade and other payables excludes output VAT, government-related obligations and advance rental.

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

32. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND FAIR VALUE MEASUREMENTS AND DISCLOSURES

32.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	<u>Notes</u>	2022		2021	
		<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Financial Assets					
at amortized cost:					
Cash and cash equivalents	5	P 1,434,559,762	P 1,434,559,762	P 1,095,821,916	P 1,095,821,916
Receivables - net ¹	6	3,657,261,050	3,657,261,050	6,004,327,391	6,004,327,391
Due from related parties	26.1	35,802,341	35,802,341	57,434,271	57,434,271
Short-term investments	9	204,836,249	204,836,249	149,901,854	149,901,854
Refundable deposits	14	<u>128,384,996</u>	<u>128,384,996</u>	<u>94,473,055</u>	<u>94,473,055</u>
		<u>P 5,460,844,398</u>	<u>P 5,460,844,398</u>	<u>P 7,401,958,487</u>	<u>P 7,401,958,487</u>
Financial Liabilities					
at amortized cost:					
Interest-bearing loans and borrowings	15	P 35,062,290,611	P 32,892,943,912	P 32,021,719,390	P 32,021,719,390
Bonds payable	16	4,930,582,631	5,074,171,211	-	-
Trade and other payables ²	17	<u>18,806,001,100</u>	<u>18,806,001,100</u>	<u>12,608,823,740</u>	<u>12,608,823,740</u>
		<u>P 59,078,617,823</u>	<u>P 56,773,116,223</u>	<u>P 44,630,543,130</u>	<u>P 44,630,543,130</u>

¹ Receivables - net excludes advances to officers and employees.

² Trade and other payables excludes output VAT, government-related obligations and advance rental.

See Note 2.5 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 31.

32.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statements of financial position		Net amount presented in the consolidated statements of financial position	Related amounts not set-off in the consolidated statements of financial position		
	Financial assets	Financial liabilities set off		Financial instruments	Cash collateral received	Net amount
December 31, 2022						
Cash and cash equivalents	<u>P 1,434,559,762</u>	<u>P -</u>	<u>P 1,434,559,762</u>	<u>P 554,474,038</u>	<u>P -</u>	<u>P 880,085,724</u>
December 31, 2021						
Cash and cash equivalents	<u>P 1,095,821,916</u>	<u>P -</u>	<u>P 1,095,821,916</u>	<u>P 1,091,277,530</u>	<u>P -</u>	<u>P 4,544,386</u>

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statements of financial position		Net amount presented in the consolidated statements of financial position	Related amounts not set-off in the consolidated statements of financial position		
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	Net amount
December 31, 2022						
Interest-bearing loans and borrowings	<u>P 35,062,290,611</u>	<u>P -</u>	<u>P 35,062,290,611</u>	<u>P 554,474,038</u>	<u>P -</u>	<u>P 34,507,816,573</u>
December 31, 2021						
Interest-bearing loans and borrowings	<u>P 32,021,719,390</u>	<u>P -</u>	<u>P 32,021,719,390</u>	<u>P 1,091,277,530</u>	<u>P -</u>	<u>P 30,780,540,007</u>

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Group and counterparties (i.e., banks) allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

32.3 Fair Value Measurements and Disclosures

(a) 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:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- (b) 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,

- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial 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 value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

(b) *Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed*

The table below and in the succeeding page summarizes the fair value hierarchy of the Group's financial assets and financial liabilities, which are not measured at fair value in the 2022 and 2021 consolidated statements of financial position, but for which fair value is disclosed (see Note 32.1).

		2022			
		Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	P	1,434,559,762	P -	P -	P 1,434,559,762
Receivables – net ¹		-	-	3,657,261,050	3,657,261,050
Due from related parties		-	-	35,802,341	35,802,341
Short-term investments		204,836,249	-	-	204,836,249
Refundable deposits		-	-	128,384,996	128,384,996
		<u>P 1,639,396,011</u>	<u>P -</u>	<u>P 3,821,448,387</u>	<u>P 5,460,844,398</u>
Financial liabilities					
Interest-bearing loans and borrowings	P	-	P -	P 35,062,290,611	P 35,062,290,611
Bonds payable		-	-	4,930,582,631	4,930,582,631
Trade and other payables ²		-	-	18,806,001,100	18,806,001,100
		<u>P -</u>	<u>P -</u>	<u>P 58,798,874,342</u>	<u>P 59,798,874,342</u>

¹ Receivables - net excludes advances to officers and employees.

² Trade and other payables excludes output VAT, government-related obligations and advance rental.

	2021			
	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>				
Cash and cash equivalents	P 1,095,821,916	P -	P -	P 1,095,821,916
Receivables – net ¹	-	-	6,004,327,391	6,004,327,391
Due from related parties	-	-	57,434,271	57,434,271
Short-term investments	149,901,854	-	-	149,901,854
Refundable deposits	-	-	94,473,055	94,473,055
	<u>P 1,245,723,770</u>	<u>P -</u>	<u>P 6,156,234,717</u>	<u>P 7,401,958,487</u>
<i>Financial liabilities</i>				
Interest-bearing loans and borrowings	P -	P -	P 32,021,719,390	P 32,021,719,390
Trade and other payables ²	-	-	12,608,823,740	12,608,823,740
	<u>P -</u>	<u>P -</u>	<u>P 44,630,543,130</u>	<u>P 44,630,543,130</u>

¹ Receivables - net excludes advances to officers and employees.

² Trade and other payables excludes output VAT, government-related obligations and advance rental.

For the Group's financial assets and financial liabilities, which are measured at amortized cost, management has determined that their carrying amounts are equal to or approximate their fair values, except for interest-bearing loans and borrowings, because of their short-term nature.

(c) *Fair Value Measurement for Non-financial Assets*

The Group has no non-financial assets measured at fair value as at December 31, 2022 and 2021. However, the fair values of its investment properties are required to be disclosed, as shown in Note 13.

The table below shows the Levels within the hierarchy of non-financial assets (investment property), which are not carried at fair value but whose fair value are required to be disclosed on a recurring basis as at December 31, 2022 and 2021.

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Investment property	<u>P -</u>	<u>P -</u>	<u>P20,627,177,086</u>	<u>P20,627,177,086</u>
December 31, 2021				
Investment property	<u>P -</u>	<u>P -</u>	<u>P16,210,917,528</u>	<u>P16,210,917,528</u>

In 2022 and 2021, the fair value of the Group's Investment Properties is determined on the basis of the appraisals performed by an independent external appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the parcels of land and buildings, and the comparable prices in the corresponding property location.

The fair value of these parcels of land, condominium units and retail building were determined based on the following approaches:

(i) *Fair Value Measurement for Land, Condominium Units and Retail Buildings*

The Level 3 fair value of the parcels of land, condominium units, retail building and parking slots under Investment Properties account was determined using the market approach, adjusted for differences in key attributes such as properties size, zoning and accessibility.

Under the market approach, when comparable lease offerings of similar properties and sales prices of comparable land properties in close proximity are used in the valuation of the subject property with insignificant adjustment on the price, fair value is included in Level 2. Consequently, if the observable recent prices of the reference properties were adjusted significantly for differences in key attributes such as properties size, zoning and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(ii) *Fair Value Measurement for Improvements under Retail Buildings*

The Level 3 fair value of building improvements presented as part of retail buildings under Investment Properties account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change on the valuation techniques used by the Group, except as indicated above, during the period for its investment properties. Also, there were no transfers into or out of Level 2 fair value hierarchy for the years ended December 31, 2022 and 2021.

33. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2022</u>	<u>2021</u>
Total interest-bearing loans and borrowings and bonds payable	P39,992,873,242	P 32,021,719,390
Total equity	<u>21,012,614,893</u>	<u>17,932,181,524</u>
Debt-to-equity ratio	<u>1.90:1.00</u>	<u>1.79:1.00</u>

The Group's goal in capital management is to limit a maximum debt-to-equity structure ratio of 75:25 on a monthly basis. The Parent Company is required to maintain certain financial ratios in relation with its borrowings (see Note 15.2). The Group has complied with its covenant obligations for both years ended December 31, 2022 and 2021.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

34. 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.

	Bank Loans —(see Note 15)—	Lease Liabilities —(see Note 12.2)—	Bonds Payable —(see Note 16)—	Total
Balance as of January 1, 2022	P32,021,719,390	P 1,126,130,301	P -	P33,147,849,691
Cash flows from financing activities				
Additional borrowings – net	11,749,374,715	-	4,926,627,631	16,676,002,346
Repayments	(8,807,422,731)	-	-	(8,807,422,731)
Non-cash financing activities				
Amortization of debt issue cost	98,619,237	-	3,955,000	102,574,237
Additional lease liabilities	-	52,874,045	-	52,874,045
Interest amortization on lease obligation	-	58,055,137	-	58,055,137
Balance at December 31, 2022	<u>P35,062,290,611</u>	<u>P1,237,059,483</u>	<u>P 4,930,582,631</u>	<u>P41,229,932,725</u>
Balance as of January 1, 2021	P23,793,983,711	P 834,733,975	P -	P24,628,717,686
Cash flows from financing activities				
Additional borrowings – net	14,448,015,997	-	-	14,448,015,997
Repayments	(6,288,347,939)	-	-	(6,288,347,939)
Non-cash financing activities				
Additional lease liabilities	-	290,015,132	-	290,015,132
Amortization of debt issue cost	68,067,621	-	-	68,067,621
Interest amortization on lease obligation	-	9,601,825	-	9,601,825
Amendment of lease contract	-	(8,220,631)	-	(8,220,631)
Balance at December 31, 2021	<u>P32,021,719,390</u>	<u>P1,126,130,301</u>	<u>P -</u>	<u>P 33,147,849,691</u>
Balance as of January 1, 2020	P16,846,756,577	P 140,276,458	P -	P24,628,717,686
Cash flows from financing activities				
Additional borrowings	12,583,999,063	-	-	12,583,999,063
Repayments	(5,672,248,772)	(105,339,849)	-	(5,777,588,621)
Non-cash financing activities				
Additional lease liabilities	-	818,482,704	-	818,482,704
Amendment of lease contract	-	(18,685,338)	-	(18,685,338)
Amortization of debt issue cost	35,476,843	-	-	35,476,843
Balance at December 31, 2020	<u>P23,793,983,711</u>	<u>P 834,733,975</u>	<u>P -</u>	<u>P24,628,717,686</u>

35. SUPPLEMENTAL INFORMATION ON NON-CASH ACTIVITIES

Discussed below are the supplemental information on non-cash investing and financing activities relative to the consolidated statements of cash flows of the Group.

- (a) The Group recognized Right-of-Use assets and Lease Liabilities amounting to P52,874,045 and P290,015,132 in 2022 and 2021, respectively (see Notes 12.1, 12.2 and 34).
- (b) In 2022 and 2021, borrowing costs that were capitalized as part of Real Estate Inventories, Property and Equipment and Investment Properties amounted to P1,721,477,210 and P1,276,301,172, respectively (see Notes 7, 11, 13 and 15).
- (c) In 2022 and 2021, the Group recognized unpaid construction costs of P2,339,738,833 and P779,300,000, respectively, in Property and Equipment and Investment Properties (see Notes 11 and 13).
- (d) In 2022, the group reclassified assets from Investment Properties totaling P729,713,956 and P1,301,034,975 to Real Estate Inventories and Property Equipment, respectively. In 2021, the Group reclassified assets from Investment Properties totaling P1,840,846,826 and P7,977,039 to Real Estate Inventories and Property and Equipment, respectively (see Notes 7, 11 and 13).
- (e) In 2021, Deposits for Land for Future Development of P1,076,100,742, respectively, were reclassified to Real Estate Inventories (see Notes 7 and 8).

36. OTHER MATTERS

On December 14, 2021, severe tropical storm “Rai” entered the Philippine Area of Responsibility (PAR) and was named “Odette”. On December 15, 2021, Odette intensified into a typhoon as it moved westward over the Philippine Sea east of Mindanao. On December 16, 2021, Odette rapidly intensified and heavily affected the areas of Surigao del Norte, Caraga region, Southern Leyte, Bohol, Cebu, Negros Oriental, Siquijor, the southern and central portions of Negros Oriental and Guimaras. Odette left the PAR on December 18, 2021.

As a result of this, the Group sustained damages in its projects and properties in Cebu. CLI, El Camino, MGR and BL Ventures reported calamity damages, net of estimated insurance claims (see Note 6), amounting to P89,558,963, P28,628,963, P6,980,141 and P4,671,293, respectively, for a total loss of P129,839,360 in the consolidated statement of profit or loss in 2021 (see Note 20.2). No other subsidiaries in the Group reported calamity damages from the typhoon. Magspeak, an associate, reported a calamity loss of P1,993,750 in its statement of profit or loss.

Pursuant to the Bureau of Internal Revenue (BIR) Revenue Memorandum Order No. 031-09, in relation to Section 34 (D)(1)(b) of the National Internal Revenue Code, as amended, CLI, El Camino, MGR, BL Ventures and Magspeak filed notarized declarations of casualty losses on February 23, 2022 to BIR, prior to the deadline on February 29, 2022 as extended under BIR Revenue Regulations No. 1-2022.

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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**The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)**
10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Landmasters, Inc. and Subsidiaries (the Group) for the year ended December 31, 2022, on which we have rendered our report dated April 3, 2023. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO



By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 9566627, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 90230-SEC (until financial period 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 3, 2023

Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
List of Supplementary Information
December 31, 2022

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CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
Schedule A - Financial Assets
December 31, 2022

<i>Type of securities</i>	<i>Amount Shown in the Statement of Financial Position</i>	<i>Income Received and Accrued</i>
<u>Financial Assets at Amortized Cost</u>		
Cash and Cash Equivalents		
Cash in banks	P 1,322,678,049	P 1,595,691
Short-term placements	108,857,491	10,239,765
Cash on hand	<u>3,024,222</u>	<u>-</u>
	<u>1,434,559,762</u>	<u>11,835,456</u>
Receivables		
Contract receivables	3,030,230,127	-
Receivable from insurance	144,893,228	
Retention receivable	113,229,317	-
Management fee receivables	102,357,085	-
Rent receivable	53,640,904	-
Other receivables	<u>212,910,389</u>	<u>-</u>
	<u>3,657,261,050</u>	<u>-</u>
Due from Related Parties	<u>35,802,341</u>	<u>-</u>
Prepayments and other current assets		
Short-term investments	<u>204,836,249</u>	<u>2,829,423</u>
Other Non-Current Assets		
Refundable deposits	<u>128,384,996</u>	<u>-</u>
Total	<u>P 5,460,844,398</u>	<u>P 14,664,879</u>

Cebu Landmasters, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
December 31, 2022

Name and designation of debtor	Balance at beginning of period	Additions	Reclassification	Deductions		Ending Balance		Balance at end of period
				Amounts collected	Amounts Written off	Current*	Not-current**	
Entities Under Common Ownership:								
Condominium Corporation								
Base Line Center Condo Corporation	P 16,149,254	P -	P -	(P 641,568)	P -	P 15,507,686	P -	P 15,507,686
Casa Mira Towers Labangon	6,394,468	-	-	(121,106)	-	6,273,362	-	6,273,362
Baseline Residences Condo Corporation	2,700,637	3,255,439	-	(3,036)	-	5,953,040	-	5,953,040
Mivessa Garden Residences Condo Corporation	(938,366)	4,808,683	-	(2,211,743)	-	1,658,574	-	1,658,574
Latitude Corporate Center Condominium Corporation	-	4,358,255	-	(3,059,907)	-	1,298,348	-	1,298,348
Mesaverte Residences Condominium Corporation	726,086	(2,004,887)	-	-	(1,278,800)	-	(1,278,800)	(1,278,800)
Park Centrale Condo Corporation	(63,066)	(1,217,576)	-	-	(1,280,642)	-	(1,280,642)	(1,280,642)
Midori Residences Condo Corporation	358,161	29,589	-	(7,846)	-	379,904	-	379,904
Asia Premier Condo Corporation	327,123	-	-	(16,904)	-	310,219	-	310,219
38 Park Avenue Condominium Corporation	-	252,550	-	-	-	252,550	-	252,550
Latitude Corporate Center Condo Corp	466,005	-	-	(359,477)	-	106,528	-	106,528
Mesatierra Garden Residences Condominium Corporation	-	59,501	-	-	-	59,501	-	59,501
Mesavire Garden Residences Condominium Corporation	-	33,954	-	-	-	33,954	-	33,954
	<u>26,120,301</u>	<u>9,575,508</u>	<u>-</u>	<u>(6,421,587)</u>	<u>-</u>	<u>29,274,223</u>	<u>-</u>	<u>29,274,223</u>
Homeowners' Associations								
Casa Mira South	2,053,549	160,236	-	-	-	2,213,785	-	2,213,785
Casa Mira Linao	1,545,268	-	-	-	-	1,545,268	-	1,545,268
Velmino Heights	798,897	-	-	-	-	798,897	-	798,897
Midori Plains	361,292	-	-	(14,700)	-	346,592	-	346,592
San Josemaria Villages	315,912	4	-	-	-	315,916	-	315,916
Casa Mira Coast	20,072	83,806	-	-	-	103,878	-	103,878
Villa Casita North	56,982	-	-	(8,600)	-	48,382	-	48,382
	<u>5,151,972</u>	<u>244,046</u>	<u>-</u>	<u>(23,300)</u>	<u>-</u>	<u>5,372,719</u>	<u>-</u>	<u>5,372,719</u>
Others								
Regalos de Cebu	1,382,747	9,860	-	(658,674)	-	733,933	-	733,933
Cebu Landmasters Foundation, Inc.	22,948	-	-	(2,613)	-	20,335	-	20,335
	<u>1,405,695</u>	<u>9,860</u>	<u>-</u>	<u>(661,287)</u>	<u>-</u>	<u>754,268</u>	<u>-</u>	<u>754,268</u>
	<u>32,677,968</u>	<u>9,829,415</u>	<u>-</u>	<u>(7,106,174)</u>	<u>-</u>	<u>35,401,209</u>	<u>-</u>	<u>35,401,209</u>
Associates								
Maplepeak Nature Park Inc	-	3,251,144	-	(2,618,418)	-	632,726	-	632,726
ICOM Air Corporation	-	(231,594)	-	-	(231,594)	-	-	(231,594)
	<u>-</u>	<u>3,019,550</u>	<u>-</u>	<u>(2,618,418)</u>	<u>-</u>	<u>401,132</u>	<u>-</u>	<u>401,132</u>
Ultimate Parent Company	<u>81,411,781</u>	<u>2,223,200</u>	<u>-</u>	<u>(7,812,349)</u>	<u>-</u>	<u>75,822,632</u>	<u>-</u>	<u>75,822,632</u>
Key Management Personnel	<u>57,186,058</u>	<u>3,977,300</u>	<u>-</u>	<u>(7,189,699)</u>	<u>-</u>	<u>53,973,659</u>	<u>-</u>	<u>53,973,659</u>
	P 171,275,807	P 19,049,464	P -	(P 24,726,639)	P -	P 165,598,632	P -	P 165,598,632

*Due within one year

**Due beyond one year

Cebu Landmasters, Inc. and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2022

Name and Designation of debtor				Deductions		Current*	Non-current**	Balance at end of period
	Balance at beginning of period	Additions	Reclassification	Amounts collected	Amounts written off			
Cebu Homegrown Developers, Inc.	P 144,257,879	P 356,002,498	P -	(P 2,951,735)	P -	P 497,308,642	P -	P 497,308,642
Yuson Excellence Soberano, Inc.	371,320,830	73,666,661	-	(31,662,191)	-	413,325,300	-	413,325,300
Cebu BL-Ramos Ventures, Inc.	221,449,063	16,056,482	-	(18,629,068)	-	218,876,477	-	218,876,477
El Camino Developers Cebu, Inc.	144,473,691	91,770,224	-	(22,065,804)	-	214,178,112	-	214,178,112
Cebu Landmasters Property Management, Inc.	17,885,810	23,132,377	-	(9,939,432)	-	31,078,755	-	31,078,755
BL CBP Ventures, Inc.	17,117,513	14,496,793	-	(11,772,632)	-	19,841,675	-	19,841,675
CLI Premier Hotels Int'l. Inc.	19,102,060	4,107,287	-	(4,496,640)	-	18,712,707	-	18,712,707
YHESI Realty and Development Corporation	4,448,733	11,358,444	-	(6,731,428)	-	9,075,749	-	9,075,749
Yuson Huang Excellence Soberano, Inc.	2,079,223	17,323,369	-	(12,011,718)	-	7,392,874	-	7,392,874
GGTT Realty Corporation	1,590,356	6,871,274	-	(4,085,828)	-	4,375,802	-	4,375,802
CLILITE Panglos, Inc.	2,676,340	-	-	-	-	2,676,340	-	2,676,340
CCLI Premier Hotels Int'l. Inc.	1,731,814	11,023,024	-	(10,148,065)	-	2,606,774	-	2,606,774
Mivosa Garden Residences, Inc.	25,848,613	(12,849,235)	-	(11,208,512)	-	1,790,867	-	1,790,867
Sugbo Prime Estate, OPC	791,767	6,306,855	-	(5,636,935)	-	1,461,686	-	1,461,686
CLI Hotels and Resorts, Inc.	-	227,310	-	-	-	227,310	-	227,310
Ming-mori Development Corporation	32,597	-	-	(32,597)	-	-	-	-
	P 974,806,290	P 619,495,363	P -	(P 151,372,585)	P -	P 1,442,929,068	P -	P 1,442,929,068

*Due within one year

**Due beyond one year

Cebu Landmasters, Inc. and Subsidiaries
Schedule D - Long-Term Debt
December 31, 2022

<i>Title of issue and type of obligation</i>		<i>Amount shown under caption "Current portion of long-term debt" in related Statement of Financial Position</i>		<i>Amount shown under caption "Long-Term Debt" in related Statement of Financial Position</i>	<i>Interest Rate</i>	<i>No. of Periodic Installments</i>	<i>Maturity Date</i>
<i>Promissory notes</i>							
Bank of the Philippine Islands	P	2,167,091,668	P	7,208,873,651	4.00% to 7.5%	Various	10/7/22 to 07/26/34
Land Bank of the Philippines		249,946,183		1,187,696,889	5.000%	Various	05/30/28 to 08/30/29
BDO Unibank Inc.		166,309,768		353,087,021	1.71% to 6.38%	Various	10/12/22 to 7/25/2027
Bank of Commerce	-	-		551,647,768	4.50% to 8.00%	Various	11/09/28
Development Bank of the Philippines		1,768,306,012		2,056,309,826	4.50% to 6.00%	Various	10/2/22 to 05/30/34
China Banking Corporation		488,750,000		1,864,919,864	4.75% to 6.25%	Various	10/11/22 to 5/1/34
Rizal Commercial Banking Corporation		78,000,000		849,819,858	5.25% to 7.00%	Various	10/24/22 to 6/28/2026
Philippine National Bank		1,269,180,833		1,257,571,588	4.75% to 7.5%	Various	10/14/22 to 12/23/30
Philippine Veterans Bank		600,000,000	-	-	4.000%	Various	01/07/22 to 01/25/22
Robinsons Bank		100,000,000		178,710,879	5.00% to 6.5%	Various	10/7/22 to 5/13/27
Asia United Bank		31,000,000		99,239,067	4.250%	Various	03/17/27
Gothong Southern Properties, Inc.	-	-		35,000,000	4.250%	100.000%	05/09/24
12SIKA HOLDINGS CORPORATION	-	-		10,000,000	4.250%	100.000%	04/26/24
Borromeo Bros. Estate Inc.		87,500,000		68,783,959	6.250%	Various	7/19/2023 to 7/29/2024
		<u>7,006,084,464</u>		<u>15,721,660,370</u>			
<i>Corporate notes</i>							
Bank of the Philippine Islands		168,750,000		1,394,710,433	3.54% to 7.25%	17	12/20/25 to 04/28/27
Land Bank of the Philippines		125,000,000		1,767,971,145	4.23% to 6.63%	29	08/02/28 to 03/10/30
BDO Unibank Inc.		125,000,000		744,117,877	7.25%	17	12/20/25
Development Bank of the Philippines		125,000,000		1,857,573,969	3.54% to 4.66%	17	04/28/27
China Banking Corporation		346,726,190		3,432,038,070	3.46% to 7.25%	13 to 29	09/04/25 to 10/10/28
Rizal Commercial Banking Corporation		177,083,333		1,785,195,999	3.46% to 4.66%	13 to 17	09/04/25 to 04/28/27
Social Security System		50,000,000		235,378,761	3.460%	12	09/04/25
ALFM	-	-	-	-	3.88%	1	11/05/22 to 11/14/22
		<u>1,117,559,523</u>		<u>11,216,986,254</u>			
<i>Bonds</i>							
China Banking Corporation	-	-		4,930,582,631	6.42% to 7.36%	1	4/7/26 to 10/7/29
	P	8,123,643,987	P	31,869,229,255			

Cebu Landmasters, Inc. and Subsidiaries
Schedule E - Indebtedness to Related Parties
December 31, 2022

<i>Name of related party</i>	<i>Balance at beginning of period</i>	<i>Balance at end of period</i>

NOT APPLICABLE

Cebu Landmasters, Inc. and Subsidiaries
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2022

<i>Name of issuing entity of securities guaranteed by the company for which this statement is filed</i>	<i>Title of issue of each class of securities guaranteed</i>	<i>Total amount guaranteed and outstanding</i>	<i>Amount owned by person for which statement is filed</i>	<i>Nature of guarantee</i>

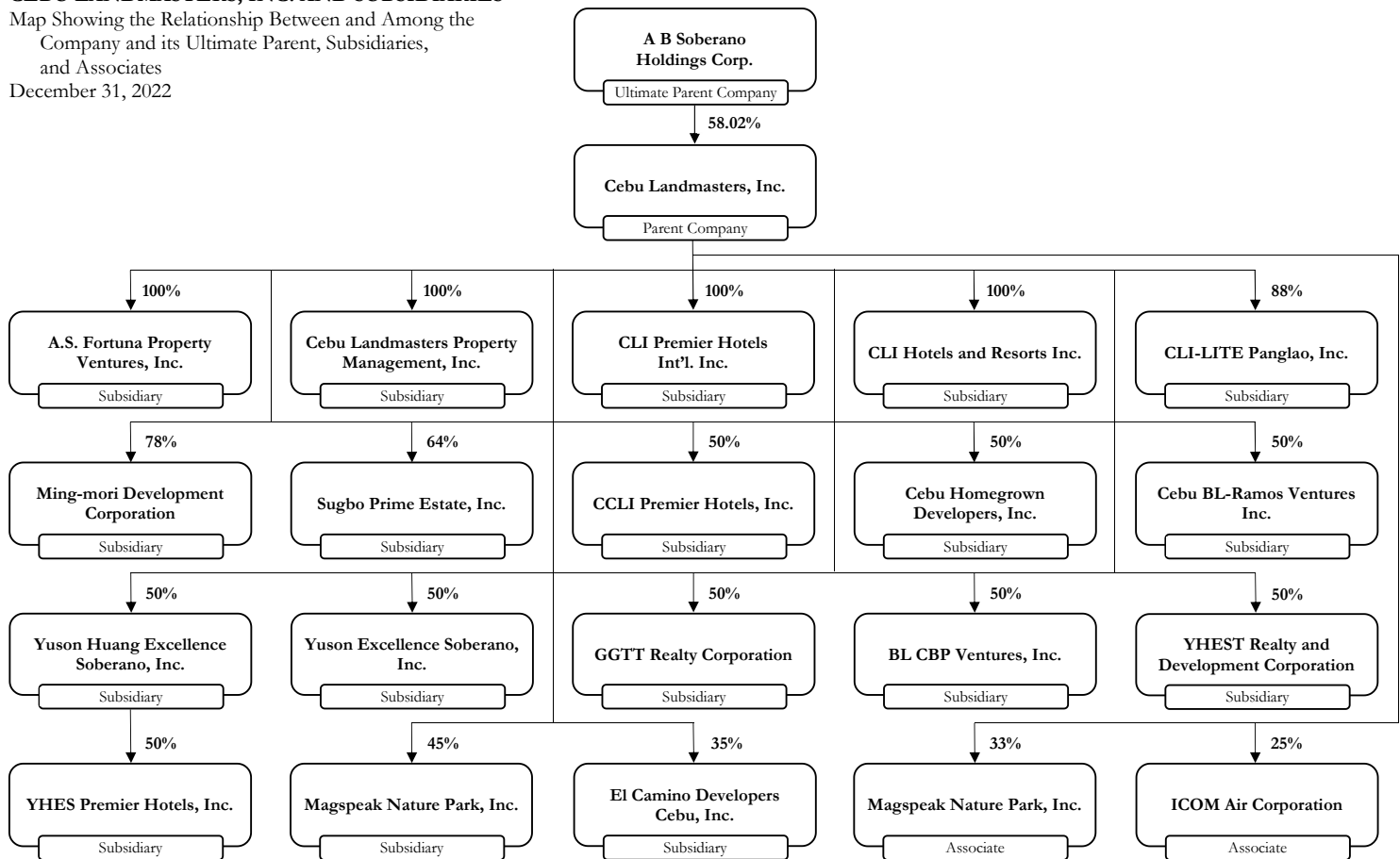
NOT APPLICABLE

Cebu Landmasters, Inc. and Subsidiaries
Schedule G - Capital Stock
December 31, 2022

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related Statement of Financial Position caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares - P1 par value						
Authorized	10,000,000,000					
Issued and outstanding		3,465,201,467	158,250,530	2,267,130,595	48,502,500	1,149,568,372
Preferred Shares - P0.10 par value						
Authorized	1,000,000,000					
Issued and outstanding		-	-	-	-	-

