A BROWN COMPANY, INC.

(a company incorporated under the laws of the Republic of the Philippines)

OFFER SUPPLEMENT
Offer of up to 15,000,000 Preferred Shares
under its 50,000,000 Preferred Shares Shelf Registration

consisting of:
Series B Preferred Shares
with a dividend rate of: 8.25% p.a.

Series C Preferred Shares
with a dividend rate of: 8.75% p.a.

at an Offer Price of ₱100.00 per Preferred Share
to be listed and traded on the
Main Board of The Philippine Stock Exchange, Inc.

Sole Issue Manager, Lead Underwriter, and Sole Bookrunner

PNB Capital

Selling Agents
The Trading Participants of The Philippine Stock Exchange, Inc.

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.

This Offer Supplement is dated February 5, 2024

A BROWN COMPANY, INC.
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A Brown Company, Inc. ("**ABCI**", the "**Company**" or the "**Issuer**"), prepared the Prospectus dated November 11, 2021 (the "**Prospectus**") relating to the shelf registration and the offer, and sale in the Philippines within the Shelf Period (as defined below) in tranches of up to 50,000,000 preferred shares of the Company, with a par value of ₱1.00 per share (the "**Preferred Shares**") and covered under the Company's shelf registration under MSRD Order No. 76 Series of 2021 (the "**Shelf Registration**"). The Shelf Registration was rendered effective by the Securities and Exchange Commission (the "**SEC**") on November 12, 2021. The Preferred Shares thereunder may be sold and issued in tranches within a period of three (3) years from the effective date of the registration statement under which such Offer Shares are being offered and sold on November 12, 2021 until November 12, 2024 (the "**Shelf Period**").

This Offer Supplement dated February 5, 2024 (the "**Offer Supplement**") relates to the take down of the second tranche of the Preferred Shares and the offer and sale in the Philippines (the "**Offer**") by the Company of up to 15,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares, with a par value of ₱1.00 per share (the "**Offer Shares**") at an initial offer price of ₱100.00 (the "**Offer Price**"). The offer and sale of the Offer Shares shall be by way of an offer of 10,000,000 Preferred Shares ('the "**Base Offer**" and the shares under the Base Offer, the "**Base Offer Shares**"). In the event of oversubscription, the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, in consultation with the Issuer, reserves the right, without any obligation, to increase the Offer Shares by up to an additional 5,000,000 Preferred Shares (the "**Oversubscription Option**").

The Offer Shares shall be issued in two series: Series B Preferred Shares and Series C Preferred Shares. The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, in consultation with the Issuer, have the discretion to allocate the Offer Shares to the Series B and Series C Preferred Shares at the end of the Offer Period. The Offer Shares will be issued from the unissued Preferred Shares of the Company.

The Base Offer Shares and the Oversubscription Option Shares will serve as the second tranche to be taken from the Company's 50,000,000 Preferred Shares Shelf Registration. As of the date of this Offer Supplement, the Company has 36,735,100 unissued Preferred Shares under the Shelf Registration. In the event the Oversubscription Option is exercised in full, 21,735,100 Preferred Shares will remain under shelf registration. In case the Oversubscription Option is partly exercised or not exercised at all by the end of the Offer Period for the Offer Shares, the remaining Preferred Shares under shelf registration will automatically be increased by such principal amount of Oversubscription Option shares that will not be taken up or exercised.

An application to list the Offer Shares has been filed with The Philippine Stock Exchange, Inc. ("**PSE**") on November 13, 2023 and the Company received on January 30, 2024 the Notice of Approval dated January 30, 2024 from the PSE. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Offer Supplement. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of the Offer Supplement. Such approval for listing is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE.

The Offer Shares are being offered for subscription solely in the Philippines through PNB Capital and Investment Corporation as Sole Issue Manager, Lead Underwriter, and Sole Bookrunner; and the selling agents named herein.

The Offer Shares will be listed and traded on the Main Board of the PSE. The Offer Shares will be issued and listed on February 23, 2024 (the "**Issue Date**") under the trading symbol "BRNPB" and "BRNPC".

This Offer Supplement contains the final terms of the Offer Shares and must be read in conjunction with the Prospectus. Unless defined in this Offer Supplement, terms used herein shall be deemed to be defined as set forth in the Prospectus. Full information on the Issuer and the Offer is only available on the basis of the combination of the Offer Supplement and the Prospectus. All information contained in the Prospectus are deemed incorporated by reference in this Offer Supplement. In the event of any inconsistency between the Prospectus and the Offer Supplement, the more specific information provided between the two shall prevail.

As of the date of this Offer Supplement, the authorized capital stock of the Company is ₱3,300,000,000.00 divided into: (i) 3,250,000,000 common shares with a par value of ₱1.00 per share; and (ii) 50,000,000 preferred shares with a par value of ₱1.00 per share. As of the date of this Offer Supplement, the Company has the following issued and outstanding shares: (a) 2,372,367,911 common shares and 13,264,900 Series A Preferred Shares. In addition, the Company has 105,301,014 common shares in the treasury.

Following the completion of the Offer, assuming the Oversubscription Option is exercised in full, the Company will have the following issued and outstanding shares: (a) 2,372,367,911 common shares; (b) 13,264,900 Series A Preferred Shares; and (c) 15,000,000 Series B and Series C Preferred Shares.

On November 3, 2023, the Board of Directors authorized the sale and offer of up to 15,000,000 Preferred Shares, at an offer price of ₱100.00 per share under the Shelf Registration, to be issued during the Shelf Period, under such terms and conditions as the management of the Company may deem advantageous to it (the "**Enabling Resolutions**").

The holders of Preferred Shares do not have identical rights and privileges with holders of the existing common shares of the Company. Any and all preferred shares of the Company shall have preference over common shares in dividend distribution and in case of liquidation or dissolution. For further discussion on the rights and privileges of the Preferred Shares, please refer to the section on "*Terms of the Offer*" of this Offer Supplement.

Dividends may be declared at the sole discretion of the Board of Directors and will depend upon the future results of operations and general financial condition and capital requirements of ABCI; its ability to receive dividends and other distributions and payments from its subsidiaries; foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations (both at the parent and subsidiary levels), and other factors the Board of Directors may deem relevant.

Dividends are declared by the Company on its shares of stocks at the discretion of the Board of Directors. The declaration and payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors affecting the availability of unrestricted retained earnings. Dividend declaration must also take into account the Company's capital expenditure and project requirements and settlement of its credit.

The date of declaration of cash dividends on the Offer Shares will be subject to the discretion of the Board of Directors, to the extent permitted by law. The declaration and payment of dividends (except stock dividends) do not require any further approval from the shareholders of the Company.

As and if cash dividends are declared by the Board on the Preferred Shares, cash dividends shall be as follows:

- Series B Preferred Shares shall be at the fixed rate of 8.25% per annum; and
- Series C Preferred Shares shall be at the fixed rate of 8.75% per annum

in all cases calculated for each share by reference to the Offer Price thereof in respect of each Dividend Period (each, the "**Initial Dividend Rate**" for the relevant series). The dividends on the Offer Shares will be calculated on a 30/360-day basis.

Subject to the limitations described in the Prospectus and this Offer Supplement, cash dividends will be payable starting on May 23, 2024, and thereafter every May 23, August 23, November 23 and February

23 of each year (each a “**Dividend Payment Date**”), being the last day of each 3-month period (a “**Dividend Period**”), as and if declared by the Board of Directors in accordance with the terms and conditions of the Preferred Shares. The first Dividend Payment Date on May 23, 2024 is the 1st quarter after the Issue Date and the succeeding dates will be the following 3-month periods after it. If the Dividend Payment Date is not a Banking Day, dividends will be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid.

Dividend Rate means (a) from the Issue Date up to the Step-Up Date, the Initial Dividend Rate; and (b) from the Step-Up Date, until the date each of the Series B Preferred Shares and the Series C Preferred Shares are redeemed, the higher of the Initial Dividend Rate and the Step-Up Rate. *Please see below relevant definitions*.

Unless the Offer Shares are redeemed by the Issuer, in respect of the Series B Preferred Shares, three (3) years and six (6) months from the Issue Date (the “**Series B Step-Up Date**”), and in respect of the Series C Preferred Shares, five (5) years from the Issue Date (the “**Series C Step-Up Date**”), or on the next Banking Day in case the relevant Step-Up Date falls on a non-Banking Day, the dividends on each subseries will be adjusted as follows:

(a) for the Series B Preferred Shares, the higher of (a) the simple average of the closing per annum rate of 10-year BVAL (or successor benchmark) for the three (3) consecutive Banking Days preceding and inclusive of the rate setting date, plus 5.00%; or (b) the floor rate of 9.75%. (the “**Series B Step-Up Dividend Rate**”); and

(b) for the Series C Preferred Shares, the higher of (a) the simple average of the closing per annum rate of 15-year BVAL (or successor benchmark) for the three (3) consecutive Banking Days preceding and inclusive of the rate setting date, plus 5.00%; or (b) the floor rate of 11.50%. (the “**Series C Step-Up Dividend Rate**”).

Cash dividends on the Offer Shares will be cumulative. If for any reason the Board of Directors does not declare a cash dividend on the Offer Shares for a Dividend Period, the Company will not pay a cash dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which cash dividends are declared, holders of the Offer Shares will receive the accrued and unpaid cash dividends due them on such Dividend Payment Date as well as all Arrears of Dividends to the holders of the Offer Shares prior to such Dividend Payment Date.

If the profits available for distribution as cash dividends are, in the opinion of the Board of Directors, not sufficient to enable the Issuer to pay in full cash dividends on the Preferred Shares and cash dividends that are scheduled to be paid on or before the same date on shares that have an equal right to dividends as the Preferred Shares (“**Comparable Shares**”), the Issuer is required to pay cash dividends on the Preferred Shares and any Comparable Shares pro rata to the amount of the cash dividends scheduled to be paid to the Preferred Shares and the Comparable Shares, respectively. For purposes of this paragraph, the amount scheduled to be paid shall include all dividends due on such Dividend Payment Date as well as all accumulated dividends due and payable or dividends in arrears in respect of prior Dividend Periods (“**Dividends in Arrears**”).

As and if declared by the Board of Directors of the Issuer and subject to the requirements of applicable laws and regulations, the Issuer may, at its sole option, redeem in whole (but not part), any series of the Offer Shares as follows:

(a) in respect of Series B Preferred Shares, three (3) years and six (6) months from the Issue Date or any Dividend Payment Date thereafter (each a “**Series B Optional Redemption Date**”); and

(b) in respect of Series C Preferred Shares, on the fifth (5^{th}) anniversary from the Issue Date or any Dividend Payment Date thereafter (each a “**Series C Optional Redemption Date**”)

(each of the Series B Redemption Date and the Series C Redemption Date, being an **“Optional Redemption Date”**) at a redemption price equal to the Offer Price of the Preferred Shares plus all dividends due on such Optional Redemption Date as well as all Dividends in Arrears (“**Redemption Price**”).

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Preferred Shares (the "**Notice of Redemption**"), which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Preferred Shares at the Optional Redemption Date stated in such notice. For the avoidance of doubt, the Redemption Price will not be subject to, and independent from, the prevailing share price of the Preferred Shares at the time of redemption. Such notice to redeem shall be deemed irrevocable upon issuance thereof. The Notice of Redemption shall likewise indicate the Record Date for the Optional Redemption of the relevant Redeemed Shares, the payment mode of the Redemption Price to the relevant shareholders, and the general terms, among others. Moreover, the Company shall request for voluntary trading suspension of the relevant Redeemed Shares effective on Ex-Date until the Optional Redemption Date.

The Issuer may also redeem the Preferred Shares, in whole, but not in part, at any time if an Accounting Event or a Tax Event has occurred and is continuing, having given not less than thirty (30) nor more than sixty (60) days' written notice prior to the intended date of redemption, which notice shall be irrevocable and binding upon the Issuer to effect such redemption of the Preferred Shares at the redemption date stated in such notice. The redemption due to an Accounting Event or a Tax Event shall be made by the Issuer at the Redemption Price, which shall be paid within five Banking Days of the exercise of the right to redeem the Preferred Shares on the date of redemption set out in the notice.

A tax event ("**Tax Event**") shall occur if dividend payments become subject to additional withholding tax or any new tax (including a higher rate of an existing tax) as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to Company.

An accounting event ("**Accounting Event**") shall occur if in the opinion of the Issuer, with due consultation with its external auditor authorized to perform auditing services in the Republic of the Philippines, there is more than an insubstantial risk that the Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer.

The Offer Shares will constitute the direct and unsecured subordinated obligations of the Company ranking at least *pari passu* in all respects and ratably without preference or priority among themselves.

In the event of the winding-up of the Company, the Preferred Shares rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company which rank or are expressed to rank senior to the Preferred Shares. There is a substantial risk that an investor in the Preferred Shares will not receive any return of the principal amount or any unpaid amounts due under the terms of the Offer unless ABCI can satisfy in full all of its other obligations ranking senior to the Preferred Shares.

Upon listing on the PSE, the Issuer may purchase the Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE. The Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in the Prospectus) and cancelled, or kept as treasury shares, as applicable.

All payments in respect of the Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any future taxes or duties imposed by or on behalf of Republic of the Philippines, including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Issuer will pay additional amounts so that holders of the Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable, provided, however, that the Issuer shall not be liable for, and the foregoing payment undertaking of the Issuer shall not apply to:

a. any withholding tax applicable on dividends earned by or on any amounts payable to the holders of the Preferred Shares, including any additional tax on such dividends imposed by changes in law, rule, or regulation;

b. any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption of the Preferred Shares or on the liquidating distributions as may be received by a holder of Preferred Shares;

c. any expanded value added tax which may be payable by any holder of the Preferred Shares on any amount to be received from the Issuer under the terms and conditions of the Preferred Shares;

d. any withholding tax, including any additional tax imposed by changes in law, rule, or regulation, on any dividends payable to any holder of Preferred Shares or any entity which is a non-resident foreign corporation; and

e. any applicable taxes on any subsequent sale or transfer of the Preferred Shares by any holder of the Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).

All sums payable by the Issuer to tax-exempt entries shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present sufficient proof of such tax-exempt status from the tax authorities.

Documentary stamp tax and all other costs and expenses for the issuance of the Preferred Shares and the documentation, if any, shall be for the account of the Issuer.

Subject to the applicable registration and approval requirements of the SEC, the Company may from time to time without the consent of the holders of the Preferred Shares to create and issue additional preferred shares or securities either: (a) ranking at least *pari passu* in all respects with the Preferred Shares, or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Company may determine at the time of the issue.

The Offer Shares will be issued in scripless form through the electronic book-entry system of Professional Stock Transfer, Inc. as Registrar, and lodged with the Philippine Depository & Trust Corp. ("**PDTC**") as depository agent on the Issue Date through PSE Trading Participants nominated by the applicants. Settlement of the Offer Shares in respect of any transfer or change of title, including the settlement of documentary stamp taxes, if any, arising from subsequent transfers, shall be similar to the transfer of title and settlement procedures for listed securities on the PSE. If the Offer Shares are subsequently uplifted and issued in certificated form, title to the shares shall pass by endorsement and delivery to the transferee and registration in the registry of shareholders to be maintained by the Registrar and Stock Transfer Agent. See "*Terms of the Offer*" in this Offer Supplement.

The gross proceeds from the Base Offer shall be ₱1,000,000,000.00. Should the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, in consultation with the Issuer, exercise in full the Oversubscription Option, the gross proceeds from the Offer shall be ₱1,500,000,000.00. The net proceeds from the Base Offer, after deducting from the gross proceeds the total issue management, underwriting and selling fees, listing fees, taxes and other related fees and out-of-pocket expenses, is estimated to be ₱971,491,530.00. The net proceeds assuming the Oversubscription Option should the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, in consultation with the Issuer, exercise in full the Oversubscription Option, after deducting gross proceeds, underwriting and selling fees, listing fees, and taxes is estimated to be ₱1,465,816,530.00. The Company will use the net proceeds for the development of pipeline real estate projects, landbanking, and for other general corporate purposes. See "*Use of Proceeds*" in this Offer Supplement.

The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, shall receive an estimated fee of up to 1.00% of the gross proceeds of the Offer. The commissions to be paid to the Trading Participants, which shall be equivalent to 0.125% of the total proceeds of the sale of the Offer Shares by such Trading

Participant, shall be for the account of the Issuer. The 0.125% commission of the Trading Participants shall be inclusive of all applicable taxes (including VAT) and will be paid to the Trading Participants less any applicable withholding tax.

The Company reserves the right to withdraw the offer and sale of the Offer Shares at any time, before the commencement of the Offer Period, in which event the Company shall make the necessary disclosures to the SEC and the PSE. The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, any participating underwriter, co-manager and selling agent for any particular offer of the Offer Shares may acquire for their own account a portion of the Offer Shares. Moreover, the Company may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to the Listing Date, if there is a supervening force majeure or fortuitous event, such as:

a. An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or occurrence of any change in local, national or international financial, political, economic or stock market conditions, any of which, in the reasonable opinion of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, after consultation with the Issuer, which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Offer Shares in the manner contemplated by the PSE Notice of Approval, the SEC pre-effective clearance in relation to the Shelf Registration, the Registration Statement, Order of Registration, and the SEC Permit to Sell Securities (the "**Approvals**"), Prospectus and this Offer Supplement, or would have a material adverse effect on the Philippine economy, on the securities or other financial or currency markets of the Philippines, or on the distribution, offer and sale of the Offer Shares in the Philippines, provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer's or Underwriters' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Underwriter, or any other entity/ person to take up any shares remaining after the Offer Period;

b. An order revoking, cancelling, suspending, preventing or terminating the offer, sale, distribution, listing or issuance of the Offer Shares by any court or governmental agency or authority with jurisdiction on the matter (including the SEC and the PSE);

c. Suspension, cancellation, revocation or termination of the Approvals;

d. Trading in the PSE is closed or suspended for at least three (3) consecutive trading days other than due to weekends or declared holidays, or in such manner or for such period as will render impracticable the listing and trading of the Offer Shares on the Listing Date or such other date as may be approved by the PSE;

e. There is a change or impending change in any Applicable Law, or a ruling, interpretation, decree or order issued, made, or adopted by any Governmental Authority which (i) has a Material Adverse Effect, or materially and adversely affects any of the features or yield of the Offer Shares, including the taxes on fees or costs in connection with the Offer or (ii) would render illegal the performance by the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner of its obligations under the Underwriting Agreement with the Issuer;

f. Any significant, adverse, and unforeseeable change or development in the Issuer's or any of its Subsidiaries' having a Material Adverse Effect, which renders the Offer Shares unsuitable for offering to the public;

g. The Issuer or its subsidiaries decides to or is compelled or ordered by any competent court of Governmental Authority to stop its operations (or any material portion of its operations), which is not remedied within five (5) Business Days from decision of the Issuer or receipt by the Issuer or a formal notice of such decision by a competent court of Governmental Authority (as the case may be);

h. The Issuer shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or assignment with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or (ii) the Issuer shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or (iii) such receiver, trustee or similar officer shall be appointed and such appointment shall continue undischarged for a period of sixty (60) days; or (iv) the Issuer shall initiate or institute (by petition, application or otherwise howsoever), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (v) any such proceeding shall be instituted against the Issuer without its consent and shall remain undismissed for a period of sixty (60) days; or (vi) any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part thereof, of the Issuer and such judgment, writ or similar process shall not be released, vacated or fully bonded within sixty (60) days after its issue or levy; or (vii) any event occurs which under the laws of the Philippines or to other jurisdictions, or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;

i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;

j. Any public action, court proceeding, litigation, arbitration or other similar proceeding is commenced or threatened against the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner in connection with or with respect to the issuance or sale by the Issuer of the Offer Shares or the Offer in general which renders the performance of its underwriting commitment impossible or impracticable;

k. Any event occurs which makes it impossible for the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner to perform its underwriting obligations due to conditions beyond its control, such as issuance by any court, arbitral tribunal, or government agency which has jurisdiction on the matter of an order restraining or prohibiting the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, or directing the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner to cease, from performing its underwriting obligations;

l. Any representation, warranty or statement of the Issuer in the Underwriting Agreement or, in any certificate, or any information given in the Prospectus and this Offer Supplement shall prove to be untrue or misleading in any material respect or the Issuer shall be proven to have omitted to state a material fact necessary to make the statements in the Underwriting Agreement and the Prospectus and this Offer Supplement not misleading, which untruth or omission: (a) was not known and could not have been known to the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner on or before commencement of the Offer Period despite the exercise of due diligence, and (b) has a Material Adverse Effect;

m. Unavailability of PDTC's lodgment facilities and PSE facilities used for the Offer and/or listing of the Offer Shares prior to or on the target Listing Date and such unavailability effectively impacts the ability of the Issuer, and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to fully comply with the listing requirements of the PSE, if the impact of such unavailability on the listing of the Offer Shares remains unresolved after discussions between the Issuer and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner in good faith; and

n. Any force majeure event, other than the ones enumerated above, that has a Material Adverse Effect.

After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended, or terminated solely by reason of the Issuer's or Underwriters' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the underwriter, or any other entity/ person to take up any shares remaining after the Offer Period.

Notwithstanding the acceptance of any Application, the actual issuance of the Offer Shares to an Applicant shall take place only upon the listing of the Offer Shares on the PSE. Subject to the right of the Company to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to this section and "*Plan of Distribution"* of the Prospectus and this Offer Supplement, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.

Notwithstanding the foregoing, the Company and the Underwriter recognize and acknowledge that the PSE, in the exercise of its authority as a self-regulatory organization and further to its mandate to maintain a fair and orderly market, may impose appropriate sanctions and penalties on the Company and/or the Underwriter for the cancellation of the Offer on or after the commencement of the Offer Period and prior to the Issue Date if, subsequently, the PSE makes a determination that the cancellation or suspension of the offer and/or the underwriting commitment was not warranted based on the facts gathered and properly evaluated by the PSE and after due and proper proceedings initiated by the PSE not later than five (5) Banking Days after such cancellation or suspension.

For purposes of this section, "Material Adverse Effect" means any event, circumstance, effect or occurrence or any combination thereof arising or occurring which is materially adverse to the business, operations, properties, assets, prospects, or long-term financial condition of the Group, taken as a whole, the Offer, the validity or enforceability of the Offer Shares and the Transaction Documents, the capacity and due authorization of the Issuer to offer and issue the Offer Shares and enter into the Transaction Documents in connection with the Offer, or the ability of the Issuer to perform its obligations under the transactions contemplated in the Underwriting Agreement, whether or not arising in the ordinary course of business, in each case, as declared in the reasonable opinion of all the Sole Issue Manager and the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner acting in good faith, and in consultation with the Issuer. "Transaction Documents" means the Underwriting Agreement, the Registry, Paying and Receiving Agency Agreement, the Stock Transfer Agency Agreement, the Implementing Guidelines, and any other agreements and documents executed in relation to the Offer.]

The terms of the withdrawal on the offer and sale of the Offer Shares in this Offer Supplement shall govern the Offer Shares.

The Offer Shares are being offered for subscription solely in the Philippines. The distribution of this Offer Supplement and the offer and sale of the Offer Shares may, in certain jurisdictions, be restricted by law. The Company and the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner require persons into whose possession this Offer Supplement comes, to inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. This Offer Supplement does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person for whom it is unlawful to make such offer in such jurisdiction.

No dealer, salesman or any other person has been authorized to give any information or to make any representation not 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 Company or the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner.

Unless otherwise stated, the information contained in this Offer Supplement has been supplied by the Company. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Offer Supplement is correct, and that there is no material misstatement or omission of fact which would make any statement in this Offer Supplement misleading in any material respect. The Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Offer Supplement and in the listing application and all documents submitted to the PSE. The Sole Issue Manager, Lead Underwriter and Bookrunner and the Company, have exercised reasonable due diligence required by regulations in ascertaining that all material representations contained in this Offer Supplement, and any amendment or supplement thereto 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, warranty or undertaking, express or implied, is made by the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, and no responsibility or liability is accepted by any thereof to the accuracy, adequacy, reasonableness or completeness of the information and materials contained herein (excluding any and all information pertaining to the Sole Issue Manager, Lead Underwriter, and

Sole Bookrunner) or any other information provided by the Company in connection with the Series B and Series C Preferred Shares, their distribution or their future performance.

Unless otherwise indicated, all information in the Offer Supplement is as of the date hereof. 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 Company and its subsidiaries since such date.

Market data and certain industry forecasts used throughout this Offer Supplement were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified. Neither the Company nor the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner makes any representation, undertaking or other assurance as to the accuracy or completeness of such information or that any projections will be achieved, or in relation to any other matter, information, opinion or statements in relation to the Offer. Any reliance placed on any projections or forecasts is a matter of commercial judgment. Certain agreements are referred to in this Offer Supplement in summary form. Any such summary does not purport to be a complete or accurate description of the agreement and prospective investors are expected to independently review such agreements in full.

THE OFFER SHARES ARE BEING OFFERED ON THE BASIS OF THE PROSPECTUS AND THIS OFFER SUPPLEMENT ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES MUST BE BASED ONLY ON THE INFORMATION CONTAINED IN THE PROSPECTUS AND THIS OFFER SUPPLEMENT.

Each person contemplating an investment in the Offer Shares should make his own due diligence and analysis of the creditworthiness of the Company and his own determination of the suitability of any such investment. The risk disclosure herein does not purport to disclose all the risks and other significant aspects of investing in the Offer Shares. A person contemplating an investment in the Offer Shares should seek professional advice 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 high-risk securities. Investing in the Offer Shares involves a higher degree of risk compared to debt instruments. For a discussion of certain factors to be considered in respect of an investment in the Offer Shares, see "*Risk Factors*" in the Prospectus and this Offer Supplement.

The price of securities, such as the Preferred Shares, 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. An investment in the Preferred Shares described in this Offer Supplement involves a certain degree of risk. A prospective purchaser of the Preferred Shares should carefully consider several risk factors relating to the Company's business and operations, risks relating to the Philippines and risks relating to the Offer Shares, as set out in "*Risk Factors*" found on page 39 of this Offer Supplement, in addition to the other information contained in this Offer Supplement, in deciding whether to invest in the Offer Shares. The risk disclosure discussion does not purport to disclose all the risks and other significant aspects of investing in the Offer Shares. A person contemplating an investment in the Offer Shares should seek professional advice 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. Investing in the Offer Shares involves a higher degree of risk compared to debt instruments.

This Offer Supplement is 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 Sole Issue Manager, Lead Underwriter, and Sole Bookrunner or their respective affiliates or legal advisers that any recipient of this Offer Supplement should purchase the Offer Shares. Each person contemplating an investment in the Offer Shares should make his own investigation and analysis of the creditworthiness of ABCI and his own determination of the suitability of any such investment.

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

A BROWN COMPANY, INC.

By:

ROBERTINO E. PIZARRO
President and Chief Executive Officer

REPUBLIC OF THE PHILIPPINES)
CAGAYAN DE ORO CITY, METRO MANILA) SS.

SUBSCRIBED AND SWORN to before me this FEB 05 2024 in CAGAYAN DE ORO CITY, affiant exhibiting to me his Philippine Passport No. P8882731B issued on 8 February 2022 as competent evidence of identity.

Doc No.: 119;
Page No.: 24;
Book No.: 27;
Series of 2024.

ALMIRA B. VALDEZ
NOTARY PUBLIC
UNTIL DECEMBER 31, 2025
PTR NO. 5837062 / 12-04-2023
IBP LIFETIME NO. 018145 / MIS.OR CHAPTER
TIN: 950-141-267 / ROLL NO. 54967
MCLE COMPLIANCE NO. VII-0019050 / 04-14-2025

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DEFINITION OF TERMS

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

ABCI	:	A Brown Company, Inc.
ABERDI	:	A Brown Energy and Resources Development, Inc.
ABWCI	:	AB Bulk Water Company, Inc.
Applicable Law	:	Any statute, law, regulation, ordinance, rule, judgment, order, decree, directive, guideline, policy, requirement 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
Application to Purchase	:	The application form accomplished and submitted by an applicant for the purchase of a specified amount of Offer Shares (including the breakdown per Series), together with all the other requirements set forth in such application form.
Banking Day	:	A day other than a public non-working holiday, Saturday or Sunday on which the facilities of the Philippine banking system are open and available for clearing, and banks are open for business in Metro Manila
BFAR	:	Bureau of Fisheries and Aquatic Resources
BIR	:	Bureau of Internal Revenue of the Philippines
Blaze Capital	:	Blaze Capital Limited
Board of Directors or Board	:	Board of Directors of ABCI
BOI	:	Board of Investments
BSP	:	Bangko Sentral ng Pilipinas
CITIRA	:	Corporate Income Tax and Incentives Rationalization Act
Clean Air Act	:	The Philippine Clean Air Act of 1999
Clean Water Act	:	The Philippine Clean Water Act of 2004
COVID-19	:	Severe acute respiratory syndrome coronavirus 2
CPO	:	Crude Palm Oil
CPR	:	Certificate of Product Registration issued by the FDA
CREATE Act	:	Corporate Recovery and Tax Incentives for Enterprises Act

DA	:	Department of Agriculture of the Philippines
DAR	:	Department of Agrarian Reform of the Philippines
DENR	:	Department of Environment and Natural Resources of the Philippines
DHSUD	:	Department of Human Settlements and Urban Development of the Philippines
DPA	:	Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012
DOE	:	Department of Energy of the Philippines
DOLE	:	Department of Labor and Employment of the Philippines
DOH	:	Department of Health of the Philippines, including the FDA
DTI	:	Department of Trade and Industry of the Philippines
EBITDA	:	Earnings before interest, taxes, depreciation and amortizations computed as the sum of Income before income tax, Depreciation, and Interest expense.
ECC	:	Environmental Compliance Certificate
EGF	:	Environmental Guarantee Fund
EIS	:	Environmental Impact Statement
Eligible Investors	:	Philippine and non-Philippine citizens residing in the Philippines or corporations or judicial entities organized and existing under Philippine law.
EMB	:	Environmental Management Bureau
EMF	:	Environmental Monitoring Fund
EMP	:	Environmental Management Plan
EPIRA	:	Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001
ERC	:	Energy Regulatory Commission of the Philippines
FDA	:	The Food and Drug Administration of the Philippines
FDDC Act	:	The Philippine Foods, Drugs and Devices, and Cosmetics Act, as amended by the Food and Drug Administration Act of 2009
FFB	:	Fresh fruit bunches

Government	:	The Government of the Republic of the Philippines
Governmental Authority	:	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 and any other country (as applicable), and any self-regulatory bodies.
Grid Code	:	The Philippine Grid Code
Group	:	At any time, the Company and its subsidiaries at such time.
HLPC	:	Hydro Link Projects Corporation
HLURB	:	Housing and Land Use Regulatory Board
HUDCC	:	Housing and Urban Development Coordinating Council of the Philippines
HSAC	:	Human Settlement Adjudication Commission
IPP	:	Independent Power Producer
IPPA	:	Independent Power Producer Administrator
IRR	:	Implementing Rules and Regulations
LGU	:	Local Government Unit
LTO	:	License to Operate
MW	:	Mega-watt
MWh	:	Mega-watt hour
NC	:	Nakeen Corporation
NCR	:	National Capital Region of the Philippines
NEA	:	National Electrification Administration
NEDA	:	National Economic Development Authority of the Philippines
NPC	:	National Power Corporation of the Philippines
Offer Shares	:	Up to 15,000,000 Preferred Shares to be issued and offered by ABCI
Offer Supplement	:	The document which sets out the terms and conditions for each tranche of the Offer Shares

PBI	:	Peakpower Bukidnon, Inc.
PCA	:	Republic Act No. 10667, otherwise known as the Philippine Competition Act
PCC	:	Philippine Competition Commission of the Philippines
PCPC	:	Palm Concepcion Power Corporation
PDTC	:	The Philippine Depository & Trust Corp.
PEI	:	Peakpower Energy, Inc.
Peso or ₱ or PHP	:	Philippine Peso, the lawful currency of the Republic of the Philippines
PFF Act	:	Republic Act No. 8976, otherwise known as the Philippine Food Fortification Act of 2000
PFRS	:	Philippine Financial Reporting Standards
PHIC	:	Philippine Health Insurance Corporation
Philippines	:	Republic of the Philippines
PIFITA	:	Passive Income and Financial Intermediary Taxation Act
PNR	:	Philippine National Railways
PRC	:	Product Recall Committee
Preferred Shares	:	Cumulative, non-voting, non-participating, non-convertible peso-denominated redeemable perpetual preferred shares in ABCI
Price Act	:	Republic Act No. 7581, otherwise known as the Price Act
PRO	:	Product Recall Order
Prospectus	:	The prospectus dated 11 November 2021 and any amendments, supplements and addenda thereto for the offer and sale to the public of the Preferred Shares within the Shelf Period. As the context may require, the term includes the Offer Supplement.
PSA	:	Philippines Standards on Auditing
PSALM Corporation	:	Power Sector Assets and Liabilities Management Corporation
PSE	:	The Philippine Stock Exchange, Inc.
PSFI	:	Peakpower San Francisco, Inc.

PSI	:	Peakpower SOCCSARGEN, Inc.
PTCHC	:	Palm Thermal Consolidated Holdings Corp.
Qualified Institutional Buyer	:	The qualified buyer as may be enumerated under Sec. 10.1.3 of the IRR of the SRC or such other person as the SEC may by rule or order determine as qualified buyers, on the basis of such factors as financial sophistication, net worth, knowledge, and experience in financial and business matters, or amount of assets under management.
RBD	:	Refined, Bleached and Deodorized
RCOA	:	Retail Competition and Open Access
Registrar, Paying Agent or Stock Transfer Agent	:	Professional Stock Transfer, Inc.
Registration Statement	:	The registration statement filed with the SEC in connection with the offer and sale to the public of the Offer Shares
RES License	:	Retail Electricity Supplier License
Revised Corporation Code	:	Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines
Sanitation Code	:	Code on Sanitation of the Philippines
SCCP	:	The Securities Clearing Corporation of the Philippines
SEC	:	Securities and Exchange Commission of the Philippines
Series A Preferred Shares	:	The initial tranche of the Offer Shares consisting of 13,264,900 Preferred Shares.
SGAC	:	Surigao Greens Agri Corp.
Shelf Period	:	A period of three (3) years from November 12, 2021 until November 12, 2024, during which the Offer Shares may be offered and sold to the public
SRC	:	Securities Regulation Code of the Philippines
SSS	:	Social Security System of the Philippines
Tax Code	:	The Philippine National Internal Revenue Code of 1997, as amended
TP or Trading Participants	:	PSE Trading Participants
TRAIN	:	Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion
Underwriters	:	Underwriters that may be engaged by the Company for each tranche of the Offer

Underwriting Agreement	**:**	The Underwriting Agreement that the Company will enter into with Underwriters for each tranche of the Offer, and its annexes and attachments, as may be modified, supplemented or amended from time to time.
VAT	**:**	Value-added tax
VEC	**:**	Vires Energy Corporation
WESM	**:**	Philippine Wholesale Electricity Spot Market
WHO	**:**	World Health Organization

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and audited 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". 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.

Brief Background on the Company

A Brown Company, Inc. was originally incorporated with the Securities and Exchange Commission on December 21, 1966 as Bendana, Brown, Pizarro & Associates, Inc., and later renamed on October 1, 1992 as Epic Holdings Corporation ("**EHC**"). On June 25, 1993, the Securities and Exchange Commission approved the plan of merger between Brown Chemical Corporation and Brown Chemical Sales Corporation into EHC as the surviving entity. The merged company was renamed to its current corporate name a month later. ABCI was listed with the Philippine Stock Exchange on February 8, 1994 under symbol "BRN".

The Company's subsidiaries include ABERDI, PTCHC, Blaze Capital, Simple Homes Development. Inc. ("**SHDI**"), ABWCI, HLPC[1], Masinloc Consolidated Power, Inc. ("**MCPI**"), Irradiation Solutions, Inc. ("**ISI**"), VEC, and SGAC.

The Company has generally focused on business interests in Mindanao, although both the power and real estate segments have investments in other regions. The Company is primarily engaged in the business of real estate development located in Cagayan de Oro City and Initao in Misamis Oriental, Valencia City, Bukidnon, Butuan City in Agusan del Norte, and Cainta and Tanay in Rizal.

In recent years, the Company has diversified its business interests towards power generation and palm oil, industries that are seen to provide steady, recurring income. The Company has interests in power generation through affiliates Palm Concepcion Power Corporation and Peakpower Energy, Inc. In June 2020, the Company purchased 100% of VEC, which is the project proponent for an LNG power plant in Batangas.

Through its 100%-owned subsidiaries ABERDI and SGAC, the Company is engaged in the manufacturing and trading of palm oil and other palm products. ABERDI operates a 10-ton per hour crude palm oil mill and a 50 MT/day capacity physical refinery in Impasug-ong, Bukidnon. SGAC, on the other hand, operates a 5-ton per hour crude palm oil mill in Brgy. Tambis, Barobo, Surigao del Sur.

