

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

### QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended  
Sep 30, 2022
2. SEC Identification Number  
AS094-006430
3. BIR Tax Identification No.  
003-942-108
4. Exact name of issuer as specified in its charter  
EMPIRE EAST LAND HOLDINGS, INC.
5. Province, country or other jurisdiction of incorporation or organization  
Metro Manila, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
2F Tower 2, Kasara Urban Resort Residences, P. Antonio St., Barangay Ugong, Pasig  
City  
Postal Code  
1604
8. Issuer's telephone number, including area code  
(632) 85544800
9. Former name or former address, and former fiscal year, if changed since last report  
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	14,676,199,167

11. Are any or all of registrant's securities listed on a Stock Exchange?  
Yes      No  
If yes, state the name of such stock exchange and the classes of securities listed therein:  
The shares of common stock of the Company are listed on the Philippine Stock Exchange
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes            No

(b) has been subject to such filing requirements for the past ninety (90) days

Yes            No

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



**Empire East**

**Empire East Land Holdings, Inc.**

**ELI**

**PSE Disclosure Form 17-2 - Quarterly Report**  
*References: SRC Rule 17 and  
 Sections 17.2 and 17.8 of the Revised Disclosure Rules*

<b>For the period ended</b>	Sep 30, 2022
<b>Currency (indicate units, if applicable)</b>	Php (In Thousands)

**Balance Sheet**

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2022	Dec 31, 2021
<b>Current Assets</b>	41,955,243	40,783,051
<b>Total Assets</b>	46,961,471	46,205,055
<b>Current Liabilities</b>	13,726,958	13,045,538
<b>Total Liabilities</b>	16,868,995	16,211,924
<b>Retained Earnings/(Deficit)</b>	8,331,856	7,828,582
<b>Stockholders' Equity</b>	30,092,476	29,993,131
<b>Stockholders' Equity - Parent</b>	27,299,719	27,196,176
<b>Book Value per Share</b>	1.86	1.85

**Income Statement**

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	967,760	1,015,228	3,179,452	2,951,940
Gross Expense	774,464	838,021	2,501,069	2,234,027
Non-Operating Income	89,124	53,636	257,263	196,240
Non-Operating Expense	92,133	89,929	266,887	257,208
Income/(Loss) Before Tax	190,287	140,914	668,759	656,945
Income Tax Expense	48,556	34,363	169,684	169,270
Net Income/(Loss) After Tax	141,731	106,551	499,075	487,675
Net Income Attributable to Parent Equity Holder	143,520	107,347	503,273	494,159
Earnings/(Loss) Per Share (Basic)	-	-	0.03	0.03
Earnings/(Loss) Per Share (Diluted)	-	-	0.03	0.03

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.05	0.04
Earnings/(Loss) Per Share (Diluted)	0.05	0.04

Other Relevant Information
None

Filed on behalf by:

Name	Jamie Katrina Chan
Designation	Legal Counsel

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **30 September 2022**
2. Commission Identification Number: **AS094-006430**
3. BIR Tax Identification No. **003-942-108**
4. **EMPIRE EAST LAND HOLDINGS, INC.**  
Exact name of issuer as specified in its charter
5. **Metro Manila, Philippines**  
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)  
Industry Classification Code
7. **2F Tower 2 Kasara Urban Resort Residences**  
**P. Antonio St. Barangay Ugong**  
**Pasig City 1604**  
Address of issuer's principal office
8. **(632) 85544800**  
Issuer's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Class	Number of Shares of Common Stock Outstanding
<b>Common</b>	<b>14,676,199,167</b>

10. Are any or all of the securities listed on a Stock Exchange?

**Yes [X]    No [ ]**

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**The shares of common stock of the Company are listed on the Philippine Stock Exchange.**

11. Indicate by check mark whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports).

**Yes [X]                      No [ ]**

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes

No

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

Interim financial statements are attached as Exhibits 1 to 6 hereof and incorporated herein by reference:

- Exhibit 1 - Consolidated Statements of Financial Position as of December 31, 2021 and September 30, 2022
- Exhibit 2 - Consolidated Statements of Comprehensive Income as of September 30, 2021 and September 30, 2022
- Exhibit 3 - Comparative Statements of Changes in Equity as of September 30, 2021 and September 30, 2022
- Exhibit 4 - Consolidated Statements of Cash Flows as of September 30, 2021 and September 30, 2022
- Exhibit 5 - Notes to Interim Financial Statements

### Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Please refer to Exhibit 6 hereof.

### Item 3. Aging of Accounts Receivable

Please refer to Exhibit 7 hereof.

### Item 4. Schedule of Financial Soundness Indicators

Please refer to Exhibit 8 hereof.

## PART II – OTHER INFORMATION

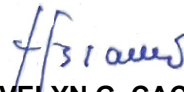
The Company is not in possession of information which has not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

### SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**EMPIRE EAST LAND HOLDINGS, INC.**  
Issuer

By:



**EVELYN G. CACHO**

Senior Vice President (Principal Financial Officer) and Duly Authorized Officer  
November 03, 2022

**EXHIBIT 1****EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES***(A Subsidiary of Megaworld Corporation)***CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****As at September 30, 2022 and December 31, 2021***(All amounts in thousands Philippine Peso)*

	<b>Unaudited 30-Sep-22</b>	<b>Audited 31-Dec-21</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	P 3,308,566	P 3,389,416
Trade and other receivables - net	9,219,158	8,369,704
Contract assets	2,054,005	1,758,023
Advances to related parties	5,035,109	4,747,776
Real estate inventories	21,199,182	21,711,434
Prepayments and other current assets	<u>1,139,223</u>	<u>806,698</u>
Total Current Assets	<u>41,955,243</u>	<u>40,783,051</u>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables - net	2,636,283	2,371,549
Contract assets	46,947	294,926
Financial asset at fair value through other comprehensive income (FVOCI)	928,950	1,328,680
Advances to landowners and joint ventures	241,215	237,419
Investment in an associate	276,663	279,556
Property and equipment - net	130,554	144,934
Intangible assets - net	119,375	116,629
Investment property - net	621,050	643,120
Other non-current assets	<u>5,191</u>	<u>5,191</u>
Total Non-current Assets	<u>5,006,228</u>	<u>5,422,004</u>
<b>TOTAL ASSETS</b>	<b><u>P 46,961,471</u></b>	<b><u>P 46,205,055</u></b>