CEBU LANDMASTERS, INC. AND SUBSIDIARIES

Map Showing the Relationship Between and Among the Company and its Ultimate Parent, Subsidiaries, and Associates
December 31, 2022



CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu I.T. Park, Brgy. Apas, Cebu City
Reconciliation of Retained Earnings Available for Dividend Declaration
as of December 31, 2022
(Amounts in Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year		P	6,280,269,150
Prior Year's Outstanding Reconciling Items, net of tax			
Treasury stock, at cost		(	732,664,604)
Share in profit of subsidiaries and associates		(	672,423,198)
Gain on remeasurement of investment in associates		(	<u>32,438,511)</u>
Unappropriated Retained Earnings Available for			
Dividend declaration at beginning of Year, as Adjusted			4,842,742,837
Net Profit Realized during the Year	P	3,205,817,635	
Share in profit of subsidiaries and associates	(	<u>430,697,764)</u>	2,775,119,871
Other Transactions During the Year			
Appropriation of retained earnings	(	3,931,475,893)	
Release of appropriated retained earnings		172,049,912	
Cash dividend declared	(	<u>519,780,221)</u>	(<u>4,279,206,202)</u>
Unappropriated Retained Earnings Available for			
Dividend declaration at end of Year		P	<u>3,338,656,506</u>



**P&A
Grant Thornton**

Report of Independent Auditors on Components of Financial Soundness Indicators



Shaping a Vibrant Tomorrow
#BoldPerspectives #DivergentThinking #ForgingPaths

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**The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)**
10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Landmasters, Inc. and Subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 3, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 9566627, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 90230-SEC (until financial period 2025)
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Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 3, 2023

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
Supplemental Schedule of Financial Soundness Indicators
December 31, 2022 and 2021
(Amounts in Philippine Pesos)

Ratio	Formula	2022	Formula	2021
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 44,654,777,532 Divide by: Total Current Liabilities 27,743,683,313 Current Ratio 1.61	1.61	Total Current Assets divided by Total Current Liabilities Total Current Assets 37,002,075,676 Divide by: Total Current Liabilities 22,163,706,708 Current Ratio 1.67	1.67
Acid test ratio	Quick assets (Cash and cash equivalents plus Current Receivables and Current Contract Assets and Due from Related Parties) divided by Total Current Liabilities Cash and cash equivalents 1,434,559,762 Add: Current Receivables 3,571,775,532 Current Contract Assets 16,208,926,784 Due from Related Parties 35,802,341 Quick Assets 21,251,064,419 Divide by: Total Current Liabilities 27,743,683,313 Acid test ratio 0.77	0.77	Quick assets (Cash and cash equivalents plus Current Receivables and Current Contract Assets and Due from Related Parties) divided by Total Current Liabilities Cash and cash equivalents 1,095,821,916 Add: Current Receivables 5,844,643,647 Current Contract Assets 6,558,006,000 Due from Related Parties 57,434,271 Quick Assets 13,555,905,834 Divide by: Total Current Liabilities 22,163,706,708 Acid test ratio 0.61	0.61
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities 64,032,254,131 Divide by: Total Assets 85,044,869,024 Solvency ratio 0.75	0.75	Total Liabilities divided by Total Assets Total Liabilities 48,719,923,909 Divide by: Total Assets 66,652,105,433 Solvency ratio 0.73	0.73
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 64,032,254,131 Divide by: Total Equity 21,012,614,893 Debt-to-equity ratio 3.05	3.05	Total Liabilities divided by Total Equity Total Liabilities 48,719,923,909 Divide by: Total Equity 17,932,181,524 Debt-to-equity ratio 2.72	2.72
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 85,044,869,024 Divide by: Total Equity 21,012,614,893 Assets-to-equity ratio 4.05	4.05	Total Assets divided by Total Equity Total Assets 66,652,105,433 Divide by: Total Equity 17,932,181,524 Assets-to-equity ratio 3.72	3.72
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense Profit before tax 4,767,604,383 Add: Interest charged to: Cost of Sales 460,629,194 Finance cost 274,920,150 EBIT 5,503,153,727 Divide by: Interest Expense* 1,996,397,360 Interest rate coverage ratio 2.76 <i>*Includes 1,721,477,210 interest capitalized as part of real estate inventory, property and equipment, and investment property</i>	2.76	Earnings before interest and taxes (EBIT) divided by Interest expense Profit before tax 3,103,590,661 Add: Interest charged to: Cost of Sales 307,427,540 Finance cost 180,676,863 EBIT 3,591,695,064 Divide by: Interest Expense* 1,406,293,482 Interest rate coverage ratio 2.55 <i>*Includes 1,225,616,619 interest capitalized as part of real estate inventory and investment property</i>	2.55
Return on equity	Net Profit divided by Total Ave. Equity Net Profit 3,607,891,146 Divide by: Total Ave. Equity 19,472,398,209 Return on equity 19%	19%	Net Profit divided by Total Ave. Equity Net Profit 2,670,871,617 Divide by: Total Ave. Equity 16,729,711,491 Return on equity 16%	16%
Return on assets	Net Profit divided by Total Ave. Assets Net Profit 3,607,891,146 Divide by: Total Ave. Assets 75,848,487,229 Return on assets 5%	5%	Net Profit divided by Total Ave. Assets Net Profit 2,670,871,617 Divide by: Total Ave. Assets 58,371,303,438 Return on assets 5%	5%
Net profit margin	Net Profit divided by Revenues Net Profit 3,607,891,146 Divide by: Total Revenue 15,657,298,003 Return on assets 23%	23%	Net Profit divided by Revenues Net Profit 2,670,871,617 Divide by: Total Revenue 11,162,170,684 Return on assets 24%	24%
Other ratio				
Gross profit margin	Gross Profit divided by Total Revenue Gross Profit 7,289,662,454 Divide by: Total Revenue 15,657,298,003 Gross profit margin 47%	47%	Gross Profit divided by Total Revenue Gross Profit 5,189,881,020 Divide by: Total Revenue 11,162,170,684 Gross profit margin 46%	46%

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	3	2	1	2	4	0

Company Name

C	E	B	U		L	A	N	D	M	A	S	T	E	R	S	,		I	N	C	.		A	N	D				
S	U	B	S	I	D	I	A	R	I	E	S		(	A		S	u	b	s	i	d	i	a	r	y		o	f	
A		B		S	o	b	e	r	a	n	o		H	o	l	d	i	n	g	s		C	o	r	p	.	)		

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

1	0	T	H		F	L	O	O	R	,		P	A	R	K		C	E	N	T	R	A	L	E	,				
J	O	S	E		M	A	.		D	E	L		M	A	R		S	T	.		B	2		L	3	,			
C	E	B	U		I	.	T	.		P	A	R	K	,		B	R	G	Y	.		A	P	A	S	,			
C	E	B	U		C	I	T	Y	,		P	H	I	L	I	P	P	I	N	E	S		6	0	0	0			

Form Type

A	F	S	2	1

Department requiring the report

S	E	C

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

jggarde@cebulandmasters.com

Company's Telephone Number/s

(032) 231 4914

Mobile Number

0966 410 9807

No. of Stockholders

20

Annual Meeting
Month/Day

1st Friday of July

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Jose R. Soberano III

Email Address

ceo@cebulandmasters.com

Telephone Number/s

(032) 231 4914

Mobile Number

Contact Person's Address

10th floor, Park Centrale Tower, Jose Ma. del Mar St., B2 L3, Cebu I.T. Park, Brgy. Apas, Cebu City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Cebu Landmasters, Inc. and Subsidiaries (the Group)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended **December 31, 2021, 2020 and 2019**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative 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 financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the 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.



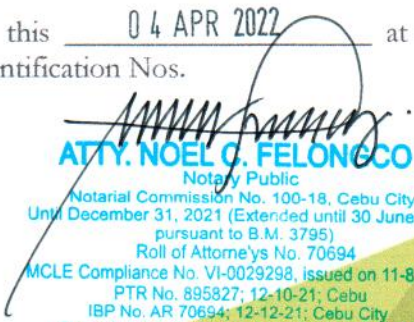
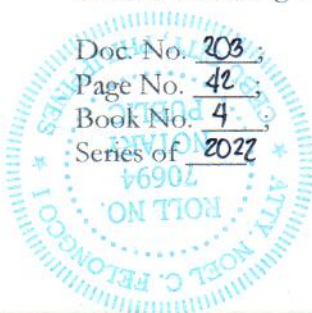
JOSE B. SOBERANO III
Chairman of the Board and Chief Executive Officer
TIN# 108-729-320-000



BEAUREGARD GRANT L. CHENG
Chief Financial Officer
TIN# 205-557-510-000

Signed this _____ day of 29 MAR 2022

SUBSCRIBED AND SWORN to before me this 04 APR 2022 at Cebu City,
affiants exhibiting to me their respective Tax Identification Nos.



ATTY. NOEL C. FELONGCO I
Notary Public
Notarial Commission No. 100-18, Cebu City
Until December 31, 2021 (Extended until 30 June 2022
pursuant to B.M. 3795)
Roll of Attorneys No. 70694
MCLE Compliance No. VI-0029298, issued on 11-8-2019
PTR No. 895827; 12-10-21; Cebu
IBP No. AR 70694; 12-12-21; Cebu City
Unit 409, Keppel Center, Cebu Business Park,
Cardinal Rosales Ave., Cebu City

Report of Independent Auditors

Punongbayan & Araullo

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)

10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

Opinion

We have audited the consolidated financial statements of Cebu Landmasters, Inc. and subsidiaries (collectively referred to herein as the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of profit or 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, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the consolidated financial statements are disclosed in Note 2 to the financial statements. 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 audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Revenue Recognition for Real Estate Sales***Description of the Matter***

We considered the Group's recognition of revenue from real estate sales a key audit matter because of the significant volume of transactions and amount of revenue from real estate sales involved. In 2021, the Group's revenue from real estate sales amounted to P11.0 billion which accounts for 99% of the Group's total revenues. It uses the percentage of completion (POC) method, which is determined using the input method, i.e., based on efforts or inputs to the satisfaction of a performance obligation, to determine the appropriate amount of contract revenues to be recognized for the reporting period. 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 judgment and estimate could cause a material misstatement in the consolidated financial statements.

For this year's audit, we have also considered the implications of the COVID-19 pandemic as it affects a major factor in the Group's revenue recognition criteria which is the probability of collecting the contract price.

The Group's accounting policy on recognition of revenue from real estate sales, and basis of significant judgment and estimates are disclosed in Notes 2 and 3 to the consolidated financial statements, respectively. In addition, the details of contract revenues, specifically the disaggregation of revenues are disclosed in Notes 17 to the consolidated financial statements.

How the Matter was Addressed in the Audit

To address the risk of material misstatements in revenue recognition, we have performed tests of design and operating effectiveness of internal controls, including information technology (IT) general controls, over processes relating to generation of contract revenue, and revenue recognition and measurement. In addition, we reviewed sales agreements, on a sampling basis, and the relevant facts and circumstances about the real estate transactions to determine compliance with a set of criteria for revenue recognition. We have also tested the reasonableness of management's judgment in determining the probability of collection of the contract price which involves a historical analysis of customer payment pattern and behavior.

To ascertain the reasonableness of the measurement of progress towards complete satisfaction of performance obligation using the input method, we have tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs. Our procedures include understanding of controls over recording of costs and direct examination of supporting documents. We have also performed physical inspection of selected projects under development to determine if the completion based on costs is consistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualification of project engineers who prepared the budgets and reviewed the actual performance of completed projects with reference to their budgeted costs.

(b) Existence and Valuation of Real Estate Inventories***Description of the Matter***

Real estate inventories amount to P18.7 billion, which accounts for 51% of total current assets and 28% of total assets of the Group, as at December 31, 2021. Because of the asset's material effect on the consolidated financial statements, we considered its valuation a key audit matter. Valuation of the Group's real estate inventories, particularly construction-in-progress, involves determination and estimation of significant unbilled materials and project contractors' services at the end of the reporting period. Management's failure to consider such unbilled materials and services, and an error in estimating the same, could have a material impact on the carrying value of real estate inventories as well as POC and cost of real estate sales.

The valuation of the real estate inventories is also hinged on their existence. Given that the Group's real estate projects are located in various locations, which posed a significant challenge in conducting the necessary audit procedures because of restrictions due to the COVID-19 pandemic, and the varying stages of completion of the projects, which require significant judgement and estimation, we have also considered the existence of real estate inventories as a key audit matter.

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

How the Matter was Addressed in the Audit

We have obtained an understanding, and performed tests of design and operating effectiveness of internal controls, including IT general controls, over processes relating to initiation and recording of purchases and allocation of cost to real estate inventories. We also performed ocular inspection of selected real estate projects on a date closest to the end of the reporting period to confirm their existence and examined documents, such as land titles, progress reports, contractors' accomplishment billings among others, to corroborate with other procedures as well as to ensure completeness of recorded costs. We tested the assumptions used by management in estimating the unbilled materials and services as well as the stage of completion of the projects which we used to further assess the reasonableness of the assets' valuation.

(c) Recognition of Right-of-Use Assets and Related Lease Liabilities*Description of the Matter*

As at December 31, 2021, the Group recognized a right-of-use assets and lease liabilities of P1.2 billion and P1.1 billion, respectively. This pertains to various lease contracts for periods ranging from three to 42 years covering land and office space which will be the site of real estate project of the Group. We considered the recognition of the right-of-use assets and lease liabilities for these leases as significant because of the amount involved, complexity of accounting for this type of lease and the significant judgements that go along with it, particularly in respect of the determination of the appropriate discount rate to be used because of the lease term.

The Group's accounting policy and judgment applied on accounting for leases are presented in Notes 2 and 3 to the consolidated financial statements, respectively, and the other related disclosures are presented in Note 12.

How the Matter was Addressed in the Audit

To address this matter, we evaluated the reasonableness and appropriateness of the inputs and assumptions used, especially the discount rate applied in determining the lease liability. We verified the accuracy of the data used by tracing them to the original contracts and checked the mathematical accuracy of the calculations done by management to determine the amounts to be recognized. We also assessed the completeness of disclosures within the consolidated financial statements in accordance with the applicable standards.

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, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

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 audit.

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

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

The engagement partner on the audits resulting in this independent auditors' report is Mailene Sigue-Bisnar.

PUNONGBAYAN & ARAULLO



By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8852327, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 90230-SEC (until Dec. 31, 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 29, 2022

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 1,095,821,916	P 797,184,790
Receivables - net	6	5,844,643,647	6,020,754,434
Contract assets - net	17	6,558,006,000	3,642,591,056
Real estate inventories	7	18,708,757,553	13,398,181,847
Deposits on land for future development	8	-	699,772,860
Due from related parties	25	57,434,271	21,950,504
Prepayments and other current assets	9	4,737,412,289	3,019,869,681
Total Current Assets		37,002,075,676	27,600,305,172
NON-CURRENT ASSETS			
Receivables - net	6	161,127,276	121,204,328
Contract assets - net	17	13,732,299,185	10,214,059,439
Investments in associates	10	135,064,930	129,852,662
Property and equipment - net	11	915,671,703	643,387,606
Right-of-use assets	12	1,152,854,127	950,904,449
Investment properties - net	13	13,240,123,662	10,093,743,062
Other non-current assets - net	14	312,888,874	337,044,725
Total Non-current Assets		29,650,029,757	22,490,196,271
TOTAL ASSETS		P 66,652,105,433	P 50,090,501,443
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	P 8,813,501,067	P 3,434,542,160
Trade and other payables	16	12,650,588,490	7,257,232,364
Contract liabilities	17	604,254,603	532,649,347
Customers' deposits	17	89,897,007	196,124,012
Lease liabilities	12	3,288,349	1,634,080
Income tax payable		2,177,192	31,196,933
Total Current Liabilities		22,163,706,708	11,453,378,896
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	23,208,218,323	20,359,441,551
Trade and other payables	16	169,777,112	226,434,433
Lease liabilities	12	1,122,841,952	833,099,895
Post-employment defined benefit obligation	23	4,753,329	621,184
Deferred tax liabilities - net	24	2,050,626,485	1,690,284,026
Total Non-current Liabilities		26,556,217,201	23,109,881,089
Total Liabilities		48,719,923,909	34,563,259,985
EQUITY			
Equity attributable to shareholders of Parent Company	26		
Capital stock		3,623,451,997	1,714,000,000
Additional paid-in capital		1,608,917,974	1,608,917,974
Treasury shares		(748,171,901)	(732,851,016)
Revaluation reserves - net		(13,477,472)	(12,883,375)
Retained earnings		6,369,153,605	6,054,418,178
		10,839,874,203	8,631,601,761
Non-controlling interest	26	7,092,307,321	6,895,639,697
Total Equity		17,932,181,524	15,527,241,458
TOTAL LIABILITIES AND EQUITY		P 66,652,105,433	P 50,090,501,443

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
REVENUES	17			
Sale of real estates		P 10,996,247,695	P 8,146,432,329	P 8,390,526,495
Rental		74,272,000	55,237,972	63,159,194
Hotel operations		48,683,577	54,558,131	8,524,756
Management fees		42,967,412	42,591,886	36,837,490
		<u>11,162,170,684</u>	<u>8,298,820,318</u>	<u>8,499,047,935</u>
COST OF SALES AND SERVICES	18	(5,972,289,664)	(4,282,111,458)	(4,300,684,977)
GROSS PROFIT		5,189,881,020	4,016,708,860	4,198,362,958
OPERATING EXPENSES	19	(1,950,338,710)	(1,265,920,859)	(1,145,201,008)
OTHER OPERATING INCOME	20	<u>257,229,190</u>	<u>68,597,820</u>	<u>53,133,383</u>
OPERATING PROFIT		3,496,771,500	2,819,385,821	3,106,295,333
FINANCE COSTS	21	(264,069,008)	(65,805,262)	(44,926,212)
FINANCE INCOME	22	7,689,872	39,708,261	51,920,745
SHARE IN NET LOSS OF ASSOCIATES	10	(4,229,178)	(615,777)	(326,580)
REVERSAL OF IMPAIRMENT LOSSES (IMPAIRMENT LOSSES) ON FINANCIAL ASSETS	6	-	(252,478)	69,492,639
OTHER LOSSES	20	(132,572,525)	(839,657)	(962,201)
PROFIT BEFORE TAX		3,103,590,661	2,791,580,908	3,181,493,724
TAX EXPENSE	24	(432,719,044)	(715,853,587)	(743,556,215)
NET PROFIT		<u>P 2,670,871,617</u>	<u>P 2,075,727,321</u>	<u>P 2,437,937,509</u>
Net profit attributable to:				
Parent Company's shareholders		P 2,612,937,324	P 1,846,119,733	P 2,012,289,616
Non-controlling interests		<u>57,934,293</u>	<u>229,607,588</u>	<u>425,647,893</u>
		<u>P 2,670,871,617</u>	<u>P 2,075,727,321</u>	<u>P 2,437,937,509</u>
Earnings per Share:				
Basic and diluted	27	<u>P 1.04</u>	<u>P 1.15</u>	<u>P 1.21</u>

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019
(Amounts in Philippine Pesos)

	Attributable to Shareholders of Parent Company								Non-controlling Interests (See Note 26)	Total
	Capital Stock (See Note 26)	Additional Paid-in Capital (See Note 26)	Treasury Stock (See Note 26)	Revaluation Reserves (See Note 26)	Retained Earnings (See Note 26)			Total		
					Appropriated	Unappropriated	Total			
Balance at January 1, 2021	<u>P 1,714,000,000</u>	<u>P 1,608,917,974</u>	<u>(P 732,851,016)</u>	<u>(P 12,883,375)</u>	<u>P 3,949,504,623</u>	<u>P 2,104,913,555</u>	<u>P 6,054,418,178</u>	<u>P 8,631,601,761</u>	<u>P 6,895,639,697</u>	<u>P 15,527,241,458</u>
Transactions with owners										
Investments from non-controlling stockholders	-	-	-	-	-	-	-	-	226,733,331	226,733,331
Cash dividends	-	-	-	-	-	(388,749,900)	(388,749,900)	(388,749,900)	(88,000,000)	(476,749,900)
Stock dividends	1,909,451,997	-	-	-	-	(1,909,451,997)	(1,909,451,997)	-	-	-
Acquisition of treasury stock	-	-	(15,320,885)	-	-	-	-	(15,320,885)	-	(15,320,885)
	<u>1,909,451,997</u>	<u>-</u>	<u>(15,320,885)</u>	<u>-</u>	<u>-</u>	<u>(2,298,201,897)</u>	<u>(2,298,201,897)</u>	<u>(404,070,785)</u>	<u>138,733,331</u>	<u>(265,337,454)</u>
Reversal of appropriations during the year	-	-	-	-	(3,777,454,711)	3,777,454,711	-	-	-	-
Total comprehensive income for the year										
Net profit for the year	-	-	-	-	-	2,612,937,324	2,612,937,324	2,612,937,324	57,934,293	2,670,871,617
Other comprehensive loss	-	-	-	(594,097)	-	-	-	(594,097)	-	(594,097)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(594,097)</u>	<u>-</u>	<u>2,612,937,324</u>	<u>2,612,937,324</u>	<u>2,612,343,227</u>	<u>57,934,293</u>	<u>2,670,277,520</u>
Balance at December 31, 2021	<u>P 3,623,451,997</u>	<u>P 1,608,917,974</u>	<u>(P 748,171,901)</u>	<u>(P 13,477,472)</u>	<u>P 172,049,912</u>	<u>P 6,197,103,693</u>	<u>P 6,369,153,605</u>	<u>P 10,839,874,203</u>	<u>P 7,092,307,321</u>	<u>P 17,932,181,524</u>
Balance at January 1, 2020	<u>P 1,714,000,000</u>	<u>P 1,608,917,974</u>	<u>(P 247,193,811)</u>	<u>(P 6,589,225)</u>	<u>P 3,050,000,000</u>	<u>P 1,573,093,445</u>	<u>P 4,623,093,445</u>	<u>P 7,692,228,383</u>	<u>P 6,056,029,905</u>	<u>P 13,748,258,288</u>
Transactions with owners										
Investments from non-controlling stockholders	-	-	-	-	-	-	-	-	647,502,204	647,502,204
Cash dividend	-	-	-	-	-	(414,795,000)	(414,795,000)	(414,795,000)	(37,500,000)	(452,295,000)
Acquisition of treasury stock	-	-	(485,657,205)	-	-	-	-	(485,657,205)	-	(485,657,205)
	<u>-</u>	<u>-</u>	<u>(485,657,205)</u>	<u>-</u>	<u>-</u>	<u>(414,795,000)</u>	<u>(414,795,000)</u>	<u>(900,452,205)</u>	<u>610,002,204</u>	<u>(290,450,001)</u>
Appropriation of retained earnings										
Appropriations during the year	-	-	-	-	3,300,000,000	(3,300,000,000)	-	-	-	-
Reversal during the year	-	-	-	-	(2,400,495,377)	2,400,495,377	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>899,504,623</u>	<u>(899,504,623)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year										
Net profit for the year	-	-	-	-	-	1,846,119,733	1,846,119,733	1,846,119,733	229,607,588	2,075,727,321
Other comprehensive loss	-	-	-	(6,294,150)	-	-	-	(6,294,150)	-	(6,294,150)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,294,150)</u>	<u>-</u>	<u>1,846,119,733</u>	<u>1,846,119,733</u>	<u>1,839,825,583</u>	<u>229,607,588</u>	<u>2,069,433,171</u>
Balance at December 31, 2020	<u>P 1,714,000,000</u>	<u>P 1,608,917,974</u>	<u>(P 732,851,016)</u>	<u>(P 12,883,375)</u>	<u>P 3,949,504,623</u>	<u>P 2,104,913,555</u>	<u>P 6,054,418,178</u>	<u>P 8,631,601,761</u>	<u>P 6,895,639,697</u>	<u>P 15,527,241,458</u>
Balance at January 1, 2019	<u>P 1,714,000,000</u>	<u>P 1,608,917,974</u>	<u>(P 212,459,418)</u>	<u>(P 12,428,442)</u>	<u>p -</u>	<u>P 2,943,393,829</u>	<u>P 2,943,393,829</u>	<u>P 6,041,423,943</u>	<u>P 5,280,557,011</u>	<u>P 11,321,980,954</u>
Transactions with owners										
Investments from non-controlling stockholders	-	-	-	-	-	-	-	-	369,825,001	369,825,001
Cash dividend	-	-	-	-	-	(332,590,000)	(332,590,000)	(332,590,000)	(20,000,000)	(352,590,000)
Acquisition of treasury stock	-	-	(34,734,393)	-	-	-	-	(34,734,393)	-	(34,734,393)
	<u>-</u>	<u>-</u>	<u>(34,734,393)</u>	<u>-</u>	<u>-</u>	<u>(332,590,000)</u>	<u>(332,590,000)</u>	<u>(367,324,393)</u>	<u>349,825,001</u>	<u>(17,499,392)</u>
Appropriation of retained earnings during the year	-	-	-	-	3,050,000,000	(3,050,000,000)	-	-	-	-
Total comprehensive income for the year										
Net profit for the year	-	-	-	-	-	2,012,289,616	2,012,289,616	2,012,289,616	425,647,893	2,437,937,509
Other comprehensive gain	-	-	-	5,839,217	-	-	-	5,839,217	-	5,839,217
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,839,217</u>	<u>-</u>	<u>2,012,289,616</u>	<u>2,012,289,616</u>	<u>2,018,128,833</u>	<u>425,647,893</u>	<u>2,443,776,726</u>
Balance at December 31, 2019	<u>P 1,714,000,000</u>	<u>P 1,608,917,974</u>	<u>(P 247,193,811)</u>	<u>(P 6,589,225)</u>	<u>P 3,050,000,000</u>	<u>P 1,573,093,445</u>	<u>P 4,623,093,445</u>	<u>P 7,692,228,383</u>	<u>P 6,056,029,905</u>	<u>P 13,748,258,288</u>

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019
(Amounts in Philippine Pesos)

		<u>2021</u>	<u>2020</u>	<u>2019</u>
NET PROFIT		<u>P 2,670,871,617</u>	<u>P 2,075,727,321</u>	<u>P 2,437,937,509</u>
OTHER COMPREHENSIVE INCOME (LOSS) - Net of Tax				
Item that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurements of post-employment defined benefit plan	23	435,092	(8,991,642)	8,341,738
Tax income (expense)	24	(<u>1,029,189</u>)	<u>2,697,492</u>	(<u>2,502,521</u>)
		(<u>594,097</u>)	(<u>6,294,150</u>)	<u>5,839,217</u>
TOTAL COMPREHENSIVE INCOME		<u>P 2,670,277,520</u>	<u>P 2,069,433,171</u>	<u>P 2,443,776,726</u>
Total comprehensive income attributable to:				
Parent Company's shareholders		<u>P 2,612,343,227</u>	<u>P 1,839,825,583</u>	<u>P 2,018,128,833</u>
Non-controlling interests		<u>57,934,293</u>	<u>229,607,588</u>	<u>425,647,893</u>
		<u>P 2,670,277,520</u>	<u>P 2,069,433,171</u>	<u>P 2,443,776,726</u>

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 3,103,590,661	P 2,791,580,908	P 3,181,493,724
Adjustments for:				
Interest expense on interest-bearing loans	21	196,904,919	8,677,442	33,629,596
Depreciation and amortization	19	121,798,863	104,119,622	60,763,991
Interest expense on lease liabilities	12	67,139,552	57,127,820	10,847,248
Interest income on bank deposits	5	(6,528,935)	(8,701,101)	(24,599,602)
Share in net loss of associates	10	4,229,178	615,777	326,580
Loss on sale of property and equipment	20	16,577	-	-
Recognition (reversal) of impairment loss on financial assets	6	-	252,478	(69,492,639)
Operating profit before working capital changes		3,487,150,815	2,953,672,946	3,192,968,898
Decrease (increase) in receivables		136,187,839	(266,148,302)	(1,767,475,002)
Increase in contract assets		(6,433,654,690)	(4,964,140,467)	(3,450,384,035)
Increase in real estate inventories		(1,290,125,235)	(563,703,631)	(2,270,211,968)
Increase (decrease) in deposits on land for future development		(376,327,882)	(868,104,916)	(679,394,084)
Increase in prepayments and other current assets		(1,529,208,933)	(747,606,864)	(1,401,362,497)
Decrease (increase) in other non-current assets		50,242,017	(206,460,224)	(32,255,180)
Increase in trade and other payables		5,317,928,215	993,330,034	3,380,558,499
Increase (decrease) in contract liabilities		71,605,256	113,681,688	(38,959,953)
Increase (decrease) in customers' deposits		(106,227,005)	5,081,093	148,268,543
Increase (decrease) in post-employment defined benefit obligation		3,538,048	(2,446,874)	(3,549,540)
Cash used in operations		(668,891,555)	(3,552,845,517)	(2,921,796,319)
Cash paid for taxes		(252,045,906)	(151,023,857)	(146,210,751)
Net Cash Used in Operating Activities		(920,937,461)	(3,703,869,374)	(3,068,007,070)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment properties	13	(4,865,426,664)	(1,421,274,390)	(2,180,931,208)
Acquisitions of property and equipment	11	(299,836,002)	(235,693,169)	(80,638,923)
Advances to related parties	25	(35,500,674)	(12,003,087)	-
Investments in associates	10	(25,310,918)	(114,090,016)	(5,500,000)
Acquisitions of computer software	14	(10,242,943)	(8,960,023)	(33,955,601)
Interest received		6,528,935	8,701,101	24,599,602
Proceeds from sale of property and equipment	11	75,961	-	-
Collections of advances to related parties	25	16,907	-	11,206,772
Net Cash Used in Investing Activities		(5,229,695,398)	(1,783,319,584)	(2,265,219,358)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of interest-bearing loans	15	14,448,015,997	12,583,999,063	10,453,706,073
Repayments of interest-bearing loans	15	(6,288,347,939)	(5,672,248,772)	(4,265,207,842)
Interest paid on interest-bearing loans		(1,387,522,892)	(1,091,629,524)	(819,196,691)
Cash dividends paid	26	(476,749,900)	(452,295,000)	(352,590,000)
Additional investment from non-controlling shareholders	26	226,733,331	647,502,204	369,825,001
Interest paid on lease liabilities	12	(57,537,727)	(57,127,820)	(10,847,248)
Repayments of lease liabilities	12	-	(105,339,849)	(39,719,752)
Acquisition of treasury stock	26	(15,320,885)	(485,657,205)	(34,734,393)
Net Cash From Financing Activities		6,449,269,985	5,367,203,097	5,301,235,148
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		298,637,126	(119,985,861)	(31,991,280)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		797,184,790	917,170,651	949,161,931
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 1,095,821,916	P 797,184,790	P 917,170,651

Supplemental Information on Non-cash Activities is disclosed in Note 34.