Irradiation Solutions Inc. was incorporated in January 4, 2021 to develop the Tanay Multipurpose Irradiation Facility, the first Commercial E-Beam Irradiation Facility to be built in the Philippines. The Tanay E-Beam Facility encountered delays in construction activities and in the delivery of critical equipment. Site Development works were affected by heavy rains from July 2023 to September 2023 brought upon by Habagat. Critical equipment which were manufactured abroad encountered supply chain related difficulties which extended manufacturing period. As of November 25, 2023 construction is 93.64% complete, equipment is all on site, and installation and commissioning of equipment is ongoing. Commercial operation is expected to commence by March 2024. AB Bulk Water Company, Inc. is pursuing bulk water supply projects for Cagayan de Oro City and the adjacent Municipality of Opol in Misamis Oriental.

The consolidated sales, gross profit and EBITDA of ABCI and its subsidiaries for the year ended December 31, 2022 were ₱1.520 billion, ₱940.54 million and ₱846.63 million, respectively.

For the nine months ended September 30, 2022, consolidated sales was ₱891.78 million, gross profit was ₱517.47 million and EBITDA was ₱523.97 million compared to consolidated sales of ₱1.104 billion, gross profit of ₱714.18 million and EBITDA of ₱699.44 million for the nine months ended September 30, 2023.[2]

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[1] The corporate name of HLPC was changed to Northmin Renewables Corp., pursuant to the Certificate of Filing of Amended Articles of Incorporation dated 29 December 2023.

[2] EBITDA is computed as the sum of Income before income tax, Depreciation, and Interest expense.

Real estate is the core business of ABCI. Its prime real estate development property is Xavier Estates in Cagayan de Oro City. All real estate developments follow the concept of a mixed-use, nature-themed, master-planned integrated community. Aside from Xavier Estates, the high-end properties of ABCI include Teakwood Hills Subdivision, Valencia Estates, Coral Resort Estates, Coral Resort Estates Phase 2, West Highlands, Xavier Estates Phase 6 – Ignatius Enclave, Xavier Estates Phase 6 – Ignatius Enclave 2, Xavier Estates Phase 5B – Ventura Residences II, The Terraces in Xavier Estates and Mountain Pines Farm 2.

In recent years, the Company has expanded to economic and socialized housing projects. These properties include Phase 5-Ventura Residences, Xavierville Homes, Adelaida Park Residences, Adelaida Mountain Residences, St. Therese Subdivision, Mountain View Homes, Mangoville and Adelaida Homes.

Strengths and Strategies

Strengths

The principal strengths of ABCI include the following:

- Established real estate player with a solid track record and captured niche market in Mindanao for high-end customers
- Large Landbank in Marketable Locations
- Positioned to benefit from healthy recovery outlook on the Philippines real estate industry
- Stable financial performance and resilient profitability track record
- Visionary leadership with extensive experience in real estate, energy, and project development

For a full discussion on the Company's competitive strengths, see page 89 of this Offer Supplement.

Strategies of ABCI

The principal strategies of ABCI include the following:

- Target the full spectrum of the real estate market from high end to economic and socialized housing segments
- Maintain focus on healthy, environment-friendly and low-density community concepts
- Continue land banking to support pipeline projects
- Increase the sales network by additional accreditation of partner realties.
- Expand its power generation portfolio through development of greenfield power projects.
- Further diversification in strategic and high impact industries

For a full discussion on the Company's strategies, see page 91 of this Offer Supplement.

Risks of Investing

Prospective investors should also consider the following risks of investing in the Offer Shares:

- Macroeconomic risks, including the current and immediate political and economic factors in the Philippines and the experience of the country with natural catastrophes, as a principal risk for investing in general;
- Risks relating to ABCI, its subsidiaries and their business and operations; and
- The nature of the Offer Shares as perpetual securities, the absence of a liquid secondary market and volatility of the Offer Shares and other risks relating to the Offer Shares.

A summary of the risks of investing are as follows:

Risks relating to the Group

- ABCI's businesses are affected by regulations in the Philippines
- Compliance with and renewal of licenses, permits and other authorizations
- Exposure to safety, health and environmental costs and liabilities
- Increases and changes in applicable taxes, taxation laws and tax incentives
- Availability of financing
- Loss of key personnel

- Uninsured losses
- Related Party Transactions
- On-going and possible future legal/administrative proceedings

Risks relating to ABCI's Real Estate Business

- The real estate business is a highly competitive industry
- The Company may not be able to acquire new or additional land for new projects
- The real estate industry in the Philippines is capital intensive
- Substantial sales cancellations may have a material adverse effect on the Company
- The Company may not be able to successfully manage its land bank
- Titles over land owned by the Company may be contested by third parties
- The Company may not be able to complete its projects within budget or on time
- The Company relies on banks and the HDMF for end-buyers financing
- Liquidity Risk
- The Philippines' housing market is highly regulated
- Environmental laws applicable to the Company's projects could have a material adverse effect on its business, financial condition or results of operations
- The loss of certain tax exemptions and incentives will increase the Company's tax liability
- Construction defects and other building-related claims
- Reliance on overseas Filipino Workers and expatriate Filipinos.

Risks Relating to Power and Utilities Business

- Non-controlling Interest in Associates
- Suspension of issuance and renewal of Retail Electricity Supplier ("**RES**") licenses
- Disruptions in fuel supply
- Project risks inherent in the development of greenfield power projects and expansion projects
- Adverse effect of WESM price fluctuations
- Non-renewal of or non-compliance with offtake agreements
- Operating and other risks leading to network failures, equipment breakdowns, planned or unplanned outages.
- Insurance coverage for generation plants
- Dependence on the existence of transmission infrastructure
- Certain tax exemptions and tax incentives
- ERC Regulation of electricity rates of distribution utilities
- Trading in WESM
- Regulatory Risks on the Power and Utilities Business

Risks Relating to ABCI's Agribusiness

- The Company's business may be affected by any program developed or supported by the Department of Agriculture of the Philippines
- The Company's business and operations may be affected by any changes in the preferences or purchasing power of consumers
- Risk of Natural Calamities
- The Company's venture to develop a network of irradiation facilities in the Philippines may not be successful

Risks related to the Philippines

- A significant portion of the Company's operations and assets are based in the Philippines
- Political instability may have a negative effect on the business, financial position or results of operations of the Company.
- Acts of terrorism and violent crimes could destabilise the country and could have a material adverse effect on the Company's business, financial position and results of operations.
- Natural or other catastrophes, including severe weather conditions, may adversely affect the Company's business, materially disrupt the Company's operations and result in losses not covered by its insurance.
- Territorial disputes with the China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.
- The credit ratings of the Philippines may restrict the access to capital of Philippine companies,

including the Company.

Risks relating to the Offer Shares

- The Offer Shares may not be a suitable investment for all investors
- There can be no guarantee that the Offer Shares will be listed on the PSE.
- Redemption at the option of the Issuer
- Volatility of market price of the Offer Shares
- Additional Taxes
- Deferral of dividend payment
- Subordination to other indebtedness of the Company
- Insufficient distributions upon liquidation
- Subordination of payments to the Holders of the Offer Shares
- Liquidity of the securities market
- Effect of non-payment of dividends
- Inability to reinvest at a similar return on investment upon redemption
- Limited voting rights

Risks relating to certain information in the Offer Supplement

- Certain information contained herein is derived from unofficial publications

(For a more detailed discussion, see "*Risk Factors*" on page 39)

Use of Proceeds

The Offer Price shall be at ₱100.00 per share. The gross proceeds of the Offer shall be ₱1,000,000,000.00. Should the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, in consultation with the Issuer, exercise in full the Oversubscription Option, the gross proceeds of the Offer shall be ₱1,500,000,000.00.

The net proceeds from the Base Offer, after deducting from the gross proceeds the total issue management, underwriting and selling fees, listing fees, taxes and other related fees and out-of-pocket expenses, is estimated to be ₱971,491,530.00.

The net proceeds from the Oversubscription Option should the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, in consultation with the Issuer, exercise in full the Oversubscription Option, after deducting gross proceeds, underwriting and selling fees, listing fees, and taxes is estimated to be ₱1,465,816,530.00.

The Company will use the net proceeds for the development of pipeline real estate projects, landbanking, and for other general corporate purposes. See "*Use of Proceeds*" in this Offer Supplement.

Details of the Offer

The Company shall offer and sell up to 15,000,000 cumulative, redeemable, non-voting, non-participating, non-convertible, Peso-denominated perpetual preferred shares, at an offer price of ₱100.00 per share. The Offer will consist of 10,000,000 Preferred Shares to be offered in two (2) series: Series B and Series C Preferred Shares. In the event of oversubscription, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, in consultation with the Issuer, reserves the right, without any obligation, to increase the Base Offer by up to 5,000,000 Preferred Shares.

In the event the Oversubscription Option is partly exercised or not exercised at all during the Offer Period for the Offer Shares, the remaining Preferred Shares under shelf registration will automatically be increased by such number of Oversubscription Option shares that will not be taken up or exercised.

See "*Terms of the Offer*" in this Offer Supplement

Timetable

The timetable of the Offer is expected to be as follows:

PSE Board Approval	Week of January 22, 2024
Dividend Rate Setting	February 5, 2024
Issuance of Permit to Sell and Order of Registration	February 6, 2024
Offer Period	February 12 to 16, 2024
Deadline for PSE Trading Participants' Submission of Firm Undertaking	February 14, 2024
Release of Allocation Notices to PSE Trading Participants	February 15, 2024
Issue Date and commencement of trading on the PSE	February 23, 2024

Any change in the dates included above may be subject to approval of the SEC and PSE, as applicable, and other conditions.

Plan of Distribution

ABCI plans to issue the Offer Shares to institutional and retail investors in the Philippines through a public offering to be conducted through the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner. The Offer does not include an international offering. Please refer to the "*Plan of Distribution"* section of this Offer Supplement.

Given that the Shelf Registration Period is from November 12, 2021 to November 12, 2024, the Company will secure a permit to sell from the SEC for the second tranche of the Offer.

TERMS OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations and privileges attaching to or arising from the Offer Shares. Some rights, obligations or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective shareholders are enjoined to perform their own independent investigation and analysis of ABCI and the Offer Shares. Each prospective shareholder must rely on its own appraisal of ABCI and the Offer Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Offer Shares and 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 a substitute for the prospective shareholder's independent evaluation and analysis.

The following terms of the offer 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 and in the Prospectus. These terms of the offer may not contain all of the information that prospective investors should consider before deciding to invest in the Offer Shares. Accordingly, any decision by a prospective investor to invest in the Offer Shares should be based on a consideration of the Prospectus and this Offer Supplement as a whole. Should there be any inconsistency between the summary below and the final documentation, the final documentation shall prevail.

Issuer	:	A Brown Company, Inc. ("**ABCI**" or the "**Company**")
The Offer	:	The offer and sale by the Company of up to 15,000,000 cumulative, redeemable, non-voting, non-participating, non-convertible, Peso-denominated perpetual preferred shares, at an offer price of ₱100.00 per share.
Instrument	:	Cumulative, redeemable, non-voting, non-participating, non-convertible Peso-denominated perpetual preferred shares ("**Preferred Shares**")
Par Value	:	The Preferred Shares have a par value of ₱1.00 per share.
Base Offer	:	10,000,000 Preferred Shares to be offered in up to two (2) series: Series B and Series C Preferred Shares. ("**Base Offer**")
Oversubscription Option	:	In the event of oversubscription, the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, in consultation with the Issuer, reserves the right, without any obligation, to increase the Base Offer by up to 5,000,000 Preferred Shares. In the event the Oversubscription Option is partly exercised or not exercised at all during the Offer Period for the Offer Shares, the remaining Preferred Shares under shelf registration will automatically be increased by such number of Oversubscription Option shares that will not be taken up or exercised.
Offer Price	:	The Offer Shares shall be offered at a price of ₱100.00 per share.
Registration and Listing	:	The Offer Shares are registered with the SEC under a shelf registration pursuant to MSRD Order No. 76 Series of 2021 with a shelf period from November 12, 2021 until November 12, 2024. The Offer Shares will be listed on PSE subject to compliance with PSE listing rules.

		The Series B and Series C Preferred Shares will be traded under the stock symbol "BRNPB" and "BRNPC", respectively.
Offer Period	:	The Offer Period shall commence at 9:00 a.m. on February 12, 2024 and end at 12:00 noon on February 16, 2024. The Issuer, the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE, as applicable.
Issue Date and Listing Date	:	February 23, 2024 or such other date when the Series B and Series C Preferred Shares are listed on the PSE.
Use of Proceeds	:	The gross proceeds of the Offer shall be ₱1,000,000,000.00. Should the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, in consultation with the Issuer, exercise in full the Oversubscription Option, the gross proceeds of the Offer shall be ₱1,500,000,000.00. The net proceeds from the Base Offer, after deducting from the gross proceeds the total issue management, underwriting and selling fees, listing fees, taxes and other related fees and out-of-pocket expenses, is estimated to be ₱971,491,530.00. The net proceeds from the Oversubscription Option should the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, in consultation with the Issuer, exercise in full the Oversubscription Option, after deducting gross proceeds, underwriting and selling fees, listing fees, and taxes is estimated to be ₱1,465,816,530.00. The Company will use the net proceeds for the development of pipeline real estate projects, landbanking, and for other general corporate purposes. See "*Use of Proceeds*" in this Offer Supplement.
Dividend Rate	:	As and if cash dividends are declared by the Board of Directors, cash dividends on the Series B and Series C Preferred Shares shall be at the fixed rates of: Series B Preferred Shares: 8.25% per annum Series C Preferred Shares: 8.75% per annum in all cases calculated for each share by reference to the Offer Price thereof in respect of each Dividend Period (each, the "**Initial Dividend Rate**" for the relevant series). The dividends on the Series B and Series C Preferred Shares will be calculated on a 30/360-day basis.
Dividend Payment Dates	:	Cash dividends will be payable starting on May 23, 2024, and thereafter every May 23, August 23, November 23, and February 23 of each year (each a "**Dividend Payment Date**"), being the last day of each 3-month period (a "**Dividend Period**"), as and if declared by the Board of Directors in accordance with the terms and conditions of the Preferred Shares. The first Dividend Payment Date on May 23, 2024 will be on the 1st quarter after the Issue Date and the succeeding dates will be the following 3-month periods after it.

		If the Dividend Payment Date is not a Banking Day, dividends will be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid. A "Banking Day" means a day, except Saturday or Sunday or legal holidays, in which facilities of the Philippine banking system are open and available for clearing and the bank are open for business in Metro Manila, Philippines.
Dividend Rate Step-Up	:	Unless the Offer Shares are redeemed by the Issuer, in respect of the Series B Preferred Shares, three (3) years and six (6) months from the Issue Date (the "**Series B Step-Up Date**"), and in respect of the Series C Preferred Shares, five (5) years from the Issue Date (the "**Series C Step-Up Date**"), or on the next Banking Day in case the relevant Step-Up Date falls on a non-Banking Day, the dividends on each subseries will be adjusted as follows: (a) for the Series B Preferred Shares, the higher of (a) the simple average of the closing per annum rate of 10-year BVAL (or successor benchmark) for the three (3) consecutive Banking Days preceding and inclusive of the rate setting date, plus 5.00%; or (b) the floor rate of 9.75%. (the "**Series B Step-Up Dividend Rate**"); and (b) for the Series C Preferred Shares, the higher of (a) the simple average of the closing per annum rate of 15-year BVAL (or successor benchmark) for the three (3) consecutive Banking Days preceding and inclusive of the rate setting date, plus 5.00%; or (b) the floor rate of 11.50% (the "**Series C Step-Up Dividend Rate**").
Conditions on Declaration and Payment of Cash Dividends	:	The declaration and payment of cash dividends on each Dividend Payment Date will be subject to the sole discretion of the Board of Directors, the covenants (financial or otherwise) in the loans and credit agreements to which the Issuer is a party and the requirements under applicable laws and regulations. If the profits available for distribution as cash dividends are, in the opinion of the Board of Directors, not sufficient to enable the Issuer to pay in full cash dividends on the Preferred Shares and cash dividends that are scheduled to be paid on or before the same date on shares that have an equal right to dividends as the Preferred Shares ("**Comparable Shares**"), the Issuer is required to pay cash dividends on the Preferred Shares and any Comparable Shares pro rata to the amount of the cash dividends scheduled to be paid to the Preferred Shares and the Comparable Shares, respectively. For purposes of this paragraph, the amount scheduled to be paid shall include all dividends due on such Dividend Payment Date as well as all accumulated dividends due and payable or dividends in arrears in respect of prior Dividend Periods ("**Dividends in Arrears**"). The profits available for distribution are, in general and with some adjustments pursuant to applicable laws and regulations, equal to the accumulated, realized profits of the Issuer less accumulated, realized loss.

Holders of the Offer Shares shall not be entitled to participate in any other or further dividends, cash, property or stock beyond the dividends specifically payable on the Offer Shares.

ABCI will covenant that, in the event:

- any cash dividends due with respect to any Preferred Shares then outstanding for any period are not declared and paid in full when due;

- where there remains outstanding Arrears of Dividends; or

- any other amounts payable under the terms and conditions of the Offer Shares described in the Prospectus are not paid in full when due for any reason,

then it will not declare or pay any dividends or other distributions in respect of, or repurchase or redeem, securities ranking *pari passu* with, or junior to, the Offer Shares (or contribute any moneys to a sinking fund for the redemption of any securities ranking *pari passu* with, or junior to, the Offer Shares) until any and all Arrears of Dividends and accrued but unpaid cash dividends have been paid to the holders of the Offer Shares.

Optional Redemption and Purchase	:	As and if declared by the Board of Directors of the Issuer and subject to the requirements of applicable laws and regulations, the Issuer may, at its sole option, redeem in whole, but not in part, any series of the Offer Shares as follows: (a) in respect of Series B Preferred Shares, three (3) years and six (6) months from the Issue Date or any Dividend Payment Date thereafter (each a "**Series B Optional Redemption Date**"); and (b) in respect of Series C Preferred Shares, on the fifth (5th) anniversary from the Issue Date or any Dividend Payment Date thereafter (each a "**Series C Optional Redemption Date**") (each of the Series B Redemption Date and the Series C Redemption Date, being an **"Optional Redemption Date"**) at a redemption price equal to the Offer Price of the Preferred Shares plus all dividends due on such Optional Redemption Date as well as all Dividends in Arrears ("**Redemption Price**"). The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Preferred Shares (the "**Notice of Redemption**"), which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Preferred Shares at the Optional Redemption Date stated in such notice. For the avoidance of doubt, the Redemption Price will not be subject to, and independent from, the prevailing share price of the Preferred Shares at the time of redemption. Such notice to redeem shall be deemed irrevocable upon issuance thereof. The Notice of Redemption shall likewise indicate the Record Date for the Optional Redemption of the relevant Redeemed Shares, the payment mode of the Redemption Price to the relevant shareholders, and the general terms, among others. Moreover,

		the Company shall request for voluntary trading suspension of the relevant Redeemed Shares effective on Ex-Date until the Optional Redemption Date. The Issuer may also redeem the Preferred Shares, in whole, but not in part, at any time if an Accounting Event or a Tax Event has occurred and is continuing, having given not less than thirty (30) nor more than sixty (60) days' written notice prior to the intended date of redemption, which notice shall be irrevocable and binding upon the Issuer to effect such redemption of the Preferred Shares at the redemption date stated in such notice. The redemption due to an Accounting Event or a Tax Event shall be made by the Issuer at the Redemption Price, which shall be paid within five (5) Banking Days of the exercise of the right to redeem the Preferred Shares on the date of redemption set out in the notice.
No Sinking Fund	:	The Issuer has not established, and currently has no plans to establish, a sinking fund for the redemption of the Offer Shares.
Redemption by reason of an Accounting Event	:	If in the opinion of the Issuer, with due consultation with its external auditor authorized to perform auditing services in the Republic of the Philippines, there is more than an insubstantial risk that the Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than 60 nor less than 30 days' notice, may redeem the Preferred Shares in whole, but not in part at the Redemption Price.
Redemption by reason of a Tax Event	:	In the event payments in respect of the Preferred Shares become subject to additional withholding or any new tax (including a higher rate of an existing tax) as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than sixty (60) nor less than thirty (30) days' notice, may redeem the Preferred Shares at any time in whole, but not in part, at the Redemption Price.
Purchase of the Offer Shares	:	Upon listing on the PSE, the Issuer may purchase the Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE. The Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in the Prospectus) and cancelled, or kept as treasury shares, as applicable.
Taxation	:	All payments in respect of the Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any future taxes or duties imposed by or on behalf of Republic of the Philippines, including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Issuer will pay additional amounts so that holders of the Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that the Issuer shall not be

		liable for, and the foregoing payment undertaking of the Issuer shall not apply to: a. any withholding tax applicable on dividends earned or on any amounts payable to the holders of the Preferred Shares, including any additional tax on such dividends imposed by changes in law, rule, or regulation; b. any income tax, including capital gains tax, (whether or not subject to withholding); percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption (or receipt of the redemption price) of the Preferred Shares or on the liquidating distributions as may be received by a holder of the Preferred Shares; c. any expanded value added tax which may be payable by any holder of the Preferred Shares on any amount to be received from the Issuer under the terms and conditions of the Preferred Shares; d. any withholding tax, including any additional tax imposed by changes in law, rule, or regulation, on any dividends payable to any holder of Preferred Shares or any entity which is a non-resident foreign corporation; and e. any applicable taxes on any subsequent sale or transfer or redemption of the Preferred Shares by any holder of the Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes). All sums payable by the Issuer to tax-exempt entries shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present sufficient proof of such tax-exempt status from the tax authorities. Documentary stamp tax and all other costs and expenses for the issuance of the Preferred Shares and the documentation, if any, shall be for the account of the Issuer. The applicable taxes to any subsequent sale of the Offer Shares by any holder of the Offer Shares shall be for the account of the said holder.
Form, Title and Registration of the Preferred Shares	:	The Preferred Shares will be issued in scripless form through the electronic book-entry system of Professional Stock Transfer, Inc. as Registrar for the Offer ("**Registrar**"), and lodged with PDTC as Depository Agent on Issue Date through PSE Trading Participants respectively nominated by the applicants. For this purpose, applicants shall indicate in the proper space provided for in the Application Form the name of a PSE Trading Participant under whose name their shares will be registered. After Issue Date, holders of the Preferred Shares (the "**Shareholders**") may request the Registrar, through their respective nominated PSE Trading Participants, to (a) open a scripless registry account and have their holdings of the Preferred Shares registered under their name, or (b) issue stock

		certificates evidencing their investment in the Preferred Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting shareholder. Legal title to the Preferred Shares will be shown in an electronic register of shareholders ("**Registry of Shareholders**") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Preferred Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Registrar shall send (at the cost of the Issuer) at least once every quarter a statement of account to all shareholders named in the Registry of Shareholders, except certificated shareholders and depository participants, confirming the number of shares held by each shareholder on record in the Registry of Shareholders. Such statement of account shall serve as evidence of ownership of the relevant shareholder as of the given date thereof. Any request by shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder. For scripless shares, the maintenance and custody fee payable to the PDTC shall be for the account of the shareholder.
Selling and Transfer Restrictions	:	Initial placement and subsequent transfers of interests in the Preferred Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time.
Governing Law	:	The Preferred Shares will be issued pursuant to the laws of the Philippines.

Features of the Preferred Shares

Status	:	The Preferred Shares will constitute the direct and unsecured subordinated obligations of the Company ranking at least *pari passu* in all respects and ratably without preference or priority among themselves. In the event of the winding-up of the Company, the Preferred Shares rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company which rank or are expressed to rank senior to the Preferred Shares. The Preferred Shares, however, rank in *pari passu* with the other Preferred Shares. There is a substantial risk that an investor in the Preferred Shares will not receive any return of the principal amount or any unpaid amounts due under the terms of the Offer unless ABCI can satisfy in full all of its other obligations ranking senior to the Preferred Shares. Subject to the registration and approval requirements of the SEC, the Company may from time to time without the consent of the holders of the Preferred Shares to create and issue additional preferred shares or securities either (a) ranking at least *pari passu* in all respects with the Preferred Shares, or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Company may determine at the time of the issue.

Dividend Cumulative	:	Dividends on the Preferred Shares will be cumulative. If for any reason the Board of Directors of the Company does not declare a dividend on the Preferred Shares for a Dividend Period, the Company will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Preferred Shares must receive the dividends due them on such Dividend Payment Date as well as any dividends in which the declaration and/or payment have been deferred, in respect of prior Dividend Periods (the "**Arrears of Dividends**").
No Voting Rights	:	Holders of the Preferred Shares shall not be entitled to vote at the Company's stockholders' meetings, except as otherwise provided by law.
Non-Participating	:	Holders of the Preferred Shares shall not be entitled to participate in any other or future dividends beyond the dividends specifically payable on the Preferred Shares.
Non-Convertible	:	Holders of the Preferred Shares shall have no right to convert the Preferred Shares to any other preferred shares or common shares of the Company.
No Pre-emptive Rights	:	Holders of the Preferred Shares shall have no pre-emptive rights to subscribe to any shares (including, without limitation, treasury shares) that will be issued or sold by the Company.
Liquidation Rights	:	In the event of a return of capital in respect of the liquidation, dissolution or winding up of the affairs of ABCI but not on a redemption or purchase by ABCI of any of its share capital, the holders of the Preferred Shares at the time outstanding will be entitled to receive, in Pesos, out of the assets of ABCI available for distribution to shareholders, together with the holders of any other of the shares of ABCI ranking, as regards repayment of capital, *pari passu* with the Offer Shares and before any distribution of assets is made to holders of any class of the shares of ABCI ranking junior to the Preferred Shares as regards repayment of capital, liquidating distributions in an amount equal to the Redemption Price as of (and including) the date of commencement of the winding up of ABCI or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of ABCI, the amount payable with respect to the Preferred Shares and any other shares of ABCI ranking as to any such distribution *pari passu* with the Preferred Shares are not paid in full, the holders of the Preferred Shares and of such other shares will share proportionately in any such distribution of the assets of ABCI in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Preferred Shares will have no right or claim to any of the remaining assets of ABCI and will not be entitled to any further participation or return of capital in a winding up.
Other Terms of the Offer	:	
Minimum Subscription to the Preferred Shares	:	Each Application shall be for a minimum order size of [500] Offer Shares per Series, and thereafter, in multiples of 50 Offer Shares

		per Series. No Application for multiples of any other number of Offer Shares will be considered.
Eligible Investors	:	The Offer Shares may be owned or subscribed to by any Philippine and non-Philippine citizens or corporations or judicial entities organized and existing under Philippine law. However, under certain circumstances, the Company may reject an Application or reduce the number of the Offer Shares applied for subscription. Subscription to the Offer Shares may be restricted in certain jurisdictions. Foreign investors interested in subscribing or purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Offer Shares.
Procedure for Application	:	Applications to Purchase the Offer Shares may be obtained from the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner or the Selling Agents. All Applications shall be evidenced by the Application to Purchase, duly executed in each case by an authorized signatory of the applicant and accompanied by two (2) completed signature cards, the corresponding proof of full payment for the Offer Shares covered by the Application and all other required documents including documents required for registry with the registrar and depository agent. The duly executed Application to Purchase and required documents should be submitted to the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner or Selling Agents by the end of the Offer Period. If the applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents: (a) a certified true copy of the applicant's latest articles of incorporation and by-laws or other constitutive documents, each as amended to date, duly certified by the corporate secretary; (b) applicant's SEC certificate of registration, duly certified by the corporate secretary, managing partner (in the case of a partnership), or equivalent officer; (c) a duly notarized corporate secretary's certificate or certificate of the managing partner or certificate of equivalent officer setting forth the resolution of the applicant's board of directors or equivalent body authorizing (i) the purchase of the Offer Shares indicated in the application and (ii) the designated signatories for the purpose, including their respective specimen signatures; (d) certified true copy of latest General Information Sheet ("**GIS**") duly certified by the corporate secretary, managing partner (in case of a partnership) or equivalent officer; (e) photocopy of any one (1) of the following valid IDs: passport/driver's license, company ID, Social Security

		System/Government Service and Insurance System ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner or the Selling Agents or the Receiving Agent, as applicable (f) two (2) specimen signature cards with specimen signatures of the signatory or signatories of the Application to Purchase; (g) validly issued taxpayer identification number issued by the BIR; (h) other documents as may be reasonably required by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. Individual applicants must also submit a photocopy of any one (1) of the following identification cards ("**ID**"): passport/driver's license, company ID, Social Security System/Government Service and Insurance System ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, the Selling Agents or the Receiving Agent, as applicable. An applicant who is exempt from or is not subject to withholding tax or who claims reduced tax treaty rates must indicate such exemption or entitlement in the Application to Purchase and also submit additional documents as may be required by the Issuer, including but not limited to, the documents described on pages 20 to 21 of this Offer Supplement. For Applications to Purchase to be submitted by the Trading Participants, please refer to the Implementing Guidelines for the Reservation and Allocation of ABCI's Series A Preferred Shares through the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner ("**TP Guidelines**").
Payment for the Preferred Shares	**:**	The proof of full payment for the Offer Shares covered by the Application must be submitted together with the Application to Purchase and all other required documents. Payment shall be in the form of either: For the Trading Participants, (i) a personal or corporate check drawn against an account with a BSP authorized bank having a clearing period of no more than one (1) Banking Day; (ii) a manager's or cashier's check issued by a BSP authorized bank having a clearing period of no more than one (1) Banking Day; or (iii) a direct deposit to the designated bank account to be indicated in the TP Guidelines to be included in the sales kit for Trading Participants. Proof of full payment must be submitted to the Receiving Agent, together with the Application to Purchase and required attachments. All checks should be made payable to "A BROWN COMPANY, INC." crossed "Payee's Account Only". Payment may also be done through RTGS or fund/on-line/ATM/wire transfer to the designated bank account (at the

		Trading Participant's expense for additional charges, if any) with details indicated in the TP Guidelines. Outbound remittances via RTGS are subject to fees from the remitting bank. The said fee will depend on the respective policies of the remitting bank and is for the account of the investor. For applicants submitting their Application to Purchase to the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, in accordance with the instructions to be provided.
Acceptance/Rejection of Applications	**:**	The actual number of the Offer Shares that an applicant will be allowed to subscribe to is subject to the confirmation of the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner. The Company reserves the right to accept or reject, in whole, but not in part, or to reduce any application due to any grounds specified in the relevant underwriting agreement to be entered into by the Company with the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner. Applications which were unpaid or where payments were insufficient and those that do not comply with the terms of the Offer shall be rejected. Moreover, any payment received pursuant to the Application does not constitute as approval or acceptance by the Company of the Application. An Application, when accepted, shall constitute a binding and effective agreement between the applicant and the Company for the subscription to the Offer Shares in the manner and subject to the terms and conditions set forth in the Application to Purchase and those described in the Prospectus, this Offer Supplement, and other offer-related document. Notwithstanding the acceptance of any Application, the actual issuance of the Offer Shares to an Applicant shall take place only upon the listing of the Offer Shares on the PSE. Subject to the right of the Company to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to the Withdrawal of the Offer section of the Prospectus, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.
Refunds for Rejected Applications	**:**	In the event that the number of the Offer Shares to be allotted to an applicant, as confirmed by the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner or Selling Agent, is less than the number covered by its Application, or if an Application is wholly or partially rejected by the Company, then the Company shall refund, without interest, starting on the fifth (5^{th}) Banking Day following the end of the Offer Period, all, or a portion of the payment corresponding to the number of the Offer Shares wholly or partially rejected, as applicable. All refunds shall be made through the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner or Selling Agent with whom the applicant has filed the Application at the risk of the applicant.
Withdrawal of the Offer	**:**	[The Company reserves the right to withdraw the offer and sale of the Offer Shares at any time before the commencement of the Offer Period, in which event the Company shall make the necessary disclosures to the SEC and PSE.

The Company may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to the Listing Date, if any of the following events occurs, in which case the Underwriting Agreement shall be deemed terminated, namely:

a. An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or occurrence of any change in local, national or international financial, political, economic or stock market conditions, any of which, in the reasonable opinion of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, after consultation with the Issuer, which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Offer Shares in the manner contemplated by the PSE Notice of Approval, the SEC pre-effective clearance in relation to the Shelf Registration, the Registration Statement, Order of Registration, and the SEC Permit to Sell Securities (the "**Approvals**"), Prospectus and this Offer Supplement, or would have a material adverse effect on the Philippine economy, on the securities or other financial or currency markets of the Philippines, or on the distribution, offer and sale of the Offer Shares in the Philippines, provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer's or Underwriters' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Underwriter, or any other entity/ person to take up any shares remaining after the Offer Period;

b. An order revoking, cancelling, suspending, preventing or terminating the offer, sale, distribution, listing or issuance of the Offer Shares by any court or governmental agency or authority with jurisdiction on the matter (including the SEC and the PSE);

c. Suspension, cancellation, revocation or termination of the Approvals;

d. Trading in the PSE is closed or suspended for at least three (3) consecutive trading days other than due to weekends or declared holidays, or in such manner or for such period as will render impracticable the listing and trading of the Offer Shares on the Listing Date or such other date as may be approved by the PSE;

e. There is a change or impending change in any Applicable Law, or a ruling, interpretation, decree or order issued, made, or adopted by any Governmental Authority which (i) has a Material Adverse Effect, or materially and adversely affects any of the features or yield of the Offer Shares, including the taxes on fees or costs in connection with the Offer, or (ii) would render illegal the performance by the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner of its obligations under the Underwriting Agreement;

f. Any significant, adverse, and unforeseeable change or development in the Issuer's or any of its Subsidiaries having a

Material Adverse Effect, which renders the Offer Shares unsuitable for offering to the public;

g. The Issuer or its subsidiaries decides to or is compelled or ordered by any competent court of Governmental Authority to stop its operations (or any material portion of its operations), which is not remedied within five (5) Business Days from decision of the Issuer or receipt by the Issuer or a formal notice of such decision by competent court of Governmental Authority (as the case may be);

h. The Issuer shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or assignment with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or (ii) the Issuer shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or (iii) such receiver, trustee or similar officer shall be appointed and such appointment shall continue undischarged for a period of sixty (60) days; or (iv) the Issuer shall initiate or institute (by petition, application or otherwise howsoever), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (v) any such proceeding shall be instituted against the Issuer without its consent and shall remain undismissed for a period of sixty (60) days; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part thereof, of the Issuer and such judgment, writ or similar process shall not be released, vacated or fully bonded within sixty (60) days after its issue or levy; or (vi) any event occurs which under the laws of the Philippines or to other jurisdictions, or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;

i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;

j. Any public action, court proceeding, litigation, arbitration or other similar proceeding is commenced or threatened against the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner in connection with or with respect to the issuance or sale by the Issuer of the Offer Shares or the Offer in general which renders the performance of its underwriting commitment impossible or impracticable;

k. Any event occurs which makes it impossible for the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner to perform its underwriting obligations due to conditions beyond its control, such as issuance by any court, arbitral tribunal, or government agency which has jurisdiction on the matter of an order restraining or prohibiting the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, or directing the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner to cease, from performing its underwriting obligations;

l. Any representation, warranty or statement of the Issuer in the Underwriting Agreement or, in any certificate, or any information given in the Prospectus and this Offer Supplement shall prove to be untrue or misleading in any material respect or the Issuer shall be proven to have omitted to state a material fact necessary to make the statements in the Underwriting Agreement and the Prospectus and this Offer Supplement not misleading, which untruth or omission: (a) was not known and could not have been known to the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner on or before commencement of the Offer Period despite the exercise of due diligence, and (b) has a Material Adverse Effect;

m. Unavailability of PDTC's lodgment facilities and PSE facilities used for the Offer and/or listing of the Offer Shares prior to or on the target Listing Date and such unavailability effectively impacts the ability of the Issuer, and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to fully comply with the listing requirements of the PSE, if the impact of such unavailability on the listing of the Offer Shares remains unresolved after discussions between the Issuer and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner in good faith; and

n. Any force majeure event, other than the ones enumerated above, that has a Material Adverse Effect.

After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended, or terminated solely by reason of the Issuer's or Sole Issue Manager, Lead Underwriter and Sole Bookrunner's inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the underwriter, or any other entity/ person to take up any shares remaining after the Offer Period.

Notwithstanding the acceptance of any Application, the actual issuance of the Offer Shares to an Applicant shall take place only upon the listing of the Offer Shares on the PSE. Subject to the right of the Company to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to this section and "*Plan of Distribution"* of the Prospectus and this Offer Supplement, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.

Notwithstanding the foregoing, the Company and the Underwriter recognize and acknowledge that the PSE, in the exercise of its authority as a self-regulatory organization and further to its mandate to maintain a fair and orderly market, may impose appropriate sanctions and penalties on the Company and/or the Underwriter for the cancellation of the Offer on or after the commencement of the Offer Period and prior to the Issue Date if, subsequently, the PSE makes a determination that the cancellation or suspension of the offer and/or the underwriting commitment was not warranted based on the facts gathered and properly evaluated by the PSE and after due and proper proceedings initiated by the PSE not later than five (5) Banking Days after such cancellation or suspension.