	Unaudited 30-Sep-22	Audited 31-Dec-21
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Interest-bearing loans and borrowings	P 100,000	P 250,000
Trade and other payables	2,396,685	1,821,485
Customers' deposits	4,565,439	4,460,629
Advances from related parties	5,724,273	5,495,818
Contract liabilities	130,824	128,793
Other current liabilities	<u>809,737</u>	<u>888,813</u>
Total Current Liabilities	<u>13,726,958</u>	<u>13,045,538</u>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing loans and borrowings	900,000	1,000,000
Contract liabilities	121,280	151,777
Retirement benefit obligation	90,834	136,640
Deferred tax liabilities - net	<u>2,029,923</u>	<u>1,877,969</u>
Total Non-current Liabilities	<u>3,142,037</u>	<u>3,166,386</u>
Total Liabilities	<u>16,868,995</u>	<u>16,211,924</u>
<b>EQUITY</b>		
Equity attributable to Parent Company's shareholders	27,299,719	27,196,176
Non-controlling interest	<u>2,792,757</u>	<u>2,796,955</u>
Total Equity	<u>30,092,476</u>	<u>29,993,131</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>P 46,961,471</u></b>	<b><u>P 46,205,055</u></b>

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For each of the nine months ended September 30, 2022 and 2021  
*(All amounts in thousand Philippine Peso, except earnings per share)*

	Unaudited		Unaudited	
	July to Sep 2022	Jan to Sep 2022	July to Sep 2021	Jan to Sep 2021
<b>REVENUES</b>				
Real estate sales	P 881,508	P 2,918,371	P 858,833	P 2,683,466
Finance income	89,124	257,263	53,636	196,240
Commissions and other income	<u>86,252</u>	<u>261,081</u>	<u>156,395</u>	<u>268,474</u>
	<u>1,056,884</u>	<u>3,436,715</u>	<u>1,068,864</u>	<u>3,148,180</u>
<b>COST AND EXPENSES</b>				
Cost of real estate sales	534,740	1,752,595	509,761	1,347,421
Finance costs	91,885	263,993	88,342	251,980
Equity share in net losses of an associate	248	2,894	1,587	5,228
Operating expenses	239,724	748,474	328,260	886,606
Income taxes	<u>48,556</u>	<u>169,684</u>	<u>34,363</u>	<u>169,270</u>
	<u>915,153</u>	<u>2,937,640</u>	<u>962,313</u>	<u>2,660,505</u>
<b>NET PROFIT</b>	<u><u>141,731</u></u>	<u><u>499,075</u></u>	<u><u>106,551</u></u>	<u><u>487,675</u></u>
<b>OTHER COMPREHENSIVE LOSSES</b>				
Fair value losses on financial asset at FVOCI	<u>(61,930)</u>	<u>(399,730)</u>	<u>15,764</u>	<u>(33,780)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<u><u>P 79,801</u></u>	<u><u>P 99,345</u></u>	<u><u>P 122,315</u></u>	<u><u>P 453,895</u></u>
<b>Net profit attributable to:</b>				
Parent company's shareholders	P 143,520	P 503,273	P 107,347	P 494,159
Non-controlling interest	<u>(1,789)</u>	<u>(4,198)</u>	<u>(796)</u>	<u>(6,484)</u>
	<u><u>P 141,731</u></u>	<u><u>P 499,075</u></u>	<u><u>P 106,551</u></u>	<u><u>P 487,675</u></u>
<b>Total comprehensive income (loss) attributable to:</b>				
Parent company's shareholders	P 81,590	P 103,543	P 123,111	P 460,379
Non-controlling interest	<u>(1,789)</u>	<u>(4,198)</u>	<u>(796)</u>	<u>(6,484)</u>
	<u><u>P 79,801</u></u>	<u><u>P 99,345</u></u>	<u><u>P 122,315</u></u>	<u><u>P 453,895</u></u>
<b>Earnings Per Share</b>				
<b>Basic</b>		<u><u>P 0.0343</u></u>		<u><u>P 0.0337</u></u>
<b>Diluted</b>		<u><u>P 0.0343</u></u>		<u><u>P 0.0337</u></u>



## EXHIBIT 3

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES  
*(A Subsidiary of Megaworld Corporation)*  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For each of the nine months ended September 30, 2022 and 2021  
*(All amounts in thousands Philippine Peso)*

	Unaudited Jan to Sep 2022	Unaudited Jan to Sep 2021
CAPITAL STOCK	P 14,803,455	P 14,803,455
ADDITIONAL PAID-IN CAPITAL	4,307,888	4,307,888
TREASURY SHARES	(102,107)	(102,107)
REVALUATION RESERVES		
Balance at beginning of period	650,475	475,161
Net unrealized fair value losses on financial assets at FVOCI	<u>(399,730)</u>	<u>(33,780)</u>
Balance at end of period	250,745	441,381
OTHER RESERVES	(292,118)	(292,118)
RETAINED EARNINGS	8,331,856	7,517,199
NON-CONTROLLING INTEREST	<u>2,792,757</u>	<u>2,799,147</u>
TOTAL EQUITY	P <u><u>30,092,476</u></u>	P <u><u>29,474,845</u></u>

**EXHIBIT 4**

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For each of the nine months ended September 30, 2022 and 2021  
*(All amounts in thousands Philippine Peso)*