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General

Cebu Landmasters, Inc. (the Parent Company or CLI) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 26, 2003. CLI is presently engaged in real estate-related activities which include real estate development, sales, leasing and property management. Its real estate portfolios include residential condominium units, subdivision house and lots, and townhouses as well as office projects, retail spaces and hotels.

In 2016, A B Soberano Holdings Corp. (ABS), formerly A B Soberano International Corporation, one of CLI's stockholders, assumed control of CLI by acquiring additional 400,000,000 shares of CLI and became the parent company of CLI.

On January 6, 2017, the Board of Directors (BOD) approved CLI's application for the registration of 1,714,000,000 of its common shares with the SEC and application for the listing thereof in the Philippine Stock Exchange (PSE). The BOD's approval also covered the planned initial public offering (IPO) of 430,000,000 unissued common shares of CLI. CLI's shares were listed in the PSE on June 2, 2017 (see also Note 26).

ABS is a holding company, which is incorporated and domiciled in the Philippines. The registered office and principal place of business of ABS is located at 2nd Street Villa San Lorenzo, Quijada Street, Barangay Guadalupe, Cebu City.

The registered office address of CLI, which is also its principal place of business, is located at 10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu I.T. Park, Brgy. Apas, Cebu City, Philippines.

1.2 Subsidiaries and Associates

CLI holds ownership interests in the following subsidiaries and associates:

Entity	Note	Effective Percentage of Ownership	
		2021	2020
<i>Subsidiaries</i>			
CLI Premier Hotels Int'l. Inc. (CPH)	(a)	100%	100%
Cebu Landmasters Property Management, Inc. (CPM)	(b)	100%	100%
A.S. Fortuna Property Ventures, Inc. (ASF)	(c)	100%	100%
CLI-LITE Panglao Inc. (CLI-LITE)	(d)	88%	-
Ming-mori Development Corporation (MDC)	(e)	78%	20%
Sugbo Prime Estate, Inc. (SPE)	(f)	64%	-
BL CBP Ventures, Inc. (BL Ventures)	(g)	50%	50%
Yuson Excellence Soberano, Inc. (YES)	(h)	50%	50%
Yuson Huang Excellence Soberano, Inc. (YHES)	(i)	50%	50%

Forward

Entity	Note	Effective Percentage of Ownership	
		2021	2020
<i>Subsidiaries</i>			
YHEST Realty and Development Corporation (YHEST)	(j)	50%	50%
CCLI Premier Hotels, Inc. (CCLI)	(k)	50%	50%
Cebu Homegrown Developers, Inc. (CHDI)	(l)	50%	50%
YHES Premier Hotels Inc. (YHESPH)	(m)	50%	50%
Cebu BL-Ramos Ventures Inc. (CBLRV)	(n)	50%	50%
GGTT Realty Corporation (GGTT)	(o)	50%	50%
Mivesa Garden Residences, Inc. (MGR)	(p)	45%	45%
El Camino Developers Cebu, Inc. (El Camino)	(q)	35%	35%
<i>Associates</i>			
ICOM Air Corporation (ICOM)	(r)	33%	33%
Magspeak Nature Park, Inc. (Magspeak)	(s)	25%	25%

CLI and its subsidiaries (collectively referred as “the Group”), and associates are all incorporated in the Philippines. The subsidiaries and associates, except CPM, CPH, CCLI and YHESPH, are in the same line of business with CLI. A brief description of these entities follows:

- (a) CPH was incorporated in 2016 as a wholly owned subsidiary of the CLI. CPH is engaged in the real estate and hotel management business which started commercial operations on September 14, 2019. The principal place of business of CPH is located in Cebu City.
- (b) CPM was incorporated in 2017 as a wholly owned subsidiary of the CLI. CPM is engaged in the management of condominium corporations and housing associations affiliated with CLI. CPM has started commercial operations on September 1, 2017. The principal place of business of CPH is located in Cebu City.
- (c) ASF was incorporated in 2017 as a joint venture where CLI initially held 40% ownership interest. CLI acquired all the ownership interest of its business partners at the end of 2017 which made ASF its wholly owned subsidiary. The principal place of business of ASF is located in Cebu City.
- (d) CLI-LITE was incorporated on July 19, 2021 as an undertaking by CLI and two other corporations for the development of a mixed-use project with residential condominiums and a possible hotel component in Panglao Island, Bohol. The principal place of business of CLI-LITE is located in Cebu City.
- (e) MDC was incorporated in 2013 as an undertaking between CLI and four other entities for the development of an economic business district. The principal place of business of MDC is located in Cebu City.
- (f) SPE was formed in 2019 as a one person corporation and was converted to an ordinary stock corporation after entering into a joint venture with CLI on March 4, 2021, for the development of a dormitory with retail and warehouse spaces. The principal place of business of SPE is located in Cebu City.
- (g) BL Ventures was formed by CLI and Borromeo Bros. Estate, Inc. (BBEI) to construct and operate Latitude Corporate Center. The principal place of business of BL Ventures is located in Cebu City.

- (h) YES was formed by CLI and Yuson Comm. Investments, Inc. to construct and operate Messatiera Garden Residences in Davao. The principal place of business of YES is located in Davao City.
- (i) YHES was incorporated in 2017 as an undertaking among CLI, Yuson Strategic Holdings, Inc., and Davao Filandia Realty Corp. for the development of mixed-used real estate project, the Paragon Davao. The principal place of business of YHES is located in Davao City.
- (j) YHEST was incorporated in 2018 as an undertaking among CLI and five corporations for the development of a central business district located at Matina, Davao. The principal place of business of YHEST is located in Davao City.
- (k) CCLI was incorporated in 2018 as an undertaking between CLI and Capitaine, Inc. for the development of Citadines hotel in Bacolod City. The principal place of business of CCLI is located in Bacolod City. As at December 31, 2021, CCLI has yet to start commercial operations.
- (l) CHDI is an undertaking between CLI and Aboitiz Land, Inc. and was incorporated on December 5, 2019. CHDI is engaged in the development of a high-rise mixed-use condominium complex in Mandaue City, Cebu, which commenced commercial operations in 2021. Its principal place of business is in Cebu City.
- (m) YHESPH was incorporated on October 28, 2019 as a wholly owned subsidiary of YHES that will engage in hotel business. Its ultimate parent is CLI which owns 50% of YHES. As at December 31, 2021, YHESPH has yet to start commercial operations.
- (n) CBLRV, a new subsidiary in 2020, was incorporated on February 21, 2020 as an undertaking between CLI and BBEI and is engaged in the development of a mixed-use condominium tower in Cebu City. Its principal place of business also is located in Cebu City.
- (o) GGTT was incorporated on March 26, 2003 and is engaged to construct a residential condominium project in its principal place of business in Iloilo City.

On June 16, 2020, CLI acquired 50% ownership in GGTT to obtain a controlling interest in the company, however, the transaction was accounted for by the Group as an asset acquisition as discussed in Note 7. In the first quarter of 2021, GGTT has started commercial operations, hence, already considered as a subsidiary as at December 31, 2021.

- (p) MGR was incorporated in 2017 as an undertaking by CLI and three corporations for the construction of buildings 6 and 7 of the Mivesa Garden Residences condominium. The principal place of business of MGR is located in Cebu City.
- (q) El Camino was incorporated in 2016 as an undertaking between CLI and four other corporations for the development of 38 Park Avenue condominium project in Cebu City. The principal place of business of El Camino is located in Cebu City.
- (r) ICOM was incorporated on December 7, 2020 as an undertaking of CLI and various individual stockholders and corporations to import aircraft(s) and to operate a transportation business in the Philippines. ICOM's principal place of business is in Iloilo City. As at December 31, 2021, ICOM has yet to start its commercial operations.

- (s) Magspeak was incorporated in 2011 as an undertaking among CLI and four other corporations for the development of a mountain resort to be located in Balamban, Cebu. The principal place of business of Magspeak is located in Cebu City.

1.3 Approval of Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2021 (including the comparative consolidated financial statements for the years ended December 31, 2021 and 2020, were authorized for issue by the BOD on March 29, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) SEC Financial Reporting Reliefs Availed by the Group

In 2020, the Group has availed of several financial reporting reliefs granted by the SEC under Memorandum Circular (MC) No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*, MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*, MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*, and MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*, relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

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

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

Relief	Description and Implication	Deferral period
IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry	The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories. Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements: • interest expense would have been higher; • cost of real estate inventories would have been lower; • total comprehensive income would have been lower; • retained earnings would have been lower; and, • the carrying amount of real estate inventories would have been lower.	Until December 31, 2023
PIC Q&A No. 2018-12-D, <i>Concept of the significant financing component in the contract to sell</i>	PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer.	Until December 31, 2023

Relief	Description and Implication	Deferral period
and PIC Q&A No. 2020-04, <i>Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments</i>	In those circumstances, the contract contains a significant financing component. Had the Group elected not to defer this provision of the standard, it would have an impact in the consolidated financial statement as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method. This will have a retrospective effect in retained earnings, real estate sales, and profit or loss in 2021 and prior years.	

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

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period.

(d) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, 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 Adoption of New and Amended PFRS

(a) Effective in 2021 that are Relevant to the Group

The Group adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform Operation
PFRS 16 (Amendments)	:	Leases – Interest Rate Benchmark Reform Phase 2 and Leases – COVID-19- Related Rent Concessions beyond June 30, 2021

Discussed below are the relevant information about these pronouncements

- (i) The Group adopted for the first time the application of the amendments to PFRS 7 (Amendments), *Financial Instruments: Disclosures*, PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform*, and PFRS 16, *Leases – Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments have no impact on the Group's consolidated financial statements as the Group do not have any financial instruments subject to LIBOR.
- (ii) The Group opted to early adopt the application of the amendments to PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*, which is effective from April 1, 2021. The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Group's consolidated financial statements as the Group did not receive any rent concession from its lessors in 2021.

(b) Effective Subsequent to 2021 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022).
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022).

- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022).
 - (iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:
 - PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*.
 - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*.
 - (v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023).
 - (vi) PAS 1 and PFRS Practice Statement 2 (Amendments), *Disclosure Initiative – Accounting Policies* (effective from January 1, 2023).
 - (vii) PAS 8 (Amendments), *Definition of Accounting Estimates* (effective from January 1, 2023).
 - (viii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely).
- (c) *PIC Q&As Relevant to the Real Estate Industry Applicable in 2021*

Discussed below are the PIC Q&As effective from January 1, 2021 that are applicable to the Group, including the descriptions of their impact to the Group's consolidated financial statements.

- (i) PIC Q&A No. 2018-12-E, *Treatment of uninstalled materials in the determination of POC* and PIC Q&A No. 2020-02, *Conclusion on PIC Q&A No. 2018-12-E: On the Treatment of Materials Delivered on Site but not yet Installed in Measuring the Progress of the Performance Obligation*

PIC Q&A No. 2018-12-E specifies, in recognizing revenue using a cost-based input method, the cost incurred for customized materials not yet installed are to be included in the measurement of progress to properly capture the efforts expended by the Group in completing its performance obligation. In the case of uninstalled materials delivered on site that are not customized, such as steels and rebars, elevators and escalators, which are yet to be installed or attached to the main structure are excluded in the assessment of progress. Control over the uninstalled materials is not transferred to the customer upon delivery to the site but only when these are installed or when they are used in the construction. The application of the PIC Q&A had no significant impact to the Group's consolidated financial statements since the Group does not include uninstalled materials that are not customized in determining measure of progress for revenue recognition.

- (ii) PIC Q&A No. 2020-03, *Conclusion on PIC Q&A No. 2018-12-D: On the Accounting Treatment for the Difference when the POC is Ahead of the Buyer's Payment*

This PIC Q&A concludes that the difference when the POC is ahead of the buyer's payment can be accounted for either as a contract asset or receivable. The PIC has concluded that both views are acceptable as long as this is consistently applied in transactions of the same nature. The Group intends to continue its current treatment of accounting for the difference when the POC is ahead of the buyer's payment as a contract asset, hence, the adoption did not have a significant impact on the 2021 consolidated financial statements.

- (iii) PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments*

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group do not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant. The adoption of this PIC Q&A will be consistent with PIC Q&A 2018-12-D.

- (iv) PIC Q&A No. 2020-05, *Accounting for Cancellation of Real Estate Sales (PIC Q&A No. 2020-05 will supersede PIC Q&A No. 2018-14)*

There are three acceptable approaches in accounting for sales cancellation and repossession of the property as follows:

- reposessed property is recognized at fair value less cost to repossess;
- reposessed property is recognized at fair value plus repossession cost;
- or,
- cancellation is accounted for as a modification of the contract.

The Group accounts for cancellation of sales contract as modification of contract, hence, the adoption of this PIC Q&A will not have significant impact in the consolidated financial statements of the Group.

2.3 Basis of Consolidation

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

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

The Parent Company accounts for its investments in subsidiaries and associates and non-controlling interests as shown below.

(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 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 recognized amounts of acquiree's identifiable net assets.

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

(b) *Investments in Associates*

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for 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 consolidated financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company'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 Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the share in net loss of associates in the consolidated statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

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

(c) *Transactions with Non-controlling Interests*

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions—that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

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

2.4 Business Combination

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

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

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

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

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in 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, Contingent Liabilities and Contingent Assets*, either in profit or loss, or as a charge 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 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 goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. In order to meet the definition of a business, the acquired set of activities and assets must have inputs and substantive processes that can collectively significantly contribute to the creation of outputs. A business usually consists of the three elements as follows:

- (a) inputs, which is an economic resource that creates outputs or can contribute to the creation of outputs when processes are applied to it;
- (b) processes, which a system, standard, protocol, convention or rule that when applied to an input, creates outputs or can contribute to the creation of outputs; and,
- (c) outputs, which are the result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income (such as dividends or interest) or generate other income from ordinary activities.

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 Instruments*

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

(a) *Financial assets*

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

(i) *Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Currently, the Group's financial assets are all categorized as financial assets at amortized cost.

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

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

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

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Receivables (excluding Advances to officers and employees), Due from Related Parties and Other Non-current Assets in respect of the refundable deposits included therein.

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

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

Interest income 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). The interest earned is recognized in the statement of profit or loss as part of Finance Income.

(ii) *Impairment of Financial Assets*

The Group assesses and recognizes an allowance for expected credit losses (ECL) on its financial assets measured at amortized cost. 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 amount of allowance for ECL is updated at the end of each reporting period to reflect the changes in credit risk of the financial asset since initial recognition. In assessing the credit quality of a financial asset, the Group assesses whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In determining whether the financial asset is in default, which is aligned with the definition of credit-impaired, the Group considers both quantitative and qualitative criteria as further discussed in Note 30.2(b).

The amount of allowance for ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of any collateral held or other credit enhancements that are integral to the contractual terms.

The Group assesses impairment of receivables and contract assets on a collective basis based on shared credit risk characteristics of financial assets. The Group determines the ECL for receivables and contract assets by applying a method that evaluates the credit quality of a portfolio of receivables and contract assets 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 other credit exposures such as due from related parties and refundable deposit, 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 cash and cash equivalents, 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 key elements used in the calculation of ECL are as follows:

- *Probability of Default* – it is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss Given Default* – it is an estimate of loss related to the amount that may not be recovered after the default occurs. It is based on the difference between the contractual cash flows due in accordance with the terms of the instrument and all the cash flows that the Group expects to receive. For receivables and contract assets, this include cash flows from resale of repossessed real estate properties, net of direct costs of obtaining and selling the properties such as commission, refurbishment, and refund payment under Republic Act (RA) 6552, *Realty Installment Buyer Protection Act* or *Maceda law*.
- *Exposure at Default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

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

(iii) *Derecognition of Financial Assets*

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

(b) *Financial liabilities*

Financial liabilities, which include interest-bearing loans and borrowings and trade and other payables [except government-related obligations, advance rental and output value-added tax (VAT)], 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.

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument.

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

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD.

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.

All interest-related charges are recognized as expense in profit or loss under the caption Finance and Other Charges account in the consolidated statement of comprehensive income.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) *Offsetting 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 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 financial instruments.

2.6 Real Estate Inventories

Cost of real estate inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group (see Note 2.13). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed.

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

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

Reposessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or Contract Asset to be derecognized and the cost of the reposessed property is recognized in the consolidated statement of comprehensive income.

2.7 Deposits on Land for Future Development

Deposits on land for future development pertain to advance cash payments made to sellers of properties purchased by the Group but title over the properties have not yet been transferred to the Group. Once sale is consummated, which is usually within 12 months from the date the deposit is made, such advance payments are applied to the full amount of the contract price and debited to either Real Estate Inventory or Investment Property account depending on the intended use of the property acquired. The Group present deposit on land for future development that are intended for real estate inventories under current assets while those that are intended for investment properties as non-current assets in the consolidated statement of financial position.

2.8 Prepayments and Other Assets

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

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period are classified as part of non-current assets.

2.9 Property and Equipment

Property and equipment are carried at acquisition or construction cost less subsequent depreciation, amortization and any impairment losses. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred. Cost also includes capitalized borrowing costs (see Note 2.13).

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 years
Transportation equipment	5 years
Office equipment	3-5 years
Furniture and fixtures	2-5 years

Leasehold improvements are amortized over the useful life of the improvements of 10 years or the lease term, whichever is shorter.

Construction-in-progress is not depreciated until the completion of the constructed asset.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.15).

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

An item of property and equipment, including the related accumulated depreciation and amortization, and impairment losses, if any, 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.

2.10 Investment Properties

Investment properties are completed and under construction or development properties that are held to earn rental income, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Cost of the asset includes cost of construction and capitalized borrowing costs (see Note 2.13).

Investment properties are carried at cost, net of accumulated depreciation, except for land which is not subjected to depreciation, and any impairment in value. Depreciation of investment properties that are subject to depreciation is computed using the straight-line method over the estimated useful lives of the assets of 20 to 50 years.

Construction in progress represents properties under construction and is stated at cost. This includes costs of construction, applicable borrowing costs (see Note 2.13) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

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 2.15).

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal.

2.11 Provisions and Contingencies

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a 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.

2.12 Revenue and Expense Recognition

Revenue of the Group arises mainly from the sale of real estate units, lease of property, rendering of management services and hotel operations. However, lease of property is accounted for separately (see Note 2.14).

The Group follows the five-step process below to when it recognizes revenue.

- (1) identifying the contract with a customer;
- (2) identifying the performance obligation;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligations; and,
- (5) recognizing revenue when/as performance obligations are satisfied.

A contract with a customer is identified when the following five gating criteria are present:

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

- (v) collection of the consideration in exchange of the goods and services is probable.

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

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

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

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

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(c)]:

- (a) *Sale of real estate units* – Revenue from the sale of real estate units are recognized as the control transfers at either over time for units sold under pre-completed contracts or at a point in time for ready for occupancy units, provided that the collectability of the contract price is reasonably assured. Invoicing for real estate sales are based on the agreed amortization schedule by the Group and the buyer.

When the price gating criteria of the revenue recognition has not been met, including assessment that collectability of the contract price is not yet assured, the consideration received from buyers are accounted as Customers' Deposits which is presented under current liabilities in the consolidated statement of financial position.

Subsequent cancellations of prior year sales are accounted for as contract modification on the year of cancellation. Cumulative revenues and costs recognized on cancelled contracts are deducted from the real estate sales and the related costs in the year in which such cancellations are made.

For tax reporting purposes, the taxable income for the year is based on the provisions of Section 49 of the National Internal Revenue Code (NIRC), as amended, which governs installment sales. Under the NIRC, revenue on sale and cost of real estate sold are recognized in full when the initial payments collected in the year of sale exceed 25% of the selling price; otherwise, revenue and cost of real estate sold are recognized based on the collections.

- (b) *Rendering of management services* – Revenue from the rendering of management services is recognized over time as the services are provided to the client entities, which consume the benefit as the Group performs. The client entities are invoiced monthly as work progresses, which are also due upon receipt by them. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as part of contract receivables as only the passage of time is required before payment of these amounts will be due.
- (c) *Hotel operations* – Revenues 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 have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.

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

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's 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.

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

2.13 Borrowing Costs

Borrowing costs are recognized 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 cost of such asset. 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. Capitalization ceases when substantially all such activities are complete.

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

2.14 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

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

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

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.15).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented separately from property and equipment and other liabilities, respectively.

(b) Group as Lessor

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

2.15 Impairment of Non-financial Assets

The Group's property and equipment, right-of-use assets, investment properties, investment in associates and other non-financial assets are subject to impairment testing. 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 amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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

2.16 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

The Group's defined benefit post-employment plan, which became effective on January 1, 2015, covers all regular full-time employees. The pension plan is noncontributory and administered by a trustee.

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

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

(b) *Post-Employment Defined Contribution Plans*

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

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) *Performance Bonus*

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) *Compensated Absences*

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

2.17 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in 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 end of 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 profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each 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 deductible temporary differences 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 in 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 profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.18 Related Party Transactions and Relationships

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

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

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

For purposes of reporting material related party transactions of publicly-listed companies to the SEC, transactions amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with the related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote to approve the material related party transactions may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of ten 10% of the Group's total assets based on the latest audited consolidated financial statements, the same board approval would be required for the transactions that meets and exceeds the materiality threshold covering the same related party.

2.19 Segment Reporting

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

In identifying its operating segments, management generally follows the Group's geographical location, which represent the main products and services provided by the Group.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except post-employment benefit expenses in arriving at the operating profit of the operating segments.

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

2.20 Equity

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

Additional paid-in capital represents the proceeds in excess of the par value of shares issued less directly attributable costs in relation to the issuance of the shares.

Treasury shares represent the shares that are reacquired by the Parent Company at cost but are not cancelled shares.

Revaluation reserves comprise gains and losses arising from remeasurements of post-employment defined benefit plan.

Retained earnings represent all current and prior period results of operations as reported in the consolidated statement of profit or loss, reduced by the amounts of dividends declared. Appropriated retained earnings are retained earnings that have been set aside by the Group for specific purpose and are not available for dividend declarations.

Non-controlling interest (NCI) represents equity in consolidated entities that are not attributable, directly or indirectly to the Parent Company. This increases by equity investments from non-controlling shareholders, share in profit or loss and share in each component of other comprehensive income in the consolidated entities. This decreases by dividends declared to non-controlling shareholders.

The Group adjusts the carrying amount of NCI to reflect the changes in their relative interests in the consolidated entities when the proportion of the equity held by NCI changes. The Group directly recognize in equity any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received, and attribute it to the shareholders of the Parent Company.

2.21 Earnings Per Share

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

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

2.22 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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, 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 Timing of Satisfaction of Performance Obligations

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

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

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

(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. The Group uses historical payment pattern of customers and number of sales cancellation in establishing a percentage of collection threshold over which the Group determines that collection of the transaction price is reasonably assured. 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. Management is confident that when the collections received from the buyers exceed a certain threshold, it would be unlikely for the buyer to default and therefore, cancel the contract. Accordingly, as discussed in Note 2.12 under identification of contract, the Group will not recognize the whole contract and no revenue will be recognized when the collection threshold is not yet reached.

(d) *Assessment Involving Right of Return*

The Group's real estate sales under pre-completed contracts has variable consideration, which is the right of return when a buyer defaulted the equity payments. Moreover, RA No. 6552, *Realty Installment Buyer Act* or, which is popularly known in the Philippines as the Maceda Law, provides a statutory obligation to the Group to refund the buyer the cash surrender value of the collections received on the property equivalent to 50% of the total collected amount, and, after five years of installment payments, an additional 5% every year but not to exceed 90% of the total collections received.

(e) *Determination of ECL on Receivables and Contract Assets*

The Group uses the cumulative loss rate approach to calculate ECL for receivables and contract assets. 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.

Details about the ECL on the Group's trade and other receivables and contract assets are disclosed in Note 30.2.

(f) *Distinction Between Investment Properties and Owner-managed Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the operations.

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

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each 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 properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Currently, its leases are all operating leases.

(h) *Determination of Lease Term of Contracts with Renewal and Termination Options*

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

For leases of land and office space, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

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

(i) *Accounting for Equity Ownership Interest in Subsidiaries and Associates*

In classifying its equity acquisitions as an investment in a subsidiary or associates, the Group evaluates whether control or significant influence exists. Control is present when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policy decisions.

The Parent Company was able to demonstrate control over the operations of CBLRV (since 2020), CHDI and YHESPH (since 2019), YHEST and CCLI (since 2018), MGR and YHES (since 2017), and BL Ventures, El Camino and YES (since 2016), from the time of their incorporation, as indicated in Note 1.2. It had been able to demonstrate control over the operations of the foregoing investees despite having 50% or less equity ownership interest in them by virtue of a formal agreement with the respective other shareholders of the investees and the Parent Company's actual role in the investees' operations. Accordingly, the said entities are accounted for as subsidiaries.

(j) *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 Group 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 outstanding shares of GGTT in 2020, as discussed in Note 1.2, does not qualify as business acquisition under PFRS 3, but is rather an acquisition of assets.

(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 2.11 and disclosures on relevant contingencies are presented in Note 28.

3.2 Key Sources of Estimation Uncertainty

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

(a) Revenue Recognition for Performance Obligations Satisfied Over Time

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance 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.

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

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

(c) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit 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 30.2(b).

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

In determining the net realizable value of real estate inventories, management takes into account the most reliable evidence available at the dates the estimates are made. The future realization of the carrying amounts of real estate inventory as presented in Note 7, is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's real estate inventories within the next financial reporting period.

Considering the Group's pricing policy, the net realizable values of real estate inventories for sale are determined to be higher than their related costs.

(e) *Estimation of Useful Lives of Property and Equipment, Investment Properties and Right-of-use Assets*

The Group estimates the useful lives of property and equipment, investment properties and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, right-of use assets and investment properties are analyzed in Notes 11, 12 and 13, respectively. Based on management's assessment as at December 31, 2021 and 2020, there is no change in estimated useful lives of these assets during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned.

(f) *Impairment of Non-financial Assets*

In assessing impairment, 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 consolidated 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.

Management assessed that no impairment loss is required to be provided on its significant non-financial assets, particularly property and equipment, right-of-use assets and investment properties, as at December 31, 2021, 2020 and 2019.

(g) *Valuation of Post-employment Defined Benefit Obligation*

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

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

(b) *Fair Value Measurement for Investment Properties*

Investment properties are measured using the cost model. The fair value of investment property held for capital appreciation and to earn rental income disclosed in the consolidated financial statements is determined by the Group based on the appraisal reports of a professional and independent appraiser. The fair value is determined by reference to market-based evidence, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Such amount is influenced by different factors including the location and specific characteristics of the property, quantity of comparable properties in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets being disclosed.

The fair value the Group's investment properties as at December 31, 2021 and 2020 is disclosed in Notes 13 and 31.3.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating segments are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's real estate segment covers the development and sale of residential and office units to individual and corporate buyers. The rental segment includes leasing of office and commercial spaces to corporate organizations. The management services segment focuses on the management of real estate projects and upkeep services to condominium corporations and housing associations. The hotel operations segment relates to the management of hotel business operations that caters hotel guest.

Segment accounting policies are the same as the policies described in Note 2.19. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, real estate inventories, property and equipment, and investment properties, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and segment liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation, if any.