For purposes of this section, "Material Adverse Effect" means any event, circumstance, effect or occurrence or any combination thereof arising or occurring which is materially adverse to the business, operations, properties, assets, prospects, or long-term financial condition of the Group, taken as a whole, the Offer, the validity or enforceability of the Offer Shares and the Transaction Documents, the capacity and due authorization of the Issuer to offer and issue the Offer Shares and enter into the Transaction Documents in connection with the Offer, or the ability of the Issuer to perform its obligations under the transactions contemplated in the Underwriting Agreement, whether or not arising in the ordinary course of business, in each case, as declared in the reasonable opinion of all the Sole Issue Manager and the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner acting in good faith, and in consultation with the Issuer. "Transaction Documents" means the Underwriting Agreement, the Registry, Paying and Receiving Agency Agreement, the Stock Transfer Agency Agreement, the Implementing Guidelines, and any other agreements and documents executed in relation to the Offer.]

Firm Commitment to Purchase : The Sole Issue Manager, Lead Underwriters and Sole Bookrunner will fully underwrite, on a firm commitment basis, the Offer Shares.

After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the (i) inability of the Company or the Underwriter to sell or market the Offer Shares or (ii) the refusal or failure by the Company, the Underwriter, or any other entity or person to comply with any undertaking or commitment to take up any shares remaining after the Offer Period.

In undertaking the Underwriter's Firm Commitment to Purchase, the Underwriter hereby manifests its conformity to comply with and be bound by all duly promulgated and applicable listing and disclosure rules, requirements, and policies of the Exchange.

Local Small Investors : The Company will not allocate any Offer Shares for the Local Small Investors Program of the PSE.

Timetable : The timetable of the Offer is expected to be as follows:

PSE Board Approval	Week of January 22, 2024
Dividend Rate Setting	February 5, 2024
Issuance of Permit to Sell and Order of Registration	February 6, 2024
Offer Period	February 12 to 16, 2024
Deadline for PSE Trading Participants' Submission of Firm Undertaking	February 14, 2024
Release of Allocation Notices to PSE Trading Participants	February 15, 2024
Issue Date and commencement of trading on the PSE	February 23, 2024

Any change in the dates included above may be subject to approval of the SEC and PSE, as applicable, and other conditions.

Sole Issue Manager, Lead Underwriter, and Sole Bookrunner	**:**	PNB Capital and Investment Corporation
Depository Agent	**:**	Philippine Depository & Trust Corp.
Registrar and Stock Transfer Agent	**:**	Professional Stock Transfer, Inc.
Receiving Agent	**:**	Professional Stock Transfer, Inc.
Selling Agents	**:**	PSE Trading Participants
Counsel to the Issuer	**:**	Picazo Buyco Tan Fider & Santos
Counsel to the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner	**:**	SyCip Salazar Hernandez & Gatmaitan

DESCRIPTION OF OFFER SHARES

Set forth below is information relating to the Offer Shares. This description is only a summary and is qualified by reference to Philippine law and the Amended Articles of Incorporation and Amended By-laws of ABCI, as may be amended from time to time.

Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and the by-laws of the corporation.

The current Authorized Capital Stock of the Company is ₱3,300,000,000.00 divided into: (i) 3,250,000,000 common shares with a par value of ₱1.00 per share; and (ii) 50,000,000 preferred shares with a par value of ₱1.00 per share.

Below is a table illustrating the issued and outstanding shares of the Company as of September 30, 2023:

Share Class	Issued	Outstanding	Treasury
Common	2,477,668,925	2,372,367,911	105,301,014
Preferred Shares	13,264,900	13,264,900	
TOTAL	**2,490,933,825**	**2,385,632,811**	**105,301,014**

The Issuance of the Offer Shares

The Company has an existing 50,000,000 Preferred Shares shelf registration under MSRD Order No. 76 Series of 2021. The Shelf Registration was rendered effective by the SEC on November 12, 2021. The Preferred Shares thereunder may be sold and issued in tranches within a period of three (3) years from the effective date of the registration statement under which such Offer Shares are being offered and sold on November 12, 2021 until November 12, 2024.

On November 3, 2023, the Board of Directors authorized the sale and offer of up to 15,000,000 Preferred Shares, at an offer price of ₱100.00 per share under the Shelf Registration, to be issued during the Shelf Period, under such terms and conditions as the management of the Company may deem advantageous to it.

The Offer Shares shall be issued in two series: Series B Preferred Shares and Series C Preferred Shares. The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, in consultation with the Issuer, have the discretion to allocate the Offer Shares to the Series B and Series C Preferred Shares at the end of the Offer Period. The Offer Shares will be issued from the unissued Preferred Shares of the Company.

The Offer Shares will comprise of unissued preferred shares to be offered and issued by the Company from its unissued Preferred Shares covered by the Shelf Registration.

ABCI may offer from time to time, within the Shelf Period to be issued in one or more series for each tranche of the Offer.

The Company will file an application for the listing of the Offer Shares on the PSE for each tranche of the Offer Shares. Once the Offer Shares are listed on the PSE, ABCI may purchase the Offer Shares, then tradeable at that time, at any time in the open market or by public tender or by private contract at any price through the trading facilities of the PSE.

Shelf Registration and Features of the Offer Shares

The Offer Shares will have different features that will be determined in the Enabling Resolutions and the relevant Offer Supplement. The number of Offer Shares to be allocated to each series shall be determined by the Board of Directors of the Company. ABCI shall issue the Offer Shares to subscribers only upon full payment by the subscribers of the subscription price for the said shares, which shall be ₱100.00 per share.

The Offer Shares are registered under a shelf registration and shall be issued in tranches during the Shelf Period. The specific terms of each tranche of the Offer Shares shall be determined by the Company, taking into account prevailing market conditions at the time of sale and shall be set out in the relevant Offer Supplement. After the Registration Statement of the Company for the Offer Shares becomes effective, the Company will secure a permit to sell from the SEC for each tranche of the Offer. The Offer Shares will be issued in one or more series for each tranche of the Offer.

The Offer Shares have a par value of ₱1.00 per share. Preferred Shares may be issued from time to time by the Board of Directors which is authorized under the Articles of Incorporation of the Company to adopt resolutions authorizing the issuance of Preferred Shares in one or more series for such number of shares and relative rights and preferences as the Board of Directors may deem beneficial to the Company. The features and specific terms of the Offer Shares shall be set out in the Enabling Resolutions and the Offer Supplement of the relevant issue tranche) which shall include the following general features:

(a) **Dividends (Cumulative; Non-Participating)**

The Board of Directors shall have the sole discretion to declare dividends on the Offer Shares, provided that ABCI has unrestricted retained earnings, the covenants (financial or otherwise) in the loans and credit agreements to which the Issuer is a party will not be breached, and the rate of dividend or formula for determining the same rate shall be indicated in the relevant Enabling Resolutions.

The dividends on the Offer Shares will be calculated on a 30/360-day basis.

Dividends on the Offer Shares will be payable quarterly in arrears for every Dividend Period on such dates provided in the Offer Supplement (each a "**Dividend Payment Date**"), which date shall be any day within the period commencing on (and including) the last date of a Dividend Period and fifteen (15) calendar days from the end of the relevant Dividend Period.

A "*Dividend Period*" shall be the period commencing on the relevant Issue Date, and having a duration of three (3) months, and thereafter, each of the successive periods of three (3) months commencing on the last day of the immediately preceding Dividend Period up to, but excluding the first day of, the immediately succeeding Dividend Period; provided that the first Dividend Period of the Offer Shares shall be the period commencing on the relevant Issue Date and ending on the last day of the then current dividend period for the outstanding Preferred Shares. If a Dividend Payment Date occurs after the end of a Dividend Period, there shall be no adjustment as to the amount of dividends to be paid.

Dividends on the Preferred Shares will be cumulative. If for any reason the Board of Directors of the Company does not declare a dividend on the Preferred Shares for a Dividend Period, the Company will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Preferred Shares must receive the dividends due them on such Dividend Payment Date as well as any dividends in which the declaration and/or payment have been deferred, in respect of prior Dividend Periods (the "**Arrears of Dividends**").

The holders of the Offer Shares shall not be entitled to any participation or share in the retained earnings remaining after dividend payment shall have been made on the shares as aforementioned, nor shall they be entitled to any other kind of dividend payment whether cash, property, or stock, other than corresponding to the dividend rate determined by the Board of Directors.

Dividend Policy in Respect of the Series B and Series C Preferred Shares

Dividend Rate

As and if cash dividends are declared by the Board of Directors, cash dividends on the Series B and Series C Preferred Shares shall be at the fixed rates of:

Series B Preferred Shares: 8.25% per annum

Series C Preferred Shares: 8.75% per annum

in all cases calculated for each share by reference to the Offer Price thereof in respect of each Dividend Period (each, the "**Initial Dividend Rate**" for the relevant series). The dividends on the Series B and Series C Preferred Shares will be calculated on a 30/360-day basis.

Dividend Payment Dates

Cash dividends will be payable starting on May 23, 2024, and thereafter May 23, August 23, November 23, and February 23 of each year (each a "**Dividend Payment Date**"), being the last day of each 3-month period (a "**Dividend Period**"), as and if declared by the Board of Directors in accordance with the terms and conditions of the Preferred Shares.

The first Dividend Payment Date on May 23, 2024 will be on the 1st quarter after the Issue Date and the succeeding dates will be the following 3-month periods after it.

If the Dividend Payment Date is not a Banking Day, dividends will be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid.

A "Banking Day" means a day, except Saturday or Sunday or legal holidays, in which facilities of the Philippine banking system are open and available for clearing and the bank are open for business in Metro Manila, Philippines.

Dividend Rate Step-Up

Unless the Offer Shares are redeemed by the Issuer, in respect of the Series B Preferred Shares, three (3) years and six (6) months from the Issue Date (the "**Series B Step-Up Date**"), and in respect of the Series C Preferred Shares, five (5) years from the Issue Date (the "**Series C Step-Up Date**"), or on the next Banking Day in case the relevant Step-Up Date falls on a non-Banking Day, the dividends on each subseries will be adjusted as follows:

(c) for the Series B Preferred Shares, the higher of (a) the simple average of the closing per annum rate of 10-year BVAL (or successor benchmark) for the three (3) consecutive Banking Days preceding and inclusive of the rate setting date, plus [5.00%]; or (b) the floor rate of [9.75%]. (the "**Series B Step-Up Dividend Rate**"); and

(d) for the Series C Preferred Shares, the higher of (a) the simple average of the closing per annum rate of 15-year BVAL (or successor benchmark) for the three (3) consecutive Banking Days preceding and inclusive of the rate setting date, plus [5.00%]; or (b) the floor rate of [11.50%]. (the "**Series C Step-Up Dividend Rate**").

Conditions on Declaration and Payment of Cash Dividends

The declaration and payment of cash dividends on each Dividend Payment Date will be subject to the sole discretion of the Board of Directors, the covenants (financial or otherwise) in the loans and credit agreements to which the Issuer is a party and the requirements under applicable laws and regulations.

If the profits available for distribution as cash dividends are, in the opinion of the Board of Directors, not sufficient to enable the Issuer to pay in full cash dividends on the Preferred Shares and cash dividends that are scheduled to be paid on or before the same date on shares that have an equal right to dividends as the Preferred Shares ("**Comparable Shares**"), the Issuer is required to pay cash dividends on the Preferred Shares and any Comparable Shares pro rata to the amount of the cash dividends scheduled to be paid to the Preferred Shares and the Comparable Shares, respectively. For purposes of this paragraph, the amount scheduled to be paid shall include all dividends due on such Dividend Payment Date as well as all accumulated dividends due and payable or dividends in arrears in respect of prior Dividend Periods ("**Dividends in Arrears**").

The profits available for distribution are, in general and with some adjustments pursuant to applicable laws and regulations, equal to the accumulated, realized profits of the Issuer less accumulated, realized loss.

Holders of the Offer Shares shall not be entitled to participate in any other or further dividends, cash, property or stock beyond the dividends specifically payable on the Offer Shares.

ABCI will covenant that, in the event:

- any cash dividends due with respect to any Preferred Shares then outstanding for any period are not declared and paid in full when due;
- where there remains outstanding Arrears of Dividends; or
- any other amounts payable under the terms and conditions of the Offer Shares described in the Prospectus are not paid in full when due for any reason,

then it will not declare or pay any dividends or other distributions in respect of, or repurchase or redeem, securities ranking *pari passu* with, or junior to, the Offer Shares (or contribute any moneys to a sinking fund for the redemption of any securities ranking *pari passu* with, or junior to, the Offer Shares) until any and all Arrears of Dividends and accrued but unpaid cash dividends have been paid to the holders of the Offer Shares.

(b) **Non-Conversion**

Holders of the Preferred Shares shall have no right to convert the Preferred Shares to any other preferred shares or common shares of the Company.

(c) **Redemption**

As and if approved by the Board of Directors, ABCI may redeem the Offer Shares on such dates as set out in the Offer Supplement, or on the last day of any Dividend Period thereafter (each an "**Optional Redemption Date**") in whole, but not in part, at a redemption price equal to the relevant Offer Price of the Offer Shares plus any accrued and unpaid cash dividends due them on such Dividend Payment Date as well as all Arrears of Dividends outstanding (the "**Redemption Price**").

If at any time, ABCI redeems more than one (1) series, which, under the terms and conditions by which they were offered, may already be subject to optional redemption, ABCI has the option to redeem, without preference or priority, in whole, but not in part, any or all of the series; provided that in case of partial redemption of a series, such redemption shall apply pro rata among the holders thereof.

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Preferred Shares, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Preferred Shares at the Optional Redemption Date stated in such notice.

The Issuer may also redeem the Preferred Shares, in whole, but not in part, at any time if an Accounting Event or a Tax Event has occurred and is continuing, having given not less than thirty (30) nor more than sixty (60) days' written notice prior to the intended date of redemption, which notice shall be irrevocable and binding upon the Issuer to effect such redemption of the Preferred Shares at the redemption date stated in such notice. The redemption due to an Accounting Event or a Tax Event shall be made by the Issuer at the Redemption Price, which shall be paid within five (5) Banking Days of the exercise of the right to redeem the Preferred Shares on the date of redemption set out in the notice.

An accounting event ("**Accounting Event**") shall occur if in the opinion of the Issuer, with due consultation with its external auditor authorized to perform auditing services in the Republic of the Philippines, there is more than an insubstantial risk that the Preferred Shares may no longer be recorded as equity pursuant to a change in PFRS accounting principles in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than 60 nor less than 30 days' notice, may redeem the Preferred Shares in whole, but not in part at the Redemption Price.

A tax event ("**Tax Event"**) shall occur if dividend payments become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than sixty (60) nor less than thirty (30) days' notice, may redeem the Preferred Shares at any time in whole, but not in part, at the Redemption Price.

The Offer Shares, when redeemed, shall not be considered retired and may be re-issued by ABCI at a price to be determined by the Board of Directors.

ABCI has not established, and currently has no plans to establish, a sinking fund for the redemption of the Offer Shares.

As and if approved by the Board of Directors, the Company may redeem the Offer Shares on the Redemption Price determined therefor. The terms of any redemption will be set out in the relevant Offer Supplement.

The Company may not redeem the Offer Shares if the Company is declared insolvent or if such redemption will result in insolvency or inability to meet its debts as they mature.

Redemption of the Series B and Series C Preferred Shares

Optional Redemption and Purchase

As and if approved by the Board of Directors of the Issuer and subject to the requirements of applicable laws and regulations, the Issuer may, at its sole option, redeem in whole, but not in part, any series of the Offer Shares as follows:

(c) in respect of Series B Preferred Shares, three (3) years and six (6) months from the Issue Date or any Dividend Payment Date thereafter (each a "**Series B Optional Redemption Date**"); and

(d) in respect of Series C Preferred Shares, on the fifth (5^{th}) anniversary from the Issue Date or any Dividend Payment Date thereafter (each a "**Series C Optional Redemption Date**")

(each of the Series B Redemption Date and the Series C Redemption Date, being an **"Optional Redemption Date"**) at a redemption price equal to the Offer Price of the

Preferred Shares plus all dividends due on such Optional Redemption Date as well as all Dividends in Arrears ("**Redemption Price**").

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Preferred Shares (the "**Notice of Redemption**"), which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Preferred Shares at the Optional Redemption Date stated in such notice. For the avoidance of doubt, the Redemption Price will not be subject to, and independent from, the prevailing share price of the Preferred Shares at the time of redemption. Such notice to redeem shall be deemed irrevocable upon issuance thereof. The Notice of Redemption shall likewise indicate the Record Date for the Optional Redemption of the relevant Redeemed Shares, the payment mode of the Redemption Price to the relevant shareholders, and the general terms, among others. Moreover, the Company shall request for voluntary trading suspension of the relevant Redeemed Shares effective on Ex-Date until the Optional Redemption Date.

The Issuer may also redeem the Preferred Shares, in whole, but not in part, at any time if an Accounting Event or a Tax Event has occurred and is continuing, having given not less than thirty (30) nor more than sixty (60) days' written notice prior to the intended date of redemption, which notice shall be irrevocable and binding upon the Issuer to effect such redemption of the Preferred Shares at the redemption date stated in such notice. The redemption due to an Accounting Event or a Tax Event shall be made by the Issuer at the Redemption Price, which shall be paid within five (5) Banking Days of the exercise of the right to redeem the Preferred Shares on the date of redemption set out in the notice.

Redemption by reason of an Accounting Event

If in the opinion of the Issuer, with due consultation with its external auditor authorized to perform auditing services in the Republic of the Philippines, there is more than an insubstantial risk that the Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than 60 nor less than 30 days' notice, may redeem the Preferred Shares in whole, but not in part at the Redemption Price.

Redemption by reason of a Tax Event

In the event payments in respect of the Preferred Shares become subject to additional withholding or any new tax (including a higher rate of an existing tax) as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than sixty (60) nor less than thirty (30) days' notice, may redeem the Preferred Shares at any time in whole, but not in part, at the Redemption Price.

(d) **Liquidation**

In the event of a return of capital in respect of the liquidation, dissolution or winding up of the affairs of ABCI but not on a redemption or purchase by ABCI of any of its share capital, the holders of the Preferred Shares at the time outstanding will be entitled to receive, in Pesos, out of the assets of ABCI available for distribution to shareholders, together with the holders of any other of the shares of ABCI ranking, as regards repayment of capital, *pari passu* with the Offer Shares and before any distribution of assets is made to holders of any class of the shares of ABCI ranking junior to the Preferred Shares as regards repayment of capital, liquidating distributions in an amount equal to the Redemption Price as of (and including) the date of commencement of the winding up of ABCI or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of ABCI, the amount payable with respect to the Preferred Shares and any other shares of ABCI ranking as to any such distribution *pari passu* with the Preferred

Shares are not paid in full, the holders of the Preferred Shares and of such other shares will share proportionately in any such distribution of the assets of ABCI in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Preferred Shares will have no right or claim to any of the remaining assets of ABCI and will not be entitled to any further participation or return of capital in a winding up.

(e) **Voting Rights**

Holders of the Preferred Shares shall not be entitled to vote except in cases expressly provided by law. Thus, the holders of the Offer Shares are not eligible, for example, to vote for or elect the Board of Directors of ABCI. Holders of the Preferred Shares, however, may vote on the following corporate acts, which the Revised Corporation Code considers significant and may be implemented only with the approval of shareholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of ABCI:

- Amendment of the Amended Articles of Incorporation;
- Adoption and amendment of By-laws;
- Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the corporate property of ABCI;
- Incurring, creating or increasing bonded indebtedness;
- Increase or decrease of authorized capital stock;
- Merger or consolidation of ABCI with another corporation or other corporations;
- Investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which ABCI was organized; and
- Dissolution of ABCI.

However, for the amendment of the Amended By-laws of ABCI, the approval of the shareholders representing at least a majority of the issued and outstanding capital stock of ABCI in a meeting duly called for the purpose is required.

(f) **Pre-emptive Rights**

Holders of the Preferred Shares shall have no pre-emptive right to any issue or disposition of any share of any class of ABCI.

(g) **Status**

The Preferred Shares will constitute the direct and unsecured subordinated obligations of the Company ranking at least *pari passu* in all respects and ratably without preference or priority among themselves.

In the event of the winding-up of the Company, the Preferred Shares rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company which rank or are expressed to rank senior to the Preferred Shares. There is a substantial risk that an investor in the Preferred Shares will not receive any return of the principal amount or any unpaid amounts due under the terms of the Offer unless ABCI can satisfy in full all of its other obligations ranking senior to the Preferred Shares.

The Company is at liberty from time to time without the consent of the holders of the Preferred Shares to create and issue additional preferred shares or securities either (a) ranking at least *pari passu* in all respects with the Preferred Shares, or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Company may determine at the time of the issue.

Other Rights and Incidents Relating to the Preferred Shares

The other rights and incidents relating to the Offer Shares, which may also apply to other classes of shares of ABCI, are as follows:

Derivative Suit

Philippine law recognizes the right of a shareholder to institute, under certain circumstances, proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights, as for example, where the directors themselves are the malefactors.

Appraisal Rights

Under Philippine law, shareholders dissenting from the following corporate actions may demand payment of the fair value of their shares in any of the following circumstances:

- in case any amendment to the corporation’s articles of incorporation has the effect of changing and restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class;

- in case of any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets;

- in case of merger or consolidation;

- in case the corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose; and

- in case of extension or shortening of the term of corporate existence.

In these circumstances, the dissenting shareholder may require the corporation to purchase his, her or its shares at a fair value which, in case of disagreement between the dissenting shareholder and the corporation, is determined by three (3) disinterested persons, one (1) of whom shall be named by the stockholder, one (1) by the corporation, and the third by the two thus chosen. The appraisal rights may be exercised by the dissenting stockholder by making a written demand within thirty (30) days after the date on which the vote was taken on the corporate action. The failure to make the demand within the period shall be deemed a waiver of the appraisal rights.

The payment to the dissenting stockholder of the fair value of his shares will only be available if the corporation has unrestricted retained earnings to cover such purchase. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of the share.

Right of Inspection

It is a recognized right of a shareholder to inspect the corporate books, records of all business transactions of the corporation and the minutes of any meeting of the Board and shareholders, at reasonable hours on Banking Days and may demand a copy of excerpts from such records or minutes at the shareholder’s expense. On the other hand, the corporation may refuse such inspection if the shareholder demanding to examine or copy the records of the corporation has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

Another recognized right of a shareholder is the right to be furnished with the most recent audited financial statement of the corporation prepared in accordance with PFRS, which shall include a balance sheet as of the end of the last taxable year and a profit and loss statement for said taxable year, with related notes. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly audited by an independent certified public accountant.

Changes in Control

There is no provision in the Amended Articles of Incorporation and Amended By-laws of ABCI which would delay, deter or prevent a change in control of ABCI. There are no existing arrangements to which ABCI is a party or which are otherwise known to ABCI that may result in a change in control of ABCI.

SHAREHOLDERS' MEETINGS

Annual or Regular Shareholders' Meetings

All Philippine corporations are required to hold an annual meeting of shareholders for corporate purposes, one of which is the election of directors. ABCI's By-laws provide for annual meetings any day of June of each year, and if a legal holiday, then on the following Banking Day.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by either the President of the Company, upon the request by a majority of the Board of Directors to the President of the Company, or upon the written request of stockholders registered as the owners of not less than 1/4 of the outstanding capital stock of the Company entitled to vote. However, in general, pursuant to Section 49 of the Revised Corporation Code, stockholders may propose the holding of a special meeting and items to be included in the agenda.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and time of the meeting, and the purpose or purposes for which the meeting is called. Notices of meetings of the stockholders shall be sent by the Corporate Secretary by personal delivery, by mail, telegraph, facsimile, or cable to each stockholder at least fifteen (15) Banking Days prior to the date of the meeting to each stockholder of record at his last known address. In addition, in accordance with Section 49 of the Revised Corporation Code and SEC Memorandum Circular No. 6, series of 2020, for meetings to be held via remote communication, written notice must be sent at least twenty-one (21) days prior to the scheduled regular meeting. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting. Notice of any meeting may be waived, expressly or impliedly, by any shareholder, in person or by proxy, before or after the meeting.

When the meeting of the shareholders is adjourned to another time or place, notice of the adjourned meeting need not be provided so long as the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is decided. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Quorum

Unless otherwise provided by law, shareholders who own or hold a majority of the outstanding capital stock must be present or represented in all regular or special meeting of shareholders in order to constitute a quorum, except in cases where the Revised Corporation Code provides a greater percentage vis-a-vis the total outstanding capital shares. If no quorum is constituted, the meeting shall be adjourned until shareholders who own or hold the requisite number of shares shall be present or represented.

Upon approval of and upon notice by the Board of Directors, meetings may be attended by the stockholders either in person or through video or teleconference or such other means as may be subsequently permitted by applicable law or regulation.

Fixing Record Dates

The Board of Directors has the authority to fix in advance the record date for shareholders entitled: (a) to notice of, to vote at, or to have their shares voted at, any shareholders' meeting; (b) to receive payment of dividends or other distributions or allotment of any rights; or (c) for any lawful action or for making any other proper determination of shareholders' rights.

Pursuant to SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than ten (10) and not more than thirty (30) days from the date of declaration of cash dividends.

Differences in the features of the Common Shares and the Preferred Shares

Feature	Common Shares	Preferred Shares
Entitlement to Dividends	Holders of common shares is entitled to receive dividends, but such dividends may be subjected to certain conditions, such as the existence of unretained restricted earnings.	Holders of the Preferred Shares shall have preference in the distribution of dividends and in the distribution of corporate assets in case of liquidation, or such other preference.
Redeemability	Common shares, if expressly provided for in the articles of incorporation, are redeemable at a fixed date, or at the option of either issuing corporation, or the stockholder, or both at a certain redemption price.	The Preferred Shares, if expressly provided for in the articles of incorporation, are redeemable at a fixed date, or at the option of either issuing corporation, or the stockholder, or both at a certain redemption price.
Rights Upon Liquidation/ Dissolution/ Bankruptcy/ Winding Up	In the event of a liquidation/dissolution/ bankruptcy/ winding up of the Company, the common shares rank junior in right of payment to all indebtedness of the Company, junior in right of payment to securities of, or claims against, the Company which rank or are expressed to rank senior to the Preferred Shares and junior in right of payment to the Preferred Shares.	In the event of the winding-up of the Company, the Preferred Shares rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company which rank or are expressed to rank senior to the Preferred Shares. The Preferred Shares, however, rank in *pari passu* with the other Preferred Shares. There is a substantial risk that an investor in the Preferred Shares will not receive any return of the principal amount or any unpaid amounts due under the terms of the Offer unless ABCI can satisfy in full all of its other obligations ranking senior to the Preferred Shares.
Voting Rights	Holders of common shares are entitled to vote on all matters.	Holders of the Preferred Shares shall not be entitled to vote at the Company's stockholders'

Feature	Common Shares	Preferred Shares
		meetings, except as otherwise provided by law.
Pre-emptive Right	Holders of common shares generally enjoy the pre-emptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the articles of incorporation or an amendment thereof.	Holders of the Preferred Shares shall have no pre-emptive rights to subscribe to any shares (including, without limitation, treasury shares) that will be issued or sold by the Company.
PSE Listing	The listing of common shares is governed by the PSE Consolidated Listing and Disclosure Rules published as of May 2023.	The listing of preferred shares is governed by the PSE Consolidated Listing and Disclosure Rules published as of May 2023, except for the initial listing of preferred shares without listing the common shares of a corporation, as such is governed by Part H of the PSE Consolidated Listing and Disclosure Rules published as of May 2023.

RISK FACTORS

General Risk Warning

An investment in the Offer Shares involves a number of risks. 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. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the business, financial condition, results of operations and cause the market price of the Offer Shares to decline. All or part of an investment in the Offer Shares could be lost. Investors deal in a range of investments each of which may carry a different level of risk.

The means by which ABCI intends to address the risk factors discussed herein are principally presented under "The Company" beginning on page 81 and "Management's Discussion and Analysis of Results of Operations and Financial Condition" beginning on page 142 of this Offer Supplement.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to ABCI's business, results of operations, financial condition, and prospects.

Prudence Required

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly-available information on the Offer Shares and ABCI from the SEC and PSE.

Professional Advice

An investor should seek professional advice 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 high-risk securities.

Risk Factors

This Offer Supplement contains forward-looking statements that involve risks and uncertainties. ABCI adopts what it considers conservative financial and operational controls and policies to manage its business risks. The actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Offer Supplement. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of ABCI, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

Investors should carefully consider all the information contained in this Offer Supplement including the risk factors described below, before deciding to invest in the Offer Shares. The business, financial condition and results of operations of the Company could be materially and adversely affected by any of these risk factors.

RISKS RELATING TO THE GROUP

ABCI's businesses are affected by regulations in the Philippines

The businesses and operations of the ABCI Group are subject to a number of national and local laws, rules, and regulations governing several different industries in the Philippines. The political and regulatory landscape is continually evolving, and the ABCI Group is required to continuously assess and ensure it is up to date with the demands of regulatory compliance. These laws and regulations require the Company to obtain and maintain several approvals, licenses, and permits from various entities such as the DHSUD, the DENR, the Energy Regulatory Commission (the "**ERC**"), and the Philippine Food and Drug Administration ("**FDA**"), among others. Additionally, the Company may need to apply for more approvals, licenses, and permits and renew such approvals, licenses, and permits that may expire from time to time. In addition, there is no assurance that the Company will not be subject to new licensing requirements in the future or that it will be able to obtain and/or maintain such approvals, licenses or permits in a timely manner, or at all, or that it will not become subject to any regulatory action on account of not having obtained or renewed such approvals, licenses, and permits.

For example, the real estate industry is highly regulated. The development of subdivision and other residential projects is subject to a wide range of government regulations, which, while varying from one locality to another, typically include zoning considerations as well as the requirement to procure a variety of environmental and construction-related permits. In addition, projects that are to be located on agricultural land must get clearance from the DAR so that the land can be re-classified as non- agricultural land and, in certain cases, tenants occupying agricultural land may have to be relocated at the Company's expense.

The power and utilities investments of the Group is also subject to extensive regulation, including the EPIRA. The enactment and implementation of any such bills or amendments to the EPIRA or other changes to Philippine laws and regulations relevant to the power industry, could have a material adverse effect on the business, financial condition, and results of operations of the Group, or on the rules and regulations governing the power industry, which could materially reduce sales and profitability.

There can be no assurance that future laws, regulations and/or standards will not have a material adverse effect on the Company. In particular, the enactment and implementation of any such bills or amendments to the National Internal Revenue Code of 1997, as amended (the "**Philippine Tax Code**"), or other changes to Philippine laws and regulations relevant to the power and utilities investments, the real estate business, and the agri-business, could increase the Company's costs and have a material adverse effect on the business, financial condition, and results of operations of ABCI.

On January 29, 2021, Republic Act No. 11521 was enacted which introduced amendments to the Anti-Money Laundering Act of 2001 ("**AMLA**"). Among the amendments is the inclusion of real estate developers as Covered Persons subject to verification and reporting requirements under the AMLA. Compliance with these requirements may entail additional cost and delay in the marketing and sales of our real estate business.

To mitigate this risk, the Company regularly monitors applicable regulations, its permits and approvals to ensure that all are properly complied with and permits are renewed and maintained. See "Material Permits and Licenses". The Company has also appointed Compliance Officers to submit all required reports from the Company including to the AMLC as well as to keep records of all transactions within the prescribed period of time.

Compliance with and renewal of licenses, permits and other authorizations

The ABCI Group is required to maintain licenses, permits, and other authorizations for the operations of its businesses, including business permits and permits concerning, for example, health and safety, and environmental standards. These licenses, permits, and other authorizations contain various requirements that must be complied with to keep the same valid. If the Group fails to meet the terms and conditions of any of our licenses, permits or other authorizations necessary for operations, these operations may be suspended or terminated.

While the Company believes, to the best of its knowledge, that it has, at all relevant times, materially complied with all applicable laws, rules and regulations and has an established compliance culture to ensure that all requirements, permits, and approvals are obtained in a timely manner, there is no assurance that changes in laws, rules or regulations or the interpretation thereof by relevant government agencies, will not result in the Company having to incur substantial additional costs or capital expenditures.

The measures implemented by ABCI to comply with laws and regulations may also be deemed insufficient by Governmental Authorities. If the Company fails to comply, or is deemed to be non-compliant with any applicable laws or regulations, the Group may be subject to penalties, which could disrupt its operations and have a material adverse effect on its business and results of operations. Potential liabilities for such non-compliance with the legal requirements or violations of prescribed standards and limits under these laws include administrative, civil, and criminal proceedings by Governmental Authorities, as well as civil proceedings by environmental groups and other individuals, that could limit or affect its operations such as orders for the suspension and/or revocation of permits or licenses or suspension and/or closure of operations. There can be no assurance that the Company will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings, the costs of which could be material. In the event that the Company becomes involved in any future litigation or other proceedings or is subject to any adverse rulings or decisions, such events may materially and adversely affect its business, financial condition, and results of operations.

There can be no assurance that the Group will continue to be able to renew the necessary licenses, permits, and other authorizations as necessary or that such licenses, permits, and other authorizations will not be revoked. If the Company is unable to obtain or renew them or are only able to do so on unfavourable terms, this could have an adverse effect on the Company's business, financial condition, and results of operations.

Exposure to safety, health and environmental costs and liabilities

The businesses of the Group span several industries and are subject to a variety of laws, rules and regulations that impose limitations, prohibitions, and standards with respect to health and safety, as well as the use, discharge, emission, treatment, release, disposal, and management of regulated materials and waste, and hazardous substances. Safety, health and environmental laws and regulations in the Philippines have become increasingly stringent and it is possible that these laws and regulations will become significantly stricter in the future. The adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require additional capital expenditures or the incurrence of additional operating expenses in order to comply with such laws and to maintain current operations as well as any costs related to fines and penalties.

Furthermore, if the measures implemented by the Group to comply with these laws and regulations are not deemed sufficient by Governmental Authorities, compliance costs may significantly exceed estimates. If the Group fails to meet safety, health, and environmental requirements, it may be subject to administrative, civil, and criminal proceedings by Governmental Authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties, as well as orders that could limit or halt its operations. There is no assurance that the Group will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health, and environmental matters in the future, the costs of which could be material. Environmental compliance and remediation costs at sites on which its facilities are located and related litigation and other proceedings could materially and adversely affect the cash flow, results of operations, and financial condition of ABCI.

The Company continuously monitors its compliance with applicable health, safety, and environmental regulations.

Increases and changes in applicable taxes, taxation laws and tax incentives

The businesses and operations of ABCI are subject to various taxes, including value-added tax ("**VAT**"), excise taxes, duties and tariffs in the Philippines and in other countries where it conducts its businesses. An increase in prices due to additional taxes may affect demand for its products in the Philippines.

On September 9, 2019, the House of Representatives of the Philippines approved on third and final reading House Bill No. 304, or the Passive Income and Financial Intermediary Taxation Act ("**PIFITA Bill**"). The PIFITA Bill provides for, among others, a reduction in the tax rates on interest income from yield or any other monetary benefit earned or received from bank deposits, deposit substitutes, trust fund and similar arrangements from the current 20% to 15%, and an increase in the tax rate on cash and/or property dividends from the current 10% to 15%. In addition, the PIFITA Bill provides for the rationalization of documentary stamp taxes. In the event the PIFITA Bill is enacted, the amount required to be grossed up by the Company will increase. To date, the House of Representatives is still awaiting the Senate's action on the PIFITA Bill.

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises Act ("**CREATE**") (formerly known as the Corporate Income Tax and Incentives Rationalization Act was passed into law. The CREATE law provides for the application of lower corporate income taxes. However, it also provides for the reduction, suspension or cancellation of fiscal incentives for corporations under certain circumstances.

Increases in tax, changes in the applicable tax regime or other taxes and incentives to which the Group is subject, or the imposition of new taxes on its operations or products, including those which may result from ongoing tax reforms by the Government may, (i) if passed on to the consumers by way of upward price adjustments, reduce sales, (ii) if prices remain unchanged, reduce margins, or (iii) if additional taxes are not fully passed on to the consumers, have both of the foregoing effects. Thus, as with other Philippine companies engaged in similar businesses, these increases and changes may materially and adversely affect the Company's business, financial condition, and results of operations.

Availability of financing

ABCI may not be able to obtain financing or capital on terms acceptable to it or at all which could adversely impact the execution of its expansion plans and the Group may not be able to fulfil its debt obligations. The Group may need to obtain external debt and equity financing, through public or private financing. The continued access to debt and equity financing as sources of funding for new projects and for refinancing maturing debt is subject to many factors, including: (i) Philippine regulations limiting bank exposure to a single borrower or related group of borrowers; (ii) the compliance with existing debt covenants; (iii) the ability of the Group to service new debt; and (iv) market perceptions of the Company and its businesses. Political instability, an economic downturn, social unrest, or changes in the Philippine regulatory environment could also increase the cost of borrowing or restrict its ability to obtain debt financing.