	<b>Unaudited 30-Sep-22</b>	<b>Unaudited 30-Sep-21</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before tax	P 668,759	P 656,945
Adjustments for:		
Depreciation and amortization	40,315	51,147
Finance costs	263,993	251,980
Finance income	(257,263)	(196,240)
Equity in net loss of an associate	2,894	5,228
Operating income before working capital changes	<u>718,698</u>	<u>769,060</u>
Net changes in operating assets and liabilities		
Decrease/(Increase) in current and non-current assets	(1,052,026)	66,518
Increase/(Decrease) in current and non-current liabilities	529,857	(52,338)
Cash from operations	<u>196,529</u>	<u>783,240</u>
Interest received	23,442	14,035
Cash paid for income taxes	<u>(17,730)</u>	<u>(16,316)</u>
Net Cash From Operating Activities	202,241	780,959
<b>CASH FLOWS FROM (USED) IN INVESTING ACTIVITIES</b>	5,642	3,995
<b>CASH FLOWS FROM (USED) IN FINANCING ACTIVITIES</b>	<u>(288,733)</u>	<u>117,216</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(80,850)	902,170
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>3,389,416</u>	<u>2,129,721</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>P 3,308,566</u>	<u>P 3,031,891</u>

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**  
**(UNAUDITED)**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION**

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

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

**1.1 Composition of the Group**

As of September 30, 2022 the Company holds ownership interests in the following entities:

<u>Subsidiaries/ Associate</u>	<u>Explanatory Notes</u>	<u>Percentage of Ownership</u>
Subsidiaries:		
Eastwood Property Holdings, Inc. (EPHI)	(a)	<b>100%</b>
Valle Verde Properties, Inc. (VVPI)	(b)	<b>100%</b>
Sherman Oak Holdings, Inc. (SOHI)	(b)	<b>100%</b>
Empire East Communities, Inc. (EECI)	(c)	<b>100%</b>
20 <sup>th</sup> Century Nylon Shirt Co., Inc. (20 <sup>th</sup> Century)	(d)	<b>100%</b>
Laguna BelAir Science School, Inc. (LBASSI)	(e)	<b>72.50%</b>
Sonoma Premier Land, Inc. (SPLI)	(b)	<b>60%</b>
Pacific Coast Megacity, Inc. (PCMI)	(f)	<b>40%</b>
Associate –		
Gilmore Property Marketing Associate, Inc. (GPMAI)	(b)	<b>47%</b>

Explanatory Notes:

- (a) Subsidiary incorporated to market real estate properties of the Group and other related parties.
- (b) Subsidiaries/associate incorporated in prior years but have not yet started commercial operations as of September 30, 2022.
- (c) Subsidiary incorporated in prior year but ceased its operations as a marketing arm of real estate properties in 2014.
- (d) Subsidiary acquired in 2015 which is yet to resume its operations, which is primarily to manufacture, distribute, and buy and sell wearing apparel and its accessories such as zipper, buttons, etc.
- (e) Subsidiary primarily engaged in operating a school for primary and secondary education but ceased its operation effective June 30, 2022.
- (f) Subsidiary of the Company starting 2018 when the Company obtained de facto control over the entity and was accounted for under the pooling-of-interest method.

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

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

In prior years, the Company increased its ownership interest in VVPI and LBASSI, resulting in 100% and 73% ownership interest, respectively, over the respective subsidiaries. This resulted in the recognition of goodwill which amounted to P78.3 million as of September 30, 2022 and December 31, 2021, and shown as part of Intangible Assets – net account in the interim consolidated statements of financial position.

In 2015, the Company invested in PCMI amounting to P877.8 million in exchange for 750,000,000 shares, representing 20% ownership interest in the said company. In 2018, the Company has obtained de facto control over PCMI; hence, the investment is accounted for as an investment in a subsidiary. Furthermore, in 2019, the Company obtained additional shares of PCMI, increasing its ownership interest to 40%.

Megaworld Corporation (Megaworld or Parent company) is the Parent company of Empire East Land Holdings, Inc. and subsidiaries (the Group). Megaworld is presently engaged in property-related activities, such as, project design, construction and property management. Megaworld is 68.56% owned by Alliance Global Group, Inc. (AGI), the Company's Ultimate Parent company. AGI is a holding company with diversified investments in food and beverage, real estate, tourism-entertainment and gaming and quick service restaurant businesses. The shares of common stock of both Megaworld and AGI are also listed at the PSE.

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

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

## ***1.2 Continuing Impact of COVID-19 Pandemic on the Group's Business***

The Corona virus disease (COVID-19) pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the release dates of these consolidated financial statements. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

In 2022 and 2021, the Group has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Group's business.

- implemented flexible and remote working arrangements for employees;
- negotiated for longer payment terms from suppliers and implemented cost-savings measures such as relocation of certain offices to Company-owned properties to manage the Group's cash flows;
- additional administrative expenses were incurred to ensure the health and safety of its employees and customers such as the frequent disinfection of facilities and COVID-19 testing for employees reporting to the offices;
- deferred scheduled price increases, offered discounts and flexible payment terms combinations to accommodate more buyers;
- implemented transmutation to online selling with the use of virtual platforms and video materials for project walkthroughs and condo tours for client presentations, and a fully digitized reservation process;
- launched a digital payment platform to enable customers to pay online;
- obtained lower-cost funding through bank financing to support its business operations, such as financing capital expenditures and refinancing of loans, and maintaining its cash preservation objective; and,
- undertook an intensive vaccination program to protect the employees and eligible dependents against COVID-19.

Management will continue to take actions to continually improve the operations as the need arises. The management projects that the Group would continue to report positive results of operations and would remain liquid to meet the current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

## **2. BASIS OF PREPARATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

These interim consolidated financial statements of the Group for the nine months ended September 30, 2022 and 2021 have been prepared in accordance with Philippine Accounting Standard (PAS) 24: Interim Financial Reporting. They do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group as at and for the year ended December 31, 2021.