4.4 Analysis of Segment Information

The following tables present revenue and profit information regarding industry segments for the years ended December 31, 2021, 2020 and 2019 and certain assets and liabilities information regarding segments as at December 31, 2021 and 2020:

	2021				
	Real Estate	Rental	Management Services	Hotel Operations	Total
REVENUES					
Sale to external customer	P 10,996,247,695	P 74,271,999	P 42,967,413	P 48,683,577	P 11,162,170,684
Intersegment sales	(83,694,730)	2,607,317	112,754,994	-	31,667,581
Total revenues	10,912,552,965	76,879,316	155,722,407	48,683,577	11,193,838,265
COSTS AND EXPENSES					
Costs of sales and services excluding depreciation and amortization	5,834,729,247	63,259	18,740,197	20,693,997	5,874,226,700
Operating expenses excluding depreciation and amortization	1,926,845,038	7,813,579	3,253,570	48,400,793	1,986,312,980
Depreciation and amortization	79,388,040	42,410,823	-	-	121,798,863
Total costs and expenses	7,840,962,325	50,287,661	21,993,767	69,094,790	7,982,338,543
FINANCE COST (INCOME)					
Interest expense on:					
Loans	206,602,933	1,576,018	656,253	-	208,835,204
Lease liabilities	67,139,552	-	-	-	67,139,552
Interest income on banks	(5,992,874)	(49,612)	(20,658)	(155,633)	(6,218,777)
Total finance cost (income)	267,749,611	1,526,406	635,595	(155,633)	269,755,979
SEGMENT PROFIT (LOSS) BEFORE TAX					
	<u>P 2,803,841,029</u>	<u>P 25,065,249</u>	<u>P 133,093,045</u>	<u>(P 20,255,580)</u>	<u>P 2,941,743,743</u>
ASSETS AND LIABILITIES					
Segment assets	P 59,241,930,021	P 13,257,992,141	P 47,761,136	P 668,752,885	P 73,216,436,183
Segment liabilities	47,210,106,719	36,400,266	8,264,159	476,195,105	47,730,966,249
	2020				
	Real Estate	Rental	Management Services	Hotel Operations	Total
REVENUES					
Sale to external customer	P 8,146,432,329	P 55,237,972	P 42,591,886	P 54,558,131	P 8,298,820,318
Intersegment sales	32,386,714	6,290,421	51,071,575	-	89,748,710
Total revenues	8,178,819,043	61,528,393	93,663,461	54,558,131	8,388,569,028
COSTS AND EXPENSES					
Costs of sales and services excluding depreciation and amortization	4,208,259,774	-	14,537,862	19,620,573	4,242,418,209
Operating expenses excluding depreciation and amortization	1,213,385,183	6,692,007	2,381,485	43,355,942	1,265,814,617
Depreciation and amortization	64,330,744	39,693,249	95,630	-	104,119,623
Reversal of impairment losses	-	-	252,478	-	252,478
Total costs and expenses	5,485,975,701	46,385,256	17,267,455	62,976,515	5,612,604,927
FINANCE COST (INCOME)					
Interest expense on:					
Loans	8,677,442	-	-	-	8,677,442
Lease liabilities	-	8,505,235	-	48,622,585	57,127,820
Amortization of day one loss - net (	30,761,435)	-	-	-	(30,761,435)
Interest income on banks	(8,701,101)	-	-	-	(8,701,101)
Total finance cost (income)	(30,785,094)	8,505,235	-	48,622,585	26,342,726
SEGMENT PROFIT (LOSS) BEFORE TAX					
	<u>P 2,723,628,436</u>	<u>P 6,637,902</u>	<u>P 76,396,006</u>	<u>(P 57,040,969)</u>	<u>P 2,749,621,375</u>

	2020				
	Real Estate	Rental	Management Services	Hotel Operations	Total
ASSETS AND LIABILITIES					
Segment assets	P 40,383,454,972	P10,109,861,036	P 26,525,944	P 397,946,646	P 50,917,788,598
Segment liabilities	33,012,060,943	29,854,341	5,536,745	186,205,150	33,233,657,179
	2019				
	Real Estate	Rental	Management Services	Hotel Operations	Total
REVENUES					
Sale to external customer	P 8,390,526,495	P 63,159,194	P 36,837,490	P 8,524,756	P 8,499,047,935
Intersegment sales	<u>67,244,500</u>	<u>-</u>	<u>40,954,771</u>	<u>-</u>	<u>108,199,271</u>
Total revenues	<u>8,457,770,995</u>	<u>63,159,194</u>	<u>77,792,261</u>	<u>8,524,756</u>	<u>8,607,247,206</u>
COSTS AND EXPENSES					
Costs of sales and services excluding depreciation and amortization	4,296,571,881	179,375	11,031,084	5,404,138	4,313,186,478
Operating expenses excluding depreciation and amortization	1,162,600,452	1,177,450	244,578	48,926	1,164,071,406
Depreciation and amortization	41,224,152	19,475,668	64,171	-	60,763,991
Reversal of impairment losses	(<u>69,462,639</u>)	<u>-</u>	<u>-</u>	<u>-</u>	(<u>69,462,639</u>)
Total costs and expenses	<u>5,430,933,846</u>	<u>20,832,493</u>	<u>11,339,833</u>	<u>5,453,064</u>	<u>5,468,559,236</u>
FINANCE COST (INCOME)					
Interest expense on:					
Loans	33,629,596	-	-	-	33,629,596
Lease liabilities	-	10,847,248	-	-	10,847,248
Post-employment defined benefit obligation	449,368	-	-	-	449,368
Amortization of day one loss on non-current contract receivables – net	(26,971,237)	-	-	-	(26,971,237)
Interest income on banks	(<u>24,599,602</u>)	<u>-</u>	<u>-</u>	<u>-</u>	(<u>24,599,602</u>)
Total finance cost (income)	(<u>17,491,875</u>)	<u>10,847,248</u>	<u>-</u>	<u>-</u>	(<u>6,644,627</u>)
SEGMENT PROFIT BEFORE TAX	<u>P 3,044,329,024</u>	<u>P 31,479,453</u>	<u>P 66,452,428</u>	<u>P 3,071,692</u>	<u>P 3,145,332,597</u>

The real estate segment is further analyzed based on their geographical location as shown in Note 17.1. Both rental and management services segments are located in Cebu City.

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented.

4.5 Reconciliation

Following is a reconciliation of the Group's segment information to the key financial information presented in its financial statements.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues			
Total segment revenues	P 11,193,838,265	P 8,388,569,028	P 8,607,247,206
Elimination of intersegment revenues	(<u>31,667,581</u>)	(<u>89,748,710</u>)	(<u>108,199,271</u>)
Revenues as reported in profit or loss	<u>P 11,162,170,684</u>	<u>P 8,298,820,318</u>	<u>P 8,499,047,935</u>
Profit or loss			
Segment profit before tax	P 2,941,743,743	P 2,749,621,375	P 3,145,332,597
Elimination of intersegment accounts	41,419,431	(25,428,578)	(16,033,381)
Other operating income	257,229,190	68,597,820	53,133,383
Share in net loss in associates	(4,229,178)	(615,777)	(326,580)
Other losses - net	(<u>132,572,525</u>)	(<u>593,932</u>)	(<u>612,295</u>)
Profit before tax as reported in profit or loss	<u>P 3,103,590,661</u>	<u>P 2,791,580,908</u>	<u>P 3,181,493,724</u>
Assets			
Segment assets and total assets reported in statements of financial position	P73,216,436,183	P 50,917,788,598	
Elimination of intercompany accounts	(<u>6,564,330,750</u>)	(<u>827,287,155</u>)	
Total assets as reported in statements of financial position	<u>P66,652,105,433</u>	<u>P 50,090,501,443</u>	
Liabilities			
Segment liabilities	P47,730,966,249	P 33,233,657,179	
Deferred tax liabilities	2,063,035,449	1,707,563,195	
Elimination of intercompany accounts	(<u>1,074,077,789</u>)	(<u>377,960,389</u>)	
Total liabilities as reported in statements of financial position	<u>P48,719,923,909</u>	<u>P 34,563,259,985</u>	

5. CASH AND CASH EQUIVALENTS

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

	<u>2021</u>	<u>2020</u>
Cash on hand	P 4,544,386	P 3,929,500
Cash in banks	769,344,992	751,514,323
Short-term placements	<u>321,932,538</u>	<u>41,740,967</u>
	<u>P 1,095,821,916</u>	<u>P 797,184,790</u>

Cash in banks (savings and demand deposits) generally earn interest based on daily bank deposit rates. Short-term placements are made for varying period from 10 to 90 days and earn effective interest of 0.75% per annum in 2021, and ranging from 1.19% to 2.20% and 1.74% to 6.00% per annum in 2020 and 2019, respectively.

Interest income earned from cash and cash equivalents amounted to P6,528,935, P8,701,101 and P24,599,602 in 2021, 2020 and 2019, respectively, and are presented as part of Finance Income in the consolidated statements of profit or loss (see Note 22).

6. RECEIVABLES

This account includes the following:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Contract receivables:			
Third parties		P5,360,189,498	P 5,550,553,929
Related parties	25.3, 25.2	137,597,839	257,432,271
Retention receivable		81,429,356	57,707,728
Rent receivable		61,234,152	66,636,064
Management fee receivable		50,087,038	27,506,262
Receivables from hotel operations		21,414,128	3,296,708
Advances to officers and employees		1,443,532	16,558,780
Other receivables		292,976,075	162,867,714
		6,006,371,618	6,142,559,457
Allowance for impairment	30.2(c)	(600,695)	(600,695)
		<u>P6,005,770,923</u>	<u>P6,141,958,762</u>

Receivables are presented in the consolidated statements of financial position as follows.

	<u>2021</u>	<u>2020</u>
Current	P5,844,643,647	P6,020,754,434
Non-current	<u>161,127,276</u>	<u>121,204,328</u>
	<u>P6,005,770,923</u>	<u>P6,141,958,762</u>

Buyers of real estate properties are given two to four years to complete the equity amortization which ranges from 10% to 30% of the contract price of the real estate being purchased. Contract receivables, which are all covered by postdated checks, are only recognized when the collection of total transaction price is reasonably assured and the corresponding revenue is recognized. Generally, full payment by buyers of their equity amortization is followed by full settlement by the buyer's chosen financing institution of the buyer's account within 12 months. Title to real estate properties are transferred to the buyers once full payment has been made. Hence, contract receivables are fully secured by the real properties acquired by buyers.

Long-term contract receivables, which are noninterest-bearing, are receivables from buyers whose equity payments are expected to be fully paid after 12 months following the end of the reporting period. These are measured at amortized cost which is determined by discounting future cash flows using the applicable rates of similar types of instruments. The aggregate unamortized discount on noninterest-bearing contract receivables amounts to P1,300,077 and P2,461,014 as at December 31, 2021 and 2020, respectively. Amortization of day one gain of noninterest-bearing contract receivables, net of day one loss, amounted to P1,160,937, P30,761,435 and P26,971,237 in 2021, 2020 and 2019, respectively, and presented as part of Finance Income in the consolidated statements of profit or loss (see Note 22).

Retention receivable represents 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.

Advances to officers and employees are composed of advances intended for the Group's operations and are subject to liquidation.

The Group assesses an ECL when the receivables from contract with customers and other counterparties are initially recognized and updates the assessment at each reporting date based on the analysis determined by management. A reconciliation of the allowance for impairment at the beginning and end of 2021 and 2020 is shown below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 600,695	P 348,217
Impairment losses	<u>-</u>	<u>252,478</u>
Balance at end of year	<u>P 600,695</u>	<u>P 600,695</u>

7. REAL ESTATE INVENTORIES

This account includes the following inventories, which are all at cost.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Subdivision units		P 509,213,661	P 419,174,144
Condominium units		<u>481,000,844</u>	<u>696,385,131</u>
		<u>990,214,505</u>	<u>1,115,559,275</u>
Construction-in-progress (CIP):			
Land development costs	10(b)	11,358,311,375	4,549,275,173
Condominium building costs		3,092,544,557	2,391,243,922
Housing costs		<u>1,202,816,678</u>	<u>1,096,020,640</u>
		<u>15,653,672,610</u>	<u>8,036,539,735</u>
Raw land inventory	8	<u>2,064,870,438</u>	<u>4,246,082,837</u>
		<u>P 18,708,757,553</u>	<u>P13,398,181,847</u>

An analysis of the cost of real estate inventory included in cost of sales is presented in Note 18.

Land development costs pertain to the cost of land acquisition, and site development costs of horizontal projects and other future site projects of the Group.

Condominium building costs consist of the cost of land and the cost to construct the units of the vertical projects of the Group.

Housing costs pertain to the cost of house construction for the horizontal projects of the Group.

Raw land inventory consists of parcels of land owned by the Group in various locations. These are expected to be developed into saleable condominium or subdivision units. In 2021 and 2020, the Group reclassified deposits on land for future development amounting to P1,076,100,742 and P1,457,731,053, respectively, to raw land inventory, i.e., applied as part of the payment for the land acquisitions that were consummated during the reporting period (see Note 8).

On July 16, 2020, CLI entered into a subscription contract with GGTT, whereby CLI agreed to subscribe to 500,000 shares of GGTT after SEC's approval of GGTT's application for increase in authorized capital stock, for a subscription price of P177,730,000 or P355.46 per share. Prior to and at the time of subscription of CLI, substantially all of the fair value of the gross assets of GGTT is concentrated in a single identifiable asset, which is a parcel of land. After its subscription to the shares of GGTT, CLI now holds 50% ownership interest in GGTT. However, in accordance with the Group's policy [see Notes 2.4 and 3.1(j)], the transaction is accounted for by the Group as an asset acquisition since the transaction does not constitute an acquisition of a business (see also Note 1.2). As such the total purchase price at acquisition date amounting to P177,730,000 was allocated to the land and is included as part of raw land inventory as at December 31, 2020.

Borrowing costs that are capitalized as part of real estate inventory amounted to P1,104,112,548 and P898,039,007 2021 and 2020, respectively, which represents the specific borrowing costs incurred on loans and corporate notes obtained to fund the construction projects (see Note 15). Capitalization rate used for specific borrowings ranges from 4.25% to 7.25% and 4.00% to 6.25% for the years ended December 31, 2021 and 2020, respectively.

In 2021 and 2020, the Group reclassified investment properties totaling P1,840,846,826 and P997,649,685, respectively, to real estate inventories (see Note 13).

As at December 31, 2021 and 2020, real estate inventories totaling to P9,388,860,245 and P6,313,953,917, respectively, are used as collateral for certain interest-bearing loans and borrowings of the Parent Company (see Note 15.1).

8. DEPOSITS ON LAND FOR FUTURE DEVELOPMENT

Currently, this account includes only advance payments for acquisitions of certain parcels of land which are intended for future development into saleable real estate projects (see Note 2.7). A reconciliation of the deposits on land for future development is presented below.

	Notes	<u>2021</u>	<u>2020</u>
Balance at beginning of year		P 699,772,860	P 1,289,398,997
Additions		376,327,882	868,104,916
Transferred to raw land inventory	7	(1,076,100,742)	(1,457,731,053)
Balance at end of year		<u>P -</u>	<u>P 699,772,860</u>

The deposits on land for future development is presented as current assets in the consolidated statements of financial position.

9. PREPAYMENTS AND OTHER CURRENT ASSETS

This account includes the following:

	<u>2021</u>	<u>2020</u>
Advances to subcontractors	P1,845,467,300	P 1,087,635,323
Input VAT and deferred input VAT	1,174,824,254	684,996,056
Prepaid commissions	1,038,929,121	862,373,242
Advances to suppliers	302,615,456	288,283,971
Short-term investments	149,901,854	-
Prepaid expenses	41,371,168	64,561,537
Others	<u>184,303,136</u>	<u>32,019,552</u>
	<u>P4,737,412,289</u>	<u>P 3,019,869,681</u>

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses for on-going construction of subdivision and condominium units for sale. These are applied against the progress billings of subcontractors.

In 2021, 2020 and 2019, the Group expensed prepaid commissions of P725,648,666, P429,725,150, and P301,751,479, respectively, based on the POC of its related real estate project and is presented as Commissions under Operating Expenses in the consolidated statements of profit or loss (see Note 19).

Short-term investments pertain to escrow funds that are required to be set up in relation to the Group's compliance with the regulatory requirements for issuance of license to sell, and are restricted for use in the Group's operations. The escrow funds is significantly comprised of investments in treasury bills with maturity dates of up to 12 months, earning effective interest ranging from 1.20% to 1.90% per annum.

Prepaid expenses include advance payment for insurance and rent.

10. INVESTMENTS IN ASSOCIATES

A reconciliation of the carrying amounts of investments in associates at the beginning and end of 2021 and 2020 is shown below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 129,852,662	P 16,378,423
Additional investments	25,310,918	114,090,016
Reclassification	(15,869,472)	-
Share in net loss during the year	(4,229,178)	(615,777)
Balance at end of year	<u>P 135,064,930</u>	<u>P 129,852,662</u>

An analysis of the carrying amount of the Parent Company's investments in associates as at December 31, 2021 is shown below.

	<u>Magspeak</u>	<u>MDC</u>	<u>ICOM</u>	<u>Total</u>
Cost				
Balance at beginning of year	P 18,235,096	P 21,600,000	P 96,490,016	P 136,325,112
Additional investments	7,500,000	-	17,810,918	25,310,918
Reclassification	<u>-</u>	<u>(21,600,000)</u>	<u>-</u>	<u>(21,600,000)</u>
Balance at end of year	<u>25,735,096</u>	<u>-</u>	<u>114,300,934</u>	<u>140,036,030</u>
Accumulated equity in net losses				
Balance at beginning of year	(849,697)	(5,541,682)	(81,071)	(6,472,450)
Equity in net loss during the year	(637,753)	(188,846)	(3,402,579)	(4,229,178)
Reclassification	<u>-</u>	<u>5,730,528</u>	<u>-</u>	<u>5,730,528</u>
Balance at end of year	<u>(1,487,450)</u>	<u>-</u>	<u>(3,483,650)</u>	<u>(4,971,100)</u>
Net carrying amount	<u>P 24,247,646</u>	<u>P -</u>	<u>P 110,817,284</u>	<u>P 135,064,930</u>

An analysis of the carrying amount of the Parent Company's investments in associates as at December 31, 2020 is shown below.

	<u>Magspeak</u>	<u>MDC</u>	<u>ICOM</u>	<u>Total</u>
Cost				
Balance at beginning of year	P 10,635,096	P 11,600,000	P -	P 22,235,096
Additional investments	<u>7,600,000</u>	<u>10,000,000</u>	<u>96,490,016</u>	<u>114,090,016</u>
Balance at end of year	<u>18,235,096</u>	<u>21,600,000</u>	<u>96,490,016</u>	<u>136,325,112</u>
Accumulated equity in net losses				
Balance at beginning of year	(542,354)	(5,314,319)	-	(5,856,673)
Equity in net loss during the year	<u>(307,343)</u>	<u>(227,363)</u>	<u>(81,071)</u>	<u>(615,777)</u>
Balance at end of year	<u>(849,697)</u>	<u>(5,541,682)</u>	<u>(81,071)</u>	<u>(6,472,450)</u>
Net carrying amount	<u>P 17,385,399</u>	<u>P 16,058,318</u>	<u>P 96,408,945</u>	<u>P 129,852,662</u>

(a) *Magspeak*

Significant information on Magspeak's financial position as at December 31, 2021 and 2020, and financial performance for the years ended December 31, 2021, 2020 and 2019 are as follows:

	<u>2021</u>	<u>2020</u>
Current assets	P 30,659,907	P 33,657,703
Non-current assets	<u>56,329,911</u>	<u>16,828,516</u>
Total assets	<u>P 86,989,818</u>	<u>P 50,486,219</u>
Current liabilities	P 11,125,780	P 7,696,167
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>P 11,125,780</u>	<u>P 7,696,167</u>

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues	<u>P -</u>	<u>P -</u>	<u>P -</u>
Net loss	(P 2,551,014)	(P 1,233,204)	(P 240,780)
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>(P 2,551,014)</u>	<u>(P 1,233,204)</u>	<u>(P 240,780)</u>

The Parent Company's share in the net assets of Magspeak as of December 31, 2021 and 2020 which agrees with the carrying amount of the investment in Magspeak is shown below.

	<u>2021</u>	<u>2020</u>
Net assets of Magspeak	P 75,864,038	P 43,258,879
Proportion of equity interest by the Parent Company	<u>25%</u>	<u>25%</u>
Parent Company's share in the net assets of Magspeak	18,966,010	10,814,720
Other stockholders unpaid subscription	<u>5,281,636</u>	<u>6,570,679</u>
Carrying amount of investment	<u>P 24,247,646</u>	<u>P 17,385,399</u>

(b) *MDC*

On June 22, 2021, CLI assumed control of the MDC by acquiring additional 6,379,980 common shares of MDC from nine other stockholders. CLI became the Company's parent company with a 77.69% ownership interest of the MDC's outstanding shares, an increase from its previously held 20% ownership interest. Such acquisition was considered as a business combination achieved in stages, otherwise known as step-up acquisition (see Note 1.2).

Upon acquisition, CLI remeasured its investment in an associate to its acquisition-date fair value and recognized a Gain on remeasurement of investments in associates presented under Other Operating Income in the 2021 statement of profit or loss (see Note 20.1), computed as follows.

Acquisition-date fair value of previously held interest	P 48,307,983
Acquisition-date carrying value of investment in associate	(<u>15,869,472</u>)
Gain on remeasurement	<u>P 32,438,511</u>

The fair values of the identifiable assets acquired and liabilities assumed from the increased acquisition in MDC as at the date of acquisition and the total consideration used are presented below.

Consideration made:	
Consideration transferred on additional acquisition	P 159,499,500
Acquisition-date fair value of previously held interest	48,307,983
Amount of non-controlling interest	<u>59,692,017</u>
	<u>267,499,500</u>
Fair value of net assets acquired:	
Cash	P 18,088,271
Real estate inventory	245,551,610
Other current assets	5,775,694
Trade and other payables	(1,880,803)
Due to a related party	(<u>35,272</u>)
	<u>267,499,500</u>
Goodwill	<u>P -</u>

Non-controlling interest was computed using the proportionate share in the recognized amounts of the acquiree's identifiable net assets. There were no trade and other receivables acquired and no contingent consideration arising from the foregoing transaction. The acquisition-related costs for this transaction were also immaterial. Moreover, the acquisition did not result to any goodwill or any gain on bargain purchase.

The total revenues and net losses of MDC included in the 2021 consolidated statement of comprehensive income since acquisition date are nil and P2,330,126, respectively. Had the acquisition occurred at the beginning of the year, the total revenues and net losses of MDC to be included in the 2021 consolidated statement of comprehensive income are nil and P4,329,135, respectively.

Significant information on MDC's financial position as at December 31, 2020 and financial performance for the years ended December 31, 2020 and 2019 are as follows:

Current assets	P 65,955,938
Non-current assets	<u>-</u>
Total assets	<u>P 65,955,938</u>
Current liabilities	P 1,664,545
Non-current liabilities	<u>-</u>
Total liabilities	<u>P 1,664,545</u>

	<u>2020</u>	<u>2019</u>
Total revenues	<u>P -</u>	<u>P -</u>
Net loss	(P 1,137,438)	(P 240,780)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	(P <u>1,137,438</u>)	(P <u>240,780</u>)

The Parent Company's share in the net assets of MDC as of December 31, 2020 which agrees with the carrying amount of the investment in MDC is shown below.

	<u>2020</u>
Net assets of MDC	P 64,291,393
Proportion of equity interest by the Parent Company	<u>20%</u>
Parent Company's share in the net assets of MDC	12,858,278
Other stockholders unpaid subscription	<u>3,200,040</u>
Carrying amount of investment	<u>P 16,058,318</u>

(c) *ICOM AIR*

Significant information on ICOM's financial position and financial performance as at and for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Current assets	P 33,287,705	P 10,814,980
Non-current assets	<u>306,275,863</u>	<u>282,680,639</u>
Total assets	<u>P 339,563,568</u>	<u>P 293,495,619</u>
Current liabilities	P 7,214,820	P 28,292,126
Non-current liabilities	<u>39,943,000</u>	<u>-</u>
Total liabilities	<u>P 47,157,820</u>	<u>P 28,292,126</u>
Revenues	<u>P 8,312,631</u>	<u>P -</u>
Net loss	(P 10,310,845)	(P 243,207)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	(P <u>10,310,845</u>)	(P <u>243,207</u>)

The Parent Company's share in the net assets of ICOM as of December 31, 2021 and 2020 which agrees with the carrying amount of the investment in ICOM is shown in the next page.

	<u>2021</u>	<u>2020</u>
Net assets of ICOM	P 292,405,748	P 265,203,493
Proportion of equity interest by the Parent Company	<u>33%</u>	<u>33%</u>
Parent Company's share in the net assets of ICOM	97,468,583	88,401,164
Other stockholders unpaid subscription	<u>13,348,701</u>	<u>8,007,781</u>
Carrying amount of investment	<u>P 110,817,284</u>	<u>P 96,408,945</u>

Shares in net losses of associates totaling P4,229,178, P615,777 and P326,580 were recognized in 2021, 2020 and 2019, respectively, in the consolidated statements of profit or loss.

There were no dividends received from the Group's associates in 2021, 2020 and 2019.

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2021 and 2020 are shown below.

	<u>Land</u>	<u>Building</u>	<u>Office Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Fixture</u>	<u>Leasehold Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2021								
Cost	P 140,896,820	P 313,420,883	P 91,775,926	P 59,603,223	P 36,731,888	P 12,514,727	P 471,807,019	P 1,126,750,486
Accumulated depreciation and amortization	-	(102,246,056)	(40,841,416)	(39,453,413)	(23,778,921)	(4,758,977)	-	(211,078,783)
Net carrying amount	<u>P 140,896,820</u>	<u>P 211,174,827</u>	<u>P 50,934,510</u>	<u>P 20,149,810</u>	<u>P 12,952,967</u>	<u>P 7,755,750</u>	<u>P 471,807,019</u>	<u>P 915,671,703</u>
December 31, 2020								
Cost	P 140,896,820	P 255,033,535	P 70,755,434	P 46,189,920	P 28,848,061	P 4,585,537	P 269,748,169	P 816,057,476
Accumulated depreciation and amortization	-	(84,445,236)	(31,271,468)	(33,586,991)	(19,911,373)	(3,454,802)	-	(172,669,870)
Net carrying amount	<u>P 140,896,820</u>	<u>P 170,588,299</u>	<u>P 39,483,966</u>	<u>P 12,602,929</u>	<u>P 8,936,688</u>	<u>P 1,130,735</u>	<u>P 269,748,169</u>	<u>P 643,387,606</u>
January 1, 2020								
Cost	P 139,198,121	P 147,503,733	P 52,750,891	P 50,638,536	P 21,833,195	P 2,355,282	P 16,673,810	P 430,953,568
Accumulated depreciation and amortization	-	(46,341,468)	(17,125,820)	(26,982,786)	(12,790,293)	(1,992,481)	-	(105,232,848)
Net carrying amount	<u>P 139,198,121</u>	<u>P 101,162,265</u>	<u>P 35,625,071</u>	<u>P 23,655,750</u>	<u>P 9,042,902</u>	<u>P 362,801</u>	<u>P 16,673,810</u>	<u>P 325,720,720</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2021 and 2020 is shown below.

	<u>Land</u>	<u>Building</u>	<u>Office Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Fixture</u>	<u>Leasehold Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2021 net of accumulated depreciation and amortization	P 140,896,820	P 170,588,299	P 39,483,966	P 12,602,929	P 8,936,688	P 1,130,735	P 269,748,169	P 643,387,606
Additions	-	11,827,275	21,178,971	13,413,303	8,401,409	7,929,190	237,085,854	299,836,002
Disposals	-	-	(23,178)	-	(69,360)	-	-	(92,538)
Reclassification	-	43,004,043	-	-	-	-	(35,027,004)	7,977,039
Depreciation and amortization for the year	-	(14,244,790)	(9,613,285)	(5,866,422)	(4,315,770)	(1,304,175)	-	(35,344,442)
Balance at December 31, 2021 net of accumulated depreciation and amortization	<u>P 140,896,820</u>	<u>P 211,174,827</u>	<u>P 50,934,510</u>	<u>P 20,149,810</u>	<u>P 12,952,967</u>	<u>P 7,755,750</u>	<u>P 471,807,019</u>	<u>P 915,671,703</u>
			Office	Transportation	Furniture	Leasehold	Construction	

	Land	Building	Equipment	Equipment	and Fixture	Improvements	in Progress	Total
Balance at January 1, 2020 net of accumulated depreciation and amortization	P 139,794,060	P 83,076,321	P 38,833,292	P 11,220,784	P 10,019,737	P 97,701	P 72,079,085	P 355,120,980
Additions	-	19,542,518	8,286,592	5,177,704	2,762,373	2,254,898	197,669,084	235,693,169
Reclassification	1,102,760	85,001,437	-	-	-	-	-	86,104,197
Depreciation and amortization for the year	-	(17,031,977)	(7,635,918)	(3,795,559)	(3,845,422)	(1,221,864)	-	(33,530,740)
Balance at December 31, 2020 net of accumulated depreciation and amortization	<u>P 140,896,820</u>	<u>P 170,588,299</u>	<u>P 39,483,966</u>	<u>P 12,602,929</u>	<u>P 8,936,688</u>	<u>P 1,130,735</u>	<u>P 269,748,169</u>	<u>P 643,387,606</u>
Balance at January 1, 2019 net of accumulated depreciation and amortization	P 139,198,121	P 101,162,265	P 35,625,071	P 23,655,750	P 9,042,902	P 362,801	P 16,673,810	P 325,720,720
Additions	595,939	2,985,847	9,964,093	7,152,251	4,535,518	-	55,405,275	80,638,923
Reclassification	-	-	(246,142)	(16,778,571)	(144,982)	(24,643)	-	(17,194,338)
Depreciation and amortization for the year	-	(21,071,791)	(6,509,730)	(2,808,646)	(3,413,701)	(240,457)	-	(34,044,325)
Balance at December 31, 2019 net of accumulated depreciation and amortization	<u>P 139,794,060</u>	<u>P 83,076,321</u>	<u>P 38,833,292</u>	<u>P 11,220,784</u>	<u>P 10,019,737</u>	<u>P 97,701</u>	<u>P 72,079,085</u>	<u>P 355,120,980</u>

Depreciation and amortization expense on property and equipment is presented as part of Operating Expenses (see Note 19).

In 2021 and 2020, the Group reclassified certain retail building previously presented as Investment Properties with an aggregate amount of P7,977,039 and P86,104,197, respectively, to property and equipment (see Note 13) because CLI used these units as one of its offices.