The Company believes that it prudently manages the financial requirements of its business. In addition, by broadening its funding sources to include tapping the capital markets, including the offering of the Preferred Shares subject of this Offer Supplement, ABCI will be able to better manage and anticipate the fiscal demands of its businesses.

Loss of key personnel

Any loss of key personnel, inability to replace such personnel, and failure to train and retain replacement personnel could materially and adversely affect the ability of the Group to provide products and services to its customers. Continued resignation of trained personnel could also result in the Group incurring additional expenses in hiring and training replacement personnel in a competitive job market, and it may take time for these new personnel to reach the level of technical skill and expertise of the personnel being replaced.

ABCI has relied and will continue to rely significantly on the continued individual and collective contributions of its senior management team. If any key personnel are unable or unwilling to continue in their present positions, the Group may not be able to replace them easily, and its business may be significantly disrupted. Any of the foregoing could have a material adverse effect on the businesses of the Group. To address this, the Company has in place a system of financial prudence and corporate governance and strengthens the competencies of our employees specifically those in the succession pipeline of key personnel, provide training to prepare employees to take on higher responsibilities, and pursue strategic hiring for identified critical positions.

Uninsured losses

The Group may not be fully insured against, and insurance may not be available for, unexpected losses caused by natural disasters, breakdowns, or other events that could affect its businesses. Any unexpected losses caused by such events against which it is not fully insured could have a material adverse effect on its businesses, financial condition, and results of operations. It could suffer a decline in production, receive adverse publicity, and be forced to invest significant resources in addressing such losses. Such events could materially and adversely affect its financial condition and results of operations. The Company maintains insurance policies for its businesses in accordance with prevailing industry standards and practice and believes that its insurance coverage is in accordance with its business exposure. The Group's insurance coverage includes, but not limited to the following: Fire/Lightning, Earthquake Fire & Earthquake

Shock, Typhoon, and other natural disasters; and Robbery/Hold-up, Riot/Strike/Malicious Damage, Spontaneous Combustion, Landslide & Subsidence.

Related Party Transactions

The Company, certain subsidiaries and their shareholders, and associates in the normal course of business, enter into transactions with one another. To safeguard the interests of the Company as well as the minority shareholders and other stakeholders, all related party transactions must be done on an arm's length basis. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.
In compliance with SEC Memorandum Circular No. 10, series of 2019, the Company adopted a Policy on Material Related Party Transactions which was unanimously approved by the Board of Directors on 25 October 2019 (the "Material RPT Policy").

The outstanding accounts with related parties, except for deposits for future stock subscription and the advances to key management personnel, shall be settled in cash. The deposits for future stock subscription are convertible to additional investment in subsidiary. These accounts are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. The Company has approval process and established limits when entering into material related party transactions.

Company requires directors to disclose immediately their interests in transactions or any other conflict of interests and do not participate in the decision-making process.

No material related party transaction was made in 2022 and 2021 that breached the materiality threshold. However, related party transactions below the threshold apply the same principle of abstentions if the directors are involved in the transaction.

For the past five years, the Company did not enter into any contract with promoters.

In addition, material related party transactions that amount to 10% or higher of the Company's total assets shall be subject to the review of the Related Party Transaction Committee and the approval by at least 2/3 of the Board of Directors, with at least a majority of independent directors voting to approve the transaction.

On-going and possible future legal/administrative proceedings

The Company may, from time to time, be involved in disputes with various parties in the operations of its businesses, including those relating to commercial or contractual matters, and may be subject to investigations by regulatory and administrative bodies. Management believes, that none of its pending cases will materially affect the Company's financial position and results of operation.

In addition, the Company and its subsidiaries may also have disagreements with regulatory bodies in the course of operations, which may subject the Company to administrative proceedings and decisions that may result in penalties or other liabilities. Any of these outcomes could materially and adversely affect the Company's business, financial condition, and results of operations.

In the event that the Company becomes involved in future litigation or other proceedings or be held responsible in any future litigation and proceedings, the Company endeavors to amicably settle the legal proceedings and in the event of any adverse ruling or decision, diligently exhaust all legal remedies available to it.

RISKS RELATING TO ABCI'S REAL ESTATE BUSINESS

The real estate business is a highly competitive industry

The Company is primarily engaged in the business of horizontal real estate development that range from high-end and middle-income residential developments to economic and socialized housing segments. ABCI targets the full spectrum of the real estate market and responds to the demands of the market and will sustain the niche for the middle-middle, upper-middle and premium markets.

In the event the Company's competitors are able to secure better locations or develop, market and sell more attractive properties than the Company, or if the Company is unable to properly gauge the market for its properties, then the Company's results of operations and prospects may be negatively impacted.

Some competitors may also have substantially greater financial and other resources, which may allow them to undertake more aggressive marketing and to react more quickly and effectively to changes in the markets.

The Company believes that with its strong local presence and familiarity and the customers' recognition of the value appreciation potentials of its projects, it will be able to compete in the price segments it operates in.

The Company may not be able to acquire new or additional land for new projects

ABCI is subject to significant competition in connection with the acquisition of land for residential real estate projects in Cagayan de Oro City and Initao in Misamis Oriental, Cainta, Rizal; Tanay, Rizal; Valencia City, Bukidnon; and Butuan City, Agusan del Norte. The Company competes with its competitors to secure suitable sites for development.

The Company's future growth and development are dependent, in part, on their ability to acquire or enter into agreements to develop additional tracts of land suitable for the types of residential real estate projects they have developed over the years. As the Company and its competitors attempt to locate sites for development, ABCI may experience difficulty locating parcels of land of suitable size in locations and at prices acceptable to them, particularly parcels of land located in areas surrounding urban areas throughout the Philippines. The Company may also have difficulty in attracting land owners to enter into joint venture agreements with them that will provide the Company with reasonable returns. In addition, pending negotiations with third parties to acquire additional land for the Company's projects may not be successful that may hamper its land banking activities and future inventory. In the event the Company is unable to acquire suitable land at acceptable prices, or at all, or to enter into agreements with joint venture partners to develop suitable land with reasonable returns, or at all, the Company's growth prospects could be limited and its business, financial condition and results of operations could be adversely affected.

Nevertheless, the Company believes it has an extensive landbank in Northern Mindanao, Bukidnon, Caraga Region and Tanay, Rizal of 317 hectares and intends to acquire additional raw land for future developments.

The real estate industry in the Philippines is capital intensive

The real estate industry in the Philippines is capital intensive, and market players are required to incur significant capital expenditures to complete existing projects and commence construction on new developments. To illustrate, in 2022, the Company spent ₱803.5 million for development and construction costs in relation to the development of land and construction of housing units.

The Company has funded a significant portion of its capital expenditure requirements through a combination of internally generated funds from its revenues and investments and through bank financing. There can be no assurance that the Company will be able to continue funding its capital expenditure requirements internally, or that it will be able to externally obtain sufficient funds at acceptable rates to fund its capital expenditure budgets. Failure to obtain the requisite funds could delay or prevent the completion of the Company's on-going projects or any new projects, and such delay or failure to complete could materially and adversely affect the Company's business, financial condition and results of operations.

The Company believes that it prudently manages the financial requirements of its business. In addition, by broadening its funding sources to include tapping the capital markets, the Shelf Registration of Preferred Shares, and the offering of the Preferred Shares subject of this Offer Supplement, ABCI will be able to better manage and anticipate the capital demands of its real estate business.

Substantial sales cancellations may have a material adverse effect on the Company

The Company is subject to Republic Act No. 6552 or the Realty Installment Buyer Act (the "**Maceda Law**"), which applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units. Under the Maceda Law, buyers who have paid at least two years of installments are granted a grace period of one month for every year of paid installments to cure any payment default. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five years of installments have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installments and who default on installment payments are given a 60-day grace period to pay all unpaid installments before the sale can be cancelled, but without a right of refund. See "Regulatory and Environmental Matters."

There can be no assurance that the Company will not suffer from substantial sales cancellations and that such cancellations will not have a material adverse effect on its financial condition and results of operations.

In order to mitigate this risk, management regularly evaluates historical sales cancellations. Collectability is assessed by considering factors such as past history with the buyer, age, and pricing of the property.

In 2022 and 2021, the Company's customer default rate was at 3% and 6%, respectively. The following table summarizes the Company's historical default rate for the last five (5) years:

Year	Default Rate
2022	3%
2021	6%
2020	5%
2019	1%
2018	6%

In case of default, the Company can immediately repossess the property on the 8th month from date of default and then resell the property on the same month. Sales cancellations does not have a major impact on the Company's operations as The Company is able to resell the property upon repossession.

The Company may not be able to successfully manage its land bank

The Company has an extensive landbank in Northern Mindanao, Bukidnon, Caraga Region and Tanay, Rizal of more than 290 hectares and in negotiations to acquire an additional 300 hectares for development. The Company must continue with land acquisitions to replenish inventory for future land developments. As consumer demand for residential real estate decreases the risks for the land acquisition increases. The market value of land, subdivision lots and housing inventories can also fluctuate significantly as a result of changing market conditions.

In the event of any significant change in economic, political, security or market conditions, the Company may have to sell its products at significantly lower margins or at a loss. Changes in economic or market conditions may also require the Company to defer the commencement of housing and land development projects. This would require the Company to continue to carry the cost of acquired but undeveloped land on its statement of financial position, as well as reduce the amount of property available for sale. Any of the foregoing events would have a material adverse effect on the Company's business, financial condition and results of operations.

To mitigate this risk, the Company relies on the experience of management in the real estate business. The Company has a long-term development plan for its pipeline projects that can be supported by its available land bank. The Company does continuous land banking focused on areas where the Company has a local foothold and a competitive advantage.

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

The Philippines has adopted a system of land titling and registration that is intended to conclusively confirm land ownership and to be binding on all persons (including the Government). However, it is not uncommon for third parties to claim ownership of land that has already been registered and over which a title has been issued. There have also been cases in the Philippines in which third parties have produced false or forged title certificates over land.

In the event a significant number of similar third-party claims are brought against the Company in the future or any such claims involves land that is material to the Company's housing and land development projects, the Company's management may be required to devote significant time and incur significant costs in defending the Company against such claims. In addition, if any such claims are successful, the Company may have to either incur additional costs to settle such third-party claims or surrender title to land that may be material in the context of the Company's housing and land development projects. Any of the foregoing circumstances could have a material adverse effect on the Company's business, financial condition and results of operations, as well as on its business reputation.

To mitigate this risk, the Company undertakes due diligence in the acquisition of parcels of land.

The Company may not be able to complete its projects within budget or on time

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm the Company's reputation as a property developer or lead to cost overruns or loss of or delay in recognizing revenues and lower margins. This may also result in sales and resulting profits from a particular development not being recognized in the year in which it was originally expected to be recognized, which could adversely affect the Company's results of operations for that year.

Other factors that could adversely affect the time and the costs involved in completing the development and construction of the Company's projects include:

- pandemics, natural catastrophes and adverse weather conditions;
- changes in market conditions, economic downturns, unemployment rate, and decreases in business and consumer sentiment in general;
- delays in obtaining government approvals and permits;
- delays in completion of its prior projects, which would create shortages of contractors and skilled labor;
- imposition of lockdowns by the Government, changes in laws or in Government priorities;
- timing of commencement of the projects;
- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials and equipment;
- labor disputes with contractors and subcontractors;
- construction accidents;
- errors in judgment on the selection and acquisition criteria for potential sites; and
- other unforeseen problems or circumstances.

If a property project is not completed on time, the purchasers of pre-sold units within the project may also be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their presale agreements and claim damages. There can be no assurance that the Company will not experience any significant delays in completion or delivery of its projects in the future or that it will not be subject to any liabilities for any such delays.

To mitigate this, the Company has put into place internal processes and controls to monitor progress throughout the development process, which it believes to be effective. For more than two (2) decades, the Company believes it has built a credible reputation of delivering high quality real estate products on time.

The Company relies on banks and the HDMF for end-buyers financing

Buyers of the Company's housing units secure financing from HDMF or from domestic banks. Documentation, loan application, and loan approval may take longer than expected and the Company's customers may not be able to timely secure financing for their purchase which may delay revenue and income recognition for the Company.

To address this, the Company has adopted a 3-year in-house financing program to allow buyers to acquire the housing unit pending the loan approval by the HDMF or the bank. The Company's in-house financing has adopted risk assessments and methodology in line with criteria of the HDMF among others, to ensure creditworthiness of its buyers.

Liquidity Risk

The Company is exposed to liquidity risk with respect to its buyers who avail of the Company's in-house financing pending loan approval by HDMF or domestic banks. To mitigate this risk, buyers are encouraged to issue Post Dated Checks to cover their monthly amortizations. In addition, ABCI undertakes an independent evaluation of accounts prior to endorsement to banks for take-out. The buyer through their agents is likewise encouraged to submit their bank requirements in preparation for the bank take out. To discourage defaults, the Company imposes steep penalties for late payments. In addition, buyers are not allowed to move into the housing units unless the unit as well as the miscellaneous fees have been settled.

The Philippines' housing market is highly regulated

In July 2019, Senate Bill No. 256 or the Agricultural Land Conversion Ban Bill was filed which seeks to prohibit the conversion of irrigated and irrigable agricultural and for non-agricultural uses. The bill is currently pending before Senate Committee on Local Government. If passed into law, the ban may delay the implementation of the Company's proposed projects because the supply of land available for development may be limited. This may further lead to an increase in the acquisition cost of land and the development cost of the Company's projects.

Meanwhile, Presidential Decree No. 957, as amended, ("**P.D. 957**") and B.P. 220 are the principal statutes which regulate the development and sale of real property as part of a condominium project or subdivision. P.D. 957 and B.P. 220 cover subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes. Pursuant to Republic Act No. 11201, the HUDCC and the HLURB were consolidated to create the DHSUD. Simultaneously, the HLURB was reconstituted into the HSAC. The functions of the HUDCC and the planning and regulatory functions of HLURB were transferred to and consolidated in the DHSUD, while the HSAC shall assume and continue to perform the adjudication functions of HLURB. DHSUD is the administrative agency of the Government which, together with LGUs, enforces these decrees and has jurisdiction to regulate the real estate trade and business. Regulations applicable to the Company's operations include standards regarding:

- the suitability of the site;
- road access;
- necessary community facilities;
- open spaces;
- water supply;
- sewage disposal systems;
- electricity supply;
- lot sizes;
- the length of the housing blocks; and
- house construction.

All subdivision development plans are required to be filed with and approved by the local government unit with jurisdiction over the area where the project is located. Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities and donation of roadways to and other easements in favor of the relevant government agencies. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government unit. There can be no assurance that the Company, its subsidiaries or associates or partners will be able to obtain governmental approvals for its projects or that when given, such approvals will be in accordance with the Company's planned timing for the relevant project and will not be later revoked. Any non-receipt or delay in receipt of approvals could affect the Company's ability to complete projects on time or at all.

In addition, owners of or dealers in real estate projects are required to obtain licenses to sell before making sales or other dispositions of subdivision lots and housing and condominium units. Project permits and any license to sell may be suspended, cancelled or revoked by the DHSUD based on its own findings or upon complaint from an interested party and there can be no assurance that the Group will in all circumstances, receive the requisite approvals, permits 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.

The Company is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits, and approvals are anticipated and obtained in a timely manner. We believe we have an established compliance culture and have processes in place to manage adherence to laws and regulations.

Environmental laws applicable to the Company's projects could have a material adverse effect on its business, financial condition or results of operations

In general, developers of real estate projects are required to submit project descriptions to regional offices of the DENR. For environmentally-sensitive projects or at the discretion of the regional office of the DENR, a detailed EIA may be required and the developer will be required to obtain an ECC to certify that the project will not have an unacceptable environmental impact. There can be no assurance that current or future environmental laws and regulations applicable to the Company will not increase the costs of conducting its business above currently projected levels or require future capital expenditures. In addition, if a violation of an ECC occurs or if environmental hazards on land where the Company's projects are located cause damage or injury to buyers or any third party, the Company may be required to pay a fine, to incur costs in order to cure the violation and to compensate its buyers and any affected third parties. The Company cannot predict what environmental 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 may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations.

The Company is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits, and approvals are anticipated and obtained in a timely manner. We believe we have an established compliance culture and have processes in place to manage adherence to laws and regulations.

The loss of certain tax exemptions and incentives will increase the Company's tax liability

The Company benefits from provisions under Philippine law and regulations which exempt sales of residential lots with a gross selling price of ₱1.5 million or less and sales of residential houses and lots with a gross selling price of ₱2.5 million or less from the VAT of 12%. However, under the TRAIN Law which amended certain provisions of the Tax Code, beginning January 1, 2021, the VAT exemption shall only apply to (i) sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of business; (ii) sale of real property utilized for socialized housing as defined by Republic Act No. 7279; and (iii) sale of house and lot, and other residential dwellings with selling price of not more than ₱2 million as adjusted to ₱3,199,200.00 in 2011 using the 2010 Consumer Price Index values as provided under Revenue Regulation No. 8-2021.

There is no assurance that laws and regulations removing the VAT exemption for socialized housing will be passed and enacted in the future. If the VAT exemptions are removed, the selling prices for the Company's subdivision lots and housing and condominium units may increase, which increase could adversely affect the Company's sales. Because taxes such as VAT are expected to have indirect effects on the Company's results of operations by affecting general levels of spending in the Philippines and the prices of subdivision lots and houses, any adverse change in the Government's VAT-exemption policy could have an adverse effect on the Company's results of operations.

Construction defects and other building-related claims

Philippine law provides that property developers, such as the Company, warrant the structural integrity of houses that were designed or built by them for a period of fifteen (15) years from the date of completion of the house. The Company may also be held responsible for hidden (i.e., latent or non-observable) defects in a house sold by it when such hidden defects render the house 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 house to the buyer. In addition, the Building Code, which governs, among others, the design and construction of buildings, sets certain requirements and standards that must be complied with by the Company. 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.

To ensure that the construction of houses is built to specification, the Company's quality control and monitoring group inspects the houses and provides immediate feedback to the Construction group to address. The independence of the Quality Control team with the Sales and Marketing team was set-up to rectify defects and complaints reported.

The Certificate of Acceptance Form is signed by customers before move-in to ensure that they are satisfied with the quality of the houses.

Reliance on overseas Filipino Workers and expatriate Filipinos.

A significant portion of the demand for the Company's residential real estate projects is from overseas Filipino workers ("**OFWs**") and expatriate Filipinos, which exposes the Company to risks relating to the performance of the economies of the countries where these potential customers are based. The Company relies on OFWs and expatriate Filipinos to generate a significant portion of the demand for their residential projects. Approximately 26% of the Company's real estate sales in 2022 is attributed to sales to OFWs. A number of factors could lead to, among other effects, reduced remittances from OFWs, a reduction in the number of OFWs or a reduction in the purchasing power of expatriate Filipinos. These include a downturn in the economic performance of the countries and regions where a significant number of potential customers are located, such as the Middle East, Singapore, Japan, Italy and the United Kingdom, 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 residential real estate projects from OFWs and expatriate Filipinos, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The exposure to this risk is mitigated by the fact the Company's business operations is not entirely reliant to the business transactions of one demographic. The Company can pivot its marketing and advertising activities towards the other group. See "*Customer Profile"* in this Offer Supplement.

RISKS RELATING TO POWER AND UTILITIES BUSINESS

Non-controlling Interest in Associates

The Company has a non-controlling interest in PCPC and PEI. In 2022, 2021, and 2020, the Company received dividends from PCPC and PEI amounting to ₱190.0 million, ₱160.4 million, and ₱219.2 million, respectively.

ABCI's investments in PCPC and PEI are accounted for under the equity method. In 2022, 2021, and 2020, the Company's equity in net earnings from associates amounted to ₱316.4million or 50% of ABCI's consolidated net income, ₱273.5million or 69% of ABCI's consolidated net income, and ₱175.9million or 60% of ABCI's consolidated net income, respectively.

ABCI has no direct involvement in the operations of PCPC and PEI and its participation in these companies is limited to its representation in the board of directors of these companies and as a minority shareholder.

To mitigate this risk, ABCI has representation in the meetings of the Board of Directors and the Executive Committee of the Board of Directors. ABCI representatives maintain a good working relationship with its co-shareholders in PCPC and PEI.

Suspension of issuance and renewal of Retail Electricity Supplier ("RES") licenses

In June 2015, the DOE through its Department Circular ("**DC**") No. 2015-06-0010 enjoined the ERC to immediately issue the supporting guidelines including the revised rules for issuance of RES licenses. In compliance with the department circular, the ERC issued the following resolutions to govern the issuance of new RES licenses and renewal of existing RES licenses and the registration of retail customers:

- Resolution No. 5, Series of 2016, entitled "A Resolution Adopting the 2016 Rules Governing the Issuances of the Licenses to Retail Electricity Suppliers and Prescribing the Requirements and Conditions Therefore" (the "RES License Guidelines")

- Resolution No. 10, Series of 2016, entitled "Adopting the Revised Rules for Contestability"

- Resolution No. 11, Series of 2016, entitled "Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market"

- Resolution No. 28, Series of 2016, entitled "Revised Timeframe for Mandatory Contestability"

However, in February 2017, the Philippine Supreme Court, acting on a petition filed by certain entities, issued a temporary restraining order ("**TRO**") on the implementation of the foregoing ERC resolutions. As of the date hereof, the temporary restraining order has not been lifted. In response to the temporary restraining order, and to provide guidance to relevant power industry players, the DOE issued DC No. 2017-12-0013 and DC No. 2017-12-0014 encouraging eligible contestable customers to voluntarily participate in RCOA. In 2019, the DOE issued DC2019-07-0011, amending various issuances on the implementation of the RCOA. DC No. 2019-07-0011 provides that registration of contestable customers as trading participant in the WESM shall be on a voluntary basis and that contestable customers shall source its electricity supply requirements from ERC-licensed/authorized suppliers. In the light of the TRO issued by the Philippine Supreme Court, the ERC resumed the issuance of RES licenses using ERC Resolution No. 1, Series of 2011 (the "**2011 RES Licensing Rules**") in 2020.

On March 2, 2021, the Philippine Supreme Court promulgated its decision, a copy of which was made publicly available on September 24, 2021, finally declaring DC 2015-06- 0010 and the 2016 ERC RES Issuances, void for being bereft of legal basis (the "**SC RES Decision**"). As a result, the temporary restraining order issued by the Philippine Supreme Court in February 2017, which enjoined the DOE and ERC from implementing DC 2015-06-0010 and the 2016 ERC RES Issuances, has been made final. In the same decision, the Philippine Supreme Court also directed the ERC to promulgate the supporting guidelines to DC 2017-12-0013 and DC 2017-12-0014. Per the 10th recital of ERC Resolution 9, Ser. 2021, the ERC, in a regular commission meeting, approved the resumption of Resolution 1, Series of 2011 or the original RES Licensing Rules. Since 2021, the ERC has resumed their RES Licensing process.

While PEI and its subsidiaries have valid and existing RES licenses, the ability of these associates to directly contract with contestable customers may be limited if prior to the expiry of such RES licenses (a) the temporary restraining order on the RES License Guidelines is not lifted, or (b) an alternative regulatory framework governing the retail sale of electricity is not put in place. Such limitation on the ability of PEI and its subsidiaries to directly contract with contestable customers could have a material adverse effect on the business, financial condition and results of operations of PEI.

Disruptions in fuel supply

The operation of the PCPC's 135-megawatt coal-fired power plant in Concepcion, Iloilo depend on the availability of coal. There is no assurance that there will not be any interruption or disruption in, or change in terms of, the coal supply for the power plant or that there will be sufficient supply in the open market at competitive prices or sufficient transportation capacity available to ensure that the power plant receives sufficient fuel supplies required for operations on a timely basis or at all. Consequently, PCPC could experience difficulties ensuring a consistent quality of fuel, which could negatively affect the stability and performance of the power plant.

Policy and regulatory changes, technological developments and market and economic responses relating to climate change may affect PCP's business and the markets in which it operates. The enactment of an international agreement on climate change or other comprehensive legislation focusing on greenhouse gas emissions could have the effect of restricting the use of coal and available financing arrangements for coal-related projects. Other efforts to reduce greenhouse gas emissions and initiatives in various countries to use cleaner alternatives to coal such as natural gas may also affect the use of coal as an energy source.

Such factors, which include events which are beyond the control of PCPC, could affect the normal operation of the power plant or incur significant costs to source replacement power or reconfigure the plant, which could have material adverse effect on the business, financial condition, and results of operations of PCPC.

In order to ensure that there is an adequate supply of coal to operate the coal-fired power plant, PCPC has entered into long-term coal supply agreements with reputable international suppliers valid immediately after the start of operations in 2016.

Project risks inherent in the development of greenfield power projects and expansion projects

The development of greenfield power projects and expansion of existing power plants involve substantial risks that could give rise to delays, cost overruns, or unsatisfactory construction or development in the projects. Such risks include the inability to secure adequate financing, inability to negotiate acceptable offtake agreements, and unforeseen engineering and environmental problems, among others. Any such delays, cost overruns, unsatisfactory construction or development could have a material adverse effect on the business, financial condition, results of operation as well as future growth prospects of PEI and HLPC.

Project risks could emanate from various sources such as poor project planning, execution and contractor/ subcontractor issues. If not addressed in a timely manner, these issues may negatively impact the project which would ultimately affect PEI or HLPC's financial condition and results of operations, such as revenue loss resulting from delay in commercial operations. Further, any delay in the receipt of the relevant permits will also delay the completion of a project. Any of these project risks could have a material adverse effect on the business, financial condition, results of operations, and future growth prospects of PEI or HLPC.

The greenfield power projects and expansion projects will secure power supply agreements to contract its available capacities to manage risk. The Company has the ability finance the projects using either internally generated funds and available credit lines.

Upon final investment decision of the expansion power projects, the Company will appoint an experienced Engineering, Procurement, and Construction (EPC) contractor to construct the project. The EPC Contractor will be responsible for the implementation of the project and can assume risks and penalties during the construction period.

Adverse effect of WESM price fluctuations

From the time the WESM for Luzon began operating in June 2006, market prices for electric power have fluctuated substantially. Unlike many other commodities, electric power can only be stored on a very limited basis and generally must be produced concurrently with its use. As a result, power prices are subject to significant volatility from supply and demand imbalances. Long-term and short-term power prices may also fluctuate substantially due to other factors outside of the control of PCPC, including:

- increases and decreases in generation capacity in the markets, including the addition of new supplies of power from existing competitors or new market entrants as a result of the development of new generation power plants or expansion of existing power plants or additional transmission capacity;
- changes in power transmission or fuel transportation capacity constraints or inefficiencies;
- electric supply disruptions, including power plant outages and transmission disruptions;
- changes in the demand for power or in patterns of power usage, including the potential development of demand-side management tools and practices;

- the authority of the ERC to review and, if warranted under applicable circumstances, adjust the prices on the WESM;
- climate, weather conditions, natural disasters, wars, embargoes, terrorist attacks, and other catastrophic events;
- availability of competitively priced alternative power sources;
- development of new fuels and new technologies for the production of power; and
- changes in the power market and environmental regulations and legislation.

These factors could have a material adverse effect on the business, financial condition and results of operations of PCPC.

To mitigate this risk, more than 75% of PCPC's dependable capacity are covered by Power supply agreements or off-take agreements. This ensures cash flows while minimizing the exposure of PCPC from unfavorable fluctuations in WESM prices.

Non-renewal of or non-compliance with offtake agreements

More than 75% of PCPC's dependable capacity are covered by long term offtake agreements. The Company believes electricity demand requirements of the markets PCPC serves will continue to increase as supported by GDP growth. PCPC has an experienced power marketing team that actively networks with existing and prospective customers.

PEI's diesel peaking power plants are under 15-year Build-Operate-Maintain-Transfer agreements with the respective electric cooperatives it is serving, which can help mitigate this risk.

Operating and other risks leading to network failures, equipment breakdowns, planned or unplanned outages.

Power generation is vulnerable to human error in operation, equipment failure, catastrophic events, natural disasters, sabotage, terrorist attacks or other events which can cause service interruptions, network failures, breakdowns or unplanned outages. There is no assurance that accidents will not occur with the PCPC and PEI power plants or that the preventative measures taken will be fully effective in all cases, particularly in relation to external events that are not within its control.

PCPC and PEI's income and cash flows will be adversely affected by any disruption of operations of its plants due to any of the foregoing risks. Any unplanned plant shutdowns for an extended period of time will have a material adverse effect on PCPC's and PEI's ability to sell power and their results of operations could suffer.

To mitigate, all operating units abide by strict operational and preventive maintenance procedures.

Insurance coverage for generation plants

The power plants of PCPC and PEI secure the necessary insurance for their respective power plants, the terms of which are reviewed regularly and cover industrial all risks, business interruption, marine cargo insurance, sabotage and terrorism, physical material loss or damage caused by natural disasters, breakdowns or other events that could affect the facilities and processes used by its businesses.

In addition, there is no assurance that PCPC and PEI will be able to renew these policies on similar or otherwise acceptable terms, or at all, or that they will not experience a material increase in the premiums payable under their insurance policies. If PCPC or PEI's plants were to incur a serious uninsured loss, a loss that significantly exceeded the limits of its insurance policies or any unexpected losses against which these subsidiaries are not fully insured, this could have a material adverse effect on their businesses, financial condition, and results of operations.

Dependence on the existence of transmission infrastructure

The transmission infrastructure in the Philippines continues to experience constraints on the amount of electricity that can be delivered from power plants to customers, as well as limited interconnectivity between the Luzon-Visayas Grid and the lack of any interconnectivity between the Visayas-Mindanao Grid. The DOE is mandated by law to prepare a Transmission Development Plan to be implemented by NGCP which aims to address projected infrastructure limitations and interconnectivity of sub-grids, which helps in mitigating this risk.

If these transmission constraints continue, the ability of PCPC and PEI to supply electricity will be adversely affected. This could have a material adverse effect on the business and revenue growth of PCPC and PEI from the sale of power.

Certain tax exemptions and tax incentives

On June 27, 2012, PCPC was registered with the BOI as a new operator of the 135MW coal-fired power generation plant with non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order 226). PCPC is entitled, among others, to four-year ITH on the revenue generated from the sales of electricity starting January 2016 or actual start of commercial operations, whichever is earlier, subject to specific terms and conditions set in the registration. The ITH incentive of the Company ended in December 2019.

Pursuant to the 2015 Iloilo Provincial Investment and Incentives Code, PCPC was given a 10-year tax relief from paying real property tax. On the first and second year of implementation, 0 taxes will be incurred. A gradual tax reduction of 90 percent would be imposed on the 3rd year; 80 percent on the 4th year; 70 percent on the 5th year; 60 percent on the 6th year; 50 percent on the 7th year; 40 percent on the 8th year; 30 percent on the 9th year; and 20 percent on the 10th year.

In the event the tax relief is revoked or repealed, the income from these sources will be subject to corporate income tax. As a result of a loss in the tax relief, the tax expense of PCPC would increase and its profitability would decrease.

ERC Regulation of electricity rates of distribution utilities

The imposition of more stringent regulations and similar measures by the ERC could have a material adverse effect on the business, financial conditions, and results of operations of PCPC and PEI.

Sales to distribution utilities account for majority of the consolidated sales volume of PCPC and PEI. While rates charged by PCPC and PEI under their offtake agreements, including those with distribution utilities, are not regulated by the ERC, the rates that distribution utility customers charge to their customers are subject to review and approval by the ERC. Accordingly, the ability of distribution utility customers to pay largely depends on their ability to pass on their power costs to their customers. There is also no assurance that the current laws, regulations, and issuances affecting the industry, particularly the EPIRA and the issuances of the ERC, will not change or be amended in the future.

More recently, the Supreme Court issued its ruling in May 2019 in respect of the following ERC resolutions:

Resolution No. 13, Series of 2015, entitled "A Resolution Directing All Distribution Utilities to Conduct a Competitive Selection Process in the Procurement of their Supply to the Captive Market" ("**CSP Guidelines**")

Resolution No. 1, Series of 2016, entitled "A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015" ("**ERC Clarificatory Resolution**")

The CSP Guidelines and the ERC Clarificatory Resolution were issued by the ERC to implement the CSP, pursuant to the DOE's Department Circular No. DC2015-06-0008 mandating all distribution utilities to undergo CSP in securing power supply agreements.

In its decision, the Supreme Court, acting on a petition filed by certain entities, declared as void the first paragraph of Section 4 of the CSP Guidelines and the ERC Clarificatory Resolution. Consequently, all PSAs filed with the ERC on or after June 30, 2015 were directed to comply with the CSP in accordance with prevailing rules and regulations. The power purchase cost resulting from the CSP (the "**CSP Power Purchase Cost**") would be the generation cost which the relevant distribution utility may pass on to its customers commencing on June 30, 2015. In a resolution dated July 23, 2019, the Supreme Court denied with finality all motions for reconsideration filed by various parties.

On 1 March 2023, ERC issued an Order to PSFI and ASELCO which was received on 31 May 2023. Among others, the order required the parties to stop the implementation of the Power Purchase and Transfer Agreement (PPTA) between the parties since it failed to comply with the 2018 CSP Rules PSFI and ASELCO filed a Petition for Certiorari and Prohibition on July 28, 2023 before the Supreme Court to challenge the ERC order.

On 1 March 2023, ERC also issued an Order to PBI and BUSECO which was received on 6 September 2023. Among others, the order required the parties to stop the implementation of the PPTA between the parties since it failed to comply with the 2018 CSP Rules. PBI and BUSECO filed a Motion for Reconsideration before the ERC on September 21, 2023.

In addition, a request for confirmation has been filed with the Department of Energy (DOE) last September 26, 2023 seeking confirmation that by reason of the Build–Operate and Transfer (BOT) component of the Peakpower contracts, these contracts should be exempt from the CSP requirement under the 2018 CSP Rules.

Due to the pending cases concerning the Peakpower contracts (*See: Recent Developments - ERC Orders for Peakpower companies*), the Company may not receive dividends from PCPC and PEI in the short term.

The ERC in the exercise of its regulatory powers may also impose fines, penalties, or sanctions on PCPC or PEI in appropriate cases. Any such fines, penalties, sanctions or restriction on the ability of distribution utilities and/or generation companies to pass on such costs or any intervention in such rates could have a material adverse effect on the business, financial conditions, and results of operations of PCPC and PEI.

Trading in WESM

While PCPC only sells a small amount of power through the WESM, volatile market conditions on the WESM may nevertheless pose risks to PCPC regardless of whether there is a shortage or a surplus of energy available. When the WESM experiences a shortage, there is little risk to suppliers in terms of their value-position being destroyed. However, such a suppliers' market exposes these suppliers to the risk that regulatory agencies may intervene (directly or indirectly) to dictate prices and dispatch of power plants. Consumer outrage, triggered by high prices, could precipitate attempts to suspend the WESM and return to subsidized rates regimes. Regardless of whether such a suspension ultimately comes to pass, market anticipation of such an occurrence could lead to value-destructive market distortions.

On the other hand, a surplus market tends to cause spot market prices to reflect the marginal cost of producing power. One of the main features of the WESM is a merit-order dispatch scheme wherein the cheapest sources of power, such as power produced from geothermal and hydroelectric energy, are dispatched first, before the more expensive power providers. PCPC mitigates its exposure to surplus risks by contracting the bulk of its capacity to offtakers to protect against low spot prices. However, while a supplier can mitigate its exposure to surplus risks by contracting the bulk of its capacity to offtakers, this also caps a supplier's ability to take advantage of price spikes caused by temporary market shortages.

As of September 30, 2023, the ERC has maintained a reduced primary bid cap of ₱32,000 per MWh (megawatt hours). In addition, a permanent secondary price cap limits spot prices to ₱6,245 per MWh for as long as cumulative spot prices breach a certain threshold. Prices are automatically capped at ₱6,245 per MWh for hours where the average price for the last 120-hours exceeds ₱9,000 per MWh.

The occurrence of such events could have a material adverse effect on the business, financial condition and results of operations of PCPC. To mitigate this risk, more than 80% of PCPC's dependable capacity are covered by Power supply agreements or off-take agreements. This ensures cash flows while minimizing the exposure of PCPC from unfavorable fluctuations in WESM prices.

Regulatory Risks on the Power and Utilities Business

The business of PCPC, PEI, and HLPC are subject to extensive government regulation, particularly for greenfield power plants, expansion projects, and retail supply business. To conduct businesses, PCPC, PEI, and HLPC must obtain various licenses, permits, and approvals. Even when such required licenses, permits, and approvals are obtained, their operations are subject to continued review under the applicable regulations, and the interpretation or implementation of such regulations is subject to change. For instance, the DENR requires This real-time monitoring is a requirement of certain emissions, such as Sulfur Oxide ("**SOx**") in the form of Sulfur Dioxide ("**SO2**"), Nitrogen Oxide ("**NOx**"), Carbon Monoxide ("**CO**") and Particulates. With the capability of the circulating fluidized bed combustion ("**CFBC**") with re-heat technology and the sound environmental measures being practiced in the power plant, the Company believes that PCPC maintains its excellent emission performance vis-a-vis the mandated standards. Further, the Group takes a proactive approach in dealing with its host communities and stakeholders and has implemented community-based programs focusing on Environment, Education, Health & Safety, and Capacity Building and Infrastructure.