The preparation of interim consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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

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

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

##### *(a) Evaluation of Timing of Satisfaction of Performance Obligations*

###### *(i) Real Estate Sales*

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

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

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

###### *(ii) Marketing, Management Fees and Commission*

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

*(iii) Tuition fees*

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

*(b) Estimation of Collection Threshold for Revenue Recognition*

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

*(c) Determination of Expected Credit Losses (ECL) on Trade and Other Receivables, Contract Assets and Advances to Related Parties*

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

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

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

Details about the ECL on the Group's trade and other receivables, contract assets and advances to related parties are disclosed in Notes 9.2.

*(d) Distinction Among Investment Property and Owner-managed Properties*

The Group determines whether a property qualifies as investment property or property and equipment. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process while land held for future development are properties intended solely for future development and sale.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

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

(e) *Distinction Between Real Estate Inventories and Investment Property*

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

(f) *Distinction Between Operating and Finance Leases*

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

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

(g) *Distinction Between Asset Acquisition and Business Combinations*

The Group acquires subsidiaries that own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40 on ancillary services.

In 2018, the Group acquired de facto control over PCMI. The acquisitions are accounted for as business combinations.

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

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



(i) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies.

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

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

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the interim consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that does not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the interim 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.

Disclosures on relevant contingencies are presented in Note 7.

**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 Obligation Satisfied Over Time*

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

*(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 counterparties defaulting and the resulting losses).

*(c) Determination of Net Realizable Value of Real Estate Inventories*

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

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

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

The Group estimates the useful lives of property and equipment, intangible assets, and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Based on management's assessment as at September 30, 2022 and December 31, 2021, there is no change in estimated useful lives of property and equipment, and investment property during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

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

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of deferred tax assets recognized as at September 30, 2022 and December 31, 2021 will be utilized in the succeeding years.

*(f) Impairment of Goodwill and Other Non-financial Assets*

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

Material amount of goodwill amounting to P77.3 million arising from the acquisition of LBASSI has been tested for impairment. The discount rates and growth rate are the key assumptions used by management in determining the recoverable amount of cash generating units. Management believes that the key assumptions used are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse effect on the results of operations. Management has also determined that a reasonably possible change in these key assumptions would not cause the carrying amount of the cash generating unit exceed their respective recoverable amounts.

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

The Group determines the fair value using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property. Management considered the market prices of similar assets within the location of LBASSI as the key assumptions in determining the recoverable amount of CGU as the recoverability of the CGU now entirely depend on how the market perceives and prices such units upon selling. Management believes that the key assumptions used are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse effect on the results of operations. Management has also determined that the market values used would not cause the carrying amount of the cash generating unit to exceed their respective recoverable amounts. As at September 30, 2022, the fair value of the CGU is classified under Level 3 of the fair value hierarchy.

On March 17, 2021, the Group submitted a letter to the Department of Education - Sta. Rosa City Division Office regarding the cessation of the operations of LBASSI taking effect after school year 2021-2022.

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

No impairment losses were recognized on advances to landowners and joint ventures, investment in an associate, property and equipment, intangible assets, investment properties, and other non-financial assets as at September 30, 2022 and December 31, 2021.

*(g) Valuation of Post-employment Defined Benefit*

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

*(h) Determination of Fair Value of Investment Properties*

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

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

A significant change in these elements may affect prices and the value of the assets.

## 4. SEGMENT INFORMATION

### ***4.1 Business Segments***

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

### ***4.2 Segment Assets and Liabilities***

Segment assets include all operating assets used by a segment and consist principally of operating receivables, contract assets and real estate inventories. Excluded from segment assets are cash and cash equivalents, advances to related parties, prepayments, advances to landowners and joint ventures, investments in an associate, property and equipment, intangible assets, investment properties and other assets which are considered corporate assets and are not allocated to any segment's assets.

Segment liabilities include all operating liabilities incurred by management in each particular segment and consist principally of contract liabilities and customers' deposits. Excluded from segment liabilities are interest-bearing loans and borrowings, trade and other payables, lease liabilities, advances from related parties, deferred tax liabilities and retirement benefit obligation as the Group's management determined that these accounts are not directly related to the Group's segment.

### ***4.3 Intersegment Transactions***

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

### ***4.4 Analysis of Segment Information***

The tables presented in the succeeding pages present the revenue and profit information for the nine months ended September 30, 2022 and 2021, and certain asset and liability information regarding segments as at September 30, 2022 and December 31, 2021.

	High Rise Projects		Horizontal Projects		Total	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>REVENUES</b>						
Real estate sales	P 2,679,742,195	P 2,532,217,908	P 238,628,973	P 151,248,547	P 2,918,371,168	P 2,683,466,455
Finance income	20,376,404	12,865,374	1,542,369	637,155	21,918,773	13,502,529
Rental income	32,324,914	13,886,563	-	-	32,324,914	13,886,563
Commission and other income	56,942,190	52,233,392	4,611,593	1,377,747	61,553,783	53,611,139
	<u>2,789,385,703</u>	<u>2,611,203,237</u>	<u>244,782,935</u>	<u>153,263,449</u>	<u>3,034,168,638</u>	<u>2,764,466,686</u>
<b>COSTS AND OPERATING EXPENSES</b>						
Cost of real estate sales	1,615,550,932	1,309,735,282	137,044,412	37,686,029	1,752,595,344	1,347,421,311
Operating expenses	302,442,967	373,227,269	35,330,308	45,034,506	337,773,275	418,261,775
	<u>1,917,993,899</u>	<u>1,682,962,551</u>	<u>172,374,720</u>	<u>82,720,535</u>	<u>2,090,368,619</u>	<u>1,765,683,086</u>
<b>SEGMENT OPERATING PROFIT</b>	<u>P 871,391,804</u>	<u>P 928,240,686</u>	<u>P 72,408,215</u>	<u>P 70,542,914</u>	<u>P 943,800,019</u>	<u>P 998,783,600</u>
	High Rise Projects		Horizontal Projects		Total	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
<b>SEGMENT ASSETS AND LIABILITIES</b>						
Segment assets	P 22,851,738,421	P 22,576,593,688	P 7,101,942,965	P 7,087,914,726	P 29,953,681,386	P 29,664,508,414
Segment liabilities	4,729,615,641	4,226,231,265	282,433,051	290,631,100	5,012,048,692	4,516,862,365