Certain office equipment and furniture and fixtures of the Parent Company with an aggregate carrying amount of P92,538 were sold in 2021 for a total of P75,961. The Parent Company recognized a net loss on disposal amounting to P16,577 (see Note 20.2).

Certain land, building, office equipment, furniture and fixtures and construction in progress with an aggregate carrying amount of P620,695,904 and P64,404,721 as at December 31, 2021 and 2020, respectively, are used as collateral for certain interest-bearing loans of the Group (see Note 15.1).

As at December 31, 2021 and 2020, the cost of the Group's fully-depreciated property and equipment that are still used in operations amounted to P96,606,491 and P80,220,251, respectively.

12. LEASES

In 2021 and 2020, the Group entered into lease contracts, as lessee, for leases of land and an office space. With the exception of short-term leases and leases of low-value underlying assets, each lease is presented in the consolidated statements of financial position as Right-of-use Assets and the corresponding obligation, as Lease Liabilities. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublease the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term.

Under the lease contracts, the Group is prohibited from selling or pledging the underlying leased assets as security. For the lease of an office space, the Group must keep the related property in a good state of repair and return the property in good state at the end of the lease. For the lease on the land, the Group must insure all the improvements made on the property.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the 2021 and 2020 consolidated statement of financial position.

	Number of right of-use assets leased	Lease term	Number of leases with extension option	Number of leases with purchase option	Number of leases with termination options
Land	5	5 to 41 years	-	-	-
Office space	2	2 to 4 years	1	-	1

12.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets as at December 31, 2021 and 2020 and the movements during the year are shown below.

	<u>Land</u>	<u>Office Space</u>	<u>Total</u>
<u>December 31, 2021</u>			
Cost			
Balance at beginning of year	P 971,236,695	P 8,556,881	P 979,793,576
Additions	282,694,092	7,321,040	290,015,132
Amendment of lease contract	(44,048,105)	-	(44,048,105)
Balance at end of year	<u>1,209,882,682</u>	<u>15,877,921</u>	<u>1,225,760,603</u>
Accumulated amortization			
Balance at beginning of year	26,308,480	2,580,647	28,889,127
Amortization	<u>41,526,169</u>	<u>2,491,180</u>	<u>44,017,349</u>
Balance at end of year	<u>67,834,649</u>	<u>5,071,827</u>	<u>72,906,476</u>
Carrying amount at December 31, 2021	<u>P 1,142,048,033</u>	<u>P 10,806,094</u>	<u>P 1,152,854,127</u>
<u>December 31, 2020</u>			
Cost			
Balance at beginning of year	P 171,439,329	P 8,556,881	P 179,996,210
Additions	818,482,704	-	818,482,704
Amendment of lease contract	(18,685,338)	-	(18,685,338)
Balance at end of year	<u>971,236,695</u>	<u>8,556,881</u>	<u>979,793,576</u>
Accumulated amortization			
Balance at beginning of year	4,285,983	950,764	5,236,747
Amortization	<u>22,022,497</u>	<u>1,629,883</u>	<u>23,652,380</u>
Balance at end of year	<u>26,308,480</u>	<u>2,580,647</u>	<u>28,889,127</u>
Carrying amount at December 31, 2020	<u>P 944,928,215</u>	<u>P 5,976,234</u>	<u>P 950,904,449</u>

The additional right-of-use assets in 2021 pertain to a 25-year lease contract for a piece of land intended for the development of a new real estate project (dormitory with retail and warehouse spaces) and a five-year lease contract for an office space. The additions in 2020 pertain to a lease contract for a period of 43 years covering a piece of land which will be the site of another real estate project (leasing and hotel operations) of the Group.

12.2 Lease Liabilities

Lease liabilities presented in the consolidated statements of financial position as follows:

	<u>2021</u>	<u>2020</u>
Current	P 3,288,349	P 1,634,080
Non-current	<u>1,122,841,952</u>	<u>833,099,895</u>
	<u>P 1,126,130,301</u>	<u>P 834,733,975</u>

The Group is fully liable for the rentals on the remaining term of the lease of office space, including any interest, penalties, utility charges and damages for termination prior to expiration of the contract. The contracts of lease on land does not provide for any future lease termination and extension options.

The Group paid advance rentals of P100,944,000 in 2020, at the start of the lease of land which will be applied to the first two to five years of the lease term. This amount was deducted from the lease liabilities as at December 31, 2020.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities are as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
December 31, 2021							
Lease payments	P 34,721,673	P 53,119,361	P 55,214,074	P 55,104,221	P 67,203,542	P 3,543,106,066	P 3,808,468,937
Finance charges	(31,433,324)	(118,086,952)	(82,618,076)	(80,440,172)	(82,009,070)	(2,287,751,042)	(2,682,338,636)
Net present values	<u>P 3,288,349</u>	<u>(P 64,967,591)</u>	<u>(P 27,404,002)</u>	<u>(P 25,335,951)</u>	<u>(P 14,805,528)</u>	<u>P 1,255,355,024</u>	<u>P 1,126,130,301</u>
December 31, 2020							
Lease payments	P 38,469,635	P 20,241,703	P 37,437,295	P 37,880,948	P 37,189,895	P 3,178,713,559	P 3,349,933,035
Finance charges	(36,835,555)	(81,689,153)	(62,378,791)	(64,316,641)	(66,399,267)	(2,203,579,653)	(2,515,199,060)
Net present values	<u>P 1,634,080</u>	<u>(P 61,447,450)</u>	<u>(P 24,941,496)</u>	<u>(P 26,435,693)</u>	<u>(P 29,209,372)</u>	<u>P 975,133,906</u>	<u>P 834,733,975</u>

12.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. The expense relating to short-term leases and low-value assets has an aggregate amount of P23,699,072, P18,441,626 and P33,941,185 in 2021, 2020 and 2019, respectively, and is presented as Rent under Operating Expenses in the consolidated statements of profit or loss (see Note 19).

12.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P57,537,727, P162,467,669 and P50,576,000 in 2021, 2020 and 2019, respectively, including the interest expense in relation to the lease liabilities amounting to P67,139,552, P57,127,820 and P10,847,248, respectively, for the same periods ended. This is presented as part of Interest expense on lease liabilities under Finance Costs in the consolidated statement of profit or loss (see Note 21).

13. INVESTMENT PROPERTIES

The Group's investment properties include parcels of land held for development of properties, condominium units and retail building for lease. The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2021 and 2020 are shown below.

	<u>Retail Building</u>	<u>Condominium Units</u>	<u>Parking Units</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2021						
Costs	P 776,845,974	P 828,036,331	P 33,036,981	P 5,449,949,151	P 6,306,290,741	P 13,394,159,178
Accumulated depreciation	(49,310,883)	(97,154,410)	(7,570,223)	-	-	(154,035,516)
Carrying amount	<u>P 727,535,091</u>	<u>P 730,881,921</u>	<u>P 25,466,758</u>	<u>P 5,449,949,151</u>	<u>P 6,306,290,741</u>	<u>P 13,240,123,662</u>
December 31, 2020						
Costs	P 595,061,927	P 551,960,802	P 31,371,804	P 5,742,622,708	P 3,287,906,544	P 10,208,923,785
Accumulated depreciation	(33,635,295)	(75,583,112)	(5,962,316)	-	-	(115,180,723)
Carrying amount	<u>P 561,426,632</u>	<u>P 476,377,690</u>	<u>P 25,409,488</u>	<u>P 5,742,622,708</u>	<u>P 3,287,906,544</u>	<u>P 10,093,743,062</u>
January 1, 2020						
Costs	P 100,228,005	P 285,413,555	P 31,371,804	P 5,742,274,541	P 2,821,044,269	P 8,980,332,174
Accumulated depreciation	(15,112,259)	(55,981,489)	(4,393,726)	-	-	(75,487,474)
Carrying amount	<u>P 85,115,746</u>	<u>P 229,432,066</u>	<u>P 26,978,078</u>	<u>P 5,742,274,541</u>	<u>P 2,821,044,269</u>	<u>P 8,904,844,700</u>

A reconciliation of the carrying amounts of investment properties at the beginning and end of year 2021 and 2020 is shown below.

	<u>Retail Building</u>	<u>Condominium Units</u>	<u>Parking Units</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2021 net of accumulated depreciation	P 561,426,632	P 476,377,690	P 25,409,488	P 5,742,622,708	P 3,287,906,544	P 10,093,743,062
Additions	696,786	-	-	740,506,424	4,296,412,078	5,037,615,288
Reclassifications	184,643,291	276,075,529	1,665,177	(1,033,179,981)	(1,278,027,881)	(1,848,823,865)
Depreciation during the year	(19,231,618)	(21,571,298)	(1,607,907)	-	-	(42,410,823)
Balance at December 31, 2021 net of accumulated depreciation	<u>P 727,535,091</u>	<u>P 730,881,921</u>	<u>P 25,466,758</u>	<u>P 5,449,949,151</u>	<u>P 6,306,290,741</u>	<u>P 13,240,123,662</u>
Balance at January 1, 2020 net of accumulated depreciation	P 85,115,746	P 229,432,066	P 26,978,078	P 5,742,274,541	P 2,821,044,269	P 8,904,844,700
Additions	-	-	-	348,167	2,311,995,526	2,312,343,693
Reclassifications	494,833,922	266,547,247	-	-	(1,845,133,252)	(1,083,752,083)
Depreciation during the year	(18,523,036)	(19,601,623)	(1,568,590)	-	-	(39,693,249)
Balance at December 31, 2020 net of accumulated depreciation	<u>P 561,426,632</u>	<u>P 476,377,690</u>	<u>P 25,409,488</u>	<u>P 5,742,622,708</u>	<u>P 3,287,906,544</u>	<u>P 10,093,743,062</u>
Balance at January 1, 2019 net of accumulated depreciation	P 33,752,146	P 243,702,744	P 28,546,668	P 4,576,694,945	P 816,408,411	P 5,699,104,914
Additions	55,000,000	-	-	20,821,063	2,456,595,714	2,532,416,777
Reclassifications	-	-	-	1,144,758,533	(451,959,856)	692,798,677
Depreciation during the year	(3,636,400)	(14,270,678)	(1,568,590)	-	-	(19,475,668)
Balance at December 31, 2019 net of accumulated depreciation	<u>P 85,115,746</u>	<u>P 229,432,066</u>	<u>P 26,978,078</u>	<u>P 5,742,274,541</u>	<u>P 2,821,044,269</u>	<u>P 8,904,844,700</u>

In 2021, the Group reclassified certain investment properties with aggregate carrying amounts of P1,840,846,826 and P7,977,039 to real estate inventories and property and equipment, respectively. Similarly in 2020, the Group reclassified investment properties totaling P997,649,685 and P86,104,197 to real estate inventories and property and equipment, respectively (see Notes 7 and 11). These reclassifications were made as a result of the change in the use of the properties from being held for lease to being held for sale and for use in the operations.

Borrowing costs that are capitalized as part of investment property amounted to P172,188,624 and P224,350,878 in 2021 and 2020, respectively, which represents the specific borrowing costs incurred on loans and corporate notes obtained to fund the construction projects (see Note 15). Capitalization rate used for specific borrowings ranges from 4.25% to 7.25% and 4.00% to 6.25% for the years ended December 31, 2021 and 2020, respectively.

Income and expenses from investment properties for the years ended December 31, 2021, 2020 and 2019 are presented below.

	Notes	2021	2020	2019
Rental income:	17.1			
Retail building		P 68,244,532	P 52,925,898	P 32,594,457
Condominium units		3,882,427	1,837,157	29,929,142
Parking units		728,102	474,917	635,595
Others		<u>1,416,939</u>	<u>-</u>	<u>-</u>
		<u>P 74,272,000</u>	<u>P 55,237,972</u>	<u>P 63,159,194</u>
Expenses:				
Depreciation	18	P 42,410,823	P 39,693,249	P 19,475,668
Repairs and maintenance	19	2,041,149	509,627	330,829
Others	18	<u>63,259</u>	<u>-</u>	<u>179,375</u>
		<u>P 44,515,231</u>	<u>P 40,202,876</u>	<u>P 19,985,872</u>

The depreciation and other expenses are included as part of Cost of Sales and Services in the consolidated statements of profit or loss in 2021, 2020 and 2019 (see Note 18).

Investment properties have a total fair value of P16,210,917,528 and P11,943,650,421 as at December 31, 2021 and 2020, respectively, based on the appraisal done by an independent expert [see Note 31.3(c)]. On the basis primarily of the foregoing valuations, management has assessed that no impairment loss is required to be provided on the Group's investment properties as at December 31, 2021 and 2020 [see also Note 3.2(f)].

Investment properties with a total carrying amount of P6,782,367,866 and P1,798,577,632 as at December 31, 2021 and 2020, respectively, are used as collateral for certain interest-bearing loans and borrowings of the Parent Company (see Note 15.1).

14. OTHER NON-CURRENT ASSETS

This account includes the following:

	2021	2020
Advances to subcontractors	P 165,368,935	P 209,505,401
Refundable deposits	94,473,055	78,003,269
Computer software – net of accumulated amortization of P23,143,372 and P14,59,826, respectively	37,129,364	35,869,967
Investment in equity securities	9,375,002	5,468,752
Deferred input VAT	4,624,926	5,549,979
Others	<u>1,917,592</u>	<u>2,647,357</u>
	<u>P 312,888,874</u>	<u>P 337,044,725</u>

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses for on-going construction of investment properties. These are applied against the progress billings of subcontractors.

Refundable deposits pertain to recoverable payments, which are expected to be realized at the termination of the contract, to lessors and various payees. These are measured at amortized cost.

The total additions to computer software amounted to P10,242,943, P8,960,023 and P33,955,601 in 2021, 2020 and 2019, respectively. The amortization expense on the computer software amounted to P8,988,002, P7,243,253 and P2,007,251 in 2021, 2020 and 2019, respectively, and is presented as part of Depreciation and amortization under Operating Expenses (see Note 19).

15. INTEREST-BEARING LOANS AND BORROWINGS

The outstanding balance of interest-bearing loans and corporate notes are presented in the consolidated statements of financial position as follows:

	Note	<u>2021</u>	<u>2020</u>
Current:			
Bank loans	15.1	P 5,268,262,872	P 1,416,685,017
Corporate notes	15.2	<u>3,545,238,195</u>	<u>2,017,857,143</u>
		<u>8,813,501,067</u>	<u>3,434,542,160</u>
Non-current:			
Bank loans	15.1	10,913,679,792	7,533,149,676
Corporate notes	15.2	<u>12,294,538,531</u>	<u>12,826,291,875</u>
		<u>23,208,218,323</u>	<u>20,359,441,551</u>
		<u>P32,021,719,390</u>	<u>P23,793,983,711</u>

15.1 Bank Loans

An analysis of the movements in the balance of interest-bearing loans is presented below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 8,949,834,693	P 9,923,711,949
Proceeds and drawdowns – net	11,475,252,839	4,692,123,374
Repayments	(4,270,490,796)	(5,672,248,772)
Amortization of debt issue costs	<u>27,345,928</u>	<u>6,248,142</u>
Balance at end of year	<u>P 16,181,942,664</u>	<u>P 8,949,834,693</u>

The unamortized debt issue cost as at December 31, 2021 and 2020 amounts to P64,046,933 and P22,600,198, respectively. A reconciliation of the unamortized debt issue cost at the beginning and end of 2021 and 2020 is shown below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 22,600,198	P 22,038,714
Debt issue costs from new loans	68,792,663	6,809,626
Amortization of debt issue cost	(27,345,928)	(6,248,142)
Balance at end of the year	<u>P 64,046,933</u>	<u>P 22,600,198</u>

The loans bear interest rates per annum ranging from 1.71% to 6.25% in 2021, 1.84% to 7.13% in 2020 and 3.71% to 7.75% in 2019. Certain loans are collateralized by the specific projects and developments and certain property and equipment for which the loans were obtained. The cost of such projects aggregating to P16,791,924,015 and P8,176,936,270 as at December 31, 2021 and 2020, respectively, are included in the Real Estate Inventory, Property and Equipment and Investment Properties accounts in the consolidated statements of financial position (see Notes 7, 11 and 13).

In 2021, the Group availed of new bank loans amounting to P11,475,252,839, net of debt issuance cost, which bear interest ranging from 3.88% to 6.25% and have maturity dates ranging from 2022 to 2034. Loans obtained in 2020 from various commercial banks amounting to P4,692,123,374, net of debt issuance cost, which bear interest ranging from 4.00% to 6.25% and have maturity dates ranging from 2021 to 2027.

The total interest incurred from the foregoing loans, including amortization of debt issuance cost, amounted to P612,575,458, P475,802,271 and P469,894,618 in 2021, 2020 and 2019, respectively, and of which P414,515,526, P473,363,035 and P436,265,022, respectively, were capitalized as part of construction costs (see Notes 7 and 13). Capitalization rate used in determining the amount of interest charges qualified for capitalization ranges from 4.25% to 7.25% and 4.00% to 6.25% for the years ended December 31, 2021 and 2020, respectively.

15.2 Corporate Notes

The Parent Company and various financial institutions executed a Notes Facility Agreement (NFA) for the issuance of long-term corporate notes (LTCN) and short-dated note (SDN) amounting to P13,000,000,000 and P2,000,000,000, respectively.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 14,844,149,018	P 6,923,044,628
Proceeds and drawdowns – net	2,972,763,158	7,891,875,689
Repayments	(2,017,857,143)	-
Amortization of debt issue cost	<u>40,721,693</u>	<u>29,228,701</u>
Balance at end of the year	<u>P 15,839,776,726</u>	<u>P14,844,149,018</u>

The NFA is composed of the following tranches:

<u>NFA</u>	<u>Date Executed</u>	<u>Tranche</u>	<u>Tenor</u>	<u>Principal Amount</u>
LTCN	03/05/2020	Series D	Five years	P 1,300,000,000
		Series E	Seven years	5,700,000,000
		Series F	Ten years	1,000,000,000
	07/20/2018	Series A	Seven years	2,500,000,000
		Series B	Ten years	1,000,000,000
		Series C	Ten years with repricing on the interest rate re-setting date	<u>1,500,000,000</u>
				<u>P 13,000,000,000</u>
SDN	04/30/2021	SDN 2	18 months from drawdown date	P 3,000,000,000
	10/25/2019	SDN 1	18 months from drawdown date	<u>2,000,000,000</u>
				<u>P 5,000,000,000</u>

The Parent Company made the following drawdowns from the NFA.

<u>Year</u>	<u>Tranche</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
2021	SDN 2	3.88%	November 2022	<u>P 3,000,000,000</u>
2020	Series D	3.46%	September 2025	P 1,300,000,000
	Series E	4.00% - 4.66%	April 2027	5,700,000,000
	Series F	4.23% - 5.23%	March 2030	<u>1,000,000,000</u>
				<u>P 8,000,000,000</u>
2019	Series A	7.25%	January 2026	P 2,000,000,000
	SDN 1	4.75%	April 2021	<u>2,000,000,000</u>
				<u>P 4,000,000,000</u>
2018	Series A	7.25%	December 2025	P 500,000,000
	Series B	6.63%	August – September 2028	1,000,000,000
	Series C	6.75%	October – December 2028	<u>1,500,000,000</u>
				<u>P 3,000,000,000</u>

In 2021 and 2020, the Parent Company recognized debt issuance costs for new NFA amounting to P27,236,842 and P108,124,311, respectively, which has a carrying amount of P183,087,824 and P185,079,683 as at December 31, 2021 and 2020, respectively, in relation to the drawdowns from the NFA. The debt issuance cost amortization in 2021 and 2020 amounted to P40,721,693 and P29,228,701, respectively. The debt issuance costs are deducted from the fair value or issue price of the note.

The total interest incurred related to the NFA, including amortization of debt issuance cost, amounted to P861,785,646, P655,265,056 and P366,280,108 in 2021, 2020 and 2019, respectively, of which P861,785,646, P649,026,850 and P366,280,108 was capitalized as part of real estate inventories and investment properties in 2021, 2020 and 2019, respectively (see Notes 7 and 13).

The Parent Company is required to maintain the financial ratios with respect to (a) maximum debt to equity ratio of 2.5:1; (b) minimum current ratio of 1:1; and, (c) minimum interest coverage ratio of 3:1. As at December 31, 2021 and 2020, the Parent Company is compliant with the requirements.

The total interest expense related to the above loans, which are included as part of Finance Costs in the consolidated statements of profit or loss, amounted to P196,904,919, P8,677,442 and P33,629,596 in 2021, 2020 and 2019, respectively (see Note 21). The accrued interest on these loans amounts to P140,706,007 and P125,799,424 as at December 31, 2021 and 2020, respectively, and is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

16. TRADE AND OTHER PAYABLES

This account is composed of the following:

	Note	2021	2020
Current:			
Unbilled construction costs		P 6,086,771,507	P 3,444,486,727
Trade payables		3,699,864,798	1,717,167,163
Sales commissions payable		1,529,749,549	1,251,685,699
Retention payable		698,516,297	320,853,275
Accrued expenses	15	179,239,081	153,204,848
Output VAT		96,352,902	99,119,283
Government-related obligations		98,835,287	28,764,646
Advances from NCI for future stock subscription in subsidiaries		11,641,010	-
Other payables		249,618,060	241,950,723
		<u>12,650,588,490</u>	<u>7,257,232,364</u>
Non-current:			
Retention payable		150,281,975	209,603,913
Advance rental		16,353,673	14,493,616
Other payables		3,141,464	2,336,904
		<u>169,777,112</u>	<u>226,434,433</u>
		<u>P 12,820,365,602</u>	<u>P 7,483,666,797</u>

Unbilled construction costs pertain to estimated obligations to contractors for services already performed but not yet billed to the Group.

Trade payables mainly represent outstanding obligations to owners of parcels of land acquired, subcontractors and suppliers of construction materials.

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Portion of the amount retained that is not expected to be paid within 12 months from the end of the reporting period is presented as part of non-current liabilities in the consolidated statements of financial position.

Accrued expenses pertain to accruals for interest, contracted services, security services, professional fees and other recurring accruals in the Group's operations.

Current portion of the other payables are mostly construction bonds from various subcontractors.

17. REVENUE FROM CONTRACTS WITH CUSTOMERS AND CONTRACT BALANCES

17.1 Disaggregation of Contract Revenues

The Group derives revenue from the transfer of goods and services over time and at a point in time. Presented below are revenues from its major product lines and geographical areas for the years ended December 31, 2021, 2020 and 2019.

	2021				
	Cebu	Visayas	Mindanao	Luzon	Total
<i>Sale of real estate units</i>					
Over time	P 5,968,595,568	P 2,519,430,086	P 2,313,454,074	P -	P10,801,479,728
At a point in time	<u>117,211,523</u>	<u>32,795,711</u>	<u>29,159,733</u>	<u>15,601,000</u>	<u>194,767,967</u>
	6,085,807,091	2,552,225,797	2,342,613,807	15,601,000	10,996,247,695
<i>Lease of properties</i>					
Over time	74,272,000	-	-	-	74,272,000
<i>Hotel operations</i>					
Over time	48,683,577	-	-	-	48,683,577
<i>Render of management services</i>					
Over time	<u>35,645,074</u>	<u>-</u>	<u>7,322,338</u>	<u>-</u>	<u>42,967,412</u>
	<u>P 6,244,407,742</u>	<u>P 2,552,225,797</u>	<u>P 2,349,936,145</u>	<u>P 15,601,000</u>	<u>P11,162,170,684</u>
	2020				
	Cebu	Visayas	Mindanao	Luzon	Total
<i>Sale of real estate units</i>					
Over time	P 3,930,384,286	P 1,910,041,689	P 1,781,112,311	P -	P 7,621,538,286
At a point in time	<u>387,048,809</u>	<u>-</u>	<u>99,985,234</u>	<u>37,860,000</u>	<u>524,894,043</u>
	4,317,433,095	1,910,041,689	1,881,097,545	37,860,000	8,146,432,329
<i>Lease of properties</i>					
Over time	55,237,972	-	-	-	55,237,972
<i>Hotel operations</i>					
Over time	54,558,131	-	-	-	54,558,131
<i>Render of management services</i>					
Over time	<u>29,162,597</u>	<u>-</u>	<u>6,709,289</u>	<u>6,720,000</u>	<u>42,591,886</u>
	<u>P 4,456,391,795</u>	<u>P 1,910,041,689</u>	<u>P 1,887,806,834</u>	<u>P 44,580,000</u>	<u>P 8,298,820,318</u>
	2019				
	Cebu	Visayas	Mindanao	Luzon	Total
<i>Sale of real estate units</i>					
Over time	P 3,275,592,365	P 1,682,132,713	P 1,659,000,384	P -	P 6,616,725,462
At a point in time	<u>1,523,021,590</u>	<u>-</u>	<u>228,159,443</u>	<u>22,620,000</u>	<u>1,773,801,033</u>
	4,798,613,955	1,682,132,713	1,887,159,827	22,620,000	8,390,526,495
<i>Lease of properties</i>					
Over time	63,159,194	-	-	-	63,159,194
<i>Hotel operations</i>					
Over time	8,524,756	-	-	-	8,524,756
<i>Render of management services</i>					
Over time	<u>34,635,393</u>	<u>-</u>	<u>2,202,097</u>	<u>-</u>	<u>36,837,490</u>
	<u>P 4,904,933,298</u>	<u>P 1,682,132,713</u>	<u>P 1,889,361,924</u>	<u>P 22,620,000</u>	<u>P 8,499,047,935</u>

17.2 Contract Balance

The breakdown of contract balances is as follows:

	<u>2021</u>	<u>2020</u>
Contract assets – net	P 20,290,305,185	P13,856,650,495
Contract liabilities	(604,254,603)	(532,649,347)
Contract assets – net	<u>P 19,686,050,582</u>	<u>P 13,324,001,148</u>

A reconciliation of the opening and closing balance of Contract Assets is shown below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 13,856,650,495	P 8,892,510,028
Performance of property development	9,166,391,835	7,311,316,565
Transfers to contract receivables	(1,278,408,752)	(2,104,784,396)
Collections	(1,454,328,393)	(242,391,702)
Balance at end of year	<u>P 20,290,305,185</u>	<u>P13,856,650,495</u>

The Group recognizes contract assets, due to timing difference of payment and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period. Its classification and presentation in the statement of financial position is based on the Group's estimate of project completion, hence, any change in estimated completion period affects transfers to contracts receivables. The Group's contract assets as at December 31, 2021 and 2020 are presented in the consolidated statements of the financial position as follows:

	<u>2021</u>	<u>2020</u>
Current	P 6,558,006,000	P 3,642,591,056
Non-current	<u>13,732,299,185</u>	<u>10,214,059,439</u>
	<u>P 20,290,305,185</u>	<u>P13,856,650,495</u>

A reconciliation of the opening and closing balance of Contract Liabilities is shown in below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 532,649,347	P 418,967,659
Revenue recognized that was included in contract liability at the beginning of year	(139,028,103)	(218,652,268)
Increase due to cash received excluding amount recognized as revenue during the year	<u>210,633,359</u>	<u>332,333,956</u>
Balance at end of year	<u>P 604,254,603</u>	<u>P 532,649,347</u>

Contract liabilities pertains to collections from buyers that are ahead of the stage of completion of the real estate units sold. Collections from buyers on sale of real estate units where the gating criteria for recognition of sales contract have yet to be met are accounted for and presented as Customers' Deposits in the consolidated statements of financial position. The balance of Customers' Deposits amounts to P89,897,007 and P196,124,012 as at December 31, 2021 and 2020, respectively.

Changes in the contract assets and contract liabilities are recognized by the Group when a right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively.

17.3 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts as of December 31, 2021 and 2020 is P10,784,939,911 and P9,987,105,852, respectively. As of December 31, 2021 and 2020, the Group expects to recognize revenue from unsatisfied contracts as follows:

	<u>2021</u>	<u>2020</u>
Within a year	P 5,826,525,578	P 3,342,692,006
More than one year to three years	<u>4,958,414,333</u>	<u>6,644,413,846</u>
	<u>P 10,784,939,911</u>	<u>P 9,987,105,852</u>

18. COST OF SALES AND SERVICES

Components of costs of sales and services are analyzed below (see Note 19).