Policy and regulatory changes, technological developments and market and economic responses relating to climate change may also affect PCPC and PEI.The Philippines is also a party to the 2015 Paris Agreement, which aims to keep the increase in global average of temperature to well below 2°C above pre-industrial levels and to limit the increase to 1.5°C, since this would substantially reduce the risks and effects of climate change. As a party to the agreement, the Philippines may impose more stringent regulations, particularly on coal-fired power plant emissions, requiring expensive pollution controls on coal-fired power plants, among other measures. These measures may significantly increase costs of coal-fired power plants and, at the same time, increase the cost competitiveness of renewable energy. A significant portion of the captive market may shift away from coal and other hydrocarbon fuels, which may expose the coal-fired power plant of PCPC to stranded-asset risk (i.e., hazard of an asset suffering from an unanticipated write-down, devaluation, or conversion to liability). The enactment of other international agreement on climate change or other comprehensive legislation focusing on greenhouse gas emissions could have the effect of restricting the use of coal. Other efforts to reduce greenhouse gas emissions and initiatives in various countries to use cleaner alternatives to coal such as natural gas may also affect the use of coal as an energy source. For example, in October 2020, the DOE declared a moratorium on endorsements for greenfield coal power plants as its most recent assessment revealed the need for the country to shift to a more flexible power supply mix.

In addition, technological developments may increase the competitiveness of alternative energy sources, such as renewable energy, which may decrease demand for coal generated power. Other efforts to reduce emissions of greenhouse gases and initiatives in various countries to encourage the use of natural gas or renewable energy may also discourage the use of coal as an energy source. The physical effects of climate change, such as changes in rainfall, water shortages, rising sea levels, increased storm intensities and higher temperatures, may also disrupt the operations of PCPC, PEI, and HLPC. As a result of the above, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

PCPC, PEI, and HLPC have been compliant with and continue to perform their obligations under applicable laws and regulations relevant to their businesses. If they fail to comply with all applicable regulations or if the regulations governing its business or their implementation change, they may incur increased costs or be subject to penalties, which could disrupt its operations and have a material adverse effect on its business and results of operations.

With respect to the ongoing trend and shift towards renewables, ABCI believes that, given the various uncertainties on future sources of reliable and cost-effective energy, it has a good mix of existing investments in the energy business through PCPC and PEI and its pipeline hydroelectric power project through HLPC.

RISKS RELATING TO ABCI'S AGRIBUSINESS

The Company's business may be affected by any program developed or supported by the Department of Agriculture of the Philippines

The Company's revenue from its agri-business comes primarily from the sale of agricultural products. Any agricultural program of the DA develops for the farmers of the country or a particular area may affect the Company. In the event that the Government is unable to effectively implement its programs, this may result in a slowdown of the Company's agri-business as farmers might not have the required resources to produce the crops to be used by the Company.

In order to mitigate the risk of low supply, the Company has put up oil palm FFB buying stations in strategic locations in Mindanao to provide additional sources of raw materials for its operations. To boost its mill operational capacity, the Company has invested in SGAC to operate another palm oil mill in Brgy. Tambis, Barobo, Surigao del Sur and has also been tapping external growers to supply additional FFB.

The Company's business and operations may be affected by any changes in the preferences or purchasing power of consumers

The Company's ability to increase or maintain sales is dependent on the public's continued acceptance of its products. Changes in demographic, social or health proclivity may alter the demand for the Company's products.

Any adverse downturn in the Philippine economy may cause consumers to opt for cheaper or more affordable products or options.

Palm oil products are used as cooking oil and raw material for local feed mills. To reach customers, the Company's Go to Market (GTM) strategy is divided into two (2) service packages - in 18-kg carbuoys and 150-ml roll type packaging (RTP). First service package is direct serve outlets which will cover industrial or food processing companies, supermarkets, hyper-marts, wholesalers, groceries, catering services, hotels and restaurants around Mindanao region. Second service package will be indirect serve outlets like sari-sari stores, traditional food outlets, mini marts, direct household consumptions.

Risk of Natural Calamities

The Company's revenues in its agri-business are highly dependent on the weather conditions in the Philippines. Severe drought or flooding in a particular agricultural region will significantly affect the productivity of farmers and the availability of the supply of crops to be used for the Company's products.

In order to mitigate, the Company's strategy is to expand its sourcing and supplier base and lessen dependence on select palm oil growers for its operations. The Company also sources additional CPO from the market to maximize the utilization of the refinery.

The Company has put up oil palm FFB buying stations in strategic locations in Mindanao to provide additional sources of raw materials for its operations. The company also taps external growers to supply additional FFB.

The Company's venture to develop a network of irradiation facilities in the Philippines may not be successful

The Company has invested ₱350 Million of the proceeds from the initial tranche of the Preferred Shares to fund its subsidiary, ISI. ISI will be engaged in the development of a network of irradiation facilities in the Philippines, the first of which is the Tanay Multipurpose Irradiation Facility Project. The project will be the first Commercial E-Beam Irradiation Facility to be built in the Philippines and is expected to promote much needed additional economic activity throughout the agriculture value chain through improved quality of agricultural and fishery products. The facility is expected to enable local products, fruits, and seafood to be of export quality and gain wider access to international markets. The Facility will also fill the need for sterilization of medical masks, dressings, syringes and surgical staplers. The E-Beam technology is used in more than 60 countries and is considered the most economical alternative among available commercial sterilization methods. As of October 31, 2023, the Tanay Multipurpose Irradiation Facility Project is currently under construction and is about 90% complete with target start of commercial operations on March 2024.

There is no assurance that the development and operation of the irradiation facilities will be commercially successful and if the Company will be able to receive dividends from ISI or recover its investments. To mitigate this risk, the Company relies on its highly experienced management team with a proven track record across various industries. For further discussion, please refer to section on "Management".

RISKS RELATED TO THE PHILIPPINES

A significant portion of the Company's operations and assets are based in the Philippines

A significant portion of the Company's business operations and assets are based in the Philippines. As a result, the Company's income, results of operations and the quality and growth of its assets depend, to a large extent, on the performance of the Philippine economy.

The Philippines is currently experiencing moderate macro-economic conditions as GDP was sustained at an average of 7.40% from 3Q2021 to 4Q2022. The 3Q2023 GDP settled at 5.90%, from a 4.30% growth recorded last 2Q2023, the slowest growth registered by the Philippine Statistics Authority ("**PSA**") after eight (8) quarters since the country's initial recovery from the pandemic in 2021. According to the House of Representatives, Congress of the Philippines, the quarter-on-quarter comparison shows a 3.3% expansion in the third quarter vis-à-vis its preceding period. This brings the GDP growth year-to-date to 5.5%. In the last quarter of the year, the economy needs to expand by at least 7.2% to reach the lower-end of the government's full year growth target of 6%.

The National Economic and Development Authority and PSA noted that inflation in September 2023 increased to 6.10%, up from 5.30% in August. This brings the year-to-date inflation to 6.60%. This increase is primarily explained by higher food inflation, which rose to 10.0% last month from 8.20% in August. This is due to the higher inflation of rice (17.90% from 8.70%), meat (1.30% from -0.10%), fruits (11.60% from 9.60%), and corn (1.60% from 0.90%). Meanwhile, the prices of fish, vegetables, sugar, eggs & dairy products, and bread & other cereals recorded slower inflation.

Any future deterioration in economic conditions in the Philippines could materially and adversely affect the Company's financial position and results of operations, including the Company's ability to grow its energy portfolio, and its ability to implement the Company's business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect the Company's business, financial condition or results of operations.

Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, Southeast Asia or globally;

- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, Southeast Asia or globally;

- exchange rate fluctuations and foreign exchange controls;

- rising inflation or increases in interest rates;

- levels of employment, consumer confidence and income;

- changes in the Government's fiscal and regulatory policies and regulations, including tax laws and regulations that impact or may impact inflation and consumer demand;

- Government budget deficits;

- adverse trends in the current accounts and balance of payments of the Philippine economy;

- public health epidemics or outbreaks of diseases, such as COVID-19, re-emergence of Middle East Respiratory Syndrome- Corona virus (MERS-CoV), SARS, avian influenza (commonly known as bird flu), or H1N1, or the emergence of another similar disease (such as Zika) in the Philippines or in other countries in Southeast Asia;

- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;

- political instability, terrorism or military conflict in the Philippines, in other countries in the region or globally; and

- other regulatory, social, political or economic developments in or affecting the Philippines.

Uncertainty surrounding the global economic outlook could cause economic conditions in the Philippines to deteriorate and there can be no assurance that current or future Government policies will continue to be conducive to sustaining economic growth. There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Any future deterioration in economic conditions in the Philippines could materially and adversely affect the Company's financial position and results of operations, including the Company's ability to implement its business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect the Company's business, financial condition or results of operations.

Political instability may have a negative effect on the business, financial position or results of operations of the Company.

The Philippines has from time to time experienced political and military instability, including acts of political violence. In the last two decades, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents, two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy.

No assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth. An unstable political or social environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of the Company.

A major deviation from the policies of the immediate past administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Company's businesses prospects, financial condition, and results of operations.

Acts of terrorism and violent crimes could destabilise the country and could have a material adverse effect on the Company's business, financial position and results of operations.

The Philippines has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists which were inspired by pledged allegiance to the Islamic State of Iraq and Syria (ISIS). Due to the clash between the Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. The martial law in Mindanao was lifted on January 1, 2020, however certain areas in Mindanao remain under a state of emergency and law enforcement groups are in heightened security as a measure against potential terror threats. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy. These armed conflict and terror attacks could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy.

Natural or other catastrophes, including severe weather conditions, may adversely affect the Company's business, materially disrupt the Company's operations and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. These factors, which are not within the Company's control, could potentially have significant effects on the Company's assets and operations. While the Company carries insurance for certain catastrophic events, of types, in amounts and with deductibles that the Company believes are in line with general industry practices in the Philippines, there are losses for which the Company cannot obtain insurance at a reasonable cost or at all. The Company also does not carry any business interruption insurance. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the Company's business, financial condition and results of operations.

Territorial disputes with the China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

Competing and overlapping territorial claims by the Philippines, the People's Republic of China ("**China**") and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflict.

China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea, which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea. In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. The Government, under the current administration, has taken measures to de-escalate tensions concerning the territorial dispute with China. In March 2021, more than 180 Chinese military vessels were spotted on Julian Felipe Reef in the West Philippine Sea. The presence of the vessels defined a diplomatic protest and demand for the vessels to leave the area, issued by then-Defense Secretary Delfin Lorenzana.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these or other factors, including a significant depreciation of the Peso or increase in interest rates, may adversely affect the Company's operations. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or overseas Filipinos permits. Any impact from these disputes in countries in which the Company has operations could materially and adversely affect the Company's business, financial condition, results of operations, its ability to implement its business strategy and possible expansion plans.

The credit ratings of the Philippines may restrict the access to capital of Philippine companies, including the Company.

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are residents in the Philippines, such as the Company. Historically the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. As of December 31, 2019, the Philippines' long-term foreign-currency denominated debt was rated Baa2 by Moody's, BBB+ S&P Global Ratings, and BBB by Fitch. However, no assurance can be given that Fitch, Moody's, S&P Global Ratings or any other international credit rating agency, will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies, including the Company. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including the Company, to raise additional financing, and will increase borrowing and other costs. As of May 22, 2023, Moody revised its outlook for the Philippines from negative in July 2021 to stable, whilst maintaining its long-term foreign-currency issuer default rating at 'BBB'. The change in outlook was attributed to the improved confidence that the country is leaning towards strong-medium term growth post COVID-19 pandemic. Likewise the Japan Credit Rating Agency report last March 10, 2023 affirmed the stable outlook with an investment-grade credit rating at "A-". This is amid global uncertainties and a high inflation environment.

RISKS RELATING TO THE OFFER SHARES

The Offer Shares may not be a suitable investment for all investors

Each potential investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

1. have sufficient knowledge and experience to make a meaningful evaluation of the Offer Shares, the merits and risks of investing in the Offer Shares and the information contained in this Offer Supplement;

2. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on its overall investment portfolio;

3. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for principal or dividend payments is different from the currency of the potential investor;

4. understand thoroughly the terms of the Offer Shares and be familiar with the behavior of any relevant financial markets; and

5. 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.

There can be no guarantee that the Offer Shares will be listed on the PSE.

Purchasers of the Offer Shares will be required to pay for such Offer Shares prior to the Issue Date of such shares. There can be no guarantee that listing will occur on the anticipated Issue Date for the relevant tranche or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders may not be able to trade the Offer Shares. This may materially and adversely affect the value of the Offer Shares.

Redemption at the option of the Issuer

The Offer Shares are perpetual and have no fixed final maturity date. The Issuer has the option but not the obligation to redeem the Offer Shares. Holders have no right to require the Company to redeem the Offer Shares at any time and they can only be disposed of by sale in the secondary market. Holders who wish to sell their Offer Shares may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Offer Shares. The Issuer also has the option to redeem the Offer Shares due to an Accounting Event or a Tax Event (See "*Terms of the Offer*" on page 12 of this Offer Supplement and on the relevant Offer Supplement). Holders of the Offer Shares should be aware that they may be required to bear the financial risks of an investment in the Offer Shares for an indefinite period of time.

The sale of the Offer Shares or any rights thereto prior to the listing of the Offer Shares cannot be made through the PSE. The Company shall file an application for the listing of the Offer Shares on the PSE for the Offer Shares.

Prior to the listing of the Offer Shares on the PSE, the sale of subscription rights to the Offer Shares may be treated as a sale of shares and subject to documentary stamp tax, capital gains tax (on any gain derived from the sale thereof) or donor's tax (in case of donation or sale of the subscription rights to the Offer Shares for a price below the fair market value of the subscription rights).

Volatility of market price of the Offer Shares

The market price of the Offer Shares could be affected by various factors, including:

- general market, political and economic conditions;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed stocks, in general, and stocks of other conglomerates;
- changes to government policy, legislation or regulations, and
- general operational and business risks.

In addition, many of the risks described within this section could materially and adversely affect the market price of the Offer Shares.

Additional Taxes

The sale, exchange or disposition of the Offer Shares after the Offer Period, if made outside the facilities of the PSE is subject to capital gains tax and documentary stamp tax, and if made through the facilities of the PSE (except for a dealer in securities) is subject to stock transaction tax. Changes in laws, rules and regulations may result in additional taxes on the acquisition, disposition, or transfer of the Offer Shares. For a discussion on the taxes currently imposed by the BIR, please refer to the section on "*Philippine Taxation*" on page 215 of this Offer Supplement.

Deferral of dividend payment

Dividends on the Offer Shares may not be paid or may be paid in less than full dividends, under the terms and conditions governing the Offer Shares. Holders of the Offer Shares will not receive dividends on a Dividend Payment Date or for any period during which the Company does not have retained earnings out of which to pay dividends.

Subordination to other indebtedness of the Company

The obligations of ABCI under the Offer Shares are unsecured and are subordinated obligations to all indebtedness of the Company. The rights and claims of holders of the Offer Shares will (subject to the extent permitted by law) rank senior to the holders of the common shares of the Company and *pari passu* with the other Preferred Shares.

In the event of the winding-up of the Company, the Offer Shares rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company, which rank or are expressed to rank senior to the Offer Shares. There is a substantial risk that an investor in the Offer Shares will not receive any return of the principal amount or any unpaid amounts due under the terms of the Offer unless ABCI can satisfy in full all of its other obligations ranking senior to the Offer Shares.

There are no terms in the Offer Shares that limit the ability of ABCI to issue new shares including shares that ranks senior to or *pari passu* with the Offer Shares.

Insufficient distributions upon liquidation

Upon any voluntary or involuntary dissolution, liquidation or winding up of ABCI, holders of Offer Shares will be entitled only to the available assets of the Company remaining after the indebtedness of ABCI is satisfied. If any such assets are insufficient to pay the amounts due on the Offer Shares, then the holders of the Offer Shares shall share ratably in any such distribution of assets in proportion to the full distributions to which they would otherwise be respectively entitled.

Subordination of payments to the Holders of the Offer Shares

ABCI has and will continue to have a certain amount of outstanding indebtedness. The current terms of the financing agreements of ABCI contain provisions that could limit the ability of the Company to pay dividends to the holders of the Offer Shares. Also, ABCI may in the future, directly or indirectly through its subsidiaries, enter into other financing agreements which may restrict or prohibit the ability of the Company to pay dividends on the Offer Shares. There can be no assurance that existing or future financing arrangements will not adversely affect the ability of ABCI to pay dividends on the Offer Shares.

Liquidity of the securities market

The Philippine securities markets are substantially less liquid and more volatile than major securities markets in other jurisdictions, and are not as highly regulated or supervised as some of these other markets. The Company cannot guarantee that the market for the Offer Shares will always be active or liquid upon their listing on the PSE.

In addition, the Company and the Underwriter are not obligated to create a trading market for the Offer Shares and any such market making will be subject to the limits imposed by applicable law, and may be interrupted or discontinued at any time without notice. Accordingly, the Company cannot predict whether an active or liquid trading market for the Offer Shares will develop or, if such a market develops, if it can be sustained. Consequently, a shareholder may be required to hold his Offer Shares for an indefinite period of time or sell them for an amount less than the Offer Price.

Effect of non-payment of dividends

If dividends on the Offer Shares are not paid in full, or at all, the Offer Shares may trade at a lower price than they might otherwise have traded if dividends had been paid. The sale of Offer Shares during such a period by a holder of Offer Shares may result in such holder receiving lower returns on the investment than a holder who continues to hold the Offer Shares until dividend payments resume. In addition, because of the dividend limitations, the market price for the Offer Shares may be more volatile than that of other securities that do not have these limitations.

Inability to reinvest at a similar return on investment upon redemption

On the Optional Redemption Date or at any time redemption occurs, ABCI may redeem the Offer Shares at the Redemption Price, as described in ‘‘Description of the Offer Shares’’. At the time of redemption, interest rates may be lower than at the time of the issuance of the Offer Shares and, consequently, the holders of the Offer Shares may not be able to reinvest the proceeds at a comparable interest rate or purchase securities otherwise comparable to the Offer Shares.

Limited voting rights

Holders of Offer Shares will not be entitled to elect the Board of Directors of the Company. Except as specifically set forth in the Amended Articles of Incorporation of the Company and as provided by Philippine law, holders of Offer Shares will have no voting rights (see ‘‘*Terms of the Offer*” on page 12).

RISKS RELATING TO CERTAIN INFORMATION IN THE OFFER SUPPLEMENT

Certain information contained herein is derived from unofficial publications

Certain information in this Offer Supplement relating to the Philippines and the real estate, agribusiness and energy industries and markets, including statistics relating to market size, is derived from various Government and private publications. This Offer Supplement also contains industry information which was prepared from available public sources and independent market research to provide an overview of the segments of the relevant industries in which the Group operates. Similarly, industry forecasts and other market research data, including those contained or extracted herein, have not been independently verified by us nor the Underwriter, nor any of the Group's respective affiliates or advisors, and may not be accurate, complete, up to date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

CAPITALIZATION

The following table sets forth the consolidated capitalization and indebtedness of the Company as of September 30, 2023 and as adjusted to give effect to the issue of the Offer Shares. This table should be read in conjunction with the Company' unaudited interim condensed consolidated financial statements and the notes thereto, included in the Offer Supplement:

	As of September 30, 2023	
	Actual	**As Adjusted**
	(Unaudited) (in millions)	
	(in ₱)	**(in ₱)**
Debt		
Short-term debt and current portion of long-term debt	1,126	1,126
Long-term debt—net of current portion	1,354	1,354
Total debt (a) [(1)]	**2,480**	**2,480**
Cash and cash equivalents	111	1,577
Net debt [(2)]	**2,369**	**903**
Equity		
Capital stock—net of subscription receivable.......................	2,491	2,506
Additional paid-in capital	1,931	3,389
Other reserve..	(79)	(79)
Cumulative translation adjustments of foreign subsidiaries and interests in joint ventures and associates.....................	4	4
Remeasurement loss on net defined benefit plan—net of tax	(22)	(22)
Retained earnings		
Unappropriated	2,795	2,788
	7,120	8,586
Less cost of common stock held in treasury........................	(95)	(95)
	7,025	8,491
Total equity (b)..	7,025	8,491
Total capitalisation (a+b)	9,505	10,971

(1) Total debt includes short-term debt and current portion of long-term debt and long-term debt—net of current portion.
(2) Net debt is total debt less cash and cash equivalents and short-term investments.

USE OF PROCEEDS

The Company estimates that the net proceeds from the Offer shall amount to approximately ₱971,491,530.00 after fees, commissions and expenses. Assuming the oversubscription option is fully exercised, the net proceeds of the Offer shall amount to approximately ₱1,465,816,530.00 after fees, commissions, and expenses.

EXPENSES

Net proceeds, after deducting estimated fees, commissions and expenses relating to the Offer are as follows:

Gross Proceeds from the Base Offer	₱1,000,000,000.00
Less:	
Underwriting and selling fees for the Series B and Series C Preferred Shares being offered by the Company	*₱10,000,000.00*
Selling fees of the Trading Participants	*₱1,250,000.00*
Taxes to be paid by the Company	*₱100,000.00*
Philippine SEC filing and legal research fee	*₱378,750.00*
PSE filing fee (inclusive of VAT)	*₱1,680,000.00*
Estimated legal fees	*₱7,000,000.00*
Estimated Receiving Agent, Paying Agent, and Stock Transfer Agent professional fees	*₱500,000.00*
Estimated other expenses *(such as cost of printing, publication, out-of-pocket expenses)*	
Cost of printing	*₱1,500,000.00*
Publication	*₱1,500,000.00*
Accounting and consultancy fees	*₱3,000,000.00*
Public Relations, media expenses	*₱1,599,720.00*
Total Expenses	***₱28,508,470.00***
ESTIMATED NET PROCEEDS FROM THE BASE OFFER	**₱971,491,530.00**

Assuming the oversubscription option is fully exercised:

Gross Proceeds from the Oversubscription Option	*₱500,000,000.00*
Less:	
Underwriting and selling fees for the Series B and Series C Preferred Shares being offered by the Company	*₱5,000,000.00*
Selling fees of the Trading Participants	*₱625,000.00*
Taxes to be paid by the Company	*₱50,000.00*
Total Expenses	*₱5,675,000.00*
ESTIMATED NET PROCEEDS FROM THE OVERSUBSCRIPTION OPTION	***₱494,325,000.00***
ESTIMATED NET PROCEEDS FROM THE BASE OFFER AND THE OVERSUBSCRIPTION OPTION	***₱1,465,816,530.00***

USE OF PROCEEDS

The use of proceeds for this Offer will be in the following order of priority: for the development of pipeline real estate projects and land banking of the Company, and for other general corporate purposes. Any necessary movements between the development of pipeline real estate projects and land banking of the

Company, and for other general corporate purposes will be proportionally allocated based on original distribution.

Development of Pipeline Real Estate Projects

The estimated cost for the development of pipeline projects is ₱7.497 Billion and the Company intends to use up to ₱1 Billion of the proceeds from the Offer to support the development of the Company's several real estate projects across the Philippines. The remaining ₱6.497 Billion will be sourced from internally generated funds of the Company and other funding sources options such as drawing on available credit lines from local banks, project financing, and tapping the capital markets, including the Shelf Registration of the Preferred Shares in the event that the actual development costs would need additional capital.

A summary of the pipeline of real estate projects to be funded from proceeds of the Offer are as follows:

No.	Project	Description	Estimated Cost (in ₱)	Proposed Allocation from the PhP1 Billion Proceeds (in ₱)	Estimated Commencement Date	Estimated Completion Date
1	**Coral Bay Suites**	2 low-rise 4-storey walk-up condominiums and 2 mid-rise 8 storey condominiums in to be located in an approximately 5 hectare property with sea frontage located in Coral Resort Estates, Initao, Misamis Oriental	2,598 million	331 million	2023	March 2027
2	**Alexandrite Columns**	Located within the upscale Xavier Estates along South Diversion Road near Pelaez (Taguanao) Bridge in Upper Balulang, Cagayan de Oro City, Alexandrite Columns is part of the 9-hectare master planned Uptown Metropolis. This mixed-use development overlooks the mountains, the river, and the cityscape. Alexandrite Columns is the collective name of the 5 condominium buildings in the Uptown Metropolis. The 5 condominium buildings are: Zircon, Tektite, Benitoite, Andesite and Tanzanite. Zircon is the first condominium to be built.	2,266 million	300 million	2024	December 2032
3	**Epic Mountain Estate (Epic Tanay)**	A 200-hectare master planned community for a mixed-use development in Tanay, Rizal. This master planned community will contain an upscale residential estate, themed	1,672 million	192 million	April 2022	January 2030

No.	Project	Description	Estimated Cost (in ₱)	Proposed Allocation from the PhP1 Billion Proceeds (in ₱)	Estimated Commencement Date	Estimated Completion Date
		trestaurants, bike trails, villas, and economic and socialized housing. The development includes Tanay Trinidad Homes, Tanay Farm Lots, and Tanay High End Projects.				
4	**Mountain Pines Farm Phase 2 and 2B**	A 280-hectare agro-tourism and retirement estates situated in Manolo Fortich, Bukidnon features an 18-hole golf course, commercial and farm lots envisioned as agricultural, leisure, retirement, and health & wellness haven. Development includes an ecotourism park, bike trails, high value crop farm and edible garden, full clinic, spa and yoga sanctuary, hotel and helipad. The project is a different phase of the previous Mountain Pines Agri Tourism and Golf project.	110 million	13 million	January 2021	January 2026
5	**Xavier East Ridge Estates**	Highlighted by ridge lots and the esplanade, the 22-hectare Xavier East Ridge Estates is built with nature and the Cagayan de Oro River as the main feature at the end of the property. Weather is as low as 11°C on certain days. The frontage will have a commercial area. Located in Brgy. Bayanga, 11 kilometers from Xavier Estates, this property borders south of Cagayan de Oro City and Bukidnon. It will feature lots only for sale with area ranging from 150sqm to 500sqm.	391 million	40 million	2024	June 2027
6	**West Coast Greenfield**	Envisioned to be the first Central Business District and Residences in the Caraga Region, West Coast Greenfield will	189 million	31 million	2024	December 2026

No.	Project	Description	Estimated Cost (in ₱)	Proposed Allocation from the PhP1 Billion Proceeds (in ₱)	Estimated Commencement Date	Estimated Completion Date
		feature residential properties and a commercial strip. High-end residential properties will be developed at the back of the commercial space. Located less than a kilometer away from Butuan's Bancasi Airport, this property is along the highway of Brgy. Manapa in Agusan del Norte.				
7	**Adelaida Mountain Residences (Phases 2 and 3)**	This master-planned and gated community is overlooking the picturesque views of the Sierra Madre Mountains to the Northeast and views of the Laguna lake and Pililia Windmills to the Southwest. Being anywhere around 400 to 500 meters above sea level, the weather around the area stays relatively cool, with a temperature 4°C cooler than Metro Manila. Located in Brgy Sampaloc, Tanay, Rizal, Phase 1 features lot cuts with minimum of 150sqm. Phase 2 will have lots cuts with minimum cut of 252sqm.	192 million	52 million	2024	December 2027
8	**Teakwood Crest**	Overlooking the Macajalar Bay, this property is classified as economic and shall have minimum lot cuts of 150sqm for sale. Saleable area is 3.7 hectares. It is located less than a kilometer away from ABCI's high-end Teakwood Hills. The property is in Brgy Balubal, Cagayan de Oro City.	79 million	41 million	2023	July 2024

The Board of Directors of the Company may authorize its management to make additional investments in any of the aforementioned subsidiaries, at such time and in such amount as Management may deem appropriate taking into consideration the capital requirements of the relevant subsidiary, including funding requirements of its projects, opportunities and developments in the relevant industries of the businesses, and requirements of relevant regulatory agencies, among others. The proceeds from the Offer to be used for the Development of Pipeline Real Estate Projects will be used directly by the Company.

The Company shall file the appropriate SEC Form 17-C with the SEC and the PSE upon making any material disbursement of the proceeds of the Offer, for the purpose of investing in the above-mentioned subsidiaries.

Land banking

The Company intends to use up to ₱300 Million of the proceeds from the Offer to support land banking initiatives in the areas of Cagayan de Oro City, Butuan City, and Tanay, Rizal. ABCI has identified the general area and/or properties necessary for purposes of land banking, however, there are no on-going negotiations to acquire the same as of date. Final terms of the acquisitions are dependent on the negotiations with the sellers. The Company intends to use internally generated funds and available credit lines from local banks in the event that the actual acquisitions would need additional capital.

Location	**Intended Use**	**Estimated Area (in ha.)**	**Allocation (in ₱)**	**Estimated Timing of Disbursement**
Cagayan de Oro City	Residential, Commercial	15	100,000,000	January 2024 to December 2024
Butuan City	Residential	15	100,000,000	January 2024 to December 2024
Tanay, Rizal	Residential	20	100,000,000	January 2024 to December 2024
TOTAL			**300,000,000**	

Land banking is focused on areas where the Company has local presence and a competitive advantage. Properties that are found to be strategic such as being adjacent completed and ongoing projects will support expansion phases. The intended ₱300 Million allocation is based on a sales comparison or market approach. Estimated land valuations are based on the purchase prices of completed property acquisitions in the area adjusted to factors such as size, terrain, and location. The proceeds from the Offer to be used for Land banking will be used directly by the Company. No part of the ₱300 Million proceeds shall be allocated for or used by the Company's subsidiaries.

Other General Corporate Purposes

The Company may likewise use a portion of the proceeds of the Offer to provide additional funds for the expenses of the Company related to its operations and activities, such as overhead expenses and taxes. Subject to determination by Management of the appropriate amounts to be used as investments in subsidiaries, taking into consideration the abovementioned factors, a portion of the proceeds may be allocated for general corporate purposes. Management expects to use such portion of the proceeds, if any, within 18 months from the Issue Date. The proceeds from the Offer to be used for general corporate purposes will be used directly and solely by the Company. No part of the proceeds allocated for general corporate purposes shall be allocated for or used by the Company's subsidiaries.

In summary, the net proceeds of the Offer shall be used as follows:

Purpose	₱971,491,530.00 Net proceeds of the Offer	₱1,465,816,530.00 Net proceeds of the Offer *(Assuming Full Exercise of Oversubscription Option)*	Estimated Timing of Disbursement
Development of Real Estate Projects	₱800,000,000	₱1,000,000,000	January 2024 to December 2024
Landbanking	₱100,000,000	₱300,000,000	January 2024 to December 2024
General Corporate Purposes	₱71,491,530	₱165,816,530	January 2024 to December 2024
TOTAL	**₱971,491,530.00**	**₱1,465,816,530.00**	

Any shortfall from the net proceeds of the Offer allotted to any of the foregoing will be financed from the Company's internally generated funds, subject to the approval of the Company's Board of Directors.

UNDERTAKING ON THE USE OF PROCEEDS

Pending the above use of proceeds, the Company intends to invest the net proceeds from the Offer in short-term liquid investments including, but not limited to, short-term government securities, bank deposits and money market placements which are expected to earn prevailing market rates. In the event such investments should incur losses, any shortfall will be financed from the Company's internally generated funds.

No amount of the proceeds is to be used to reimburse any officer, director, employee, or shareholder, for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

The Company undertakes that it will not use the net proceeds from the Offer for any purpose, other than as discussed above. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to alter its plans. In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC, PSE and the holders of the Preferred Shares in writing at least 30 days before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Board or the Executive Committee, and disclosed to the PSE. In addition, the Company shall submit via the PSE's online disclosure system, the Electronic Disclosure Generation Technology ("**EDGE**"), the following disclosures to ensure transparency in the use of proceeds:

i. any material disbursements made in connection with the planned use of proceeds from the Offer;

ii. quarterly progress report on the application of the proceeds from the Offer on or before the first 15 days of the following quarter;

iii. annual summary of the application of the proceeds on or before January 31 of the following year; and

iv. approval by the Board or the Executive Committee of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The Company shall submit a certification by the Company's Treasurer or the Chief Finance Officer and external auditor on the accuracy of the information reported by the Company to the PSE, as well as a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus and the Offer Supplement, if any, in the Company's quarterly and annual reports as required in items (ii) and (iii) above. Such detailed explanation will state the approval of the Board as required in item (iv) above.

PLAN OF DISTRIBUTION

ABCI plans to issue the Offer Shares to institutional and retail investors in the Philippines through a public offering to be conducted through the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner. The Offer does not include an international offering.

Sole Issue Manager, Lead Underwriter, and Sole Bookrunner

The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner has agreed to distribute and sell the Offer Shares at the Offer Price, pursuant to an Underwriting Agreement to be entered into with the Company (the "**Underwriting Agreement**"). Subject to the fulfillment of the conditions provided in the Underwriting Agreement, the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner have committed to underwrite the following amount on a firm basis:

Lead Underwriter	No. of Shares	Underwriting Commitment
PNB Capital and Investment Corporation	10,000,000	₱1,000,000,000.00

The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to the Company of the net proceeds of the Offer Shares. For further discussion, please refer to "*Withdrawal of the Offer"* in this Offer Supplement.

The underwriting and selling fees to be paid by the Company to the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner in relation to the Offer shall be up to 1.00% of the gross proceeds of the Offer, applicable taxes for the account of the Issuer. Commissions to be paid to the Trading Participants of the PSE ("**Trading Participant**"), which shall be equivalent to 0.125% of the total proceeds of the sale of the Offer Shares by such Trading Participant and shall be for the account of the Issuer. The 0.125% commission of the Trading Participants shall be inclusive of VAT and will be paid to the Trading Participants less any applicable withholding tax.

The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner is duly licensed by the SEC to engage in underwriting or distribution of the Offer Shares. The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner may, from time to time, engage in transactions with and perform services in the ordinary course of its business for the Company or any of its subsidiaries.

The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner have no direct relations with the Company 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 Company.

The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner have no contract or other arrangement with the Company by which it may return any unsold Base Offer Shares subject of the firm underwriting commitment.

PNB Capital and Investment Corporation

PNB Capital is a wholly-owned subsidiary of the Philippine National Bank which 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 30 July 1997 and commenced operations on 8 October 1997. PNB Capital is licensed by the Philippine SEC to operate as an investment house with a non-quasi-banking license. As of 31 December 2022, 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 31 December 2022, it had ₱2.49 billion and ₱2.05 billion in assets and capital, respectively. PNB Capital was incorporated on July 30, 1997 with SEC Certificate of Registration No: A199708720 and subsequently commenced operations on October 8, 1997. PNB Capital holds a license as an investment house and underwriter of securities. PNB Capital's license (C.R. No. 01-2008-00234) is renewed every November of each calendar year and was renewed last on December 6, 2022. Currently, PNB Capital is in the process of renewing its license, which the release/renewal thereof is pending payment of the applicable fee. PNB Capital's scope of corporate business includes but is not limited to: 1) Buy and sell for its own account, and/or to arrange to distribute on either a guaranteed/firm commitment basis or on a best-efforts basis securities of other corporations and of the Republic of the Philippines 2) Arrange, participate, and/or distribute in syndicate undertakings on either a guaranteed/firm commitment basis or on a best-efforts basis securities of other corporations and of the Republic of the Philippines and its instrumentalities, 3) Act as Financial Advisor/Consultant, and 4) Such other activities or business ventures directly or indirectly related to the dealing of securities.

Sale and Distribution

The distribution and sale of the Offer Shares shall be undertaken by the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner who shall sell and distribute the Offer Shares to third-party buyers/investors. The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner is authorized to organize a syndicate of underwriters, soliciting dealers and/or Selling Agents for the purpose of the Offer whose identities will be disclosed in the Offer Supplement. Upon issuance of the Permit to Sell and Offer Securities for the Offer Shares, no additional underwriters or selling agents will be appointed without prior permission of the SEC. In connection with the foregoing, the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner may enter into agreements, participation agreements, or like agreements with other co-lead managers and managers (who may be named or have been named in the Offer Supplement) and/or Selling Agents, as necessary. There is nothing in such agreements that allow the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner to return to ABCI any unsold Offer Shares.

Of the 10,000,000 Offer Shares to be offered, 80% or 8,000,000 shares are being offered through the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner for subscription and sale to Qualified Institutional Buyers and the general public. The Company plans to make available 20% or 2,000,000 shares for distribution to the respective clients of the 123 Trading Participants of the PSE, acting as Selling Agents. Each Trading Participant shall be allocated 16,250 shares ("**Allocation per TP**") (computed by dividing the Shares allocated to the Trading Participants by 123). Trading Participants may undertake to purchase more than the Allocation per TP. Any requests for shares in excess of the Allocation per TP may be satisfied via the reallocation of any Preferred Shares not taken up by other Trading Participants. Each participating Trading Participant shall accept the terms and conditions of the Offer as set out in the Prospectus and this Offer Supplement.