#### 4.5 Reconciliations

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

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
<b>Revenues</b>		
Total segment revenues	P 3,034,168,638	P 2,764,466,686
Other unallocated revenues	<u>402,546,667</u>	<u>383,713,816</u>
Revenues as reported in the interim consolidated statements of comprehensive income	<u>P 3,436,715,305</u>	<u>P 3,148,180,502</u>
<b>Profit or loss</b>		
Segment operating profit	P 943,800,019	P 998,783,600
Other unallocated incomes	<u>402,546,667</u>	<u>383,713,816</u>
Other unallocated expenses	<u>(847,271,392)</u>	<u>(894,822,753)</u>
Net profit as reported in the interim consolidated statements of comprehensive income	<u>P 499,075,294</u>	<u>P 487,674,663</u>
<b>Assets</b>		
Segment assets	P 29,953,681,386	P 29,664,508,414
Unallocated assets	<u>17,007,788,842</u>	<u>16,540,545,571</u>
Total assets as reported in the interim consolidated statements of financial position	<u>P 46,961,470,228</u>	<u>P 46,205,053,985</u>
<b>Liabilities</b>		
Segment liabilities	P 5,012,048,692	P 4,516,862,365
Unallocated liabilities	<u>11,856,946,127</u>	<u>11,695,061,505</u>
Total liabilities as reported in the interim consolidated statements of financial position	<u>P 16,868,994,819</u>	<u>P 16,211,923,870</u>

## 5. EQUITY

### 5.1 Capital Stock

Capital stock as of September 30, 2022 and December 31, 2021 consists of:

	<u>No. of Shares</u>	<u>Amount</u>
Common shares – P1 par value		
Authorized	<u>31,495,200,000</u>	<u>P31,495,200,000</u>
Issued	14,803,455,238	P14,803,455,238
Treasury shares – at cost	<u>( 127,256,071)</u>	<u>( 102,106,658)</u>
Total outstanding	<u>14,676,199,167</u>	<u>P14,701,348,580</u>
Preferred shares – P1 par value		
Authorized	<u>2,000,000,000</u>	<u>P 2,000,000,000</u>

Megaworld has 81.72% ownership interest in the Group as of September 30, 2022 and December 31, 2021.

The Series B preferred shares are nonredeemable, convertible into common shares and are nonvoting. The shares have zero coupon rates and shall not be entitled to dividends. The Series B preferred shares shall be convertible to common shares any time after the end of the 18 months from the implementation date, May 29, 1998, as defined in the subscription agreements. There are no subscribed and issued preferred shares as of September 30, 2022 and December 31, 2021.

On April 24, 1996, the SEC approved the listing of the Group's shares totaling 425,000,000. The shares were issued at an offer price of P12.90 per share.

### ***5.2 Additional Paid-in Capital***

The additional paid-in capital (APIC) pertains to the excess of the total proceeds received from the Group's shareholders over the total par value of the common shares. There were no movements in the Group's APIC accounts for the end of the reporting periods.

### ***5.3 Treasury Stock***

On March 23, 2006, the Company's BOD authorized the buy-back of up to P1.0 billion worth of Group's shares of common stock within a 24-month period under certain terms and conditions as the Group's senior management may deem beneficial to the Group and its shareholders.

As of September 30, 2022 and December 31, 2021, the Group's treasury shares amounted to P102.1 million, representing the cost of 127,256,071 shares reacquired by the Company.

### ***5.4 Revaluation Reserves***

Revaluation reserves of the Group are composed of remeasurements on its retirement benefit obligation and fair value movements of the Group's financial assets at FVOCI.

### ***5.5 Other Reserves***

Other reserves of the Group pertains to the difference between the fair value of consideration paid and the relevant share in the carrying value of the net assets of PCMI as a result of obtaining de facto control over PCMI in 2018 and any subsequent change in ownership interest in the subsidiary.

### ***5.6 Retained Earnings***

Retained earnings are restricted in the amount of P102.1 million representing the cost of 127,256,071 shares held in treasury as of the end of the reporting periods.



## 6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profits attributable to parent company's shareholders divided by the weighted average number of shares in issue during the period.

Basic and diluted earnings per share amounts were computed as follows:

	<u>as of Sept. 30, 2022</u>		<u>as of Sept. 30, 2021</u>
Net profit attributable to parent Group's shareholders	<b>P 503,273,620</b>	P	494,158,715
Number of issued and outstanding common shares	<u>14,676,199,167</u>		<u>14,676,199,167</u>
Basic and diluted earnings per share	<b><u>P 0.0343</u></b>	P	<u>0.0337</u>

Diluted earnings per share equal the basic earnings per share since the Group does not have dilutive shares as of September 30, 2022 and December 31, 2021.

## 7. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees, and contingent liabilities that arise in the normal course of operations of the Group, which are not reflected in the accompanying unaudited interim consolidated financial statements. The Group's management's opinion, that losses, if any, from these items will not have any material effect on its interim consolidated financial statements.

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

## 8. SEASONAL FLUCTUATIONS

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

## 9. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from its operating, investing, and financing activities. Risk management is carried out by a central treasury department under policies approved by the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks to which the Group is exposed to are described below and in the succeeding pages.