	<u>Note</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cost of real estate sales:				
Contracted services	19	P4,846,649,738	P3,463,826,643	P3,428,692,309
Land	19	623,070,696	201,523,220	661,053,922
Borrowing costs	19	307,427,540	394,329,036	135,900,814
Other costs		<u>113,233,414</u>	<u>148,580,875</u>	<u>38,947,667</u>
		<u>5,890,381,388</u>	<u>4,208,259,774</u>	<u>4,264,594,712</u>
Cost of rental services:				
Depreciation		42,410,823	39,693,249	19,475,668
Others		<u>63,259</u>	<u>-</u>	<u>179,375</u>
	13	<u>42,474,082</u>	<u>39,693,249</u>	<u>19,655,043</u>
Cost of management services:				
Salaries and wages		18,716,268	14,537,862	11,005,552
Materials and supplies		<u>23,929</u>	<u>-</u>	<u>25,532</u>
		<u>18,740,197</u>	<u>14,537,862</u>	<u>11,031,084</u>
Cost of hotel operations:				
Salaries and wages		9,147,270	5,971,450	3,302,116
Materials and supplies		5,944,099	6,030,712	1,094,126
Utilities		2,366,117	2,535,861	354,126
Advertising and promotion		572,891	2,532,464	389,946
Others		<u>2,663,620</u>	<u>2,550,086</u>	<u>263,824</u>
		<u>20,693,997</u>	<u>19,620,573</u>	<u>5,404,138</u>
		<u>P 5,972,289,664</u>	<u>P 4,282,111,458</u>	<u>P 4,300,684,977</u>

19. OPERATING EXPENSES BY NATURE

Details of operating expenses by nature are shown below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contracted services	18	P4,846,649,738	P 3,463,826,643	P 3,428,692,309
Commissions	9	725,648,666	429,725,150	301,751,479
Land	18	623,070,696	201,523,220	661,053,922
Salaries and employee benefits	23.1	450,644,706	367,286,580	310,036,149
Taxes and licenses		352,965,277	166,834,481	142,468,633
Borrowing costs	7, 18, 15	307,427,540	394,329,036	135,900,814
Depreciation and amortization	11, 12, 13, 14	121,798,863	104,119,622	60,763,991
Donations		110,667,997	15,427,666	2,611,027
Professional and legal fees		55,365,530	115,756,965	37,301,481
Advertising		43,175,289	44,096,688	66,026,270
Utilities		37,931,503	34,342,361	20,107,148
Rent	12.3, 28.2	23,699,072	18,441,626	33,941,185
Representation and entertainment		20,694,266	17,119,169	11,703,055
Hotel operations		20,693,997	31,545,278	5,404,138
Repairs and maintenance		19,427,792	20,918,624	75,141,734
Security services		19,179,307	14,995,988	14,783,785
Insurance		18,401,367	12,209,359	9,198,360
Subscription and membership dues		15,313,005	8,845,166	12,868,161
Transportation and travel		13,040,272	20,397,177	26,073,764
Supplies		12,178,787	16,205,708	10,106,696
Communications		10,374,788	8,931,604	5,574,538
Trainings and seminars		880,012	453,611	1,405,783
Others		73,399,904	40,700,595	72,971,563
		<u>P7,922,628,374</u>	<u>P 5,548,032,317</u>	<u>P 5,445,885,985</u>

The expenses are classified in the consolidated statements of profit or loss as follows:

	<u>Note</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cost of sales and services	18	P5,972,289,664	P 4,282,111,458	P 4,300,684,977
Operating expenses		<u>1,950,338,710</u>	<u>1,265,920,859</u>	<u>1,145,201,008</u>
		<u>P7,922,628,374</u>	<u>P 5,548,032,317</u>	<u>P 5,445,885,985</u>

20. OTHER OPERATING INCOME AND OTHER LOSSES

20.1 Other Operating Income

This account is composed of the following:

	Note	<u>2021</u>	<u>2020</u>	<u>2019</u>
Administrative charges	P	67,786,770	P 21,381,617	P 7,655,208
Reversal of payables		61,973,774	6,486,587	7,475,576
Move-in fee income		41,299,914	-	-
Gain on remeasurement of investment in associates	10(b)	32,438,511	-	-
Water service fee		11,150,077	9,019,740	4,519,195
Documentation fee		11,045,486	7,591,518	3,718,750
Utilities charged to tenants		6,660,345	3,647,996	4,654,457
Scrap sales		3,837,069	-	-
Late payment penalties charged to customers		2,612,361	5,718,465	4,804,671
Sponsorships		2,125,098	-	-
Foreign exchange gains		2,108,206	2,484,376	1,023,843
Concession income		1,733,355	1,803,088	-
Referral incentive		609,488	75,728	34,644
Reservation fees foregone		43,750	8,460,301	182,922
Refund from lot acquisitions		-	-	17,135,227
Others		<u>11,804,986</u>	<u>1,928,404</u>	<u>1,928,890</u>
		<u>P 257,229,190</u>	<u>P 68,597,820</u>	<u>P 53,133,383</u>

Refund from lot acquisitions pertain to the refund from seller of property for overpayments made.

Reversal of payables pertains to outstanding payables related to cancelled contracts with certain building contractors and suppliers which the Group is no longer required to pay. This also includes income from the write-off of long- outstanding unidentified deposits.

Move-in fee income pertain to excess fees charged to real estate buyers upon turn-over of their units over the cost of services to make the buyers' units habitable which include requisition of building insurance and fire extinguisher, processing of related taxes, utility connections and others.

Administrative charges pertain to standard fees charged to the buyers when they withdraw from the sale.

20.2 Other Losses

This account is composed of the following:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Losses due to typhoon	P 129,839,360	P -	P -
Foreign exchange losses	2,716,588	839,657	962,201
Loss on sale of assets - net	<u>16,577</u>	<u>-</u>	<u>-</u>
	<u>P 132,572,525</u>	<u>P 839,657</u>	<u>P 962,201</u>

Losses due to typhoon pertain to the damages of CLI and certain subsidiaries sustained from a typhoon Odette which affected its projects and properties in Cebu (see Note 35.2).

21. FINANCE COSTS

This is composed of the following:

	Notes	2021	2020	2019
Interest expense on:				
Loans	15.1, 15.2	P 196,904,919	P 8,677,442	P 33,629,596
Lease liabilities	12.4	67,139,552	57,127,820	10,847,248
Post-employment defined benefit obligation	23.2	24,537	-	449,368
		<u>P 264,069,008</u>	<u>P 65,805,262</u>	<u>P 44,926,212</u>

Interest expense on loans is the portion not capitalized as part of real estate inventory (see Notes 7 and 15).

22. FINANCE INCOME

This is composed of the following:

	Notes	2021	2020	2019
Interest income on banks	5	P 6,528,935	P 8,701,101	P 24,599,602
Amortization of day one loss on non-current contract receivables - net	6	1,160,937	30,761,435	26,971,237
Others	23.2	-	245,725	349,906
		<u>P 7,689,872</u>	<u>P 39,708,261</u>	<u>P 51,920,745</u>

23. EMPLOYEE BENEFITS

23.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2021	2020	2019
Short-term employee benefits		P 446,017,809	P 369,487,729	P 303,543,435
Post-employment defined benefit expense (income)	23.2	4,626,897	(2,446,874)	6,492,082
	19	<u>P 450,644,706</u>	<u>P 367,040,855</u>	<u>P 310,035,517</u>

23.2 Post-Employment Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group maintains a funded and non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank manages the fund in coordination with the Group's top management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Group's BOD. Normal retirement benefit is an amount equivalent to 50% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the post-employment defined benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the actuarial valuation reports obtained from an independent actuary in 2021 and 2020.

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	<u>2021</u>	<u>2020</u>
Present value of the obligation	P 40,124,208	P 35,484,952
Fair value of plan assets	(35,370,879)	(34,863,768)
	<u>P 4,753,329</u>	<u>P 621,184</u>

The movements in the present value of the post-employment defined benefit obligation recognized in the books are presented below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 35,484,952	P 30,455,692
Current service cost	4,602,360	4,478,160
Interest cost	1,401,656	1,565,423
Past service cost	-	(6,679,309)
Benefits paid	(59,660)	(2,285,872)
Remeasurements – actuarial losses (gains) arising from:		
Changes in financial assumptions	2,431,649	2,395,087
Experience adjustments	(1,316,633)	44,456,648
Changes in demographic assumptions	(2,420,116)	(38,900,877)
Balance at end of year	<u>P 40,124,208</u>	<u>P 35,484,952</u>

The movements in the fair value of plan assets are presented below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 34,863,768	P 36,379,276
Contributions to the plan		-
Interest income	1,377,119	1,811,148
Benefits paid	-	(2,285,872)
Return on plan assets (excluding amounts included in net interest)	(870,008)	(1,040,784)
Balance at end of year	<u>P 35,370,879</u>	<u>P 34,863,768</u>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	P 56,593	P 32,505
Receivables	449,210	1,355,672
Unitized investment funds	27,967,755	27,521,395
Government debt securities	<u>6,897,321</u>	<u>5,954,196</u>
	<u>P 35,370,879</u>	<u>P 34,863,768</u>

The fair values of the above unitized investment funds are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations. The plan assets recognized losses of P870,008 and P1,040,784 in 2021 and 2020, respectively, and income of P48,008 in 2019.

The components of amounts recognized in profit or loss and other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Recognized in profit or loss</i>			
Current service cost - net	P 4,602,360	(P 2,201,149)	P 6,492,714
Net interest expense (income) on defined benefit obligation	<u>24,537</u>	<u>(245,725)</u>	<u>449,368</u>
	<u>P 4,626,897</u>	<u>(P 2,446,874)</u>	<u>P 6,942,082</u>
<i>Recognized in other comprehensive income</i>			
Actuarial losses (gains) arising from changes in:			
Experience adjustments	(P 1,316,633)	P 44,456,648	(P 26,927,039)
Financial assumptions	2,431,649	2,395,087	16,523,250
Demographic assumptions	(2,420,116)	(38,900,877)	2,110,059
Loss (return) on plan assets (excluding amounts included in net interest expense)	<u>870,008</u>	<u>1,040,784</u>	<u>(48,008)</u>
	<u>(P 435,092)</u>	<u>P 8,991,642</u>	<u>(P 8,341,738)</u>

The net interest expense (income) is included in Finance Costs (Income) in profit or loss (see Notes 21 and 22).

Amounts recognized in other comprehensive income (loss) were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Discount rates	5.08%	3.95%	5.14%
Salary increase rates	7.00%	7.00%	7.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 26 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are as follows.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation:

	<u>Impact on Post-employment Defined Benefit Obligation</u>		
	<u>Changes in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<u>December 31, 2021</u>			
Discount rate	+/-1.0%	(P 1,758,332)	P 2,051,714
Salary increase rate	+/-1.0%	2,114,346	(1,744,371)
<u>December 31, 2020</u>			
Discount rate	+/-1.0%	(P 1,279,317)	P 1,482,791
Salary increase rate	+/-1.0%	1,422,980	(1,256,261)

In addition, assuming there are no attrition rates, the increase in post-employment defined benefit obligation would be P84,572,943 and P85,790,062 for the years ended December 31, 2021 and 2020, respectively.

The foregoing sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-Liability Matching Strategies*

To efficiently manage the retirement plan, the Group, through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the post-employment obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the post-employment obligations.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

The Group does not expect to make a contribution during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	<u>2021</u>	<u>2020</u>
Within one year	P 23,208,680	P 20,796,005
More than one year to five years	12,449,260	3,731,788
More than five years to ten years	<u>9,975,732</u>	<u>5,403,336</u>
	<u>P 45,633,672</u>	<u>P 29,931,129</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 4.8 years.

24. CURRENT AND DEFERRED TAXES

On March 26, 2021, RA No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Group.

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return of the Parent Company and the subsidiaries, was lower by P11,812,475 than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized deferred tax liabilities in 2020 by P280,801,696 and such was recognized in the 2021 profit or loss and in other comprehensive income.

The Group was registered with the Board of Investments (BOI) as a developer of various economic and low-cost housing projects. Accordingly, the Group enjoys an income tax holiday on the BOI registered projects within three to four taxable years from its registration. The Group has 18 and 17 registered projects with BOI as of December 31, 2021 and 2020, respectively.

The components of tax expense relating to profit or loss and other comprehensive loss (income) are as shown in the succeeding page.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax at 30%	P 81,211,577	P 147,796,447	P 153,290,028
Minimum corporate income tax at 2%	-	874,408	-
Adjustment in 2020 income taxes due to change in income tax rates	(11,812,475)	-	-
Final income tax	<u>1,212,829</u>	<u>1,785,428</u>	<u>4,918,642</u>
	<u>70,611,931</u>	<u>150,456,283</u>	<u>158,208,670</u>
Deferred tax expense (income) arising from:			
Origination and reversal of temporary differences	643,829,225	565,397,304	585,347,545
Effect of the change in income tax rate	(281,722,112)	-	-
	<u>362,107,113</u>	<u>565,397,304</u>	<u>585,347,545</u>
	<u>P 432,719,044</u>	<u>P 715,853,587</u>	<u>P 743,556,215</u>
<i>Reported in other comprehensive income:</i>			
Deferred tax expense (income) arising from:			
Origination and reversal of temporary differences	P 108,773	(P 2,697,492)	P 2,502,521
Effect of the change in income tax rate	<u>920,416</u>	<u>-</u>	<u>-</u>
	<u>P 1,029,189</u>	<u>(P 2,697,492)</u>	<u>P 2,502,521</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of profit or loss is presented below.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tax on pretax profit at 30%	P 775,897,665	P 837,474,272	P 954,448,117
Adjustments for income subject to lower tax rate	(318,128)	(823,490)	1,215,137
Effect of the change in income tax rate	(293,534,597)	-	-
Tax effects of:			
Tax-exempt real estate sales	(60,528,608)	(127,041,518)	(833,957,698)
Non-deductible expenses	8,500,064	4,867,412	620,344,359
Changes in unrecognized deferred tax assets	<u>2,702,648</u>	<u>1,376,911</u>	<u>1,506,300</u>
Tax expense	<u>P 432,719,044</u>	<u>P 715,853,587</u>	<u>P 743,556,215</u>

The net deferred tax liabilities relate to the following as of December 31:

	<u>2021</u>	<u>2020</u>
Deferred tax liabilities:		
Difference between tax reporting base and financial reporting base used in sales recognition	P 2,153,017,177	P 1,818,028,603
Rental income	5,819,005	3,329,479
Post-employment defined benefit asset	(849,057)	212,884
Allowance for impairment	-	30,610
Others	<u>107,066</u>	<u>385,320</u>
	<u>2,158,094,191</u>	<u>1,821,986,896</u>
Deferred tax assets:		
Sales commissions	(70,783,803)	(117,331,396)
Net lease liabilities	(21,120,420)	(10,102,687)
Net operating loss carry-over (NOLCO)	(14,392,568)	(1,333,186)
Unamortized past service cost	(2,046,702)	(2,935,601)
Post-employment defined benefit obligation	<u>875,787</u>	<u>-</u>
	<u>(107,467,706)</u>	<u>(131,702,870)</u>
	<u>P 2,050,626,485</u>	<u>P 1,690,284,026</u>

The components of deferred tax expense (income) are as follows:

	Consolidated Statements of Profit or Loss			Consolidated Statements of Comprehensive Income		
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Deferred tax liabilities:						
Difference between tax reporting base and financial reporting base used in sales recognition	P 335,614,825	P 658,068,216	P 565,160,568	P -	P -	P -
Rental income	2,489,526	265,887	156,696	-	-	-
Post-employment defined benefit asset	(1,061,941)	(1,564,191)	1,777,075	-	-	-
Allowance for impairment	(30,610)	30,610	13,694,142	-	-	-
Others	(278,254)	385,320	-	-	-	-
Deferred tax assets:						
Sales commissions	46,547,593	(78,877,057)	(2,481,910)	-	-	-
Net lease liabilities	(11,017,733)	(8,642,694)	(1,459,993)	-	-	-
Unamortized past service cost	888,899	(2,935,601)	-	-	-	-
NOLCO	(10,891,790)	(1,333,186)	9,213,180	-	-	-
Post-employment defined benefit obligation	<u>(153,402)</u>	<u>-</u>	<u>(712,213)</u>	<u>1,029,189</u>	<u>(2,697,492)</u>	<u>2,502,521</u>
Deferred tax expense (income)	<u>P 362,107,113</u>	<u>P 565,397,304</u>	<u>P 585,347,545</u>	<u>P 1,029,189</u>	<u>(P 2,697,492)</u>	<u>P 2,502,521</u>

NOLCO can be claimed as deduction from future taxable income within three and five years from the year the taxable loss was incurred. In accordance with RA 11494 Bayanihan to Recover as One Act 2, NOLCO incurred in 2021 and 2020 by certain subsidiaries can be claimed as deduction from the gross income until 2026 and 2025, respectively. Details of the Group's NOLCO are shown below.

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2021	P 22,918,739	P -	P -	P 22,918,739	2026
2020	22,918,739	-	-	22,918,739	2025
2019	<u>52,655,489</u>	<u>-</u>	<u>-</u>	<u>52,655,489</u>	2022
	<u>P 165,593,941</u>	<u>P 14,927,620</u>	<u>P 3,780,948</u>	<u>P 146,885,373</u>	

The Group has deferred tax assets related to NOLCO of P36,909,098 and P42,732,426 as at December 31, 2021 and 2020, respectively, which were not recognized because the subsidiaries to which such are attributable may not be able to generate enough taxable profit yet within the validity period of NOLCO for the assets to be recovered. As at December 31, 2021, only the Parent Company, CPM, ASF, CPH, BL Ventures, YES, MGRI, YHES, El Camino and GGT are subject to MCIT which is computed at the applicable rate (1% and 2% in 2021 and 2020, respectively) of gross income net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. Other components of the Group are not yet subject to MCIT as those have not operated beyond four taxable years. The Group reported MCIT amounting to P12,237,602 in 2021. A subsidiary reported MCIT in 2020 amounting to P874,409. No MCIT was reported in 2019 as the RCIT was higher than MCIT.

The Group opted to treat the capitalized borrowing costs as capital expenditure in accordance with Section 34(b) of the NIRC; hence, there are no deferred taxes related to the transaction. Furthermore, it opted to claim itemized deductions in computing its income tax due for the years ended December 31, 2021, 2020 and 2019.

25. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent or ABS, entities under common ownership, associates, shareholders, the Group's key management personnel, its retirement fund and others as described in Note 2.19. A summary of the Group's transactions and outstanding balances with related parties is presented below.

	Notes	Amount of Transaction			Outstanding Balance	
		2021	2020	2019	2021	2020
Ultimate Parent Company						
Real estate sales	25.2	P 96,272,362	P 41,538,000	P 24,410,000	P 80,411,781	P 214,172,636
Entities under Common Ownership						
Net advances (collections)	25.1	35,500,674	11,953,583	(11,206,772)	57,401,674	21,901,000
Associates						
Net advances (collections)	25.1	(16,907)	49,504	-	32,597	49,504
Key Management Personnel						
Real estate sales	25.3	52,101,000	39,075,750	-	57,186,058	43,259,635
Compensation	25.4	151,457,205	94,966,157	87,656,262	-	-

Based on management's assessment, no impairment loss is required to be provided on the Group's receivables from related parties as at December 31, 2021 and 2020. In respect of contract receivables, it is fully secured by the units purchased, expected to be settled in cash and due based on the contract terms.

Details of the foregoing transactions follows.

25.1 Advances to Related Parties

The Group grants cash advances to shareholders, entities under common ownership and associates. An analysis of such advances in 2021 and 2020 is presented below.

	Entities Under Common Ownership	Associates	Total
Balance at January 1, 2021	P 21,901,000	P 49,504	P 21,950,504
Additional advances	35,500,674	-	35,500,674
Collections	<u>-</u>	<u>(16,907)</u>	<u>(16,907)</u>
Balance at December 31, 2021	<u>P 57,401,674</u>	<u>P 32,597</u>	<u>P 57,434,271</u>
Balance at January 1, 2020	P 9,947,417	P -	P 9,947,417
Additional advances	<u>11,953,583</u>	<u>49,504</u>	<u>12,003,087</u>
Balance at December 31, 2020	<u>P 21,901,000</u>	<u>P 49,504</u>	<u>P 21,950,504</u>

The outstanding balances from these transactions, which are payable on demand, unsecured and noninterest-bearing, are presented as Due from related parties in the consolidated statements of financial position.

25.2 Real Estate Sales to Ultimate Parent Company

In 2021, 2020 and 2019, CLI sold condominium units to ABS totaling P96,272,362 P41,538,000 and P24,410,000, respectively. The outstanding balance related to these transactions amounted to P80,411,781 and P214,172,636 as at December 31, 2021 and 2020, respectively, and is presented as part of Contract Receivables under the Receivables account in the consolidated statements of financial position (see Note 6).

25.3 Real Estate Sales to Key Management Personnel

In 2021, 2020 and 2019, CLI sold condominium units totaling P52,101,000, P39,075,750, and nil, respectively, to key management personnel. The outstanding balance related to these transactions amounts to P57,186,058 and P43,259,635 as at December 31, 2021 and 2020, respectively. These are presented as part of Contract Receivables under the Receivables account in the consolidated statements of financial position (see Note 6).

25.4 Key Management Personnel Compensation

The composition of key management personnel compensation for the years ended December 31, 2021, 2020 and 2019 is shown below.

	2021	2020	2019
Short-term benefits	P 121,082,068	P 90,246,704	P 83,006,173
Post-employment benefits	<u>1,668,284</u>	<u>4,719,453</u>	<u>4,650,089</u>
	<u>P 122,750,352</u>	<u>P 94,966,157</u>	<u>P 87,656,262</u>

25.5 Retirement Fund

CLI's retirement fund for its defined post-employment plan is administered and managed by a trustee bank. The fair value of plan assets in 2021 and 2020 consists of the contributions to the plan and interest earned (see Note 23.2). The plan assets do not comprise investment in any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

26. EQUITY

26.1 Capital Stock

Details of the Parent Company's authorized capital stock as of December 31, 2021 and 2020 are as follows:

	Shares		Amount	
	2021	2020	2021	2020
Preferred shares – P0.10 par value Authorized	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>P 100,000,000</u>	<u>P 100,000,000</u>
Common shares – P1.00 par value Authorized	<u>10,000,000,000</u>	<u>2,400,000,000</u>	<u>P10,000,000,000</u>	<u>P 2,400,000,000</u>
Issued:				
Balance at beginning of year	1,714,000,000	1,714,000,000	P 1,714,000,000	P 1,714,000,000
Stock dividends	<u>1,909,451,997</u>	<u>-</u>	<u>1,909,451,997</u>	<u>-</u>
Balance at end of year	<u>3,623,451,997</u>	<u>1,714,000,000</u>	<u>P 3,623,451,997</u>	<u>P 1,714,000,000</u>
Treasury shares:				
Balance at beginning of year	(159,000,400)	(54,820,000)	(732,851,016)	(247,193,811)
Acquisitions during the year	<u>(2,599,600)</u>	<u>(104,180,400)</u>	<u>(15,320,885)</u>	<u>(485,657,205)</u>
Balance at end of year	<u>(161,600,000)</u>	<u>(159,000,400)</u>	<u>(748,171,901)</u>	<u>(732,851,016)</u>
Issued and outstanding	<u>3,461,851,997</u>	<u>1,554,999,600</u>	<u>P 2,875,280,096</u>	<u>P 981,148,984</u>

As disclosed in Note 1.1, the Parent Company had a successful IPO of 430,000,000 unissued common shares at an offer price of P5 per share, which is equivalent to P2,150,000,000 on June 2, 2017. Accordingly, the Parent Company recognized additional paid-in capital of P1,608,917,974 in the consolidated statements of financial position after deducting the related share issuance costs of P111,082,026.

On November 24, 2020, the Parent Company's BOD approved the proposed increase in its authorized common stock from P2,400,000,000, divided into 2,400,000,000 common shares with a par value of P1.00 per share to P10,000,000,000, divided into 10,000,000,000 common shares with a par value of P1.00 per share. Relative to the increase in authorized common stock, on the same date, the Parent Company's BOD approved to declare stock dividends, subject to the approval of the stockholders, of at least 1,900,000,000 or such number of common shares as sufficient to pay the required subscription to the increase in the authorized common stock and as necessary to avoid fractional shares, to be issued to stockholders of record as of the record date fixed and approved by the SEC, and to be paid on such payment date as shall be fixed by the BOD after the determination of the record date. The increase in the authorized common stock and declaration of stock dividends were approved by the Parent Company's stockholders on February 26, 2021 (see Note 29.1).

On May 21, 2021, the SEC approved the Parent Company's application for the increase of authorized capital stock and declaration of stock dividends, and subsequently approved by the PSE on July 6, 2021.

On July 14, 2021, the Parent Company distributed stock dividends of 1,909,451,997 common shares with a par value of P1.00 or P1,909,451,997 (see Note 26.4). As at December 31, 2021 and 2020, common shares issued is 3,623,451,997 which amounts to P3,623,451,997, and 1,714,000,000 which amounts to P1,714,000,000, respectively. There is no issued preferred stock as at December 31, 2021 and 2020.

The share price of the Parent Company's common stock closed at P3.00 and P5.05 per share on December 31, 2021 and December 29, 2020, respectively, the last trading day in the PSE for 2021 and 2020.

The Group has no other listed securities as at December 31, 2021 and 2020.

26.2 Treasury Shares

An analysis of treasury shares as of December 31, 2021 and 2020, respectively is shown below.

	Shares		Amount	
	2021	2020	2021	2020
Balance at beginning of year	159,000,400	54,820,000	P 732,851,016	P 247,193,811
Reacquired during the year	2,599,600	104,180,400	15,320,885	485,657,205
Balance at end of year	161,600,000	159,000,400	P 748,171,901	P 732,851,016

On February 27, 2018, the BOD of the Parent Company approved a P250,000,000 budget for a share buy-back program and employee stock option plan. On March 27, 2020, the BOD of the Parent Company approved an additional P500,000,000 stock buy-back program for its valuation plans over the next two years.

On October 6, 2021, the BOD of the Parent Company approved the Executive Stock Option Plan (ESOP) for its qualified officers. The ESOP grants options to purchase the shares of the Parent Company at a discounted price. Shares bought under the ESOP cannot be sold, assigned, or transferred in any manner for at least six months from the exercise date. Voting and dividend rights vest upon the issuance of the shares to the employees.

In relation to this program, the Parent Company reacquired 2,599,600 shares and 104,180,400 shares of its common stock in 2021 and 2020, respectively, for P15,320,808 and P485,657,205, respectively, and presented them as Treasury Stock in the consolidated statement of financial position. As at December 31, 2021 and 2020, total reacquired shares totals 161,600,000 and 159,000,400, respectively, which amounts to P748,171,901 and P732,851,016, respectively.

The common stock of the Parent Company that is held under nominee accounts totaled 1,310,696,135 shares and 680,864,750 shares as of December 31, 2021 and 2020, respectively. This represents 36% and 41% of the Parent Company's outstanding shares as of December 31, 2021 and 2020, respectively.

26.3 Revaluation Reserves

The components and reconciliation of items of other comprehensive income (loss) presented in the consolidated statement of changes in equity at their aggregate amount under the Revaluation Reserves account are shown below.

	Notes	2021	2020	2019
Balance at beginning of year		(P 12,883,375)	(P 6,589,225)	(P 12,428,442)
Other comprehensive income:				
Gain (loss) on remeasurement of post-employment defined benefit obligation	23.2	455,092	(8,991,642)	8,341,738
Tax income	24	(1,029,189)	2,697,492	(2,502,521)
		(594,097)	(6,294,150)	5,839,217
Balance at end of period		(P 13,477,472)	(P 12,883,375)	(P 6,589,225)

26.4 Retained Earnings

(a) Cash Dividends

On February 26, 2019, the Parent Company's BOD declared cash dividend of P0.20 per share or a total amount of P352,590,000 to stockholders on record as of March 26, 2019 and was paid on April 24, 2019.

On February 19, 2020, the Parent Company's BOD declared cash dividend of P0.25 per share totaling P452,295,000 to stockholders on record as of April 3, 2020 and was paid on April 30, 2020.

On March 15, 2021, the Parent Company's BOD declared cash dividend of P0.25 per share totaling P476,749,900 to stockholders on record as of April 16, 2021 and was paid on May 10, 2021.

(b) Appropriations

The movements of the appropriated retained earnings in 2021 are shown below.

Purpose	January 1, 2021	Reversals	December 31, 2021
Funding of CLI's projects:			
Mivela Garden Residences	P 500,000,000	(P 500,000,000)	P -
Casa Mira Towers Mandaue	500,000,000	(412,200,367)	87,799,633
Casa Mira and Velmiro Homes Davao	400,000,000	(377,653,988)	22,346,012
Cebu Business Park Office/ Hotel Tower	364,269,107	(331,506,259)	32,762,848
Abaca Resort Mactan	148,209,601	(148,209,601)	-
Mactan Lowaii Project	72,216,550	(43,075,131)	29,141,419
Velmiro Heights Teakwood	64,809,365	(64,809,365)	-
	<u>2,049,504,623</u>	<u>(1,877,454,711)</u>	<u>172,049,912</u>
Distribution of stock dividends	<u>1,900,000,000</u>	<u>(1,900,000,000)</u>	<u>-</u>
Balance at end of year	<u>P 3,949,504,623</u>	<u>(P 3,777,454,711)</u>	<u>P 172,049,912</u>

The movements of the appropriated retained earnings in 2020 are shown below.

<u>Purpose</u>	<u>January 1, 2020</u>	<u>Reversals</u>	<u>Additions</u>	<u>December 31, 2020</u>
Funding of CLI's Projects				
Mivela Garden Residences	P 400,000,000	(P 400,000,000)	P 500,000,000	P 500,000,000
Casa Mira Towers Mandaue	300,000,000	(300,000,000)	500,000,000	500,000,000
Casa Mira and Velmiro				
Homes Davao	500,000,000	(500,000,000)	400,000,000	400,000,000
Cebu Business Park Office/ Hotel Tower	600,000,000	(235,730,893)	-	364,269,107
Abaca Resort Mactan	400,000,000	(251,790,399)	-	148,209,601
Mactan Lowaii Project	600,000,000	(527,783,450)	-	72,216,550
Velmiro Heights Teakwood	<u>250,000,000</u>	<u>(185,190,635)</u>	<u>-</u>	<u>64,809,365</u>
	<u>3,050,000,000</u>	<u>(2,400,495,377)</u>	<u>1,400,000,000</u>	<u>2,049,504,623</u>
Declaration of stock dividends	<u>-</u>	<u>-</u>	<u>1,900,000,000</u>	<u>1,900,000,000</u>
Balance at end of year	<u>P3,050,000,000</u>	<u>P2,400,495,377</u>	<u>P3,300,000,000</u>	<u>P3,949,504,623</u>

In 2021 and 2020, the Parent Company released the appropriated retained earnings in 2020 and 2019 for funding of certain projects amounting to P1,877,454,711 and P2,400,495,377, respectively, to unrestricted retained earnings after partial fulfillment of its intended purpose. Moreover, appropriated retained earnings of P1,900,000,000 was released to unappropriated retained earnings after the distribution of stock dividends by the Parent Company on July 14, 2021.