Any Offer Shares allocated to the Trading Participants but not taken up by them, will be allocated first to the Trading Participants who subscribed for their full allotment and indicated additional demand, at the sole discretion of the Sole Issue Manager and the Lead Underwriters and Sole Bookrunner.

The Company will not allocate any Offer Shares for the Local Small Investors Program of the PSE.

Prior to close of the Offer Period, any Offer Shares not taken up by the trading participants shall be distributed by the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner directly to its clients and general public. All Base Offer Shares and, if the Oversubscription Option is exercised, the Oversubscription Shares not taken up by the trading participants, general public, and the clients of the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner shall be purchased by the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner pursuant to the terms and conditions of the relevant Underwriting Agreement.

Offer Shares that are not taken up by Qualified Institutional Buyers, Trading Participants, the general public and the clients of the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner shall be purchased by the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner pursuant to the terms and conditions of the Underwriting Agreement. Nothing herein or in the Underwriting Agreement shall limit the right of the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner from purchasing the Offer Shares for their own respective accounts.

Local Small Investors

The Company will not allocate any Offer Shares for the Local Small Investors Program of the PSE.

Trading Participant Allocation Process

Mechanics of Distribution

1. Upon preparation of the report on the Offer Shares to be taken up by Trading Participants ("**Firm Undertaking**") the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner shall, with guidance from the PSE Listings Department, input the number of Offer Shares requested by each Trading Participant in a spreadsheet designed for the reservation and allocation of the Offer Shares.

2. The spreadsheet shall distribute the total number of Offer Shares to be allocated to each Trading Participant in accordance with the following process:

    a) If the total number of Offer Shares requested by a Trading Participant, based on its Firm Undertaking, does not exceed the Allocation per TP, the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner shall fully satisfy the request of such Trading Participant. Each Trading Participant is assured of not less than the Allocation per TP. The balance, if any, shall be re-distributed among those who have signified a commitment to purchase more than the Allocation per TP in their Firm Undertaking until all the Offer Shares allotted for distribution are fully allocated subject to approval of the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner.

    b) If the total number of Offer Shares requested by a Trading Participant exceeds the Allocation per TP, additional shares may be sourced from the Offer Shares not taken up by the other Trading Participants. The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner under the guidance of a representative of the PSE Listings Department, shall allocate the Offer Shares to Trading Participants by: (i) fully satisfying the orders of those Trading Participants who have firm orders that are less than or equal to the Allocation per TP; and then (ii) distributing equitably the remaining Allocation per TP to other Trading Participants with orders for additional shares, but only up to their respective firm orders.

    c) The allocation will be done based on the total number of shares, regardless of the breakdown between Series B Preferred Shares and Series C Preferred Shares.

    d) In no case shall any Trading Participant be awarded more than the shares indicated in its Firm Undertaking.

    e) If the aggregate number of Offer Shares requested by all Trading Participants is less than the total Offer Shares available to the Trading Participants, the balance shall be returned to the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner.

    f) If the total number of Offer Shares requested by a TP is more than the Allocation per TP, the excess firm order may be awarded to such TP out of the shares not taken up by the other TPs. Should all shares be taken up by all the TPs, the TP with the excess firm order will only be awarded the Allocation per TP.

3. All deadlines indicated in the guidelines for Trading Participants submitted to the PSE shall be strictly followed.

Term of Appointment

The engagement of the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner shall subsist so long as the SEC Permit to Sell remains valid, unless otherwise terminated pursuant to the Underwriting Agreement.

Manner of Distribution

The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner shall, at its discretion, determine the manner by which proposals for subscriptions to, and issuances of, the Offer Shares shall be solicited, with the sale of the Offer Shares to be effected only through the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner. The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner may appoint other entities, including trading participants, to sell on their behalf.

Offer Period

The Offer Period shall commence at 9:00 a.m. on February 12, 2024 and end at 12:00 noon on February 16, 2024. The Issuer, the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE, as applicable.

Application to Purchase

All applications to purchase the Offer Shares shall be evidenced by a duly completed and signed Application to Purchase, together with two (2) fully executed specimen signature cards authenticated by the Corporate Secretary or equivalent officer with respect to corporate and institutional investors, and shall be accompanied by the proof of payment in full of the corresponding purchase price of the Offer Shares, by check or by the appropriate payment instruction, and the required documents which must be submitted to the Receiving Agent, the Selling Agents, and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.

Corporate and institutional purchasers must also submit the following:

(a) a certified true copy of the applicant's latest articles of incorporation and by-laws and other constitutive documents or equivalent documents, each as amended to date, duly certified by the corporate secretary or equivalent officer;

(b) the applicant's SEC certificate of registration, duly certified by the corporate secretary, managing partner (in the case of a partnership) or equivalent officer;

(c) a duly notarized corporate secretary's certificate or certificate of the managing partner (in the case of a partnership) or certificate of equivalent officer setting forth the resolution of the applicant's board of directors or equivalent body authorizing (i) the purchase of the Offer Shares indicated in the application and (ii) the designated signatories for the purpose, including their respective specimen signatures;

(d) certified true copy of latest GIS duly certified by the corporate secretary, managing partner, or equivalent officer;

(e) photocopy of any one (1) of the following valid IDs: passport/driver's license, company ID, Social Security System/Government Service and Insurance System ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, the Selling Agents or the Receiving Agent, as applicable;

(f) two (2) specimen signature cards with specimen signatures of the signatory or signatories of the Application to Purchase;

(g) validly issued taxpayer identification number issued by the BIR; and

(h) other documents as may be reasonably required by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.

Individual applicants must also submit a photocopy of any one of the following valid IDs: passport/driver's license, company ID, Social Security System/Government Service Insurance System ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, the Selling Agents or the Receiving Agent, as applicable.

For Applications to Purchase to be submitted by the Trading Participants, please refer to the TP Guidelines.

An applicant who is exempt from or is not subject to withholding tax or who claims reduced tax treaty rates shall, in addition, be required to submit the following requirements to the Sole Issue Manager, Lead Underwriter and Sole Bookrunner (together with their applications) who shall then forward the same to the Registrar and Paying Agent, subject to acceptance by the Company as being sufficient in form and substance:

(i) (a) A duly accomplished BIR Form No. 0901 or Application Form for Treaty Purposes and 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 applicant, confirming the income recipient's exemption or its/his/her entitlement to the preferential rate, as required under BIR Memorandum Order Nos. 14-2021 and 46-2020, and Revenue Memorandum Circular No. 77-2021, including any clarification, supplement or amendment thereto.

(b) For those claiming exemption from income tax as a BIR-qualified employees' retirement fund (in addition to the requirements under (i)(a) above): a duly notarized undertaking (in form and substance prescribed by the Company) executed by (1) the corporate secretary or any authorized representative of such Applicant who has personal knowledge of the exemption based on his official functions, if the Applicant purchases the Offer Shares for its account, or (2) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Shares pursuant to its management of tax-exempt entities (i.e., Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement;

(ii) a duly notarized undertaking, in the prescribed form, executed by (a) the Corporate Secretary or any authorized representative of such Applicant or Shareholder, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases, or the Shareholder holds, the Offer Shares for its account, or (b) the Trust Officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Shares pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entity's tax exempt status or preferential rate entitlement, undertaking to immediately notify the Company and the Receiving Agent of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Company and the Receiving Agent free and harmless against any claims, actions, suits, and liabilities arising from the non-withholding of the required tax; and

(iii) such other documentary requirements as may be reasonably required by the Company and/or the Receiving Agent or under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming exemption from withholding tax, preferential tax treaty rates or the special 15% tax sparing rate on dividends, shall include evidence of exemption from withholding tax, or of the applicability of a tax treaty or of the tax sparing rate, an authenticated/apostilled tax residency certificate duly issued by the relevant foreign tax authority in favor of the Applicant, and a certification from the SEC that such Applicant is not registered to do business in the Philippines; provided that the Company and the Receiving Agent 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 Applicant on the interest payments to be made to such Applicant.

The BIR revised its procedures for availment of tax treaty relief on dividends by issuing Revenue Memorandum Order No. 14-21 ("Streamlining the Procedures and Documents for the Availment of Treaty Benefits, dated March 31, 2021") as clarified by Revenue Memorandum Circular No. 77-21 ("Clarification on Certain Provisions of Revenue Memorandum Order No. 14-21, dated June 15, 2021"). In accordance with the foregoing regulations, all income items derived by nonresident taxpayers entitled to tax treaty relief shall be confirmed by the BIR through filing of: (i) a request for confirmation by the withholding agent, or (b) a tax treaty relief application by the nonresident taxpayer, with the required supporting documents in either case.

In both cases of a request for confirmation/tax treaty relief, an original of the duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the

Company and the Registrar and Depository Agent of any suspension or revocation of its tax exempt status and agreeing to indemnify and hold the Company, the Registrar and Depository Agent and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or reduced withholding of the required tax will have to be submitted.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner shall be responsible for accepting or rejecting any application or scaling down the amount of Offer Shares applied for. The application, once accepted, shall constitute the duly executed purchase agreement covering the amount of Offer Shares so accepted and shall be valid and binding on the Company and the applicant. The Sole Issue Manager, Lead Underwriter and Sole Bookrunner shall advise the Selling Agents of any Applications that were rejected and/or scaled down, with copy to the Company.

Minimum Purchase

Each Application shall be for a minimum of 500 Offer Shares, and thereafter, in multiples of 50 Offer Shares. No Application for multiples of any other number of Offer Shares will be considered.

Payment of the Offer Shares

The proof of full payment for the Offer Shares covered by the Application must be submitted together with the Application to Purchase and all other required documents.

For the Trading Participants, (i) a personal or corporate check drawn against an account with a BSP authorized bank having a clearing period of no more than one (1) Banking Day; (ii) a manager's or cashier's check issued by a BSP authorized bank having a clearing period of no more than one (1) Banking Day; or (iii) a direct deposit to the designated bank account to be indicated in the TP Guidelines to be included in the sales kit for Trading Participants. Proof of full payment must be submitted to the Receiving Agent, together with the Application to Purchase and required attachments.

All checks should be made payable to "A BROWN COMPANY, INC.", crossed "Payee's Account Only".

Payment may also be done through RTGS or fund/on-line/ATM/wire transfer to the designated bank account (at the Trading Participant's expense for additional charges, if any) with details indicated in the TP Guidelines.

Outbound remittances via RTGS are subject to fees from the remitting bank. The said fee will depend on the respective policies of the remitting bank and is for the account of the investor.

For applicants submitting their Application to Purchase to the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, in accordance with the instructions to be provided.

Refunds

In the event an Application is rejected or the amount of Offer Shares applied for is scaled down, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, the Selling Agents, the concerned Trading Participant, or the Receiving Agent, as may be applicable, upon receipt of such rejected or scaled down Applications, shall notify the applicant concerned that his Application has been rejected or the amount of Offer Shares applied for is scaled down, and return or refund the amount paid by the applicant with no interest thereon. With respect to an applicant whose Application was rejected, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, the Selling Agents, the concerned Trading Participant, or the Receiving Agent, as may be applicable, shall return the check payment of or refund the amount paid by the applicant concerned. With respect to an applicant whose Application has been scaled down, refund shall be made by the concerned Sole Issue Manager, Lead Underwriter and Sole Bookrunner, the concerned Selling Agents, the concerned Trading Participant, or the Receiving Agent, as may be applicable, by way of issuance of its own check payable to the order of the applicant and crossed "Payees' Account Only" corresponding to the amount in excess of the accepted Application or through other means as may be agreed between the applicant and the relevant Sole Issue Manager, Lead Underwriter and Sole Bookrunner, Trading Participant, Selling Agents, or Receiving Agent. All checks shall be made available for pick up by the applicants concerned at the office of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, the Trading Participants, or the Receiving Agent, as may be applicable, to whom the rejected or scaled down Application was submitted within five (5) Banking Days after the last day of the Offer Period. Any checks that remain unclaimed after fifteen (15) days from the Issue Date shall be mailed or delivered, at the risk of the applicant, to the address specified in the Application to Purchase. The Company shall not be liable in any manner to the applicant for any check payment corresponding to any rejected or scaled-down Application which is not returned by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, the Selling Agent, the Trading Participants, or the Receiving Agent, as may be applicable; in which case, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, the Selling Agents, the Trading Participants, or the Receiving Agent, as may be applicable, shall be responsible directly to the applicant for the return of the check or otherwise the refund of the payment.

Firm Commitment to Purchase

The Underwriter will fully underwrite, on a firm commitment basis, the Offer Shares.

After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the (i) inability of the Company or the Underwriter to sell or market the Offer Shares or (ii) the refusal or failure by the Company, the Underwriter, or any other entity or person to comply with any undertaking or commitment to take up any shares remaining after the Offer Period.

In undertaking the Underwriter's Firm Commitment to Purchase, the Underwriter hereby manifests its conformity to comply with and be bound by all duly promulgated and applicable listing and disclosure rules, requirements, and policies of the Exchange.

WITHDRAWAL OF THE OFFER

[The Company reserves the right to withdraw the offer and sale of the Offer Shares at any time before the commencement of the Offer Period, in which event the Company shall make the necessary disclosures to the SEC and the PSE.

The Company may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to the Issue Date, if any of the following events occurs, in which case the Underwriting Agreement shall be deemed terminated, namely:

a. An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or occurrence of any change in local, national or international financial, political, economic or stock market conditions, any of which, in the reasonable opinion of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, after consultation with the Issuer, which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Offer Shares in the manner contemplated by the PSE Notice of Approval, the SEC pre-effective clearance in relation to the Shelf Registration, the Registration Statement, Order of Registration, and the SEC Permit to Sell Securities (the "**Approvals**"), Prospectus and this Offer Supplement, or would have a material adverse effect on the Philippine economy, on the securities or other financial or currency markets of the Philippines, or on the distribution, offer and sale of the Offer Shares in the Philippines, provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer's or Underwriters' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Underwriter, or any other entity/ person to take up any shares remaining after the Offer Period;

b. An order revoking, cancelling, suspending, preventing or terminating the offer, sale, distribution, listing or issuance of the Offer Shares by any court or governmental agency or authority with jurisdiction on the matter (including the SEC and the PSE);

c. Suspension, cancellation, revocation or termination of the Approvals;

d. Trading in the PSE is closed or suspended for at least three (3) consecutive trading days other than due to weekends or declared holidays, or in such manner or for such period as will render impracticable the listing and trading of the Offer Shares on the Listing Date or such other date as may be approved by the PSE;

e. There is a change or impending change in any Applicable Law, or a ruling, interpretation, decree or order issued, made, or adopted by any Governmental Authority which (i) has a Material Adverse Effect, or materially and adversely affects any of the features or yield of the Offer Shares, including the taxes on fees or costs in connection with the Offer or (ii) would render illegal the performance by the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner of its obligations under the Underwriting Agreement;

f. Any significant, adverse, and unforeseeable change or development in the Issuer's or any of its Subsidiaries' having a Material Adverse Effect, which renders the Offer Shares unsuitable for offering to the public;

g. The Issuer or its subsidiaries decides to or is compelled or ordered by any competent court of Governmental Authority to stop its operations (or any material portion of its operations), which is not remedied within five (5) Business Days from decision of the Issuer or receipt by the Issuer or a formal notice of such decision by competent court of Governmental Authority (as the case may be);

h. The Issuer shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or assignment with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or (ii) the Issuer shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or (iii) such receiver, trustee or similar officer shall be appointed and such appointment shall continue undischarged for a period of sixty (60) days; or (iv) the Issuer shall initiate or institute (by petition, application or otherwise howsoever), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (v) any such proceeding shall be instituted against the Issuer without its consent and shall remain undismissed for a period of sixty (60) days; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part thereof, of the Issuer and such judgment, writ or similar process shall not be released, vacated or fully bonded within sixty (60) days after its issue or levy; or (vi) any event occurs which under the laws of the Philippines or to other jurisdictions, or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;

i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;

j. Any public action, court proceeding, litigation, arbitration or other similar proceeding is commenced or threatened against the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner in connection with or with respect to the issuance or sale by the Issuer of the Offer Shares or the Offer in general which renders the performance of its underwriting commitment impossible or impracticable;

k. Any event occurs which makes it impossible for the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner to perform its underwriting obligations due to conditions beyond its control, such as issuance by any court, arbitral tribunal, or government agency which has jurisdiction on the matter of an order restraining or prohibiting the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, or directing the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner to cease, from performing its underwriting obligations;

l. Any representation, warranty or statement of the Issuer in the Underwriting Agreement or, in any certificate, or any information given in the Prospectus and this Offer Supplement shall prove to be untrue or misleading in any material respect or the Issuer shall be proven to have omitted to state a material fact necessary to make the statements in the Underwriting Agreement and the Prospectus and this Offer Supplement not misleading, which untruth or omission: (a) was not known and could not have been known to the Sole Issue Manager, Lead Underwriter, and Sole Bookrunneon or before commencement of the Offer Period despite the exercise of due diligence, and (b) has a Material Adverse Effect;

m. Unavailability of PDTC's lodgment facilities and PSE facilities used for the Offer and/or listing of the Offer Shares prior to or on the target Listing Date and such unavailability effectively impacts the ability of the Issuer, and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to fully comply with the listing requirements of the PSE, if the impact of such unavailability on the listing of the Offer Shares remains unresolved after discussions between the Issuer and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner in good faith; and

n. Any force majeure event, other than the ones enumerated above, that has a Material Adverse Effect.

After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended, or terminated solely by reason of the Issuer's or Sole Issue Manager, Lead Underwriter and Sole Bookrunner's inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the underwriter, or any other entity/ person to take up any shares remaining after the Offer Period.

Notwithstanding the acceptance of any Application, the actual issuance of the Offer Shares to an Applicant shall take place only upon the listing of the Offer Shares on the PSE. Subject to the right of the Company to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to this section and "*Plan of Distribution"* of the Prospectus and this Offer Supplement, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.

Notwithstanding the foregoing, the Company and the Underwriter recognize and acknowledge that the PSE, in the exercise of its authority as a self-regulatory organization and further to its mandate to maintain a fair and orderly market, may impose appropriate sanctions and penalties on the Company and/or the Underwriter for the cancellation of the Offer on or after the commencement of the Offer Period and prior to the Issue Date if, subsequently, the PSE makes a determination that the cancellation or suspension of the offer and/or the underwriting commitment was not warranted based on the facts gathered and properly evaluated by the PSE and after due and proper proceedings initiated by the PSE not later than five (5) Banking Days after such cancellation or suspension.

For purposes of this section, "Material Adverse Effect" means any event, circumstance, effect or occurrence or any combination thereof arising or occurring which is materially adverse to the business, operations, properties, assets, prospects, or long-term financial condition of the Group, taken as a whole, the Offer, the validity or enforceability of the Offer Shares and the Transaction Documents, the capacity and due authorization of the Issuer to offer and issue the Offer Shares and enter into the Transaction Documents in connection with the Offer, or the ability of the Issuer to perform its obligations under the transactions contemplated in the Underwriting Agreement, whether or not arising in the ordinary course of business, in each case, as declared in the reasonable opinion of all the Sole Issue Manager and the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner acting in good faith, and in consultation with the Issuer. "Transaction Documents" means the Underwriting Agreement, the Registry, Paying and Receiving Agency Agreement, the Stock Transfer Agency Agreement, the Implementing Guidelines, and any other agreements and documents executed in relation to the Offer.]

Secondary Market

ABCI may purchase the Offer Shares, then tradeable at that time, at any time without any obligation to make pro rata purchases of Offer Shares from all Shareholders.

Registry of Shareholders

The Offer Shares will be issued in scripless form through the electronic book-entry system of Professional Stock Transfer, Inc. as Registrar for the Offer, and lodged with PDTC as Depository Agent on Issue Date through PSE trading participants nominated by the applicants. Applicants shall indicate in the proper space provided for in the Application Form the name of the PSE trading participant under whose name their Offer Shares will be registered.

Legal title to the Offer Shares will be shown in an electronic register of shareholders (the "**Registry of Shareholders**") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Registrar shall send (at the cost of the Company) at least once every quarter a statement of account to all shareholders named in the Registry of Shareholders, except certificated shareholders and depository participants, confirming the number of Offer Shares held by each shareholder on record in the Registry of Shareholders. Such statement of account shall serve as evidence of ownership of the relevant shareholder as of a given date thereof. Any request by the shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting shareholder.

For scripless shares, the maintenance and custody fee payable to the PDTC shall be for the account of the shareholder.

Expenses

All out-of-pocket expenses, including but not limited to, registration with the SEC, printing, publication, communication and signing expenses incurred by the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner or Selling Agent in the negotiation and execution of the transaction will be for the account of ABCI, irrespective of whether the transaction contemplated herein is completed. Such expenses are to be reimbursed upon presentation of a composite statement of account. See "Use of Proceeds" on the relevant Offer Supplement for details of expenses.

THE COMPANY

OVERVIEW

A Brown Company, Inc. was originally incorporated with the Securities and Exchange Commission on December 21, 1966 as Bendana, Brown, Pizarro & Associates, Inc., and later renamed on October 1, 1992 as EHC. On June 25, 1993, the Securities and Exchange Commission approved the plan of merger between Brown Chemical Corporation and Brown Chemical Sales Corporation into EHC as the surviving entity. The merged company was renamed to its current corporate name a month later. ABCI was listed with the Philippine Stock Exchange on February 8, 1994 under symbol “BRN”.

The Company has generally focused on business interests in Mindanao, although both the power and real estate segments have investments in other regions. The Company is primarily engaged in the business of real estate development located in Cagayan de Oro City and Initao in Misamis Oriental, Valencia City, Bukidnon, Butuan City in Agusan del Norte, and Cainta and Tanay in Rizal.

In recent years, the Company has diversified its business interests to include power generation, an industry that is seen to provide steady, recurring income. The Company has interests in power generation through affiliates Palm Concepcion Power Corporation and Peakpower Energy, Inc. In June 2020, the Company purchased 100% of VEC.

Through its 100%-owned subsidiaries ABERDI and SGAC, the Company is engaged in the manufacturing and trading of palm oil and other palm products. ABERDI operates a 10 ton per hour crude palm oil mill and a 50 MT/day capacity physical refinery in Impasug-ong, Bukidnon, while SGAC operates a 5-ton per hour crude palm oil mill in Brgy. Tambis, Barobo, Surigao del Sur.

Irradiation Solutions Inc. was incorporated In January 4, 2021 to develop the Tanay Multipurpose Irradiation Facility, the first Commercial E-Beam Irradiation Facility to be built in the Philippines. AB Bulk Water Company, Inc. is pursuing bulk water supply projects for the Municipality of Opol in Misamis Oriental and the expanding water needs of adjacent Cagayan de Oro City, or to engage in business activities related to water development.

The consolidated sales, gross profit and EBITDA of ABCI and its subsidiaries for the year ended December 31, 2022 were ₱1.520 billion, ₱940.54 million and ₱846.63 million, respectively.[3]

For the nine months ended September 30, 2022, consolidated sales was ₱891.78 million, gross profit was ₱517.47 million and EBITDA was ₱523.97 million compared to consolidated sales of ₱1.104 billion, gross profit of ₱714.18 million and EBITDA of ₱699.44 million for the nine months ended September 30, 2023.[4]

The Company’s subsidiaries include ABERDI, PTCHC, Blaze Capital, SHDI, ABWCI, HLPC, MCPI, ISI, NC, Bonsai Agri Corporation (“**BAC**”), VEC and SGAC.

Real Estate

Real estate is the core business of ABCI. Its prime real estate development property is Xavier Estates in Cagayan de Oro City. All real estate developments follow the concept of a mixed-use, nature-themed, master-planned integrated community. Aside from Xavier Estates, the high-end properties of ABCI include Teakwood Hills Subdivision, Valencia Estates, Coral Resort Estates, West Highlands, West Highlands Phase 2, Xavier Estates Phase 6 – Ignatius Enclave, Xavier Estates Phase 6 – Ignatius Enclave 2, The Terraces, Mountain Pines Farm 2, Coral Resort Estates, and Adelaida Meadow Residences.

In recent years, the Company has expanded to economic and socialized housing projects. These properties include Xavier Estates Ventura Residences, Ventura Lane, Xavierville Homes Subdivision, East Cove Village, Adelaida Park Residences, Xavier Estates Phase 5B – Ventura Residences II, Adelaida Mountain Residences, St. Therese Subdivision, Mountain View Homes, Mangoville., and Adelaida Homes.

[3] EBITDA is computed as the sum of Income before income tax, Depreciation, and Interest expense.
[4] EBITDA is computed as the sum of Income before income tax, Depreciation, and Interest expense.

Power

Palm Thermal Consolidated Holdings Corp. ("**PTCHC**"), which is 100% owned by ABCI, is the corporate vehicle for ABCI's entry in the power generation business. PTCHC owns 20% of PCPC. PCPC is the project company for the 2 x 135-megawatt coal-fired power plant in Concepcion, Iloilo. The power plant project is a base load plant that uses CFBC technology that is highly efficient and low-pollution. The first 135MW unit was designed to address the power supply requirements of the Visayas grid and provide a steady flow of power to the growing businesses and economic development in the islands of Panay, Negros, Cebu and even Leyte.

The table below shows the principal terms and expiration dates of registration, permit and licenses held by PTCHC.

Permits / License	Issuing Agency	Certificate No./ Permit No.	Issue Date	Expiry Date
Amended Certificate of Incorporation (Certificate of Filing of Amended Articles of Incorporation)	SEC	CS201018744	January 14, 2014	Perpetual
Certificate of Registration	BIR	007-925-475-000	January 25, 2011	Perpetual
Business Permit (2023)	Business Permit and License Office-Pasig City	IN6 23-016076	March 09, 2023	December 31, 2023
Employer Data Form	HDMF	Not registered, no employee		
Certificate of Registration	Social Security System	Not registered, no employee		
Certificate of Registration	Philippine Health Insurance Corporation	Not registered, no employee		

In February 2013, the Company caused the incorporation of PEI, the holding company that ventured into projects designed to generate peaking energy in Mindanao using brand new bunker-fired engines. After its incorporation, ABCI invited additional investors and eventually ABCI was diluted to 20% ownership in PEI. The Company is working to develop, construct, and operate diesel power plants in Mindanao through PEI's subsidiaries: PSI and PSFI**.** These projects are Build-Operate-Maintain and Transfer agreements for brand new engines, which will last for 15 years through the PEI subsidiaries.

On July 24, 2014, a new subsidiary, PBI, was incorporated for a 15-year Build-Operate-Maintain and Transfer agreement with the Bukidnon II Electric Cooperative Inc. ("**Buseco**"). PBI and Buseco signed a Power Purchase and Transfer Agreement for a 10.4MW Diesel/Bunker-fired power plant to be constructed in Manolo Fortich, Bukidnon. On October 16, 2016, the Company transferred its 100% interest in PBI to PEI to consolidate its investment in the peaking projects under one holding company.

ABCI owns 100% of HLPC. HLPC is a registered renewable energy developer with the Department of Energy. HLPC will be ABCI's vehicle to pursue renewable energy projects. HLPC remains on the lookout for opportunities at any stage of development from greenfield opportunities to acquisition of operating power projects. As of December 31, 2022, the company has no employee and not started commercial operations as of April 28, 2023.

HLPC provides power generation services specifically for the distribution utilities and WESM market through the NGCP power grid. It sources its supplies from indigenous and renewable resources. It is also not highly dependent on a specific customer, as HLPC's revenue streams are ensured through long-term power supply agreements. Given these energy transactions, HLPC also deals with DOE and NGCP. At most, its competitors are other local power generation companies. With the fast-growing need for electricity in the Mindanao grid, a new source of power will help support the need for additional capacity. Being a renewable form of energy source, it has a preferential dispatch treatment assuring the delivery of energy in the grid.

The table below shows the principal terms and expiration dates of registration, permit and licenses held by HLPC.

Permits / License	Issuing Agency	Permit No.	Issue Date	Expiry Date
Amended Certificate of Incorporation (Certificate of Filing of Amended Articles of Incorporation)	SEC	CS201006733	Dec. 29, 2023	Perpetual
Certificate of Registration	BIR	007-750-874-000	June 15, 2010	Perpetual
Business Permit (2023)	Business Permit and License Office-Pasig City	RET 23-016078	March 9, 2023	Dec. 31, 2023
Employer Data Form	HDMF	204483050008	August 16, 2013	Perpetual
Certificate of Registration	Social Security System	03-94359001		Perpetual
Certificate of Registration	Philippine Health Insurance Corporation	00-102000157-0		Perpetual

On June 18, 2020, ABCI acquired 99.995% of the outstanding capital of VEC from Argo Group Pte. Ltd. of Singapore. VEC was incorporated in 2015 and is the proponent for an Integrated Floating LNG Storage and Regasification Terminal and a 506MW Floating Natural Gas-Fired Power Plant Project located in Barangay Simlong, Batangas City. Unlike the conventional land-based facility, the Project will use a Floating Power Plant or power barge. The Department of Energy issued a Notice to Proceed ("**NTP**") on April 2021 for the proposed Integrated Natural-Gas Fired Power Plant and LNG Storage and Regasification Project of VEC. The project is currently in its pre-development stage.

VEC provides power generation services specifically for the distribution utilities and WESM market through the NGCP power grid. It sources its supplies from the LNG International Market, wherein VEC is already in negotiation with several suppliers for long-term gas supply. It is also not highly dependent on a specific customer, as VEC's revenue streams are ensured through long-term power supply agreements. Given these energy transactions, VEC also deals with DOE, NGCP and LNG Suppliers. At most, its competitors are other local power generation companies. Moreover, the Luzon grid is in need of additional generating capacity to support its growing demand. Energy generated by VEC's powerplant is very competitive and more dependable among other forms of generation facility. Its capability to deliver based load or mid-merit powerplant makes it more beneficial to the grid.

The table below shows the principal terms and expiration dates of registration, permit and licenses held by VEC.

Permits / License	Issuing Agency	Permit No.	Issue Date	Expiry Date
Certificate of Registration	SEC	CS201504660	March 11, 2015	Perpetual
Certificate of Registration	BIR	008-977-927-000	April 08, 2015	Perpetual
Business Permit 2023	LGU-CDOC	BSM23-020250	February 14, 2023	Dec 31, 2023/ Renewable every year
Employer Data Form	HDMF	20564812002	September 03, 2015	Perpetual
Certificate of Registration	Social Security System	03-9500869-4-000	August 10, 2015	Perpetual
Certificate of Registration	Philippine Health Insurance Corporation	00-102000616-1	September 08, 2015	Perpetual
Environmental Compliance Certificate	Department of Environment and Natural Resources, Environmental Management Bureau	ECC-CO-1704-0003	December 13, 2017	For amendment
Certificate of Registration – LNG Storage and Regasification Terminal	Board of Investment	2018-260	December 12, 2018	For amendment
Certificate of Registration – Natural Gas-fired Floating Power Plant	Board of Investment	2019-078	April 26, 2019	For amendment

The following table summarizes key information relating to the Company's power plant properties (the "Properties").

	PCPC	PBI	PSI	PSFI
Type of powerplant	Base load	Peaking	Peaking	Peaking
Location	Concepcion, Iloilo	Manolo Fortich, Bukidnon	General Santos City	San Francisco, Agusan del Sur
Right over property	Owned	Leased	Leased	Leased
Land lease expiry	-	Concurrent with 15-year Build Operate Maintain Transfer Contract	Concurrent with 15-year Build Operate Maintain Transfer Contract	Concurrent with 15-year Build Operate Maintain Transfer Contract
Lessor		BUSECO	SOCOTECO II	ASELCO
Installed capacity	135 MW	10.4 MW	34.8 MW	10.4 MW
% Contracted as of June 30, 2021	75%	100%	100%	100%
Commercial operations date	Oct 2016	March 2018	Jan 2015 Expansion 2017	Feb 2015 Expansion 2018
Contract expiry	>5 Years	>5 Years	>5 Years	>5 Years
Contract type	Take and pay	Capacity-based Build Operate Maintain Transfer	Capacity-based Build Operate Maintain Transfer	Capacity-based Build Operate Maintain Transfer

In addition to the Properties, after the Offer, the Company intends to expand its energy property portfolio as described below:

- **PCPC 2x135MW Coal-Fired Power Plant**
  2nd unit expansion of existing PCPC Coal-Fired Power Plant located in Concepcion, Iloilo with an

estimated equity contribution of PHP800 million. The project shall commence by 4th quarter of 2024, with an estimated completion date by 1st quarter of 2027.

- **Vires 450MW Floating LNG-fired Power Plant**
  Floating power barge combined cycle LNG located in Batangas City with an estimated equity contribution of PHP3.0 billion. The project shall commence by 1st quarter of 2025, with an estimated completion date by 1st quarter of 2028.

The Pre-Front End Engineering Design Phase (Pre-FEED) for the marine and onshore facilities and the floating power plant conducted by Seanergy Singapore and London Marine Consultants was completed in October 2021 and April 2022, respectively. VEC has secured the project site in Barangay Simlong, Batangas City. The property will be developed to include the power barge mooring area or jetty, switchyard, onshore facilities and the balance of plant infrastructure.

Vires Energy is currently seeking a long-term gas supply contract and base load power off-take agreements. The power plant project is in a position to be in commercial operations by 1st quarter of 2028.

Utilities

ABWCI is in the business of holding and providing rights to water to public utilities and cooperatives or in water distribution in the Municipality of Opol or to engage in business activities related to water development. ABWCI is currently pursuing the proposed Bulk Water Supply Project for the Municipality of Opol in Misamis Oriental. The Project will tap the water resources of Lumayagan River and aims to supply up to 40 million liters per day ("**MLD**") of potable water. Other potential service areas include the neighboring municipalities of Opol – the city of El Salvador, and the municipalities of Alubijid, Laguindingan, and Gitagum. Based on study, these municipalities are potential growth areas. As of September 30, 2023, ABWCI is 100% owned by ABCI.

The detailed engineering design of the Project has been completed confirming the technical viability of the project as defined during the pre-feasibility study. The Water Permit has been granted by the National Water Resources Board ("**NWRB**"). Likewise, the ECC has been secured from the DENR. The Watershed Management Study was also completed with the involvement of different LGU sectors and stakeholders.

The project will follow a business model to which it will provide potable water through a bulk supply agreement with a distribution company. ABWCI has been in discussion with numerous possible investors, partners, offtakers, however, no final agreement has been successful completed pending their due diligence on project parameters.

ABWCI remains steadfast to serve the needs for potable water of the LGU within the Cagayan de Oro – Iligan corridor more particularly the possibility of providing water to Cagayan de Oro Water District (COWD), a local water distribution company and as a possible off-taker of the project, which strongly indicates a worthy partnership considering the current scarcity of potable water supplying the franchise area of COWD. In preparation for this undertaking the Company is looking at the potential of Cagayan de Oro River in Municipality of Talakag as possible water sources.

The demand for water is increasing in the regions the ABWCI is focusing on. The Company continues to do pre-development work towards reaching shovel-ready status. Access to potable water is a fundamental right that should be guaranteed by the state. Water supply projects play a fundamental role in public health, economic growth, environmental sustainability, and overall human development. Current supply of potable water in the target area is insufficient and the need to augment the demand is to put this type of project/s.

ABWCI sources its raw materials, *i.e.* water, from rivers and the like. It is also not highly dependent on a specific customer, as ABWCI's revenue streams are ensured through long-term power supply agreements. Given these water supply transactions, ABWCI also deals with LGUs, local water distribution companies and NWRB.

The table below shows the principal terms and expiration dates of registration, permit and licenses held by ABWCI.

Permits / License	Issuing Agency	Permit No.	Issue Date	Expiry Date
Certificate of Registration	SEC	CS201506364	March 31, 2015	Perpetual
Certificate of Registration	BIR	008-994-929-000	May 7, 2015	Perpetual
Business Permit (2023)	Business Permit and Licensing Office-Cagayan de Oro City	2023-20830	February 27, 2023	Dec. 31, 2023 / Renewable every year

Agribusiness

ABERDI (formerly A Brown Energy, Inc.) is engaged in the business of manufacturing and trading goods such as crude oil and petroleum products on wholesale/retail basis. On August 2006, ABERDI entered into a Development Contract (DC) with Kapunungan Sa Mga Mag-Uuma sa Kaanibungan ("**KASAMAKA**") now Kaanibungan Farmers Association ("**KAFA**") at the Barangay Kalabugao, Municipality of Impasugong, Bukidnon concerning the development of Oil Palm Commercial Plantation. The rights and responsibilities of ABERDI in the Development Contract were transferred to NC starting year 2006. On March 26, 2007, ABERDI approved the transfer of its palm oil nursery and plantation operations to NC to facilitate efficiency and profitability.

ABERDI is into palm oil milling and refining operations. Its crude palm oil mill started operations in 2014 is located in Impasug-ong, Bukidnon. In 2012, ABERDI began construction of a physical refinery to be able to produce palm olein. The refinery started commercial operations in September 2015 with a capacity of 50 MT/day.