### **9.1 Market Risk**

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, and interest rate risk which results from both its operating, investing and financing activities.

(a) *Foreign Currency Risk*

There is no significant exposure to foreign currency risks since most of the Group's transactions are denominated in Philippine peso, which is its functional currency. The Group's financial asset denominated in foreign currency only pertains to Cash and Cash Equivalents. However, the amount is insignificant to the financial statements as of September 30, 2022 and December 31, 2021. The Group has no financial liabilities denominated in foreign currency.

(b) *Interest Rate Risk*

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually obtained and negotiated at fixed rates. As of September 30, 2022 and December 31, 2021, the Group is only exposed to changes in market interest through its cash and cash equivalents and long-term borrowings, which are deemed by management to be not significant.

All other financial assets and liabilities have either short-term maturities, noninterest-bearing or are subject to fixed rates (e.g. related party advances).

(c) *Other Price Risk*

The Group's market price risk arises from its investments carried at fair value (classified as financial assets at FVOCI). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investment held at fair value is determined based on the average market volatility in quoted prices, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. An average volatility of 6.4% and 6.0% has been observed during the period ending September 30, 2022 and December 31, 2021, respectively. The impact on the Group's interim consolidated other comprehensive income and interim consolidated equity would have increased or decreased by P59.6 million and P79.4 million as at September 30, 2022 and December 31, 2021, respectively.

The investments in quoted equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

The Group is not subject to commodity price risk.

## 9.2 Credit Risk

The maximum credit risk exposure of the Group is the carrying amount of the financial assets and contract assets as shown on the face of the interim consolidated statements of financial position (or in the detailed analysis provided in the notes to the interim consolidated financial statements), as summarized below.

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Cash and cash equivalents	<b>P 3,308,566,341</b>	P 3,389,416,319
Trade and other receivables – net (excluding advances to suppliers and contractors, and advances to condominium associations)	<b>8,453,081,150</b>	7,582,781,267
Contract assets	<b>2,100,951,936</b>	2,052,948,246
Advances to related parties	<b>5,035,109,493</b>	4,747,775,842
	<b><u>P 18,897,708,920</u></b>	<b><u>P 17,772,921,674</u></b>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for Cash and Cash Equivalents, Trade and Other Receivables and Contract Assets as described below and in the succeeding pages.

### (a) Cash and Cash Equivalents

The credit risk for Cash and Cash Equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the Cash and Cash Equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

### (b) Trade and Other Receivables and Contract Assets

Trade and Other Receivables (excluding Advances to Suppliers and Contractors and Advances to Condominium Associations) and Contract Assets are subject to credit risk exposure. The Group, however, does not identify specific concentrations of credit risk with regard to Trade receivables and Contract assets, as the amounts recognized resemble a large number of receivables from various customers. The Group also retains the titles to the property until such time that the trade receivables are fully collected. Repossessed properties are offered for sale to other customers.

Credit risk of receivables from sale of real estate properties is managed primarily through credit reviews and analyses of receivables on a regular basis. The Group undertakes credit review procedures for all installment payment terms. Customer payments are facilitated through the use of post-dated checks. Exposure to doubtful accounts is not substantial as title to real estate properties are not transferred to the buyers until full payment of the amortization has been made and the requirement for remedial procedures is negligible considering the Group's buyers' profile.

The Group has used the simplified approach in measuring ECL and has calculated ECL based on lifetime ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rate is based on days past due of all customers as they have similar loss patterns. The credit enhancements such as advance payment and value of the real estate for sale are considered in the calculation of impairment as recoveries.

The Group considers Trade receivables in default when contractual payments are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. Furthermore, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The management determined that there is no required ECL to be recognized since the real estate sold is collateralized to the related receivable arising from sale. Therefore, expected loss given default is nil as the recoverable amount from subsequent resale of the real estate is sufficient.

Other components of receivables such as rental receivables and others are also evaluated by the Group for impairment and assessed that no ECL should be provided. A significant portion of the Group's rental receivables are from Megaworld, wherein the impairment of receivables is assessed using the latter's ability to pay. The remaining rental receivables are secured to the extent of advance rental and rental deposit received from the lessees, which are on average equivalent to six months.

Some of the unimpaired trade receivables and other receivables, which are mostly related to real estate sales, are past due as at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Not more than three months	<b>P 159,864,620</b>	P 132,646,317
More than three months but not more than six months	<b>253,854,539</b>	222,165,204
More than six months but not more than one year	<b>288,830,049</b>	248,768,915
More than one year	<b>102,239,408</b>	89,088,754
	<b><u>P 804,788,616</u></b>	<b><u>P 692,669,190</u></b>

(c) *Advances to Related Parties and Rent Receivable and Management Fee Receivable from Related Parties*

ECL for advances to related parties, including rent and management fee receivables, are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

The Group does not consider any significant risks in the advances to other related parties with financial difficulty since Megaworld, whose credit risk for liquid funds is considered negligible, have committed to financially support these related parties as part of AGI and its long-term corporate strategy. As of September 30, 2022 and December 31, 2021, the aggregate impairment allowance on balances from Megaworld and other related parties is identified to be not material.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates are of good credit quality, including those that are past due.

### 9.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for 6-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at September 30, 2022 and December 31, 2021, the Group's financial liabilities have contractual maturities which are presented below.

		<u>Within 12 months</u>		<u>After 12 months</u>
<i>September 30, 2022</i>				
Interest-bearing loans and borrowings	P	156,482,500	P	1,009,642,500
Trade and other payables		1,842,034,556		-
Advances from related parties		5,724,273,440		-
Other current liabilities		610,763,787		-
	<u>P</u>	<u>8,333,554,283</u>	<u>P</u>	<u>1,009,642,500</u>
<i>December 31, 2021</i>				
Interest-bearing loans and borrowings	P	292,268,240	P	1,096,254,167
Trade and other payables		1,724,126,172		-
Advances from related parties		5,495,817,845		-
Other current liabilities		680,911,623		-
	<u>P</u>	<u>8,193,123,880</u>	<u>P</u>	<u>1,096,254,167</u>

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of each reporting period.