On November 24, 2020, the BOD approved the appropriation of P3,300,000,000 retained earnings for various projects. Details of the appropriation are as follows:

- P1,900,000,000 is intended for the Parent Company's proposed increase in authorized common stock and of which portion will be issued through stock dividend (see Note 26.1).
- P1,400,000,000 for the capital expenditures, financing costs, and other related development costs of certain projects that the Parent Company expects to incur in 2021 with details below:
 - i. P400,000,000 for the on-going development of the Casa Mira and Velmiro Homes Davao projects. Project developments commenced in December 2019 and are expected to be completed by fourth quarter of 2023.
 - ii. P500,000,000 for the on-going development of Mivela Garden Residences. Project development commenced in September 2019 and is expected to be completed by fourth quarter of 2023.
 - iii. P500,000,000 for the on-going development of Casa Mira Towers Mandaue. Project development commenced in September 2019 and is expected to be completed by fourth quarter of 2023.

On October 24, 2019, the Board of Directors approved the appropriation of P3,050,000,000 from the Parent Company's retained earnings for purposes of funding certain projects. The appropriated amount is specifically intended and allocated for the capital expenditures, financing costs, and other related development costs that the Parent Company expects to incur in the next five years for those certain projects. Details of the appropriation are as follows:

- P400,000,000 for the on-going development of Mivela Garden Residences, a modern garden residential community and condominium project located in Banilad, Cebu City. Project development commenced in September 2019 and is expected to be completed by second quarter of 2023.
- P600,000,000 for the development of Cebu Business Park Office / Hotel Tower, an office and hotel building located at the Cebu Business Park, Cebu City. Project development commenced in November 2019 and is expected to be completed by first quarter of 2024.
- P500,000,000 for the on-going development of the Casa Mira and Velmiro Homes projects, which are subdivision projects (house and lots) located in Magtuod, Davao City. Project developments commenced in December 2019 and are expected to be completed by first quarter of 2023.
- P400,000,000 for the redevelopment of the Abaca Resort Mactan, a resort in Punta Engaño, Mactan Island, Cebu. Redevelopment commenced in November 2019 and is expected to be completed by second quarter of 2024.
- P600,000,000 for the redevelopment of the Mactan Lowaii Project, a resort in Mactan Island, Cebu. Development was commenced on November 2019 and is expected to be completed by second quarter of 2023.
- P300,000,000 for the on-going development of Casa Mira Mandaue, a condominium project with four towers located in Alang-alang, Mandaue City. Project development was commenced on September 2019 and is expected to be completed by second quarter of 2023.
- P250,000,000 for the on-going development of the Velmiro Heights Taekwoord, a subdivision project located in Cagayan de Oro. Project development commenced in December 2019 and is expected to be completed by fourth quarter of 2022.

A portion of the Group's retained earnings, equivalent of the cost of treasury shares is legally restricted in accordance with Section 40 of the Revised Corporation Code.

26.5 Non-controlling Interests

The subsidiaries of the Group with significant NCI as at December 31, 2021, 2020 and 2019 are as follows.

Subsidiaries	NCI Ownership %			NCI Equity in Subsidiaries		
	2021	2020	2019	2021	2020	2019
YHEST	50%	50%	50%	P 3,706,027,295	P 3,715,725,255	P 3,719,661,270
El Camino	65%	65%	65%	1,113,400,062	1,060,345,832	773,607,627
CHDI	50%	50%	50%	672,519,752	654,584,882	226,673,963
YHES	50%	50%	50%	605,533,074	540,728,657	471,210,883
YES	50%	50%	50%	243,297,814	294,725,960	318,011,562
MGR	55%	55%	55%	172,090,942	279,378,963	310,217,791
BL Ventures	50%	50%	50%	128,164,739	145,666,074	150,788,415
CLI-LITE	12%	-	-	124,729,968	-	-
CBLRV	50%	50%	50%	98,733,293	99,432,604	-
CCLI	50%	50%	50%	96,831,317	105,051,470	85,858,394
GGTT	50%	-	-	90,043,506	-	-
SPE	36%	-	-	(18,518,426)	-	-
MDC	22%	-	-	59,453,985	-	-
				<u>P 7,092,307,321</u>	<u>P 6,895,639,697</u>	<u>P 6,056,029,905</u>

The analysis of the movement of NCI as at December 31, 2021, 2020 and 2019 are as follows.

	2021	2020	2019
Balance at beginning of year	P 6,895,639,697	P 6,056,029,905	P 5,280,557,011
New and additional investments	226,733,331	647,502,204	369,825,001
Dividends	(88,000,000)	(37,500,000)	(20,000,000)
Share in net profit during the year	<u>57,934,293</u>	<u>229,607,588</u>	<u>425,647,893</u>
Balance at end of year	<u>P 7,092,307,321</u>	<u>P 6,895,639,697</u>	<u>P 6,056,029,905</u>

As at December 31, 2021, CLI's acquisition of GGTT was accounted for as an acquisition of a business as it already commenced commercial operations in 2021 (see Note 1). Thus, the pre-existing contribution of GGTT's non-controlling stockholders amounting to P50,000,000 was accounted as an additional investment during the year. In addition, non-controlling shareholders of CLI-LITE contributed cash totalling P252,725,000 as paid-in capital upon its incorporation in July 2021.

In 2021, MGR declared total cash dividends of P160,000,000 of which P88,000,000 is payable to non-controlling shareholders.

In 2020, CBLRV was incorporated with paid-in capital from non-controlling stockholders amounting to P100,002,200. Other significant activities of the Group's NCI in 2020 are as follows:

- CHDI's non-controlling shareholders contributed cash of P430,000,000 as paid-in capital.
- CCLI's deposits for future share subscription from non-controlling shareholders amounting to P20,000,001 was transferred to capital stock after compliance of SEC requirements of the reclassification.
- El Camino's non-controlling shareholders contributed cash amounting to P97,500,002 as additional capital; and,
- YES declared a cash dividend of P20,000,000 in September 2020 and of which P10,000,000 was paid to non-controlling shareholders.

Significant information on the financial position and financial performance of YHEST as at and for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Current assets	P2,215,752,383	P 986,071,764
Non-current assets	<u>3,751,960,049</u>	<u>4,563,949,145</u>
Total assets	<u>P5,967,712,432</u>	<u>P5,550,020,909</u>
Current liabilities	P 98,663,124	P 49,580,036
Non-current liabilities	(<u>6,395,339</u>)	<u>-</u>
Total liabilities	<u>P 92,267,785</u>	<u>P 49,580,036</u>
Revenues	<u>P -</u>	<u>P -</u>
Net loss	(P 19,396,226)	(P 7,872,029)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>(P 19,396,226)</u>	<u>(P 7,872,029)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2021</u>	<u>2020</u>
Parent Company's shareholders	(P 9,698,113)	(P 3,936,014)
Non-controlling interests	(<u>9,698,113</u>)	<u>(3,936,014)</u>
Net loss	<u>(P 19,396,226)</u>	<u>(P 7,872,028)</u>

Significant information on the financial position and financial performance of El Camino as at and for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Current assets	P3,768,937,784	P 4,390,330,221
Non-current Assets	<u>2,305,807,154</u>	<u>816,631,511</u>
Total assets	<u>P6,074,744,938</u>	<u>P5,206,961,732</u>
Current liabilities	P 1,948,151,718	P 1,050,759,365
Non-current liabilities	<u>2,413,130,052</u>	<u>2,524,361,091</u>
Total liabilities	<u>P4,361,281,770</u>	<u>P3,575,120,456</u>
Revenues	<u>P 726,343,098</u>	<u>P1,012,563,946</u>
Net profit	P 81,621,893	P 291,135,695
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>P 81,621,893</u>	<u>P 291,135,695</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2021</u>	<u>2020</u>
Parent Company's shareholders	P 28,567,663	P 101,897,493
Non-controlling interests	<u>53,054,230</u>	<u>189,238,202</u>
Net profit	<u>P 81,621,893</u>	<u>P 291,135,695</u>

Significant information on the financial position and financial performance of CHDI as at and for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Current assets	P3,161,482,353	P1,350,240,310
Non-current Assets	<u>18,913,837</u>	<u>5,598,604</u>
Total assets	<u>P3,180,396,190</u>	<u>P1,355,838,914</u>
Current liabilities	P 1,657,531,211	P 46,669,156
Non-current liabilities	<u>177,825,482</u>	<u>-</u>
Total liabilities	<u>P1,835,356,693</u>	<u>P 46,669,156</u>
Revenues	<u>P 176,756,441</u>	<u>P -</u>
Net profit (loss)	P 35,869,739	(P 4,178,162)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	<u>P 35,869,739</u>	<u>(P 4,178,162)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2021</u>	<u>2020</u>
Parent Company's shareholders	P 17,934,870	(P 2,089,081)
Non-controlling interests	<u>17,934,869</u>	<u>(2,089,081)</u>
Net profit (loss)	<u>P 35,869,739</u>	<u>(P 4,178,162)</u>

Significant information on the financial position and financial performance of YHES as at and for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Current assets	P1,951,443,450	P1,224,207,804
Non-current Assets	<u>752,918,167</u>	<u>877,546,920</u>
Total assets	<u>P2,704,361,617</u>	<u>P2,101,754,724</u>
Current liabilities	P 953,031,316	P 821,564,723
Non-current liabilities	<u>540,071,622</u>	<u>198,595,785</u>
Total liabilities	<u>P1,493,102,938</u>	<u>P1,020,160,508</u>

	<u>2021</u>	<u>2020</u>
Revenues	<u>P 342,152,332</u>	<u>P 401,985,057</u>
Net profit	<u>P 129,664,463</u>	<u>P 139,172,448</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>P 129,664,463</u>	<u>P 139,172,448</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2021</u>	<u>2020</u>
Parent Company's shareholders	<u>P 64,832,232</u>	<u>P 69,586,224</u>
Non-controlling interests	<u>64,832,231</u>	<u>69,586,224</u>
Net profit	<u>P 129,664,463</u>	<u>P 139,172,448</u>

Significant information on the financial position and financial performance of YES as at and for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Current assets	<u>P 1,467,120,104</u>	<u>P 1,568,598,367</u>
Non-current Assets	<u>111,356,246</u>	<u>100,824,806</u>
Total assets	<u>P 1,578,476,350</u>	<u>P 1,669,423,173</u>
Current liabilities	<u>P 932,716,673</u>	<u>P 466,338,638</u>
Non-current liabilities	<u>159,164,043</u>	<u>613,632,609</u>
Total liabilities	<u>P 1,091,880,716</u>	<u>P 1,079,971,247</u>
Revenues	<u>P 27,963,542</u>	<u>P 178,773,834</u>
Net loss	<u>(P 102,856,292)</u>	<u>(P 26,651,393)</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>(P 102,856,292)</u>	<u>(P 26,651,393)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2021</u>	<u>2020</u>
Parent Company's shareholders	<u>(P 51,428,146)</u>	<u>(P 13,325,697)</u>
Non-controlling interests	<u>(51,428,146)</u>	<u>(13,325,696)</u>
Net loss	<u>(P 102,856,292)</u>	<u>(P 26,651,393)</u>

Significant information on the financial position and financial performance of MGR as at and for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Current assets	P 637,568,406	P 1,124,238,632
Non-current Assets	<u>679,432</u>	<u>-</u>
Total assets	<u>P 638,247,838</u>	<u>P 1,124,238,632</u>
Current liabilities	P 241,397,387	P 302,802,916
Non-current liabilities	<u>80,582,830</u>	<u>310,098,965</u>
Total liabilities	<u>P 321,980,217</u>	<u>P 612,901,881</u>
Revenues - net	(P 12,991,772)	<u>P 35,413,304</u>
Net loss	(P 35,069,128)	(P 6,070,595)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>(P 35,069,128)</u>	<u>(P 6,070,595)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2021</u>	<u>2020</u>
Parent Company's shareholders	(P 15,781,108)	(P 2,731,768)
Non-controlling interests	<u>(19,288,020)</u>	<u>(3,338,827)</u>
Net loss	<u>(P 35,069,128)</u>	<u>(P 6,070,595)</u>

Significant information on the financial position and financial performance of BL Ventures as at and for the year ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Current assets	P 484,676,774	P 754,032,940
Non-current Assets	<u>729,302,544</u>	<u>717,205,879</u>
Total assets	<u>P 1,213,979,318</u>	<u>P 1,471,238,819</u>
Current liabilities	P 243,537,654	P 255,951,972
Non-current liabilities	<u>714,138,930</u>	<u>923,981,441</u>
Total liabilities	<u>P 957,676,584</u>	<u>P 1,179,933,413</u>
Revenues	<u>P 39,771,377</u>	<u>P 31,118,154</u>
Net loss	(P 35,002,671)	(P 10,244,682)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>(P 35,002,671)</u>	<u>(P 10,244,682)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2021</u>	<u>2020</u>
Parent Company's shareholders	(P 17,501,335)	(P 5,122,341)
Non-controlling interests	(17,501,336)	(5,122,341)
Net loss	(P 35,002,671)	(P 10,244,682)

Significant information on the financial position and financial performance of CLI-LITE as at and for the year ended December 31, 2021 are as follows:

Current assets	P 346,359,819
Non-current Assets	<u>740,506,424</u>
Total assets	<u>P1,086,866,243</u>
Current liabilities	P 102,872,211
Non-current liabilities	<u>372,278,788</u>
Total liabilities	<u>P 475,150,999</u>
Revenues	<u>P -</u>
Net loss	(P 13,060,257)
Other comprehensive income	<u>-</u>
Total comprehensive loss	(P 13,060,257)

The profit or loss is allocated between the Parent Company and NCI as follows.

Parent Company's shareholders	(P 11,427,725)
Non-controlling interests	(1,632,532)
Net loss	(P 13,060,257)

Significant information on the financial position and financial performance of CBLRV as at and for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Current assets	P 427,299,380	P 413,572,897
Non-current Assets	<u>20,000</u>	<u>491,339</u>
Total assets	<u>P 427,319,380</u>	<u>P 414,064,236</u>
Current liabilities	P 31,870,806	P 214,800,417
Non-current liabilities	<u>197,986,389</u>	<u>403,011</u>
Total liabilities	<u>P 229,857,195</u>	<u>P 215,203,428</u>
Revenues	<u>P -</u>	<u>P -</u>
Net loss	(P 1,398,623)	(P 1,139,192)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	(P 1,398,623)	(P 1,139,192)

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2021</u>	<u>2020</u>
Parent Company's shareholders	(P 699,311)	(P 569,596)
Non-controlling interests	(699,312)	(569,596)
Net loss	(P 1,398,623)	(P 1,139,192)

Significant information on the financial position and financial performance of CCLI as at and for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Current assets	P 114,426,923	P 67,407,471
Non-current Assets	498,786,042	294,957,552
Total assets	P 613,212,965	P 362,365,023
Current liabilities	P 67,696,785	P 26,262,082
Non-current liabilities	351,853,544	126,000,000
Total liabilities	P 419,550,329	P 152,262,082
Revenues	P -	P -
Net loss	(P 16,440,305)	(P 1,613,850)
Other comprehensive income	-	-
Total comprehensive loss	(P 16,440,305)	(P 1,613,850)

The profit or loss is allocated between the Parent Company and NCI as follows:

	<u>2021</u>	<u>2020</u>
Parent Company's shareholders	(P 8,220,152)	(P 806,925)
Non-controlling interests	(8,220,153)	(806,925)
Net loss	(P 16,440,305)	(P 1,613,850)

Significant information on the financial position and financial performance of GGT as at and for the year ended December 31, 2021 are as follows:

Current assets	P 512,554,913
Non-current Assets	<u>249,193,934</u>
Total assets	<u>P 761,748,847</u>
Current liabilities	P 426,715,192
Non-current liabilities	<u>28,119,854</u>
Total liabilities	<u>P 454,835,046</u>
Revenues	<u>P 221,930,052</u>
Net loss	P 80,087,011
Other comprehensive income	<u>-</u>
Total comprehensive income	<u>P 80,087,011</u>

The profit or loss is allocated between the Parent Company and NCI as follows:

Parent Company's shareholders	P 40,043,506
Non-controlling interests	<u>40,043,505</u>
Net profit	<u>P 80,087,011</u>

Significant information on the financial position and financial performance of SPE as at and for the year ended December 31, 2021 are as follows:

Current assets	P 33,255,756
Non-current Assets	<u>280,859,912</u>
Total assets	<u>P 314,115,668</u>
Current liabilities	P 57,146,330
Non-current liabilities	<u>274,962,623</u>
Total liabilities	<u>P 332,108,953</u>
Revenues	<u>P -</u>
Net loss	(P 24,179,468)
Other comprehensive income	<u>-</u>
Total comprehensive loss	<u>(P 24,179,468)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

Parent Company's shareholders	(P 15,474,860)
Non-controlling interests	<u>(8,704,608)</u>
Net loss	<u>(P 24,179,468)</u>

Significant information on the financial position and financial performance of MDC as at and for the year ended December 31, 2021 are as follows:

Current assets	P 78,233,892
Non-current Assets	<u>-</u>
Total assets	<u>P 78,233,892</u>
Current liabilities	P 2,215,857
Non-current liabilities	<u>-</u>
Total liabilities	<u>P 2,215,857</u>
Revenues	<u>P -</u>
Net loss	(P 3,274,357)
Other comprehensive income	<u>-</u>
Total comprehensive loss	<u>(P 3,274,357)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

Parent Company's shareholders	(P 2,543,848)
Non-controlling interests	(<u>730,509</u>)
Net loss	(<u><u>P 3,274,357</u></u>)

27. EARNINGS PER SHARE

EPS is computed as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Income available to common stockholders	P 2,612,937,324	P 1,846,119,733	P 2,012,289,616
Divided by weighted average number of outstanding common stock	<u>2,507,833,165</u>	<u>1,605,279,067</u>	<u>1,662,917,500</u>
Basic and diluted EPS	<u>P 1.04</u>	<u>P 1.15</u>	<u>P 1.21</u>

There were no instruments that could potentially dilute basic earnings per share for years ended December 31, 2021, 2020 and 2019; hence, basic EPS is the same as diluted EPS.

28. COMMITMENTS AND CONTINGENCIES

28.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering certain condominium and parking units and retail building space (see Note 13). To manage its risks over these operating leases, the Group retains its legal title over the underlying assets and requires its lessee to pay security deposits at the start of the lease, which are forfeited in case a lessee pre-terminates without prior notice or before the expiry of the lease term without cause. The leases have terms ranging from one to five years, with renewal options, and include annual escalation from 5.00% to 10.00%. The future minimum lease receivables under these agreements are presented below.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Within one year	P 59,212,971	P 53,712,626	P 59,467,774
After one year but not more than five years	149,311,191	71,468,344	91,924,899
More than five years	<u>105,840,163</u>	<u>118,400,559</u>	<u>132,301,010</u>
	<u>P 314,364,325</u>	<u>P 243,581,529</u>	<u>P 283,693,683</u>

Rental income amounted to P74,272,000, P55,237,972 and P63,159,194 in 2021, 2020 and 2019, respectively (see Note 13). None of the rental income in 2021, 2020 and 2019 are relating to variable lease payments.

28.2 Operating Lease Commitments – Group as Lessee

The Group entered into several short-term cancellable leases for its billboards, warehouse and staff house. Rent expense incurred from the short-term cancellable leases amounted to P23,699,072, P18,441,626 and P33,941,185 in 2021, 2020 and 2019, respectively, and is shown as rent under Operating Expenses in the consolidated statements of profit or loss (see Notes 19).

As at December 31, 2021 and 2020, the expected future rentals is expected to be more or less the same with the annual rent expense recognized because of the terms of the leases, which are less than 12 months.

28.3 Completion of Sold Units

The Group is obligated to finish the sold units that are at a certain stage of completion at the time of sale. The Group recognized a contract liability, which amounts to P604,254,603 and P532,649,347 as at December 31, 2021 and 2020, respectively, when it collects more than it is entitled to based on the stage of completion of the project development (see Note 17.2).

28.4 Purchase of Land

As at December 31, 2020, the Group had agreed in principle with multiple sellers of real estate properties in various locations in Visayas and Mindanao for the acquisition of parcels of land for about P122,412,000. There were no such commitments as at December 31, 2021.

28.5 Capital Commitments for Construction Cost

As at December 31, 2021 and 2020, the Group has capital commitments of about P8,346,359,878 and P7,492,397,005, respectively, for the construction of real estate inventories, property and equipment and investment properties.

28.6 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements. As at December 31, 2021 and 2020, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

29. EVENTS AFTER THE REPORTING PERIOD

On March 15, 2022, the BOD declared regular and special cash dividends of P0.112 and P0.038 per share, respectively, totaling P543,517,800 to stockholders on record as of April 22, 2022. Such dividends will be paid on May 17, 2022.

30. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 31. The main types of risks are market risk, credit risk and liquidity risk. The Group's risk management focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

It does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described as follows.

30.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from its operating, investing, and financing activities.

It has no significant foreign currency exposure risks as most of its transactions are carried out in Philippine pesos, its functional currency.

30.2 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.

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 transfers the corresponding title of the subdivision lots, house and lot units, condominium units and parking spaces only upon full payment of the contract price.

(a) Maximum exposure to credit risk

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets (including contract assets), as summarized below.

	Notes	2021	2020
Cash and cash equivalents	5	P 1,095,821,916	P 797,184,790
Receivables*	6	6,004,327,391	6,125,399,982
Contract assets	17.2	20,290,305,185	13,856,650,495
Due from related parties	25.1	57,434,271	21,950,504
Short-term investments	9	149,901,854	-
Refundable deposits	14	94,473,055	78,003,269
		<u>P27,692,263,672</u>	<u>P 20,879,189,040</u>

* Receivables - net excludes advances to officers and employees.

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

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure
<u>2021</u>			
Contract receivables	P 3,698,337,693	P 7,853,276,713	P -
Contract assets	<u>16,256,159,124</u>	<u>35,539,865,028</u>	<u>-</u>
	<u>P 19,954,496,817</u>	<u>P 43,393,141,741</u>	<u>P -</u>
<u>2020</u>			
Contract receivables	P 5,807,986,200	P 10,147,922,434	P -
Contract assets	<u>13,856,650,495</u>	<u>26,384,721,070</u>	<u>-</u>
	<u>P 19,664,636,695</u>	<u>P 36,532,643,504</u>	<u>P -</u>

(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 receivables and contract assets, net of allowance for impairment, is shown below.

	<u>2021</u>	<u>2020</u>
Cebu	P 9,989,965,155	P 11,173,348,620
Visayas	5,642,592,784	3,851,443,187
Mindanao	4,321,914,120	4,782,102,029
Luzon	<u>166,366</u>	<u>645,199</u>
	<u>P 19,954,638,425</u>	<u>P 19,807,539,035</u>

(c) *Credit quality*

The Group classifies cash in banks as high grade as these are deposited with reputable banks.

Other receivables and refundable deposits are considered to be unrated and are neither past due nor impaired. For trade receivables, standard grade pertains to receivables with no default in payments and are effectively collateralized by the real estate inventories which can be subject to repossession upon non-payment of customers after reasonable collection effort has been exerted by the Group.

		2021					
		Neither past due not impaired		Unrated	Past due but not impaired	Individually impaired	Total
		High grade	Standard grade				
Cash	P	1,095,821,916	P -	P -	P -	P -	P 1,095,821,916
Receivables							
Contract		-	3,706,239,761	-	1,790,946,881	-	5,497,186,642
Others		-	-	506,540,055	-	600,694	507,140,749
Contract assets		-	20,290,305,185	-	-	-	20,290,305,185
Due from related parties		-	-	57,434,271	-	-	57,434,271
Short-term investments		149,901,854	-	-	-	-	149,901,854
Refundable deposits		-	-	94,473,055	-	-	94,473,055
		P 1,245,723,770	P23,996,544,946	P 658,447,381	P 1,790,946,881	P 600,694	P27,692,263,672
2020							
		Neither past due not impaired		Unrated	Past due but not impaired	Individually impaired	Total
		High grade	Standard grade				
Cash	P	797,184,790	P -	P -	P -	P -	P 797,184,790
Receivables							
Contract		-	5,807,986,200	-	-	-	5,807,986,200
Others		-	-	316,813,088	-	600,694	317,413,782
Contract assets		-	13,856,650,495	-	-	-	13,856,650,495
Due from related parties		-	-	21,950,504	-	-	21,950,504
Refundable deposits		-	-	78,003,269	-	-	78,003,269
		P 797,184,790	P19,664,636,695	P 416,766,861	P -	P 600,694	P20,879,189,040

30.3 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 on a 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. It maintains cash to meet its liquidity. Excess cash are invested in short-term placements.

As at December 31, 2021 and 2020, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years
December 31, 2021				
Interest-bearing loans and borrowings	P 4,372,926,971	P 4,391,719,080	P 14,001,035,043	P 9,462,451,360
Trade and other payables ²	<u>5,352,277,771</u>	<u>5,886,663,859</u>	<u>1,106,244,334</u>	<u>238,639,111</u>
	P 9,725,204,742	P10,278,382,939	P 15,107,279,377	P 9,701,090,471
December 31, 2020				
Interest-bearing loans and borrowings	P 3,248,858,810	P 1,225,240,146	P 14,589,097,481	P 9,754,201,145
Trade and other payables ²	<u>4,269,010,584</u>	<u>2,177,862,221</u>	<u>894,416,447</u>	<u>-</u>
	P 7,517,869,394	P 3,403,102,367	P 15,483,513,928	P 9,754,201,145

² Trade and other payables excludes output VAT, government-related obligations and advance rental.

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

31. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND FAIR VALUE MEASUREMENTS AND DISCLOSURES

31.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

Notes	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
at amortized cost:				
Cash and cash equivalents	5	P 1,095,821,916	P 1,095,821,916	P 797,184,790
Receivables - net ¹	6	6,004,327,391	6,004,327,391	6,125,399,982
Due from related parties	25.1	57,434,271	57,434,271	21,950,504
Short-term investments	9	149,901,854	149,901,854	-
Refundable deposits	14	94,473,055	94,473,055	78,003,269
		<u>P 7,401,958,487</u>	<u>P 7,401,958,487</u>	<u>P 7,022,538,545</u>
Financial Liabilities				
at amortized cost:				
Interest-bearing loans and borrowings	15	P 32,021,719,390	P 32,021,719,390	P 23,793,983,711
Trade and other payables ²	16	12,608,823,740	12,608,823,740	7,341,289,252
		<u>P 44,630,543,130</u>	<u>P 44,630,543,130</u>	<u>P 31,135,272,963</u>

¹ Receivables - net excludes advances to officers and employees.

² Trade and other payables excludes output VAT, government-related obligations and advance rental.

See Note 2.5 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 30.

31.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statements of financial position	Financial liabilities set off	Net amount presented in the consolidated statements of financial position	Related amounts not set-off in the consolidated statements of financial position	Cash collateral received	Net amount
December 31, 2021						
Cash and cash equivalents	<u>P 1,095,821,916</u>	<u>P -</u>	<u>P 1,095,821,916</u>	<u>P 1,091,277,530</u>	<u>P -</u>	<u>P 4,544,386</u>
December 31, 2020						
Cash and cash equivalents	<u>P 797,184,790</u>	<u>P -</u>	<u>P 797,184,790</u>	<u>P 793,255,290</u>	<u>P -</u>	<u>P 3,929,500</u>

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statements of financial position	Financial assets set off	Net amount presented in the consolidated statements of financial position	Related amounts not set-off in the consolidated statements of financial position	Cash collateral received	Net amount
December 31, 2021						
Interest-bearing loans and borrowings	<u>P 32,021,719,390</u>	<u>P -</u>	<u>P 32,021,719,390</u>	<u>P 1,241,179,383</u>	<u>P -</u>	<u>P 30,780,540,007</u>
December 31, 2020						
Interest-bearing loans and borrowings	<u>P 23,793,983,711</u>	<u>P -</u>	<u>P 23,793,983,711</u>	<u>P 793,255,290</u>	<u>P -</u>	<u>P 23,000,728,421</u>

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Group and counterparties (i.e., banks) allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

31.3 Fair Value Measurements and Disclosures

(a) 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:

- (a)* Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- (b)* 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,
- (c)* Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial 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 value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

(b) *Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed*

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities, which are not measured at fair value in the 2021 and 2020 consolidated statements of financial position, but for which fair value is disclosed (see Note 31.1).

		2021			
		Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	P	1,095,821,916	P -	P -	P 1,095,821,916
Receivables – net ¹		-	-	6,004,327,391	6,004,327,391
Due from related parties		-	-	57,434,271	57,434,271
Short-term investments		149,901,854	-	-	149,901,854
Refundable deposits		-	-	94,473,055	94,473,055
		P 1,245,723,770	P -	P 6,156,234,717	P 7,401,958,487
Financial liabilities					
Interest-bearing loans and borrowings	P	-	P -	P 32,021,719,390	P 32,021,719,390
Trade and other payables ²		-	-	12,608,823,740	12,608,823,740
		P -	P -	P 44,630,543,130	P 44,630,543,130

¹ Receivables - net excludes advances to officers and employees.

² Trade and other payables excludes output VAT, government-related obligations and advance rental.