ABERDI entered into a lease agreement with NC for the plantation area, inclusive of the standing crops, properties and equipment, wherein ABERDI shall be given access to enter NC's premises for the set-up, construction and preparation for its intended use of the plantation area. The lease was renewed and will expire on April 1, 2022. The same was renewed and extended for another three (3) years which will expire on April 1, 2025.

As of the date of this Offer Supplement, ABERDI is 100% owned by ABCI.

To boost its mill operational capacity, the Company also invested in SGAC to operate another palm oil mill in Brgy. Tambis, Barobo, Surigao del Sur. SGAC operates a 5-ton per hour crude palm oil mill in Brgy. Tambis, Barobo, Surigao del Sur.

Irradiation/ Sterilization Services

ISI is a 100% subsidiary of ABCI and was incorporated on January 4, 2021 to pursue to develop a network of irradiation facilities in the Philippines. ISI is developing the Tanay E-Beam and Cold Storage Project. The project is envisioned to be the first Commercial E-Beam Irradiation Facility to be built in the Philippines.

The Irradiation Facility will promote much needed additional economic activity throughout the agriculture value chain through improved quality of agricultural and fishery products. This will enable local products, fruits, and seafood to be of export quality and gain wider access to international markets. The Facility will also need for sterilization of medical masks, dressings, syringes and surgical staplers will also be addressed. The E-Beam technology is used in more than 60 countries and is considered the most economical alternative among available commercial sterilization methods. ISI provides Electron Beam Sterilization Services specifically for the Agri-Agro Business and Medical devices or packaging market. ISI's customers bring and pick-up their product in ISI's facility to be able to avail of the sterilization services. It does not source its raw materials from any supplier as it only offers sterilization services. It is also not highly dependent on a specific customer, as ISI's services can accommodate various type of products, e.g., frozen good, dry goods, and medical goods. ISI also deals with FDA for its transactions. At most, its competitors are those businesses which offer other forms of sterilization services, *e.g.,* ETO treatment. These other forms of sterilization available in the market are not totally acceptable in major markets due to the residue left after the treatment. The E-Beam technology being offered by ISI does not leave residue after the treatment and can be treated in the final packaging. Currently, the ISI facility is the only commercially available contract sterilization facility.

The Tanay E-Beam and Cold Storage Facility is currently under construction. The Tanay E-Beam Facility encountered delays in construction activities and in the delivery of critical equipment. Site Development works were affected by heavy rains from July 2023 to September 2023 brought upon by Habagat. Critical equipment which were manufactured abroad encountered supply chain related difficulties which extended manufacturing period. As of November 25, 2023 construction is 93.64% complete, equipment is all on site, and installation and commissioning of equipment is ongoing. Commercial operations is expected to commence by March 2024.

The table below shows the principal terms and expiration dates of registration, permit and licenses held by ISI.

Permits / License	Issuing Agency	Permit No.	Issue Date	Expiry Date
Certificate of Incorporation	SEC	2021010004587-27	Jan. 4, 2021	Perpetual
Certificate of Registration	BIR	773-965-320-000/ OCN 3RC0001018124	Jan. 25, 2021 / Jan. 27, 2021	Perpetual
Business Permit (2023)	Office of the Municipal Mayor – Tanay, Rizal	2023-0000823	Jan. 19, 2023	Dec. 31, 2023/ Renewable every year
Employer Data Form	HDMF	2-1023119000-5	Sep. 2022	Perpetual
Certificate of Registration	Social Security System	80-0271671-8	Oct. 2022	Perpetual
Certificate of Registration	Philippine Health Insurance Corporation	00-301001009-8	Sep. 2022	Perpetual
Environmental Compliance Certificate (ECC)	DENR	ECC-OL-R4A-2021-0687	Dec. 7, 2021	Perpetual
Certificate of Registration	DOLE	RDO-0722-581	July 2022	Perpetual
Certificate of Registration	BOI	2021-130	Aug. 5, 2021	Perpetual
Certificate of Registration	BOC	CCN: IM0009853073	April 13, 2023	April 12, 2024
License To Operate *(to be acquired after facility completion)*	FDA-CDRRHR	N/A	N/A	N/A
Building Permit for Admin Building	Office of the Building Official	TRBP#2207-207	July 1, 2022	
Building Permit for Car Shed	Office of the Building Official	TRBP#2207-209	July 1, 2022	
Building Permit for Guard House	Office of the Building Official	TRBP#2207-208	July 1, 2022	
Building Permit for Main Building (Cold-Dry Storage, E-Beam)	Office of the Building Official	TRBP#2207-206	July 1, 2022	
Business Clearance	Office of the Punong Barangay (Tanay, Rizal)		January 4, 2023	
Fire Safety Inspection Certificate	Bureau of Fire Protection (Region 4A)	FSIC No. R4A0991471	June 21, 2023	June 21, 2024
Sanitary Permit to Operate		Sanitary Permit No. 0886	January 19, 2023	December 31, 2023

Permits / License	Issuing Agency	Permit No.	Issue Date	Expiry Date
Private Land Timber Permit (in the name of ABCI)	DENR	DENR PENRO Rizal No. 09192022	September 21, 2022	

Other Subsidiaries

The table below shows the principal terms and expiration dates of registration, permit and licenses held by MCPI.

Permits / License	Issuing Agency	Certificate No./ Permit No.	Issue Date	Expiry Date
Amended Certificate of Incorporation (Certificate of Filing of Amended Articles of Incorporation)	SEC	CS200710562	March 22, 2023	July 3, 2024
Certificate of Registration	BIR	006-793-532-000	07/05/2007	Perpetual
Business Permit (2023)	Business Permit and License Office-Pasig City	SSM 23-016077	March 09, 2023	Dec. 31, 2023
Employer Data Form	HDMF	Not registered, no employee		
Certificate of Registration	Social Security System	Not registered, no employee		
Certificate of Registration	Philippine Health Insurance Corporation	Not registered, no employee		

The table below shows the principal terms and expiration dates of registration, permit and licenses held by SGAC.

Permits / License	Issuing Agency	Certificate No./ Permit No.	Issue Date	Expiry Date
Certificate of Incorporation (with Articles of Incorporation and By-Laws)	SEC	2023020085735-42	February 11, 2023	Perpetual
Business Permit 2023	Office of Municipal Mayor -Barobo	2023-02-0698	February 21, 2023	December 31, 2023
Certificate of Registration	Social Security System	80-02915-9000	March 16, 2023	
Employer Data Form	HDMF	210453740004	March 16, 2023	
Certificate of Registration	Philippine Health Insurance Corporation	018040000708	March 16, 2023	
Certificate of Registration	BIR	OCN:106RC202300000000952	March 1, 2023	
Certificate of Environmental Clearance (issued to Mider Palm Oil Mill)	Municipal Environment and Natural Resources - Barobo	23-0306	January 20, 2023	

Permits / License	Issuing Agency	Certificate No./ Permit No.	Issue Date	Expiry Date
Sanitary Permit (issued to Mider Palm Oil Mill)	Municipal Health Office -Barobo		January 20, 2023	December 31, 2023

The table below shows the principal terms and expiration dates of registration, permit and licenses held by SHDI.

Permits / License	Issuing Agency	Certificate No./ Permit No.	Issue Date	Expiry Date
Certificate of Filing of Amended Articles of Incorporation	SEC	A199703502	April 10, 2015	Perpetual
Certificate of Registration	BIR	005-202-142-001	01/27/2010	Perpetual
Business Permit (2023)	Business Permit and Licensing Office-Cagayan de Oro City	2023-21889	February 28, 2023	Dec. 31, 2023 / Renewable every year

Recent Developments

ERC Orders for PEAK power companies

On 1 March 2023, ERC issued an Order to PSFI and ASELCO which was received on 31 May 2023. Among others, the order required the parties to stop the implementation of the Power Purchase and Transfer Agreement (PPTA) between the parties since it failed to comply with the 2018 CSP Rules PSFI and ASELCO filed a Petition for Certiorari and Prohibition on July 28, 2023 before the Supreme Court to challenge the ERC order.

On 1 March 2023, ERC also issued an Order to PBI and BUSECO which was received on 6 September 2023. Among others, the order required the parties to stop the implementation of the PPTA between the parties since it failed to comply with the 2018 CSP Rules. PBI and BUSECO filed a Motion for Reconsideration before the ERC on September 21, 2023.

In addition, a request for confirmation has been filed with the Department of Energy (DOE) last September 26, 2023 seeking confirmation that by reason of the Build–Operate and Transfer (BOT) component of the PEAK contracts, these contracts should be exempt from the CSP requirement under the 2018 CSP Rules.

STRENGTHS AND STRATEGIES

STRENGTHS

Established Real Estate Player with a Solid Track Record and Captured Niche Market in Mindanao for high-end customers

ABCI has over 25 years of track record in real estate development in Mindanao. It has established itself as the premier developer for the middle-middle, upper-middle and premium markets in the area, known for underscoring healthy, environment-friendly and low dense communities with focus on city-, mountainside-, agricultural-, golf and sea resort-, and lifestyle-developments.

Further, its in-depth knowledge of the local setting is bolstered by the fact that its management and base of operations are both centered in Mindanao unlike most of its competitors.

As of September 30, 2023, the Company has completed a total of 16 projects located in Cagayan de Oro City, Valencia City, Butuan City, and Initao, Misamis Oriental covering 4423 units over a total developed area of 228 heactares The Company also has a total of 16 ongoing projects located in Cagayan de Oro City; Butuan City; Initao, Misamis Oriental; Dahilayan, Bukidnon and Tanay, Rizal, composed of both high-end and socialized / economic units. Despite logistical challenges brought about by the ongoing pandemic, ABCI was able to meet construction timetables as of third quarter of 2023, with majority of projects more than 80% completed.

ABCI also has a total of 10 projects in the pipeline covering a total area of 2,077,867 sqm. consisting of high-end and economic/socialized units, memorial garden, and farm estate. For further discussion on the Company's projects, please refer to section on The Company – Businesses of ABCI – The Real Estate Development Business – Summary of Projects.

Large Landbank in Marketable Locations

As of September 30 2023, the Company has a land bank of 514 hectares that can support its pipeline projects. The land bank is mostly located in the Company's traditional markets and provides an opportunity for the Company to venture into all segments of the housing market. Total book value of this 514 hectares of land as of September 30, 2023, amounted to PHP2.018 billion.

The Company is also in negotiation to acquire an additional 300 hectares of raw land for future land development in the areas of Tanay, Rizal, Cagayan de Oro City, Butuan City, Bukidnon province, and Batangas City.

Positioned to Benefit from Healthy Recovery Outlook on the Philippines Real Estate Industry

There is a rise in the demand of housing requirements for middle income, starter families and single market. To address these markets, ABCI intends to develop socialized and economic housing in Cagayan de Oro City. The real estate sector is still a major contributor to employment and income growth as it continues to be an attractive choice of investment for both domestic and foreign investors. Looking at the young and growing population, the transition of the country from a low-middle income economy to a high-middle income one, and, the expansion of economic activities to the provinces are some of the reasons for this bullish outlook on the real estate sector.

The Company has historically targeted the full spectrum of the real-estate industry, enabling it to take promptly take advantage of shifts in the demand of its customers. Hence, it is in the position to venture into pockets of growth areas that are outside its niche as seen in the current thrust to supply the necessary housing inventory to address the backlog in the economic and socialized segments.

Being at the forefront in real estate development in Mindanao, the management and the Board of ABCI will continue to pursue its real estate projects in key cities in the Land of Promise. Overtime, ABCI was able to build a reputation and credibility to deliver first class development. It has created a niche in Mindanao and has carved a name to beckon with when it comes to property development. It shall take advantage of the continuous demand in Xavier Estates lots which is attributable to its overall aura. Xavier Estates Phase V-A Ventura Residences offers Ventura Lane and Clusters B&C for the "lot-only" market. The strongest factor, especially among the OFWs and foreigners married to a Filipino are its tree-lined streets that are now fully-grown, its in-house water system, strict security system, the largest clubhouse in Mindanao, as well as having a luxurious view of nature on top of a plateau.

Teakwood sales are beginning to pick-up and are also the preferred place compared to its competitors due to its magnificent location which is overlooking the Macajalar Bay. Coral Resort Estates is gaining popularity among local residents due to the tranquility the water front offers. Adelaida Park Residences is ABCI's response to the growing demand for economic house and lot packages. The project gained edge because of its ridge view linear park and single houses sufficiently spaced from each other. Mountain View Homes Phase 2 attracted teachers, government employees and managers. ABCI will continue to focus on increasing revenue generation and profit through innovation by introducing new products and services that would meet customer expectations and satisfaction, reduction of costs and expenses, and increasing efficiency in its operations to continuously provide the growth of shareholder value. Through its subsidiaries' diversified ventures, it will keep on pursuing businesses which will eventually replace the adhesive and chemical business ABCI was known for.

The Company's foresight to provide healthy, environment-friendly, and low-dense community concepts to the market served as the pillar of continuing unprecedented sales. Despite the effect of COVID-19 pandemic to the economy, the Company remains strong and continues to expand and diversify in other business segments.

Stable Financial Performance and Resilient Profitability Track Record

ABCI has a demonstrated history of sustainable profitability and financial prudence that has seen it overcome several global crises including the 1973 oil crisis, the 1997 Asian financial crisis, and the 2008 U.S. subprime crisis.

The Company has been able to remain profitable, managing to improve its gross profit and net income margins year-on-year despite the drop in sales at the height of the pandemic. ABCI believes that its agility and operational capability would allow it to sustain profit growth despite the highly uncertain environment. For further discussion, please refer to the section on "*Management's Discussion and Analysis of Results of Operations and Financial Condition*".

Visionary Leadership with Extensive Experience in Real Estate, Energy, and Project Development

The Company employs a highly experienced management team with a proven track record across various industries led by visionary Dr. Walter W. Brown. Dr. Brown, the founder, is a trained geologist and geo-chemist. His track record includes serving as Chairman or as President or Director of Apex Mining Co. Inc., Atok Big Wedge Co, Inc., Philex Mining Corporation, National Grid Corporation of the Philippines, Atlas Consolidated Mining Co., Philodrill Corporation, Petroenergy, Philippine Realty & Holdings Corporation, Dominion Asia Equities, Inc. (Belle Corp.), Palawan Oil & Gas Exploration (Vantage Equities), 7 Seas Oil Company, Inc. (Abacus), Universal Petroleum (Universal Rightfield), Sinophil Corporation, Asian Petroleum Corporation, Acoje Mining Corporation, Semirara Coal Corporation, Surigao Consolidated Mining Inc. (Suricon), Vulcan Industrial and Mining Corporation, San Jose Oil, Seafront Petroleum, and Basic Petroleum.

STRATEGIES

Target the full spectrum of the real estate market from high end to economic and socialized housing segments

ABCI shall continue to deliver excellent and value for money developments in accordance with its core competence. The Company has the land bank in place to support expansion and pipeline projects that will be rolled out. A master planned community is being developed in Tanay, Rizal and Butuan City. New phases shall also be developed in West Highlands in Butuan City; Coral Resort Estates in Initao, Misamis Oriental, and, Teakwood Hills in Cagayan de Oro City. For the premium market, on the drawing board is a golf and retirement estate in Manolo Fortich, Bukidnon. ABCI has developed the technical expertise and processes to be able to develop projects efficiently across the whole spectrum from socialized to high end. The Company's solid track record of its completed and ongoing projects allows good brand recall among its customers.

Maintain focus on healthy, environment-friendly and low-density community concepts

With the health benefits and personal well-being of the residents as its core thrust, the Company will continue to deliver developments that feature generous open spaces, lush vegetation, fresh flowing air, bike lanes and open patios in its home designs. Changing market demands brought upon by the COVID-19 pandemic has highlighted the preference of customers for low-density community concepts. The Company's land bank is situated mostly outside the main cities. The Company aims to take advantage of this by fast tracking planned developments and integrating farm lots into its real estate product offerings.

Continue land banking to support pipeline projects

The Company does continuous land banking focused on areas where the Company has a local foothold and a competitive advantage. Land parcels adjacent completed and ongoing projects are usual targets for expansion phases. With its experience in developing master-planned mixed-use developments, the

Company is also looking into new areas where it can consolidate sizable portions to be able to come up with integrated mixed-use developments.

Increase the sales network by additional accreditation of partner realties

ABCI asserts a pro-active stance with regard to its partner realties, brokers, and agents. The Company's strategy is to expand the reach of its products by actively engaging additional accreditation of partner realties to market the Company's real estate products. In 2022, ABCI expanded its network to 32 accredited realties. On top of the regular commissions, ABCI institutes programs, trainings, talks, personal chats and exchange with individual brokers which has increased the brokers' drive to sell the Company's real estate offerings.

In 2022, the performing realties are Abejo Realty, Appena Realty, Bachelors Realty and Brokerage, BCP Realty, CDO Brokers and Associates, Inc., Chee Realty and Development Corp., CLM Realty, Cornerstone Realty Services CDO, Danrel Gold Realty, DK Realty Philippines, Eagleridge Realty, ES Realty, FAM Associates Realty and Services, GAA Realty, Gambe Realty, Global One Realty and Property Mgt Corp., Golden Nest Realty and Brokerage, Highlands Realty and Brokerage Corp. Home Solutions Realty, Icon Real Estate PH, INS Realty, Intino Realty, Jac Homes Realty, JET Realty, JYA Real Estate Services, KPO Realty, LA Keystone Realty, Land Asia Realty and Devt Corp., Leuterio Realty and Brokerage, Maria Lee Realty and Brokerage, Marian Realty, Philhomes Devt Corp., Power Properties Realty Mgt and Devt Corp., Property Provider Realty, Primeland Realty Phildevelopment Corp, Seers Property Mgt Group, Seankirsten Realty, Silucorp Real Estate and Engineering Services, Sit Benedictus Realty, SVF Realty, True Hero Realty and Devt Builders Corp, Truly Wealthy Realty, U1st Realty and Brokerage Inc, VEFF Realty Services, and VZ Stellar Realty.

Different realties for the Tanay, Rizal projects were also accredited. They are Mensu Realty Marketing & Development Corp., Marian Realty, EMEA Realty, Move In Realty Corporation, Individual Brokers Teresita Alfonso and Dr. Arlene Aida Arcilla.

Expand its power generation portfolio through development of greenfield power projects

ABCI's investments in power generation associates PCPC and PEI have remained profitable and contributes a steady source of dividends to the Company. With its experience and knowledge of the industry, the Company is looking to expand its current portfolio. ABCI believes that subsidiary VEC's LNG Power Plant Project to be built in Batangas can provide an environmental-friendly and economic source of electricity for the country's power needs. The Company remains on the lookout for good opportunities ranging from development of new greenfield power project opportunities or acquisition of development or operating power projects.

Further diversification in strategic and high impact industries

ABCI is looking at expansion and continuous diversification in new business segments. Projects in the irradiation and bulk water segments are expected to be income contributors in the future as the projects progress in development. Irradiation Solutions, Inc. (ISI), a fully owned subsidiary, is putting up in Tanay, Rizal, the first E-Beam Facility will provide commercial irradiation services to improve the quality of agricultural and fishery products. ABCI is looking at two main markets for AB Bulk Water Co. This is to supply water in the Opol to Laguindingan corridor and the expanding needs of Cagayan de Oro City. ABCI banks on its experience in project development, knowledge on the local and regulatory framework of the sectors it is operating in, and its network with both local and foreign experts in their respective fields.

ABCI is also expanding its portfolio of investments with total estimated equity contribution of PHP5 Billion. Pipeline projects for other business interests in power, utility and agribusiness sectors are as follows:

Project	Location	Type	Ownership Interest in Project	Estimated Project Cost (₱ Mn)*	Start Date	Estimated Completion Date
Tanay E-Beam and Cold	Rizal	Commercial Sterilization			4Q2021	1Q2024

Project	Location	Type	Ownership Interest in Project	Estimated Project Cost (₱ Mn)*	Start Date	Estimated Completion Date
Storage Facility			100%	600		
Vires Floating LNG-fired Power Plant	Batangas City	Power generation	100%	3,000	1Q2025	1Q2028
PCPC Coal-Fired Project (2nd Unit)	Concepcion, Iloilo	Power generation	20%	800	4Q2024	1Q2027
CDO Bulk Water Project	Cagayan De Oro	Bulk water supply	100%	600	3Q2024	1Q2027
Total				5,000		

* Refers to the estimated equity contribution of the Company only.

CORPORATE HISTORY AND MILESTONES

1966	The Company was incorporated in the Philippines as Bendana, Brown, Pizarro & Associates, Inc.
1992	The SEC approved the amended Articles of the Incorporation and By-laws of Bendana, Brown, Pizarro & Associates, Inc. which changed the corporate name to Epic Holdings Corporation and effected a 5:1 stock split by reducing the par value of shares from PHP5 to PHP1 while increasing the total number of authorized shares from 20,000,000 to 100,000,000.
1993	SEC approved the plan of merger of Brown Chemical Corporation and Brown Chemical Sales Corporation (absorbed corporations) into Epic Holdings Corporation as the surviving corporation. Subsequently, Epic Holdings Corp. changed its name to A Brown Company, Inc. (its current name).
1994	ABCI was listed with the Philippine Stock Exchange
1995	Xavier Estates Phase 1 in Cagayan de Oro was launched, ABCI's first real estate development project in Mindanao
1999	The SEC approved the plan of merger of the Company (surviving company) and five of its wholly-owned subsidiaries: A Brown Chemical Corporation, Geoex Farms, Inc., East Pacific Investors Corporation, Terra Asia Pacific Development Manager, Inc and Victorsons Trans Cargo System, Inc. (absorbed corporations).
2001	A Brown Energy, Inc. was incorporated on February 21, 2001
2002	The SEC approved the plan of merger of the Company and five (5) of its wholly owned subsidiaries: Another Brown Co., Inc. (formerly W. Brown Co., Inc.), Geoex Drilling Corp., Northmin Mining and Development Corp., Manresa Golf and Country Club and Norphil Properties, Inc.
	A Brown Energy, Inc. changed its corporate name to A Brown Energy and Development Inc. (ABERDI) and amended its primary purpose to manufacturing and trading of goods such as crude oil and petroleum products.
2006	Investment in Monte Oro Resources and Energy, Inc. ("**MORE**").
	Teakwood Hills Phase 1 in Cagayan de Oro City was launched
	ABERDI completion of crude palm oil in Impasug-ong, Bukidnon
2010	ABCI subscribed to shares of PTCHC and Panay Consolidated Land Holdings Corp. ("**PCLHC**") representing 95% and 100% shareholdings of the companies.
	PTCHC acquired 100% of the outstanding capital stock of DMCI Concepcion Power Corporation (now PCPC). PCLHC acquired thirty (30) hectares of land from DMCI Power Corporation with the intention of using it as the site for a coal-fired power plant project.
2011	ABCI and HLPC entered into a series of transactions to acquire 100% ownership of HLPC.
2012	PTCHC entered into various agreements and deeds which decreased its shareholdings in PCPC from 100% to 30%.
	PTCHC acquired a 30% equity stake in PCLHC.
2013	PTCHC acquired an additional 40% interest in PCPC and PCLHC, increasing PTCHC interest in the coal-fired project to 70%. A new investor also invested in PCPC and PTCHC

	which resulted in the following ownership structure: PTCHC (39.54%); Jin Navitas Resource Inc. (30%) and Oriental Knight Ltd. (30.46%). PTCHC's interest in PCLHC remained at 70%.
	ABCI caused the incorporation of PEI, the holding company that ventured on projects designed to generate peaking energy in Mindanao using brand new bunker-fired engines.
2014	The SEC approved the Plan of Merger of PCPC and PCLHC with PCPC as the surviving entity as well as the increase in authorized capital stock of PCPC. The merger and the capital increase resulted in the 30% equity interest of the Company in PCPC.
	Commercial operations of PSFI Diesel Power Plant
	ABCI sold its shares in MORE to Apex Mining Company, Inc. ("**APEX**"). ABCI subscribed the same number of shares of APEX.
2015	The SEC approved PCPC's increase in its authorized capital stock. Palm Thermal's shareholdings were reduced from 30% to 20% due to non-subscription from the increase of PCPC's authorized capital stock.
	Commercial Operations of PSI Diesel Power Plant
	Commercial operations of ABERDI's 50 MT/day physical refinery in Impasug-ong, Bukidnon
2016	Commercial Operations of PCPC Unit 1
2018	Commercial Operations of PBI Diesel Power Plant
2020	ABCI acquired 99.995% of the outstanding capital of VEC from Argo Group Pte. Ltd.
2021	ABCI caused incorporation of ISI.
	ABCI completed the shelf-registration of 50,000,000 Preferred Shares and the listing of 13,264,900Series A Preferred Shares
2023	ABCI caused incorporation of SGAC
	Asset Purchase Agreement covering several parcels of land and a Palm Oil Milling Plant located in Tambis, Barobo, Surigao del Sur.

Awards and Recognition

On September 2017, the Pag-Ibig Fund awarded ABCI as achieving the highest performing loans ratio among Mindanao developers.

On October 2017, the Social Security System awarded ABERDI as Top Employer for the Medium Account Category for Northern Mindanao Division.

On October 2019, the Philippine Red Cross awarded ABCI a Scroll of Honor for its continuous participation in providing Red Cross services designated to improve the wellbeing of humanity.

On February 2020, the DOLE Region 10 recognized ABCI for its Labor-Management Cooperation Program and institutionalizing LMC Convergence Committees in Productivity Improvement, Safety & Health, Family Welfare, Problem Solving and Grievance and Labor Compliance.

BPI Family Savings Bank has awarded ABCI as the Top Real Estate Developer Partner for 2019.

ABCI was recognized as one of the 1-Golden Arrow Awardees during the ACGS Golden Arrow Awards Night on January 20, 2023 at Sheraton Manila Hotel by the Institute of Corporate Directors (ICD). At this event, over eighty (80) companies were recognized as the top Philippine publicly-listed companies in corporate governance based on the 2021 ASEAN Corporate Governance Scorecard (ACGS) Assessment Results.

On September 28, 2023, ABCI once again received 1-Golden Arrow Award held at Golden Ballroom (3rd Floor, Pearl Wing), Okada Manila Hotel. At this time, ICD recognized the top Philippine publicly-listed companies and insurance companies in corporate governance based on the 2022 ASEAN Corporate Governance Scorecard (ACGS) and Corporate Governance Scorecard (CGS) Assessment Results, respectively.

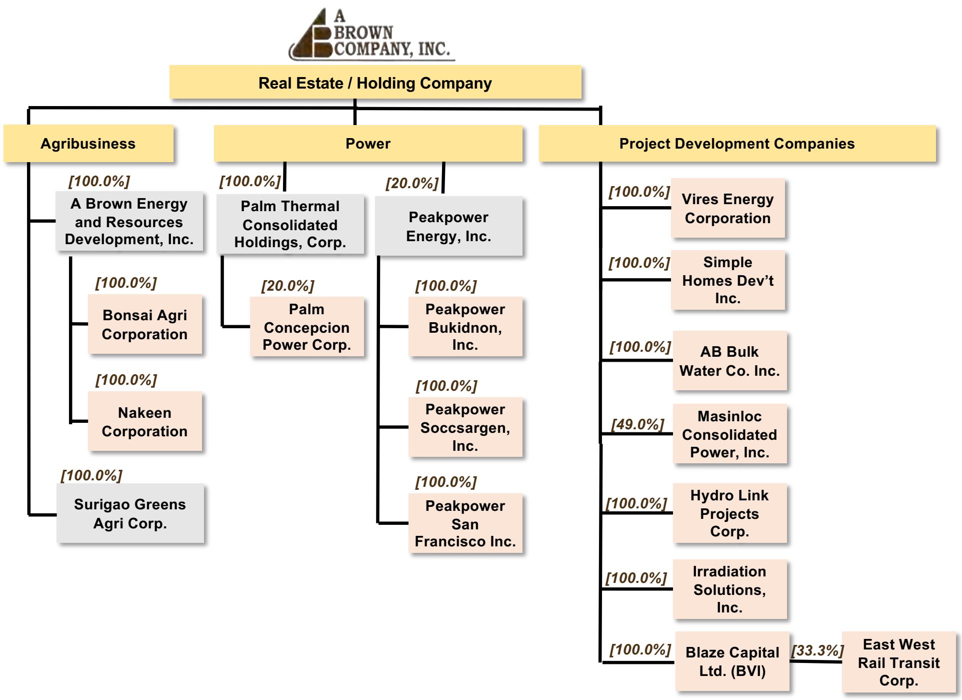
The ACGS measures the performance of the companies in the areas of facilitating the rights and the equitable treatment of shareholders, how they relate to their different stakeholders, ensuring transparency and accountability through timely disclosure of material information, and how the board guides the company strategically, monitors the management, and ensures the board's accountability to the company and the shareholders. The scorecard is composed of 184 questions based on publicly available disclosures on the companies' websites. It aims to raise the corporate governance standards and practices of the country and to make well-governed Philippine publicly listed companies attractive to investors.

The Golden Arrow is awarded to companies that achieved a score of at least 80 points in the ACGS Assessment. At this point, the company has exhibited observable conformance with the Philippine Code of Corporate Governance and internationally recommended corporate governance practices as espoused by the ACGS. Five (5) levels of performance in corporate governance will be conferred. Each ascending level is depicted by an increasing number of golden arrows, as follows:

- ACGS score of 80 to 89 points 1-arrow recognition
- ACGS score of 90 to 99 points 2-arrow recognition
- ACGS score of 100 to 109 points 3-arrow recognition
- ACGS score of 110 to 119 points 4-arrow recognition
- ACGS score of 120 to 130 points 5-arrow recognition

GROUP STRUCTURE, SUBSIDIARIES AND ASSOCIATES

The chart below provides an overview of the ownership structure of the Company and its major operating subsidiaries and associates as of September 30, 2023.



Associates are entities wherein the Company holds 20% to less than 50% of the voting power (directly or through the Company's subsidiaries). For more information on the Company's subsidiaries and Investment in Associates, see Note 1 - Corporate Information and Note 10, respectively, of the 2022 Audited Consolidated Financial Statements of the Company (Appendix B).

BUSINESSES OF ABCI

THE REAL ESTATE DEVELOPMENT BUSINESS

Real estate is the core business of ABCI. Its prime real estate development property is Xavier Estates in Cagayan de Oro City. All real estate developments follow the concept of a mixed-use, nature-themed, master-planned integrated community. In recent years, the Company has expanded to economic and socialized housing projects.

High-End Properties

Xavier Estates ("**XE**") - located in Fr. Masterson Avenue, Upper Balulang, is the pioneer in premier mixed-use development in Northern Mindanao. This 220-hectare development sprawled on a panoramic plateau overlooking the City has now become 288 hectares through additional acquisitions of adjacent developable areas over the years. It is a perfectly master planned community which guarantees luxury, elegance, prestige, convenience and security. It has 24-hour security, tree-lined streets and landscaped roadways, high pressure sodium streetlamps, centralized water supply system and water treatment facility, parks and playground, jogging and bicycle paths, forest park and bird sanctuary. Within the Estates, there is a fully air-conditioned chapel. Nearby is a school offering preparatory and elementary education, convenience stores, gasoline station and the Xavier Sports and Country Club – the first and only country club with proprietary membership. Other modern conveniences are also within reach such as SM mall and a par 72-hole golf course. Just across it, is Xavier University – a grade school and high school university run by the Jesuits including the newly built IT College. Corpus Christi School, a grade and high school, non-sectarian institution run by lay Christians is also minutes away from Xavier Estates. The adjacent Rosevale School which offers grade school and high school is a PAREF School.

Teakwood Hills Subdivision is located in Barangay Agusan, Cagayan de Oro City, some 2.3 kilometers from the national highway going uphill. This new and idyllic enclave has a breathtaking endless view of the mountains and the sea. It was inaugurated on September 22, 2007. Part of its master plan development is a perimeter fence with ingress and egress controlled by two gates, 24 hour security, private cul-de-sac with esplanades and parks designed to create a pastoral ambience. The roads are eight meters wide and lined with trees. It has a club house with recreational amenities such as infinity swimming pool and basketball court. Lot sizes starts from a minimum cut of 250 sq.m., all with a 180-degree scenic view of the famous Macajalar Bay and an elevation of 220 meters above sea level.

Teakwood Hills Phase 3 occupies three (3) hectares in the northern portion of the upscale property. It is coined as Belle del Mar *(Charm of the Sea)* as it overlooks the waters. It offers lots at 180sqm to 316sqm.

Valencia Estates is located in Barangay Lumbo, Valencia City, Bukidnon was launched in October 2008. It is a 11.72 hectare project with an estimated 351 saleable lots ranging from 150 to 293 sq.m. each. Valencia Estates' amenities are patterned after the excellent standards of a plush subdivision with a road network of 15 meters for the main road, 10 meters for the service roads complete with sodium street lamps; a basketball court, a clubhouse with a swimming pool. It also has open spaces and playground, perimeter fence and a 24-hour security service.

Coral Resort Estates is a mixed-use development located at Brgy. Pagahan, Initao, Misamis Oriental, between the cities of Cagayan de Oro and Iligan. The project is 60 kilometers from Cagayan de Oro and is 27 kilometers away from the Laguindingan International Airport. The development includes a Mediterranean-type clubhouse sprawled on the northern part of the estate. The total land area for the development was 10 hectares with a total development area of 5.397 hectares with an average lot cut of 250 sqm. Phase 1 of the project comprised 82 lots, 42 saleable lots in Cluster A with an area of 2.5 hectares and 40 saleable lots in Cluster B with an area of 2.9 hectares.

Coral Resort Estates Phase 2 is situated in the southern part of Coral Resort Estates. It covers approximately 4 hectares comprising lots for sale ranging from 180 to 398 sqm.

While **Coral Resort Estates Phase 3** with approximately 5 hectares offers saleable lots with an area ranging from 180 to 380 sqm.

Coral Resort offers a one-of-a-kind experience to its residents, away from the city, and nature's breeze at its greatest. Residents get the best spot of the breathtaking infinite view of the blue sea while enjoying the coolness of the fresh breeze. It is the first residential resort in the region.

West Highlands is a residential estate located in Brgy. Bonbon, Butuan City. The project is just 3 kilometers from the JC Aquino Avenue junction and approximately a five-kilometer drive to all major establishments and service facilities in the city. The total area of development of Phase 1 is 25.9 hectares and 289 feet above sea level which gives you an opportunity to have an exclusive view of the historic Mt. Mayapay or the cityscape. Situated at the delta of the mighty Agusan River, Butuan was a trading entrepot that flourished about 900-1000AD within the Southeast Asian maritime trading empire. It is also in Butuan that actual specimens of the ancient boats known as balanghai-today aptly renamed the Butuan Boats- were found.

West Highlands Phase 2 was launched in October 2017 with a total of 156 lots for sale. There are 75 fairway and 81 inner lots. Fairway Lots have an average of 360 sq.m. lot cut while inner lots have an average of 250 sq.m. lot cut. ***Phase 2B*** offered 17 blocks of saleable lots for sale with an area ranging from 120 sqm, 150 sqm, 180sqm, 250sqm, 280sqm up to 472 sqm.

West Highlands Golf Club features a 9-hole golf course. Opened for public use in November 2016, the golf course is frequented by local and national golfers. This one-of-a-kind executive all-weather golf course offers Mindanao's first paspalum re: eco-friendly turf grass and moderately undulated green and fairways. A 16-lane driving range is also one of the features in the area.

Xavier Estates Phase 6 – Ignatius Enclave in Barangay Balulang, Cagayan de Oro features house and lot units and prime lots. House and Lot units are single detached with lot area of 110 to 120 sq.m. and floor area of 60 sq.m. Prime lots have lot cuts of 250 to 400 sq.m. Aimed at fostering The Happy Community concept, the modern minimalist houses introduced ABCI's first venture into the vibrant house colors of yellow, orange, blue and green accents. Abundant green open spaces shall also highlight the subdivision.

Xavier Estates Phase 6 – Ignatius Enclave 2 is located in the lower tier of the Balulang scape. It features house and lot units. These single detached two-storey units have floor area of 120 sqm and are located in 120 sqm lot areas. Houses could also be built in bigger lots ranging from 150 sqm to 415 sqm.

The Terraces in Xavier Estates highlights prime cascading ridge lots of 180 to 400 sq.m. in size. Located in the terraces-like land configuration, this area commands a 180-view of the city of Cagayan de Oro and the mountains of Bukidnon and is low dense with less than 46 lots for sale.

Adelaida Meadow Residences is situated less than a kilometer away from Butuan City's Bancasi Airport. This nature-themed residential subdivision offers residents green spaces, tree-lined streets, landscapes and lush greeneries. It is located in Barangay Bancasi, Butuan City, approximately within the 7-kilometer radius of schools, malls, churches and hospitals in the downtown area. It lies 5 kilometers from Caraga's first paspalum te golf course, the West Highlands Golf Club.