## 10. FAIR VALUE MEASUREMENT AND DISCLOSURES

### 10.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy is shown below and on the succeeding page.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., 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 asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

### ***10.2 Financial Instruments Measured at Fair Value***

As of September 30, 2022 and December 31, 2021, only the equity securities classified as financial assets at FVOCI in the interim consolidated statements of financial position is classified as Level 1. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period. There were no other financial assets measured at fair value on these dates. Furthermore, the Group has no financial liabilities measured at fair value as of September 30, 2022 and December 31, 2021.

There were no transfers between Levels 1 and 2 in both years.

### ***10.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed***

Management considers that due to the short duration of these financial assets (except long-term receivables) and financial liabilities measured at amortized cost, their carrying amounts as of September 30, 2022 and December 31, 2021 approximate their fair value. Except for Cash and Cash Equivalents which are classified under Level 1, all other financial instruments are classified under Level 3 wherein inputs are not based on observable data.

The fair values of the financial assets and financial liabilities included in Level 3 which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

#### ***10.4 Fair Value Measurement of Non-Financial Assets***

The fair value of the Group's investment properties earning rental income was determined through discounted cash flows valuation technique done by a professionally qualified independent appraiser for one of the properties, and by management for the rest of the other investment properties. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are based on current market rentals for similar properties in the same location and condition.

As at September 30, 2022 and December 31, 2021, the fair values of the Group's investment properties, and CGU attributable to LBASSI are classified within Level 3 of the fair value hierarchy. The Group determines the fair values using market-based approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property. On the other hand, if the observable recent prices of the reference properties were not adjusted, the fair value is included in Level 2. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.

Also, there were no transfers into or out of Level 3 fair value hierarchy as of September 30, 2022 and December 31, 2021.

### **11. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Capital components for cost of capital purposes include loans and borrowings, preferred stock, common equity and retained earnings. The Group may issue new shares and may prepay some of its interest-bearing loans. Furthermore, it intends to allocate its earnings and available cash in the acquisition and development of new/existing properties to ensure continuous business activities.

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio as of September 30, 2022 and December 31, 2021.

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

**RESULTS OF OPERATIONS**

Review of 30 September 2022 versus 30 September 2021

During the nine-month period, the consolidated net profit amounted to P499.1 million, 2.3% higher than the previous year's net profit of P487.7 million. Consolidated revenues, composed of real estate sales, finance income, commissions, and other income increased by 9.2% from P3.1 billion in 2021 to P3.4 billion in 2022.

Real Estate Sales

The Group registered Real Estate Sales of P2.9 billion and P2.7 billion for the nine months ended 30 September 2022 and 2021, respectively. The sales were derived from various projects including, Kasara Urban Resort Residences, The Cambridge Village, Pioneer Woodlands, The Rochester Gardens, The Sonoma, San Lorenzo Place, Covent Gardens, Mango Tree Residences, Little Baguio Terraces and California Garden Square.

The Cost of Real Estate Sales amounted to P1.8 billion in 2022 and P1.3 billion in 2021, or 60.1% and 50.2% of Real Estate Sales for the nine months ended 30 September 2022 and 2021, respectively. The change was primarily due to the different compositions of products sold each year.

Gross Profit was P1.2 billion in 2022 and P1.3 billion in 2021, or 39.9% and 49.8% of Real Estate Sales, for the nine months ended 30 September 2022 and 2021, respectively. The gross profit margin varies depending on the product mix and the competitiveness in pricing.

Other Revenues

The Finance Income amounted to P257.3 million and P196.2 million for the nine months ended 30 September 2022 and 2021 respectively, were derived mostly from in-house financing and various advances from related parties which accounts for 7.5% and 6.2% of total revenues for 2022 and 2021, respectively.

Additional sources of revenue were commissions of a subsidiary, rentals of investment properties, and those obtained from other sources. Commission and other income totalling P261.1 million in 2022 and P268.5 million in 2021, representing 7.6% and 8.5% of total revenues for 2022 and 2021, respectively.



## Operating Expenses

Operating Expenses posted a decrease from P886.6 million in 2021 to P748.5 million in 2022. Finance Cost posted an increase from P252.0 million in 2021 to P264.0 million in 2022.

## **FINANCIAL CONDITION**

### Review of 30 September 2022 versus 31 December 2021

Total Assets of the Group as of 30 September 2022 and 31 December 2021 amounted to P47.0 billion and P46.2 billion, respectively. Cash and Cash Equivalents decreased from P3.4 billion as of 31 December 2021 to P3.3 billion as of 30 September 2022.

The Group remains liquid with Total Current Assets of P42.0 billion in 2022 and P40.8 billion in 2021, which accounted for 89.3% and 88.3% of the Total Assets as of 30 September 2022 and 31 December 2021, respectively. Total Current Liabilities amounted to P13.7 billion as of 30 September 2022 as compared with P13.0 billion as of December 31, 2021.

Total Equity increased from P29.9 billion as of 31 December 2021 to P30.1 billion as of 30 September 2022 is mainly due to net profit for the period and revaluation of equity investments.

Consistently, the Group still sources its major working capital requirements from internally generated funds and partly from borrowings.

The Group utilized its funds for the construction and development of projects, loan repayments, settlement of various payables, and other operating expenses.

## **KEY PERFORMANCE INDICATORS**

For the nine-month period ending 30 September 2022, the following are the top key performance indicators of the Group:

### **1) Real Estate Sales**

The Group's marketing and development concepts, sales strategies, project location, and flexible payment scheme remain to be its competitive advantages. Most projects of the Group are connected to the mass transit system and are conveniently located in business districts of Metro Manila.