		2020			
		Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	P	797,184,790	P -	P -	P 797,184,790
Receivables – net ¹		-	-	6,125,399,982	6,125,399,982
Due from related parties		-	-	21,950,504	21,950,504
Refundable deposits		-	-	78,003,269	78,003,269
		P 797,184,790	P -	P 6,225,353,755	P 7,022,538,545
Financial liabilities					
Interest-bearing loans and borrowings	P	-	P -	P 23,757,633,171	P 23,757,633,171
Trade and other payables ²		-	-	7,341,289,252	7,341,289,252
		P -	P -	P 31,098,922,423	P 31,098,922,423

¹ Receivables - net excludes advances to officers and employees.

² Trade and other payables excludes output VAT, government-related obligations and advance rental.

For the Group's financial assets and financial liabilities, which are measured at amortized cost, management has determined that their carrying amounts are equal to or approximate their fair values, except for interest-bearing loans and borrowings, because of their short-term nature.

(c) *Fair Value Measurement for Non-financial Assets*

The Group has no non-financial assets measured at fair value as at December 31, 2021 and 2020. However, the fair values of its investment properties are required to be disclosed, as shown in Note 13.

The table below shows the Levels within the hierarchy of non-financial assets (investment property), which are not carried at fair value but whose fair value are required to be disclosed on a recurring basis as at December 31, 2021 and 2020.

	Level 1	Level 2	Level 3	Total
December 31, 2021				
Investment property	P -	P -	P16,210,917,528	P16,210,917,528
December 31, 2020				
Investment property	P -	P -	P11,943,650,421	P11,943,650,421

In 2021 and 2020, the fair value of the Group's Investment Properties is determined on the basis of the appraisals performed by an independent external appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the parcels of land and buildings, and the comparable prices in the corresponding property location.

The fair value of these parcels of land, condominium units and retail building were determined based on the following approaches:

(d) *Fair Value Measurement for Land, Condominium Units and Retail Buildings*

The Level 3 fair value of the parcels of land, condominium units, retail building and parking slots under Investment Properties account was determined using the market approach, adjusted for differences in key attributes such as properties size, zoning and accessibility.

Under the market approach, when comparable lease offerings of similar properties and sales prices of comparable land properties in close proximity are used in the valuation of the subject property with insignificant adjustment on the price, fair value is included in Level 2. Consequently, if the observable recent prices of the reference properties were adjusted significantly for differences in key attributes such as properties size, zoning and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(e) *Fair Value Measurement for Improvements under Retail Buildings*

The Level 3 fair value of building improvements presented as part of retail buildings under Investment Properties account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change on the valuation techniques used by the Group, except as indicated above, during the period for its investment properties. Also, there were no transfers into or out of Level 2 fair value hierarchy for the years ended December 31, 2021 and 2020.

32. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2021</u>	<u>2020</u>
Total liabilities	P48,719,923,909	P 34,563,259,985
Total equity	<u>17,932,181,524</u>	<u>15,527,241,458</u>
Debt-to-equity ratio	<u>2.72:1.00</u>	<u>2.23:1.00</u>

The Group's goal in capital management is to limit a maximum debt-to-equity structure ratio of 75:25 on a monthly basis. The Parent Company is required to maintain certain financial ratios in relation with its borrowings (see Note 15.2). The Group has complied with its covenant obligations for both years ended December 31, 2021 and 2020.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

33. 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.

	<u>Bank Loans</u> <u>(see Note 15)</u>	<u>Lease</u> <u>Liabilities</u> <u>(see Note 12)</u>	<u>Total</u>
Balance as of January 1, 2021	P 23,793,983,711	P 834,733,975	P24,628,717,686
Cash flows from financing activities			
Additional borrowings	14,448,015,997	-	14,448,015,997
Repayment of borrowings	(6,288,347,939)	-	(6,288,347,939)
Non-cash financing activities			
Additional lease liabilities	-	295,655,973	295,655,973
Amendment of lease contract	-	(4,259,647)	(4,259,647)
Amortization of debt issue cost	<u>68,067,621</u>	<u>-</u>	<u>68,067,621</u>
Balance at December 31, 2021	<u>P 32,021,719,390</u>	<u>P 1,126,130,301</u>	<u>P33,147,849,691</u>

	Bank Loans (see Note 15)	Lease Liabilities (see Note 12)	Total
Balance as of January 1, 2020	P 16,846,756,577	P 140,276,458	16,987,033,035
Cash flows from financing activities			
Additional borrowings	12,583,999,063	-	12,583,999,063
Repayment of borrowings	(5,672,248,772)	(105,339,849)	(5,777,588,621)
Non-cash financing activities			
Additional lease liabilities	-	818,482,704	818,482,704
Amendment of lease contract	-	(18,685,338)	(18,685,338)
Amortization of debt issue cost	<u>35,476,843</u>	<u>-</u>	<u>35,476,843</u>
Balance at December 31, 2020	<u>P 23,793,983,711</u>	<u>P 834,733,975</u>	<u>P24,628,717,686</u>
Balance as of January 1, 2019	P 10,641,280,311	P -	10,641,280,311
Cash flows from financing activities			
Additional borrowings	10,453,706,073	-	10,453,706,073
Repayment of borrowings	(4,265,207,842)	(39,719,752)	(4,304,927,594)
Non-cash financing activities			
Additional lease liabilities	-	179,996,210	179,996,210
Amortization of debt issue cost	<u>16,978,035</u>	<u>-</u>	<u>16,978,035</u>
Balance at December 31, 2019	<u>P 16,846,756,577</u>	<u>P 140,276,458</u>	<u>P16,987,033,035</u>

34. SUPPLEMENTAL INFORMATION ON NON-CASH ACTIVITIES

Discussed below are the supplemental information on non-cash investing and financing activities relative to the consolidated statements of cash flows of the Group.

- (a) The Group recognized Right-of-Use assets and Lease Liabilities amounting to P290,015,132 and P818,482,704 in 2021 and 2020, respectively (see Notes 12 and 33).
- (b) In 2021 and 2020, Deposits for Land for Future Development of P1,076,100,742 and P1,457,731,053, respectively, were reclassified to Real Estate Inventories (see Notes 7 and 8).
- (c) In 2021 and 2020, borrowing costs that were capitalized as part of Real Estate Inventories and Investment Properties totaling P1,276,301,172 and P1,122,389,885, respectively (see Notes 7, 13 and 15).
- (d) In 2021 and 2020, the Group recognized unpaid construction costs of P779.3 million and P666.7 million, respectively, in Investment Properties (see Note 13).
- (e) In 2021, the group reclassified assets from Investment Properties totaling P1,840,846,826 and P7,977,039 to Real Estate Inventories and Property Equipment, respectively. In 2020, the Group reclassified assets from Investment Properties totaling P997,649,685 and P86,104,197 to Real Estate Inventories and Property and Equipment, respectively (see Notes 7, 11 and 13).

35. OTHER MATTERS

35.1 Continuing Impact of COVID-19 Pandemic

The country, including Visayas and Mindanao, has gradually opened its economy over the last quarter of 2020 as the daily COVID-19 positivity rate declines. The Group's operations continue to navigate and weather the pandemic's effects. The Group has made significant progress during the first nine months of 2021 which includes:

- Increased construction activity from 70% during the height of the mandated lockdowns to 97% across VisMin sites;
- Launched seven projects worth P11.6 billion, including high and mid-market projects as the economic recovery continues to take place;
- Continued to offer promotions on stretched equity installments to further support the robust sales performance;
- Granted payment deferrals and grace period to buyers on their equity installments upon request;
- Incurred extra costs to promote health and safety protocols for both customers and employees to lessen the spread of the virus, provided cash assistance to Group employees and third-party contractors workers, and supported frontliners and local government units through donations;
- Rolled-out Vaccination Programs to all employees across Visayas and Mindanao in partnership with AC Health and Velez Medical with a full vaccination target before the end of 2021; and,
- Return of office-work arrangement by providing employees with an exclusive transportation service to reduce public exposure and transmission. For employees with special circumstances, offered flexible schedules and work-from-home arrangements.

Furthermore, the Group continues to strengthen its digitalization and growth efforts across the organization. It launched a number of digital channels, including the following:

- Buy-A-Home microsite to provide sales partners quick access to new project inventories and promotions;
- Masters Portal application for homeowners to track their payment status, get construction updates and promotions;
- Online turn-over experience;
- CLIO, CLI's 24/7 Facebook chatbot to respond to general inquiries;
- CLI 360 Virtual Tours on selected projects to check progress;
- CLI Homefest, a virtual exhibition of CLI's projects; and,
- Virtual project launches and topping off

Solid catalysts in Visayas and Mindanao support the Group's growth and expansion plans. The regions are well positioned for a V-shape recovery, with a Gross Regional Domestic Product reduction of only 4.95% compared to the 9.45% reduction for the rest of the country. This is further supported by advantages of a low-interest rate environment, tax measures that favor middle and low-income house buyers, and the passage of the CREATE Act.

The Group has strong foundations in place to adapt to the new normal from strategy to execution. It has demonstrated execution competence during the pandemic through its robust sales and positive operating results. Management anticipates that the Group can continue its growth trajectory which was halted in 2020.

35.2 Impact of Typhoon “Odette” on the Group’s Business

On December 14, 2021, severe tropical storm “Rai” entered the Philippine Area of Responsibility (PAR) and was named “Odette”. On December 15, 2021, Odette intensified into a typhoon as it moved westward over the Philippine Sea east of Mindanao. On December 16, 2021, Odette rapidly intensified and heavily affected the areas of Surigao del Norte, Caraga region, Southern Leyte, Bohol, Cebu, Negros Oriental, Siquijor, the southern and central portions of Negros Oriental and Guimaras. Odette left the PAR on December 18, 2021.

As a result of this, the Group sustained damages in its projects and properties in Cebu. CLI, El Camino, MGR and BL Ventures reported calamity damages, net of estimated insurance claims, amounting to P89,558,963, P28,628,963, P6,980,141 and P4,671,293, respectively, for a total loss of P129,839,360 in the consolidated statement of profit or loss in 2021 (see Note 20.2). No other subsidiaries in the Group reported calamity damages from the typhoon. Magspeak, an associate, reported a calamity loss of P1,993,750 in its statement of profit or loss.

Pursuant to the Bureau of Internal Revenue (BIR) Revenue Memorandum Order No. 031-09, in relation to Section 34 (D)(1)(b) of the National Internal Revenue Code, as amended, CLI, El Camino, MGR, BL Ventures and Magspeak filed notarized declarations of casualty losses on February 23, 2022 to BIR, prior to the deadline on February 29, 2022 as extended under BIR Revenue Regulations No. 1-2022.

**Report of Independent Auditors
to Accompany Supplementary
Information Required by the
Securities and Exchange Commission
Filed Separately from the Basic
Consolidated Financial Statements**

Punongbayan & Araullo

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**The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)**

10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Landmasters, Inc. and subsidiaries (the Group) for the year ended December 31, 2021, on which we have rendered our report dated March 29, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO


By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8852327, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 90230-SEC (until Dec. 31, 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 29, 2022

Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
List of Supplementary Information
December 31, 2021

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CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
Schedule A - Financial Assets
December 31, 2021

<i>Type of securities</i>	<i>Amount Shown in the Statement of Financial Position</i>	<i>Income Received and Accrued</i>
<u>Financial Assets at Amortized Cost</u>		
Cash and Cash Equivalents		
Cash in banks	P 769,344,992	P 2,625,116
Short-term placements	321,932,538	6,075,985
Cash on hand	<u>4,544,386</u>	<u>-</u>
	<u>1,095,821,916</u>	<u>8,701,101</u>
Receivables		
Contract receivables	5,497,787,337	-
Rent receivable	61,234,152	-
Retention receivable	81,429,356	-
Management fee receivables	50,087,038	-
Other receivables	<u>313,789,508</u>	<u>-</u>
	<u>6,004,327,391</u>	<u>-</u>
Due from Related Parties	<u>57,434,271</u>	<u>-</u>
Short-term investments	<u>149,901,854</u>	<u>-</u>
Other Non-Current Assets		
Refundable deposits	<u>94,473,055</u>	<u>-</u>
Total	<u>P 7,401,958,487</u>	<u>P 8,701,101</u>

Cebu Landmasters, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
December 31, 2021

Name and designation of debtor	Balance at beginning of period	Additions	Reclassification	Deductions		Ending Balance		Balance at end of period
				Amounts collected	Amounts Written off	Current*	Not-current**	
Entities Under Common Ownership:								
Condominium Corporation								
Park Centrale Condo Corporation	P 5,000	(P 98,926)	P -	P -	P -	(P 93,926)	P -	(P 93,926)
Baseline Residences Condo Corporation	2,751,098	645,955	-	(72,773)	-	3,324,280	-	3,324,280
Mirvesa Garden Residences Condo Corporation	1,149,426	-	-	(518,782)	-	630,644	-	630,644
Midori Residences Condo Corporation	21,689	45,233	-	(23,543)	-	43,378	-	43,378
Asia Premier Condo Corporation	(213,371)	-	-	(194,839)	-	(408,211)	-	(408,211)
Casa Mira Towers Labangon	6,207,219	2,780,460	-	-	-	8,987,679	-	8,987,679
Base Line Center Condo Corporation	6,673,994	6,282,795	-	-	-	12,956,789	-	12,956,789
Mesaverte Residences Condominium Corporation	1,355,151	1,355,151	-	-	-	2,710,302	-	2,710,302
	17,950,206	11,010,667	-	(809,938)	-	28,150,935	-	28,150,935
Homeowners' Associations								
Midori Plains	361,292	-	-	-	-	361,292	-	361,292
San Josemaria Villages	105,912	1,762	-	-	-	107,674	-	107,674
Velmino Heights	800,717	-	-	(57,330)	-	743,387	-	743,387
Casa Mira Linao	1,545,268	592,861	-	-	-	2,138,129	-	2,138,129
	2,813,189	594,623	-	(57,330)	-	3,350,482	-	3,350,482
Others								
Cebu Lanmasters Foundation, Inc.	22,948	-	-	-	-	22,948	-	22,948
Regalos de Cebu	1,114,657	3,021,518	-	(1,906,861)	-	2,229,314	-	2,229,314
	1,137,605	3,021,518	-	(1,906,861)	-	2,252,262	-	2,252,262
	21,901,000	14,626,808	-	(2,774,129)	-	33,753,679	-	33,753,679
Associates:								
Ming-mori Development Corporation	49,504	245,504	-	(196,000)	-	99,008	-	99,008
Ultimate Parent Company								
	214,172,636	55,251,798	-	-	-	269,424,434	-	269,424,434
Key Management Personnel								
	43,259,635	39,075,750	-	(2,996,795)	-	79,338,590	-	79,338,590
	P 279,382,775	P 109,199,860	p -	(P 5,966,924)	p -	P 382,615,712	p -	P 382,615,712

*Due within one year
**Due beyond one year

Cebu Landmasters, Inc. and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2021

Name and Designation of debtor	Balance at beginning of period	Additions	Reclassification	Deductions		Current*	Non-current**	Balance at end of period
				Amounts collected	Amounts written off			
CLJ Premier Hotels Int'l. Inc.	P 1,610,883	P 15,806,420	P -	P -	P -	P 17,417,303	P -	P 17,417,303
Cebu Landmasters Property Management, Inc.	2,060,710	11,366,513	-	(6,018,626)	-	7,408,596	-	7,408,596
A.S. Fortuna Property Ventures, Inc.	-	-	(59,610,753)	-	(59,610,753)	-	-	(59,610,753)
BL CBP Ventures, Inc.	174,600	10,644,131	-	(8,654,605)	-	2,164,126	-	2,164,126
Yuson Excellence Soberano, Inc.	73,567	48,292,946	-	(2,825,071)	-	45,541,442	-	45,541,442
CCJ Premier Hotels Int'l. Inc.	6,227,795	12,608	-	-	-	6,240,403	-	6,240,403
Mvresa Garden Residences, Inc.	1,230,635	9,984,594	-	(5,812,094)	-	5,403,136	-	5,403,136
El Camino Developers Cebu, Inc.	4,476,285	-	(803,149)	(8,675,903)	-	(5,002,768)	-	(5,002,768)
Yuson Huang Excellence Soberano, Inc.	80,077	5,892,625	-	(4,116,057)	-	1,856,645	-	1,856,645
YHEST Realty and Development Corporation	37,785	172,037	-	-	-	209,822	-	209,822
Cebu BL-Ramos Ventures, Inc.	-	209,857,639	-	-	-	209,857,639	-	209,857,639
GGTT Realty Corporation	-	223,286	-	-	-	223,286	-	223,286
Cebu Homegrown Developers, Inc.	-	-	(3)	-	-	(3)	-	(3)
	P 15,972,337	P 312,252,797	(P 60,413,906)	(P 36,102,356)	P -	P 231,708,872	P -	P 231,708,872

*Due within one year
**Due beyond one year

Cebu Landmasters, Inc. and Subsidiaries
Schedule D - Long-Term Debt
December 31, 2021

<i>Title of issue and type of obligation</i>	<i>Amount shown under caption "Current portion of long-term debt" in related Statement of Financial Position</i>		<i>Amount shown under caption "Long-Term Debt" in related Statement of Financial Position</i>		<i>Interest Rate</i>	<i>No. of Periodic Installments</i>	<i>Maturity Date</i>
<i>Promissory notes</i>							
Bank of the Philippine Islands	P	593,009,670	P	3,215,021,654	4.0000% to 7.1250%	Various	01/20/21 to 09/24/28
Land Bank of the Philippines		225,727,433		1,687,028,009	4.0310% to 5.2500%	Various	05/30/28 to 08/30/29
BDO, Unibank		76,933,015		829,901,483	1.8400% to 6.0000%	Various	07/25/27
Bank of Commerce		100,000,000	-		4.750%	Various	01/20/21
Development Bank of the Philippines	-			374,996,428	4.2010% to 5.0000%	Various	09/30/26 to 05/30/34
China Banking Corporation		174,189,899		267,737,374	5.2500% to 6.2500%	Various	03/08/23 to 06/26/23
Rizal Commercial Banking Corporation	-			436,123,058	4.8000% to 5.5500%	Various	06/28/26 to 12/23/30
Philippine National Bank		246,825,000		722,341,671	4.0000% to 6.5000%	Various	12/06/21 to 07/12/24
		<u>1,416,685,017</u>		<u>7,533,149,676</u>			
<i>Corporate notes</i>							
BDO Unibank Inc.	-			990,072,253	7.25%	17	12/20/25
Bank of the Philippine Islands	-			1,681,813,017	3.5370% to 7.2500%	17	12/20/25
China Banking Corporation	-			3,950,626,226	3.4610% to 7.2500%	13 to 29	09/04/25 to 10/20/28
Development Bank of the Philippines	-			1,974,560,914	3.5370% to 4.6553%	17	04/28/27
Land Bank of the Philippines		17,857,143		1,958,791,935	4.2323% to 6.6300%	29	08/02/28 to 03/10/30
Rizal Commercial Banking Corporation	-			1,974,175,349	3.5370% to 4.6553%	13-17	09/04/25 to 04/28/27
Social Security System	-			296,252,181	3.461%	12	09/04/25
ALFM		<u>2,000,000,000</u>		<u>-</u>	4.75%	1	04/30/21
		<u>2,017,857,143</u>		<u>12,826,291,875</u>			
	P	3,434,542,160	P	20,359,441,551			

Cebu Landmasters, Inc. and Subsidiaries
Schedule E - Indebtedness to Related Parties
December 31, 2021

<i>Name of related party</i>	<i>Balance at beginning of period</i>	<i>Balance at end of period</i>

NOT APPLICABLE

Cebu Landmasters, Inc. and Subsidiaries
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2021

<i>Name of issuing entity of securities guaranteed by the company for which this statement is filed</i>	<i>Title of issue of each class of securities guaranteed</i>	<i>Total amount guaranteed and outstanding</i>	<i>Amount owned by person for which statement is filed</i>	<i>Nature of guarantee</i>

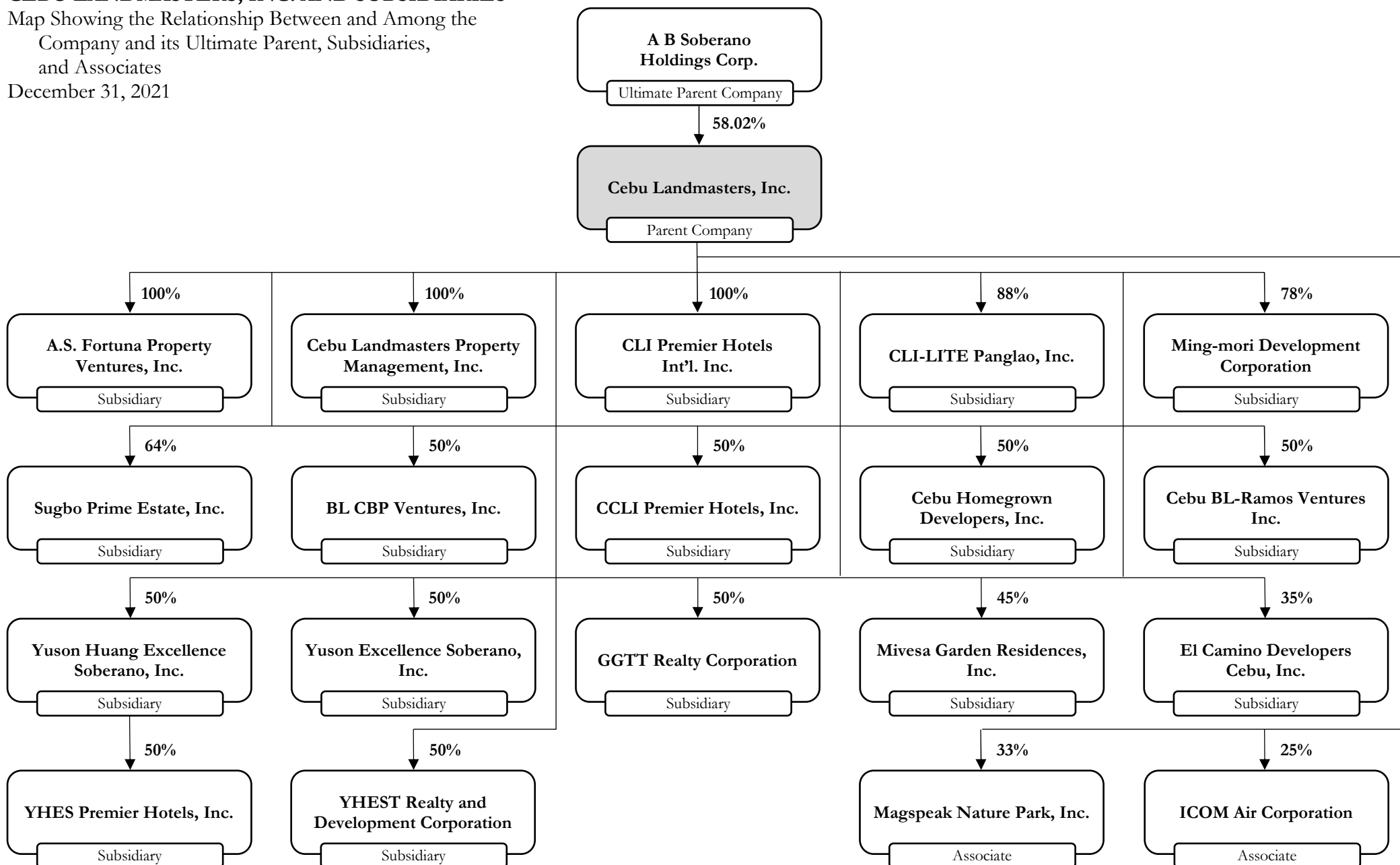
NOT APPLICABLE

Cebu Landmasters, Inc. and Subsidiaries
Schedule G - Capital Stock
December 31, 2021

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related Statement of Financial Position caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares - P1 par value						
Authorized	2,400,000,000					
Issued and outstanding		1,554,999,600	159,000,400	994,395,197	21,750,003	538,854,400
Preferred Shares - P0.10 par value						
Authorized	1,000,000,000	-	-	-	-	-
Issued and outstanding						

CEBU LANDMASTERS, INC. AND SUBSIDIARIES

Map Showing the Relationship Between and Among the
Company and its Ultimate Parent, Subsidiaries,
and Associates
December 31, 2021



CEBU LANDMASTERS, INC.
(A Subsidiary of A B Soberano Holdings Corp.)
10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu I.T. Park, Brgy. Apas, Cebu City
Reconciliation of Retained Earnings Available for Dividend Declaration
as of December 31, 2021
(Amounts in Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year	P	2,197,217,445	
Prior Year's Outstanding Reconciling Items, net of tax			
Share in profit of subsidiaries and associates	(	761,728,959)	
Treasury stock, at cost	(	<u>732,851,016)</u>	
Unappropriated Retained Earnings Available for			
Dividend declaration at beginning of Year, as Adjusted			702,637,470
Net Profit Realized during the Year	P	2,604,289,260	
Share in profit of subsidiaries and associates	(	<u>25,077,962)</u>	2,579,211,298
Other Transactions During the Year			
Release of appropriated retained earnings		3,777,454,711	
Cash dividend declared	(	388,749,900)	
Stock dividends declared	(	1,909,451,997)	
Acquisition of treasury stock during the year	(	<u>15,320,885)</u>	<u>1,463,931,929</u>
Unappropriated Retained Earnings Available for			
Dividend declaration at end of Year	P	<u>4,745,780,697</u>	

Report of Independent Auditors on Components of Financial Soundness Indicators

**The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)**
10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
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Philippines

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We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Landmasters, Inc. and subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 29, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO



By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8852327, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 90230-SEC (until Dec. 31, 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 29, 2022

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
Supplemental Schedule of Financial Soundness Indicators
December 31, 2021 and 2020
(Amounts in Philippine Pesos)

Ratio	Formula	2021	Formula	2020
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 37,002,075,676 Divide by: Total Current Liabilities 22,163,706,708 Current Ratio 1.67	1.67	Total Current Assets divided by Total Current Liabilities Total Current Assets 27,600,305,172 Divide by: Total Current Liabilities 11,453,378,896 Current Ratio 2.41	2.41
Acid test ratio	Quick assets (Cash and cash equivalents plus Current Receivables and Current Receivables and Due from Related Parties) divided by Total Current Liabilities Cash and cash equivalents 1,095,821,916 Add: Current Receivables 5,844,643,647 Current Contract Assets 6,558,006,000 Due from Related Parties 57,434,271 Quick Assets 13,555,905,834 Divide by: Total Current Liabilities 22,163,706,708 Acid test ratio 0.61	0.61	Quick assets (Cash and cash equivalents plus Current Receivables and Current Receivables and Due from Related Parties) divided by Total Current Liabilities Cash and cash equivalents 797,184,790 Add: Current Receivables 6,020,754,434 Current Contract Assets 3,642,591,056 Due from Related Parties 21,950,504 Quick Assets 10,482,480,784 Divide by: Total Current Liabilities 11,453,378,896 Acid test ratio 0.92	0.92
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities 48,719,923,909 Divide by: Total Assets 66,652,105,433 Solvency ratio 0.73	0.73	Total Liabilities divided by Total Assets Total Liabilities 34,563,259,985 Divide by: Total Assets 50,090,501,443 Solvency ratio 0.69	0.69
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 48,719,923,909 Divide by: Total Equity 17,932,181,524 Debt-to-equity ratio 2.72	2.72	Total Liabilities divided by Total Equity Total Liabilities 34,563,259,985 Divide by: Total Equity 15,527,241,458 Debt-to-equity ratio 2.23	2.23
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 66,652,105,433 Divide by: Total Equity 17,932,181,524 Assets-to-equity ratio 3.72	3.72	Total Assets divided by Total Equity Total Assets 50,090,501,443 Divide by: Total Equity 15,527,241,458 Assets-to-equity ratio 3.23	3.23
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense Profit before tax 3,103,590,661 Add: Interest charged to: Cost of Sales 307,427,540 Finance cost 180,676,863 EBIT 3,591,695,064 Divide by: Interest Expense* 1,406,293,482 Interest rate coverage ratio 2.55 <i>*Includes 1,225,616,619 interest capitalized as part of real estate inventory and investment property</i>	2.55	Earnings before interest and taxes (EBIT) divided by Interest expense Profit before tax 2,791,580,908 Add: Interest charged to: Cost of Sales 394,329,036 Finance cost 2,439,236 EBIT 3,188,349,180 Divide by: Interest Expense* 1,124,829,121 Interest rate coverage ratio 2.83 <i>*Includes 1,122,389,885 interest capitalized as part of real estate inventory and investment property</i>	2.83
Return on equity	Net Profit divided by Total Ave. Equity Net Profit 2,670,871,617 Divide by: Total Ave. Equity 16,729,711,491 Return on equity 16%	16%	Net Profit divided by Total Ave. Equity Net Profit 2,075,727,321 Divide by: Total Ave. Equity 14,637,749,873 Return on equity 14%	14%
Return on assets	Net Profit divided by Total Ave. Assets Net Profit 2,670,871,617 Divide by: Total Ave. Assets 58,371,303,438 Return on assets 5%	5%	Net Profit divided by Total Ave. Assets Net Profit 2,075,727,321 Divide by: Total Ave. Assets 44,186,971,840 Return on assets 5%	5%
Net profit margin	Net Profit divided by Revenues Net Profit 2,670,871,617 Divide by: Total Revenue 11,162,170,684 Return on assets 24%	24%	Net Profit divided by Revenues Net Profit 2,075,727,321 Divide by: Total Revenue 8,298,820,318 Return on assets 25%	25%
Other ratio				
Gross profit margin	Gross Profit divided by Total Revenue Gross Profit 5,189,881,020 Divide by: Total Revenue 11,162,170,684 Gross profit margin 46%	46%	Gross Profit divided by Total Revenue Gross Profit 4,016,708,860 Divide by: Total Revenue 8,298,820,318 Gross profit margin 48%	48%