### **2) Prudent Cash Management**

The Group implemented cost-saving measures, negotiated for longer payment terms from suppliers, and obtained lower-cost funding through bank financing to partially support operations.

### 3) Ability to repay loan obligations

The loan obligations were promptly settled. The Group maintains a good credit standing with creditor banks and has considerable standby credit facilities, which can be utilized for urgent capital requirements.

### 4) Continuous Customer Collections

The Group implemented collection efficiency initiatives and launched an online digital payment platform to enable continuous customer payments despite quarantine restrictions.

## Material Changes as of 30 September 2022 Interim Consolidated Financial Statements

Statements of Financial Position  
(Increase or decrease of 5% or more versus 31 December 2021)

- 10.4% increase in Trade and Other Receivables  
Mainly due to the recognition of sales from completed projects
- 6.1% increase in Advances to Related Parties  
Primarily due to interest in outstanding advances
- 41.2% increase in Prepayments and Other Current Assets  
Mainly due to title transfer-related taxes and input VAT on purchases
- 30.1% decrease in Financial Assets at Fair value through Other Comprehensive Income  
Pertains to the decline in the fair market value of an investment in securities held by a subsidiary
- 9.9% decrease in Property and Equipment  
Primarily due to depreciation for the period
- 20.0% decrease in Interest-bearing Loans and Borrowings  
Mainly due to repayments of loans for the period
- 31.6% increase in Trade and Other Payables  
Primarily due to the resumption of construction activities
- 10.1% decrease in Contract Liabilities  
Mainly due to improvement in the construction output given the easing of the COVID-19 restrictions

- 8.9% decrease in Other Current Liabilities  
Primarily due to the release of retention payables to suppliers and contractors for the period
- 33.5% decrease in Retirement Benefit Obligation  
Mainly due to additional funding for the period
- 8.1% increase in Deferred Tax Liabilities  
Mainly due to the provision for income tax for the period

Statements of Comprehensive Income  
(Increase or decrease of 5% or more versus 30 September 2021)

- 8.8% increase in Real Estate Sales  
Due to higher sales recognized for the period
- 31.1% increase in Finance Income  
Primarily due to interest in advances to related parties
- 30.1% increase in Cost of Real Estate Sales  
Due to the increase in real estate sales for the period
- 15.6% decrease in Operating Expenses  
Mainly due to continued cost-saving measures and close monitoring of marketing and administrative expenses
- 44.7% decrease in Equity in Net Losses of an Associate  
Mainly due to lower net losses of associates for the period

The Company allocates P25.0 billion in capital expenditures over the next 5 years and is expected to be funded by collections, borrowings, and other sources.

Fluctuations in the foreign exchange rate had no adverse effect on the Group's financial conditions since the Group has very minimal importations of construction-related materials and has no foreign-denominated loans.

There are no other material changes in the Group's financial position and condition (5% or more) that will warrant a more detailed discussion. Likewise, there are no material events and uncertainties known to the management that would have a material impact on reported financial information and normal operations of the Group.

The nature of all revenues and expenses disclosed in the unaudited interim statements of comprehensive income are business-related transactions and arose from the Group's continuing operations. Also, no prior period adjustment was made during any period covered by the statements of financial position.

There are no material off-statements of financial condition transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

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

The Group is aggressively marketing its products, especially the new projects. It continuously offers competitive prices, more easy payment schemes under in-house financing, and has strong relationships with reputable banks for the financing requirements of its customers.

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**ACCOUNTS RECEIVABLE AGING**  
September 30, 2022  
*(All amounts in thousands Philippine Peso)*

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## 1) Aging of Accounts Receivable

Type of Receivables	Total	Current / Not Yet Due	1-3 Months	4-6 Months	7 Months - 1 Year	Above 1 Year	Past due accounts & Items in Litigation
a) Trade Receivables	7,021,888	6,217,099	159,865	253,855	288,830	102,239	-
b) Other Receivables	4,833,553	4,833,553	-	-	-	-	-
Net Receivables	11,855,441						

## 2) Accounts Receivable Description

<u>Type of Receivables</u>	<u>Nature/Description</u>	<u>Collection Period</u>
a) Trade Receivables	Sale of residential units/lots	maximum of 10 years
b) Other Receivables	Advances to contractors/suppliers	1 to 2 years

## 3) Normal Operating Cycle: 3 to 15 years

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**As at September 30, 2022 and December 31, 2021**

	30-Sep-2022	31-Dec-2021
Current ratio	3.06	3.13
Quick ratio	0.91	0.90
Debt-to-equity ratio	0.56	0.54
Interest-bearing debt to total capitalization ratio	0.04	0.04
Asset-to-equity ratio	1.56	1.54
		30-Sep-2021
Interest rate coverage ratio	353%	361%
Net profit margin	14.52%	15.49%
Return on assets	1.07%	1.06%
Return on equity/investment	1.66%	1.65%
Return on equity/investment of owners	1.84%	1.85%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.

Current ratio - computed as current assets divided by current liabilities

Quick ratio - computed as cash, marketable securities, accounts receivable divided by current liabilities

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term-debt.

Debt-to-equity ratio-computed as total liabilities divided by total equity.

Interest-bearing debt to total capitalization ratio-computed as interest-bearing debt divided by interest-bearing debt + shareholder's equity attributable to controlling interest.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency.

It shows how much of the assets are owned by the company. It is computed as total assets divided by total equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments.

It is computed as earnings before income tax and interest expense ("EBIT") divided by interest.

PROFITABILITY RATIOS

Net profit margin - computed as net profit divided by total revenues

Return on assets - net profit divided by average total assets

Return on investment - net profit divided by total shareholders' equity

Return on investment of equity owners - net profit attributable to owners of the parent divided by equity attributable to owners of the parent company