Offers house and lot packages and lots only. Lot cuts start from 120 sqm. Buyers have a choice between two model houses: Amethyst and Sapphire. Amethyst is a two-storey modern house with a total of 64.88 sqm floor area. The master's bedroom, kitchen, dining, living room, and terrace are in the ground floor. While there are 2 bedrooms in the second floor with its own balconies. Sapphire is a two-storey modern house with a 117.5 sqm floor area. The kitchen, dining, living room, and one bedroom are located in the ground floor. The second floor hosts the master's bedroom, another bedroom and a 15sqm balcony where parties and family bonding activities can be held al fresco. Adelaida Meadow Residences offer residents privacy with low density and single detached units sufficiently spaced from each other. Homes are durable built with solid concrete wall exterior and interior partition. This gated community has its parks and playground and community facility.

Mountain Pines Farm 2 is located in Brgy. Kalugmanan, Manolo Fortich in the Province of Bukidnon. This is the first residential farm-lot type or the gentleman's farm concept. Presenting sweater-weather at 1,200 meters above sea level, it is located in the cool pine tree-bordered confines at the foothills of Mt Kitanglad Range. It is a stone's throw away from Mindanao's famous adventure forest park and is surrounded by well-appointed high value crop farms. Total land area covers approximately 20 hectares with saleable lots with maximum lot cuts at 1,600sqm. It features a clubhouse and community center with parks and open spaces.

Economic Housing

Xavier Estates Ventura Residences (Phase V-A) is the first venture of the Company into the middle market house-and-lot package. Ventura Residences is nestled inside the Xavier Estates, a secluded place in a guarded gated community. Alicia-modified model house has three rooms and a master's bedroom; three toilet and bath (T & B); a maid's quarter with separate T & B; a carport and terrace. Ventura Residences has parks and playground and 6-meter wide service roads.

Ventura Lane is located beside Ventura Residences with lot cuts of 250 sq.m. while Cluster B & C have lots cut at 110 sq.m.

Xavierville Homes Subdivision is adjacent to the Xavier Estates project. It is an economic housing development under BP 220. Phase 1 has an area of 1.8 hectares while Phase 2 has an area of 0.60 hectares for a total of 131 saleable lots.

East Cove Village is located in Barangay Sto. Domingo, Cainta, Rizal which is conveniently situated at the back of Robinsons shopping center and very accessible by public transportation along Ortigas Extension. This master planned mini subdivision will have the atmosphere of resolute safety and conspicuous ambiance of a first-rate community and neighborhood, truly an affordable world of enclave living. It is a 2.6 hectares project with 140 lots. It was opened to the market in 2005 and was sold out in less than 2 years. It has a perimeter fence for security and privacy, landscaped entrance gate, wide cemented roads – 10 meters wide main road and 8 meters wide auxiliary roads, concrete curbs and gutters, paved sidewalks lined with trees, storm drainage system, mercury lamps along the road, park and playground, street lamps and centralized water system. The HLURB had issued the Certificate of Completion of the project in February 2009 and the Local Government Unit has already accepted the donation of its open spaces and road lots. On January 21, 2012, the village administration was turned over by ABCI to the new set of officers of the Homeowner's Association.

Adelaida Park Residences located below Xavier Estates is the first residential subdivision in the region offering a ridgeview linear park. The linear park is 410 linear meters in length with park lights along the jogging path/bicycle path. Single detached and attached house and lot units are offered with lot area ranging 90-161 sq.m. with floor area ranging 60-60.5 sq.m. Adelaida Park Residences has single houses sufficiently spaced from each other with its own parking space; is a gated community with ranch-type perimeter fence; has proposed pavilion; and is certified flood-free with an elevation of 157 feet above river bank.

Xavier Estates Phase 5B – Ventura Residences II also features house and lot units and prime lots. Located at the back of Ventura Residences I, this second phase have the identical house colors of orange and cream as the first phase. House and Lot units are single detached with a lot area of 110 to 170 sq.m. and floor area of 80 sq.m. Prime lots with lot cuts of 110 to 500 sq.m. are located by the ridge.

Adelaida Mountain Residences is a new master planned integrated community rising in the cool hills of Tanay, Rizal. It overlooks views of Sierra Madre Mountains and the Laguna Lake. Being anywhere around 400 to 500 meters above sea level, weather stays relatively cool. With approximately 12 hectares of development, saleable lots range from 252sqm to 834sqm. Phase 1 of Adelaida Mountain Residences, which consists of 191 lots, commenced in 2023 and is currently on-going. Phases 2 and 3, which consists of 323 lots in total, will commence in 2024.

Socialized Housing

St. Therese Subdivision is a socialized housing project located in mid-Balulang, Cagayan de Oro City. It is about 1.67-hectare project with 155 saleable lots ranging from 50 to 75 sq. m. with floor area of 25 to 28 square meters. There are 91 units of row houses; 38 units of duplexes and 17 units of single-attached that have been for the project. Nine (9) units are up for new design.

Mountain View Homes is another socialized housing project of ABCI. Phase 1 opened in February 2015 with 215 houses and lot units while Phase 2 was opened in November 2016 with 83 house and lots units. Located in Mid-Balulang, Cagayan de Oro City. Mountain View Homes is accessible to churches, schools, malls and commercial establishments. The socialized housing project has row houses with lot area of 50 sq.m. and floor area of 26sq.m. Single detached units for economic housing have a lot area of 75-143 sq.m. and floor area of 36-38 sq.m.

Mangoville. The "Sosyal Socialized Housing" project of A Brown Company located in Barangay Agusan, Cagayan de Oro features duplex house designs and with own parking space; with 10-meter wide main roads and 8-meter wide inner roads; with guardhouse and perimeter fence; and with an elevation of 169 meters above sea level overlooking Macajalar Bay. Mangoville is built on a 3.5 hectares area with a total of 235 housing units. Each unit of the duplex house has a lot area of 67.5 sq. m. and a floor area of 22 sq.m.

Adelaida Homes is the 1st socialized housing project of ABCI in Luzon, specifically situated in Brgy. Sampaloc, Tanay, Rizal. It opened with 137 house and lot units. The row houses have a lot area that starts at 40sqm and floor area that starts at 26sqm. Similar to Adelaida Mountain Residences, these properties are very accessible to most places of interest like town malls, restaurants, town markets, churches and tourist attractions like swim resorts, eco parks, falls and others within 200m to less than 10km in distance from the project site.

Distribution Methods of Products and Services

ABCI distributes its products and services through brokers, agents and realty firms. Acknowledging the dynamism of the marketplace, ABCI started opening its sellers' market. From five (5) partner realty firms, it has accredited various realty firms selling ABCI properties in Cagayan de Oro; Misamis Oriental; Butuan; and Bukidnon.

In 2022, the performing realty firms are Abejo Realty, Appena Realty, Bachelors Realty and Brokerage, BCP Realty, CDO Brokers and Associates, Inc., Chee Realty and Development Corp., CLM Realty, Cornerstone Realty Services CDO, Danrel Gold Realty, DK Realty Philippines, Eagleridge Realty, ES Realty, FAM Associates Realty and Services, GAA Realty, Gambe Realty, Global One Realty and Property Mgt Corp., Golden Nest Realty and Brokerage, Highlands Realty and Brokerage Corp. Home Solutions Realty, Icon Real Estate PH, INS Realty, Intino Realty, Jac Homes Realty, JET Realty, JYA Real Estate Services, KPO Realty, LA Keystone Realty, Land Asia Realty and Devt Corp., Leuterio Realty and Brokerage, Maria Lee Realty and Brokerage, Marian Realty, Philhomes Devt Corp., Power Properties Realty Mgt and Devt Corp., Property Provider Realty, Primeland Realty Phildevelopment Corp, Seers Property Mgt Group, Seankirsten Realty, Silucorp Real Estate and Engineering Services, Sit Benedictus Realty, SVF Realty, True Hero Realty and Devt Builders Corp, Truly Wealthy Realty, U1st Realty and Brokerage Inc, VEFF Realty Services, and VZ Stellar Realty.

Different realty firms for the Tanay, Rizal projects were also accredited. These are Mensu Realty Marketing & Development Corp., Marian Realty, EMEA Realty, Move In Realty Corporation, Individual Brokers Teresita Alfonso and Dr. Arlene Aida Arcilla.

Significantly, on top of the regular commissions, sellers receive novel incentives such as huge cash incentives, travel perks, and branded bags or watches or jackets.

The first Hall of Famer Award was presented to Rizalinda Chee-de Jong of Chee Realty and Development Corporation. A loyal broker of ABCI for 25 years, Ms. de Jong was a consistent gold awardee and has exhibited outstanding sales leadership and exemplary and unparalleled sales performance all these years. Moreover, outstanding brokers and realties are recognized through Monthly Sales Achievers Ceremonies, Quarterly Awarding Ceremonies and the Annual Sales Conference.

The Brokers' Care and Engagement Programs were instituted and has significantly increased the brokers' attention to ABCI projects, making it top-of-the-mind when selling. Aside from the personal chat and exchange with the individual brokers, invitations are extended to these realty firms for Company activities such as health and wellness programs and the women's talk. Regular personal exchanges between ABCI heads and sellers have boosted loyalty.

Living in the new normal, interaction between sellers and buyers is now a mix of online and below the line marketing strategies. There is an intensified presence in the social media apart from Brooky and private messages. Videos of the projects are enhanced with walk-throughs of the model houses, and announcements were converted into online posters. Still for buyers who prefer to see the actual location and units, ground advertising is present including distribution of flyers, participation to trade fairs and road shows, weekend open houses and events. A PR-company is hired for the Company's corporate communication strategies.

Under the Chief Executive Officer's leadership, the ABCI Sales and Marketing Department continues to brainstorm for promotions and advertisements aimed to respond to the market's preferred choice of real estate products.

Lastly, these changes are all anchored on the ABCI vision of "Creating enlightened and happier communities for the common good."

Competition

Among several real estate business developments in Cagayan de Oro City, Camella Homes, Johndorf Ventures Inc., Pueblo de Oro Development Corporation, and Cebu Landmasters are competitors offering the same product and pricing packages similar to the Company under the economic housing category.

For the lot only market in Cagayan de Oro, ABCI competes with Ayala Land, Pueblo de Oro Development Corporation (mixed use development) and Robinsons Land.

In Valencia City, Mountain Breeze Development Corporation along with Camella Homes is competing with Valencia Estates.

Plumbline Development Corporation's Hiraya offered a direct competition to ABCI's farm-lot concept in Mountain Pines Farm.

An increase in competition in the economic housing was observed in Butuan City. Aside from Camella, Filinvest, and VCDU, newcomers include MSJ Development Corporation, Prosperidad Real Estate Development Corporation, Marrea Estates Corporation, Estacio, and Primeworld Land Holdings. VCDU remains to be the competitor in socialized housing.

Most buyers of ABCI real estate projects regard its value appreciation potential as highly attractive. This is the Company's commitment to offer value-for-money lots and house and lot packages for a well-planned project focused on family oriented and nature-themed environment. The key is security, good location and accessibility to basic locations (supermarkets, schools, churches, public utilities, etc.). It is able to compete because of its ability to attract customers which depends on the quality and location of the projects, reputation as a developer, and reasonable prices and pricing schemes and the concept of a well-planned integrated community.

The Company's competitors vary in size and financial strength. The competitors include local listed real estate companies with nationwide presence, similarly established local developers with track record, and new developers that have recently been set up.

The Company is able to leverage its position with its track record and completed projects in the area. The Company being a listed company with has good access to capital and financing sources.

The Company in its course of business continuously purchases new land for its land bank and subsequent development. The land titles under the name of third parties are property acquisitions that are still in the process of ongoing transfer of ownership to the Company.

In the new normal, ABCI has also recognized the rising demand for healthier living spaces, The Company's focus on sustainable living shows that the real estate company is committed to developing environment-friendly and low-density communities for Filipinos.

Contractors, Suppliers and Availability of Raw Materials

All of the raw materials used by the Company are sourced from domestic Philippine suppliers. Suppliers are chosen based on a number of criteria, including assessment of company background, accreditations, quality of materials, list of finished projects and past customers.

The Company primarily sources construction materials for its projects in the localities. The Company is not dependent on any single supplier. Projects are awarded to qualified bidders. Thus, the Company's suppliers are just related to supplies needed for maintenance and/or office needs.

Construction and housing projects are done in-house with supervision and quality control overseen by the Company's Construction and Engineering group. Specialty work such as roofing and glazing is contracted directly to the supplier or fabricator. Suppliers are subject to internal accreditation procedures.

A list of ABCI's accredited supplier's is attached as Appendix D.

Customer Profile

For the projects offered in 2022, buyers of the Company's lots for sale and housing units consist of 61% businessmen and professionals from Northern Mindanao, Bukidnon and the Caraga region; 27% OFWs particularly those in the medical field, seafarers, engineers, systems analysts, and consultants; 3% are Filipino's married to foreigners; 2% retirees mostly living abroad; and those in the government at 7%. Buyers for the period on average had a minimum gross monthly income of PHP100,000.00.

As demonstrated by ABCI's customer profile, the Company's business is not dependent upon a single or a group of customers. There is no single customer or group of customers who account for a significant percentage of the Company's sales.

The following table summarizes the demographics of the Company's customers:

Demographic	Description	%
Age:	20 – 35 Years Old	24%
	36 to 45 Years Old	39%
	46 + Years Old	37%
Education:	College Graduates and Licensed Professionals	93%
Employment:	Businessmen	30%
	Professionals	34%
	OFWs	26%
	Government Employees	6%
Other:	Married to Foreigner	3%
	Retirees	1%

Summary of Projects

Completed Projects

The following table lists the Company's completed real estate developments, as of September 30, 2023. All real estate developments follow the concept of a mixed-use, nature-themed, master-planned integrated community.

Project	Location	Area (sqm)	No. of units	Type	Year Completed
Xavier Estates - Phase 1	Cagayan de Oro City	445,697	838	Horizontal; high-end	1998
Xavier Estates - Phase 2	Cagayan de Oro City	321,318	569	Horizontal; high-end	2004
Xavier Estates - Phase 3	Cagayan de Oro City	86,984	115	Horizontal; high-end	2004
Xavier Estates - Phase 4	Cagayan de Oro City	407,097	1,111	Horizontal; high-end	2011
Teakwood Hills – Phase 2	Cagayan de Oro City	52,675	59	Horizontal; high-end	2013
Valencia Estates	Valencia City	117,244	370	Horizontal; high-end	2010
Xavierville Homes	Cagayan de Oro City	48,396	138	Horizontal; Economic	2008
Saint Therese Subdivision	Cagayan de Oro City	16,720	155	Vertical; Socialized	2013
Ventura Lane	Cagayan de Oro City	8,898	30	Horizontal; Economic	2013
Ventura Residences	Cagayan de Oro City	90,957	130	Vertical; Economic	2011
West Highlands Phase 1	Butuan City	259,325	322	Horizontal; high-end	2015
Mountain View Homes - Phase 1	Cagayan de Oro City	23,180	225	Vertical; Socialized	2015
Coral Resort Estates Phase 1A	Initao, Misamis Oriental	25,300	43	Horizontal; high-end	2016
Coral Resort Estates Phase 1B	Initao, Misamis Oriental	28,780	40	Horizontal; high-end	2016
Ventura B&C	Cagayan de Oro City	86,663	139	Horizontal; Economic	2017
East Cove Village	Cainta, Rizal	26,383	139	Horizontal; Economic	2009

Ongoing Projects

As of September 30, 2023, ABCI has a total of 16 ongoing projects, composed of both high-end and socialized / economic units. ABCI was able to meet construction timetables as of September 30, 2023, with majority of projects more than 80% completed.

Project	Location	Area	No. of units	Sold units as of September 30, 2023	Type	Date Started	Percentage Completion as of September 30, 2023
Teakwood Hills – Phase 1	Cagayan de Oro City	400,036	484	383	Horizontal; High-end	Nov-06	81%
Teakwood Hills Phase 3	Cagayan de Oro City	21,512	42	25	Horizontal; High-end	Oct 2021	100%
West Highlands – Phase 2	Butuan City	84,698	307	280	Horizontal/Vertical ;	Oct. 2017	99%
Mountain View Homes – Phase 2	Cagayan de Oro City	12,875	83	83	Vertical; Socialized/Economic	May-17	100%
Adelaida Park Residences	Cagayan de Oro City	43,672	232	230	Vertical; Socialized/Economic	Jun-16	100%
Mangoville	Cagayan de Oro City	35,834	243	233	Vertical; Socialized/Economic	Feb. 2018	99%
Terraces	Cagayan de Oro City	9,618	38	38	Horizontal; High-end	Jun-18	100%
Ventura Residences II	Cagayan de Oro City	20,852	84	84	Horizontal/Vertical ; High End	Mar-18	100%
Ignatius Enclave	Cagayan de Oro City	90,573	256	253	Horizontal/Vertical ; High End	Mar-18	100%

Project	Location	Area	No. of units	Sold units as of September 30, 2023	Type	Date Started	Percentage Completion as of September 30, 2023
Ignatius Enclave Phase 2	Cagayan de Oro City	59,388	108	108	Horizontal/Vertical ; High End	Mar-21	100%
Coral Resort Phase 2	Initao, Misamis Oriental	42,215	97	97	High-end	Oct-21	100%
Coral Resort Phase 3	Initao, Misamis Oriental	16,772	73	33	High-end	Nov-21	100%
Adelaida Homes	Tanay, Rizal	7,152	137	137	Vertical; Socialized/Economic	Oct-21	99%
Adelaida Mountain Residences (Phase 1)	Tanay, Rizal	49,153	191	130	Horizontal/Vertical ; Economic	Jun-22	94%
Mountain Pines Farm 2	Manolo Fortich, Bukidnon	110,205	125	122	Farm Lots	Nov-21	95%
Adelaida Meadow Residences	Bancasi, Butuan	97,262	286	121	Horizontal/Vertical ; High-end	Oct-21	88%

Pipeline Projects

As of September 30, 2023, ABCI has a total of 10 projects in the pipeline, consisting of high-end and economic/socialized units, condominium units, and farm lot estates.

Project	Location	Type	Area (sqm)	Project Cost (PHP Mn)	Start Date	Est. Completion Date
Mountain Pines Farm Phase 2B	Manolo Fortich, Bukidnon	Farm Lot Estate	174,176	59	2023	Dec-26
Coral Estates Phase 3	Misamis Oriental	Economic	40,000	95	2021	Jan-25
West Highlands Phase 2B,2C&3	Butuan City	High-end	92,256	215	2021	Dec 25
Teakwood Crest	Cagayan de Oro City	High-end	76,600	79	2023	Jul-24
Coral Bay Suites (4 buildings)	Misamis Oriental	Condominium		2,598	2023	Mar-27
Alexandrite Columns (5 buildings)	Cagayan de Oro City	Condominium		2,266	2024	Dec-32
Xavier East Ridge Estates	Cagayan de Oro City	High-end	222,462	391	2024	Jun-27
West Coast Greenfield	Buenavista, Agusan del Norte	High-end	235,689	189	2024	Dec-26
Adelaida Mountain Residences (Phases 2 and 3)	Tanay, Rizal	High-End	136,684	192	2024	Dec-27
Epic Mountain Estate (Epic Tanay)	Tanay, Rizal	Master-planned community; Farm Estate	1,100,000	1,672	2022	Jan-30
		Total	**2,077,867**	**7,756**		

Reservation vs. Booked Sales

Amounts in PHP Mn	**2021**	**2022**	**3Q2023**
Reservations	1,877	2,626	2,230
Booked Sales	628	1,379	973

The Company recorded reservation sales of PHP2.62 billion for 2022 vis a vis PHP1.87 billion for 2021. The Company believes that on-track progress in the pipeline projects as well as a healthy inventory level would help convert these reservations into duly recognized sales.

Average turnaround towards full income recognition is about 27 months. Reservations are converted to booked sales upon reaching 10% collection based on project completion.

THE POWER AND UTILITIES BUSINESS

Power Generation

PCPC is operating the first unit of the 2 x 135MW coal-fired power plant in Concepcion, Iloilo with the second unit already in the initial stage of pre-construction activities. The plant was developed as a new base load power plant in Panay Island to address the requirements of the grid. The Project is located in Sitio Puntales, Barangay Nipa, Municipality of Concepcion, Iloilo Province in the Island of Panay. The town of Concepcion, which lies along the northeast shoreline of the province, is 103 km from Iloilo City by road.

Full commercial operations began on August 16, 2016, generating electricity for Panay, Negros, Cebu, and Leyte islands.

PEI was set up to address the lack of base load power in the Mindanao electric and in the future to allow the partner electric cooperatives to meet their demand for peaking power. PEI's focus is on putting up peaking plants in partnership with credit-worthy electric cooperatives to address power shortage in Mindanao. These plants are under build-operate-transfer arrangements, ownership of which will be transferred to each off-taker at the end of the 15-year cooperation period at no extra cost. PEI has three wholly-owned subsidiaries with a total peaking installed capacity of 55MW: (1) Peakpower Soccsargen, Inc.; (2) Peakpower San Francisco, Inc.; and (3) Peakpower Bukidnon, Inc.

VEC is the proponent for an Integrated Floating LNG Storage and Regasification Terminal and a 500MW Floating Natural Gas-Fired Power Plant Project located in Barangay Simlong, Batangas City.

HLPC is a wholly-owned subsidiary of ABCI focused on renewable energy development. HLPC is a registered renewable energy developer with the Department of Energy. HLPC will be ABCI's vehicle to pursue renewable energy projects. HLPC remains on the lookout for opportunities at any stage of development from greenfield opportunities to acquisition of operating power projects.

Utilities

ABWCI is in the business of bulk water supply and other business activities related to water development. ABWCI is pursuing bulk water supply projects for the Municipality of Opol in Misamis Oriental and the expanding water needs of adjacent Cagayan de Oro City. Other potential service areas include the neighboring municipalities of Opol – the city of El Salvador, and the municipalities of Alubijid, Laguindingan, and Gitagum.

THE AGRIBUSINESS

Palm Oil

ABERDI is engaged in the business of manufacturing and trading goods such as crude oil and petroleum products on wholesale/retail basis.

CPO Mill – Being in the palm oil business, its primary activity is the extraction process of FFB to CPO in its mill plant situated at Malubong, Impasug-ong, Bukidnon with a capacity of 10 tons per hour producing an average of 100 tons of CPO per day for ten hour operation. This product is a raw material for manufacturers that process both food and non-food commodities (ex. Household cooking oil, biodiesel, soap, cosmetics, pharmaceuticals, noodles and pasta, non-dairy creamers, etc.) The sources of the FFBs are subsidiaries of ABERDI and various independent growers of oil palm. The oil extraction ratio of crude palm oil ranges from 15% to 18% while palm kernel recovery ranges from 2% to 5% respectively. Other products are sludge oil, fiber, and shell, empty bunch, sludge cake as non-food uses.

Refined, Bleached and Deodorized ("RBD") Physical Refinery with Fractionation – The company started the construction of the 50 tonner/day palm oil physical refinery with fractionation last December 2012 and became operational on September 2015. The refinery is projected to produce 1,000 metric tons of palm olein per month.

Oil Palm Plantation – With the merger of its wholly-owned subsidiary, Nakeen Corporation, A Brown Energy and Resources Development, Inc. is now operating a 1,350-hectare oil palm plantation located in the areas of Kalabugao, Impasug-ong, Bukidnon and Tingalan, Opol, Misamis Oriental.

The Company also invested in SGAC to operate another palm oil mill in Brgy. Tambis, Barobo, Surigao del Sur. SGAC operates a 5-ton per hour crude palm oil mill in Brgy. Tambis, Barobo, Surigao del Sur.

Competition

For the Oil Palm Mill, the Company's competitors are Filipinas Palm Oil Plantation, Inc. (Rosario, Agusan del Sur), Kenram Industrial & Development, Inc. (Kenram, Isulan Sultan Kudarat), Agumil Philippines, Inc. (Trento, Agusan del Sur), Univanich Palm Oil Inc. (Carmen, North Cotabato), and Palm Asia Milling Corp. (Matanao, Davao del Sur).

The Company believes it is able to compete in the Agribusiness by leveraging on the Company's visionary leadership and its extensive business experience in project development and in other competitive industries.

For the Company's Commercial E-Beam Irradiation Facility, no other private institution currently provides private irradiation services. The Philippine Nuclear Research Institute operates three (3) facilities that cater to various clients for food irradiation, medical products sterilization and for research purposes. The Company believes the demand for irradiation services outpaces the current capacity of the available facilities and there will be sufficient demand to fill the capacity of the Company's E-Beam Irradiation facility.

Sources and Availability of Raw Materials

The Company sources fresh fruit bunch suppliers from nearby towns of Bukidnon, Misamis Oriental, Cagayan de Oro City, Cotabato City, Agusan del Sur, Sultan Kudarat, and North Cotabato.

Customer Profile

Buyers for Crude Palm Oil ("CPO") are from Davao, Bukidnon, Butuan City, Cagayan De Oro, Iligan City. The Company also has bulk sales for processed palm oil products like palm olein and palm stearin with.

The Company's Golden Belle brand of cooking oil is distributed within Northern Mindanao. While other processed palm oil by products like Palm Fatty Acid and Palm Acid Oil are sold to export buyers. The Company's products are now FDA and HALAL-certified.

Commercial Irradiation

ISI is a 100% subsidiary of ABCI and is developing a network of irradiation facilities in the Philippines. The Tanay Multipurpose Irradiation Facility Project is envisioned to be the first Commercial E-Beam Irradiation Facility to be built in the Philippines.

The Irradiation Facility will provide commercial irradiation services to improve the quality of agricultural and fishery products. This will enable local products, fruits, and seafood to be of export quality and gain wider access to international markets. The services offered will also include sterilization of medical masks, dressings, syringes and surgical staplers will also be addressed. The E-Beam technology is used in more than 60 countries and is considered the most economical alternative among available commercial sterilization methods.

NEW PRODUCTS AND/OR SERVICES

The following table provides for the status of new products and/or services of the company's subsidiaries. The Company reiterates that the proceeds from the offering shall not be used by its subsidiaries and such new products and/or services shall be undertaken through separate project financing initiatives that may require equity depending on the financial terms and conditions that will be granted to the project:

Irradiation Solutions Inc.	**Vires Energy Corporation**	**Hydro Lin Projects Corporation (HLPC)**	**AB Bulk water Company, Inc.**	**Blaze Capital Limited**
Services: Electron Beam Sterilization Services Market: Agri-Agro Business and Medical Devices / Packaging	Services: Power Generation Market: Distribution utilities and WESM	Services: Power Generation Market: Distribution utilities and WESM	Services: Bulk Water Distribution Market: Local and Private Water utilities	Services: Mass Transportation System Market: General Public within the Greater Manila Area
Construction Stage, target commercial operation is on March 2024	Pre-development stage	Pre-development stage	Pre-development stage	Pre-development stage

MATERIAL PERMITS AND LICENSES

The Company holds various permits and licenses for permits for the opening and continued operations of its real estate business, and power and utilities business holding companies, and its agri-business. These material permits include but are not limited to, the following:

- Certificate of Incorporation issued by the SEC together with the Certificate of Filing Amended Articles of Incorporation.
- Business permits of ABCI and its subsidiaries.
- DHSUD/HLURB Certifications
- License to Sell
- Environmental Compliance Certificates
- License to Operate as Food Manufacturer

The following table is a summary of the material permits and licenses of the Group:

General Permits

A Brown Company, Inc. (ABCI)

Permits / License	Issuing Agency	Permit No.	Issue Date	Expiry Date
Amended Certificate of Incorporation (Certificate of Filing of Amended Articles of Incorporation)	SEC	31168	October 5, 2021	Perpetual
Certificate of Registration	BIR	8RC0000033661	1/1/1997	Perpetual
Business Permit (2023)	LGU-CDOC	2023-20448	2/23/2023	12/31/2023
Business Permit (2023)	LGU-CDOC	2023-20447	2/23/2023	12/31/2023
Employer Data Form	HDMF	0390130114	01/1996	Perpetual
Certificate of Registration	Social Security System	0809366990	02/2002	Perpetual
Certificate of Registration	Philippine Health Insurance Corporation	200543300471	1/2000	Perpetual
Business Permit (2023)	LGU-Manolo-Fortich	2023-0004465	January 30, 2023	December 31, 2023
Business Permit (2023)	LGU-Tanay, Rizal	2023-0001307	February 1, 2023	December 31, 2023
Business Permit (2023)	LGU-Quezon City	21-000071	November 24, 2023	November 24, 2024
Business Permit (2023)	LGU-Butuan City	2023-12240	April 19, 2023	December 31, 2023
Business Permit (2023)	LGU – Municipality of Initao	2023-277	January 20, 2023	December 31, 2023
Private Land Timber Permit	DENR	DENR-PENRO-Rizal 09192022-	September 21, 2022	
Locational Clearance	Office of the Municipal and Planning Coordinator	LC No. 2022-132	April 29, 2022	
Development Permit	Office of the Mayor	DP Permit No. 2022-01	April 29, 2022	

A Brown Energy and Development Inc. (ABERDI)

Permits / License	Issuing Agency	Permit No.	Issue Date	Expiry Date
Amended Certificate of Incorporation (Certificate of Filing of Amended Articles of Incorporation)	SEC	A200102288	Mar 23, 2016	Perpetual
Certificate of Registration	BIR	210-128-113-000	Mar 2001	Perpetual
Business Permit (2023)	Office of the Municipal Mayor – Impasug-ong	BP-2023-101305000-0223	Jan. 18, 2023	Dec. 31, 2023
Employer Data Form	HDMF	20-241082000-5	Feb 2001	Perpetual
Certificate of Registration	Social Security System	03-9140547-9	Mar 2002	Perpetual
Certificate of Registration	Philippine Health Insurance Corporation	23-037400012-9	Feb 1999	Perpetual

Material Permits and Licenses for the Real Estate Business

Project	Permits / License / Certification	Issuing Agency	Issue Date	Expiry Date	Status
Xavier Estates	ECC	DENR	Jan 31, 2000	Perpetual	
Xavier Estates	ECC	DENR	Dec 15, 2009	Perpetual	
Teakwood Hills	ECC	DENR	Dec 15, 2009	Perpetual	
Teakwood Hills – Phase 2	ECC	DENR	Dec 15, 2009	Perpetual	
Xavierville Homes	ECC	DENR	May 16, 2005	Perpetual	
Valencia Estates	ECC	DENR	Jan 22, 2010	Perpetual	
Saint Therese	ECC	DENR	Jan 12, 2010	Perpetual	
Coral Resorts Estates	ECC	DENR	Feb 18, 2010	Perpetual	
Xavier Estates Phase 5A-Ventura Residences	ECC	DENR	July 29, 2011	Perpetual	
Xavier Estates Phase 5A-Ventura Lane	ECC	DENR	July 29, 2011	Perpetual	
West Highlands	ECC	DENR	May 2, 2012	Perpetual	
West Highlands – Phase 2A	ECC	DENR	May 2, 2012	Perpetual	
Mountain View Homes	ECC	DENR	Sep 1, 2014	Perpetual	
Mountain View Homes – Phase 2	ECC	DENR	Dec 15, 2009	Perpetual	
Adelaida Park Residences	ECC	DENR	Dec 15, 2009	Perpetual	
Xavier Estates Phase 6-Ignatius Enclave	ECC	DENR	May 9, 2018	Perpetual	
Mangoville	ECC	DENR	Dec 15, 2009	Perpetual	
The Terraces in Xavier Estates	ECC	DENR	Dec 15, 2009	Perpetual	
Xavier Estates Phase 5B-Ventura Residences II	ECC	DENR	May 9, 2018	Perpetual	
Xavier Estates Phase 6-Ignatius Enclave – Phase 2	ECC	DENR	Jul 24, 2020	Perpetual	
Coral Resort Estates Phase 2	ECC	DENR	Feb. 18, 2010	Perpetual	
Coral Resort Estates Phase 3	ECC	DENR	June 2, 2022	Perpetual	
Belle del Mar	ECC	DENR	Dec. 15, 2009	Perpetual	
West Highlands Phase 2B	ECC	DENR	May 2, 2012	Perpetual	
Adelaida Meadow Residences	ECC	DENR	Aug. 19, 2022	Perpetual	

Project	Permits / License / Certification	Issuing Agency	Issue Date	Expiry Date	Status
Mountain Pines Farm Phase 2	ECC	DENR	May 16, 2022	Perpetual	
Xavier Estates Phase VII-A Multi-Use Land Development Project	ECC	DENR	July 29, 2011	Perpetual	
Teakwood Hills	License to Sell*	HLURB	Sep 30, 2015	Jan. 2, 2016	Extended Development - Oct. 19, 2024 (w/ approved APTTCD) In the process of renewing License to Sell
Teakwood Hills – Phase 2	License to Sell*	HLURB	Jan 25, 2012	Jan. 24, 2013	Completed - Oct. 18, 2013 (w/ Certificate of Completion)
Xavierville Homes	License to Sell*	HLURB	Oct 2, 2007	Oct. 2008	Completed - April 30, 2012 (w/ Certificate of Completion)
Valencia Estates	License to Sell*	HLURB	Sept 12, 2008 Jul 29, 2011	Sept. 11, 2010	Completed - July 5, 2013 (w/ Certificate of Completion)
Saint Therese	License to Sell*	HLURB	Oct 28, 2011	Oct. 27, 2012	Completed - Dec. 19, 2013 (w/ Certificate of Completion)
Coral Resorts Estates	License to Sell*	HLURB	Oct 7, 2013 Jan 3, 2014 Jun 1, 2015	June 6, 2015 June 6, 2015 June 2016	Applied for Certificate of Completion
Xavier Estates Phase 5A-Ventura Residences	License to Sell*	HLURB	Jul 10, 2015 Apr 17, 2012	Nov. 26, 2016 July 12, 2014	Applied for Certificate of Completion
Xavier Estates Phase 5A-Ventura Lane	License to Sell*	HLURB	May 30, 2015	May 30, 2016	Applied for Certificate of Completion
West Highlands	License to Sell*	HLURB	Feb 28, 2014 Jun 1, 2015	Nov. 23, 2015 Nov. 23, 2015	Applied for Certificate of Completion
West Highlands – Phase 2A	License to Sell*	HLURB	Oct 2017	Oct. 2020	For Certificate of

Project	Permits / License / Certification	Issuing Agency	Issue Date	Expiry Date	Status
					Completion Application
Mountain View Homes	License to Sell*	HLURB	Feb 25, 2015	Feb. 26, 2016	Applied for Certificate of Completion
Mountain View Homes – Phase 2	License to Sell*	HLURB	Sep. 28, 2016	Sept. 30, 2017	Applied for Certificate of Completion
Adelaida Park Residences	License to Sell*	HLURB	Sep 29, 2016 Oct 30, 2017	May 30, 2018	Applied for Certificate of Completion
Xavier Estates Phase 6-Ignatius Enclave	License to Sell*	HLURB	Jun 26, 2018	June 26, 2020	For Certificate of Completion Application
Mangoville	License to Sell*	HLURB	Feb 8, 2018	Aug. 8, 2019	For Certificate of Completion Application
The Terraces in Xavier Estates	License to Sell*	HLURB	Jun 22, 2018	June 21, 2020	Extended Development – Sept. 30, 2024 (w/ approved APTTCD)
Xavier Estates Phase 5B-Ventura Residences II	License to Sell*	HLURB	Jun 26, 2018	Dec. 26, 2019	For Certificate of Completion Application
Xavier Estates Phase 6-Ignatius Enclave 2	License to Sell*	DHSUD	Dec. 27, 2021	Dec. 2023	
Coral Resort Estates Phase 2	License to Sell*	DHSUD	July 23, 2021 Dec. 1, 2021	July 2023	Extended Development – July 23, 2024 (w/ approved APTTCD)
Coral Resort Estates Phase 3	License to Sell*	DHSUD	Dec. 1, 2022	Dec. 2024	
Belle del Mar	License to Sell*	DHSUD	Dec. 27, 2021	Dec. 2023	
West Highlands Phase 2B	License to Sell*	DHSUD	Feb. 23, 2023	Feb. 2026	
Adelaida Meadow Residences	License to Sell*	DHSUD	Mar 31, 2023	Mar 2026	
Mountain Pines Farm Phase 2	License to Sell*	DHSUD	June 19, 2023	Dec. 2024	
Adelaida Homes	License to Sell*	DHSUD	Mar 28, 2022	Dec 31, 2024	
Adelaida Mountain Residences	License to Sell*	DHSUD	Mar 28, 2022	Dec 31, 2024	

Project	Permits / License / Certification	Issuing Agency	Issue Date	Expiry Date	Status
Teakwood Hills	Certificate of Registration	HLURB	Sep 30, 2015	-	
Teakwood Hills – Phase 2	Certificate of Registration	HLURB	Jan 25, 2012	-	
Xavierville Homes	Certificate of Registration	HLURB	Oct 2, 2007	-	
Valencia Estates	Certificate of Registration	HLURB	Sep 12, 2008 Jul 29, 2011	-	
Saint Therese	Certificate of Registration	HLURB	Oct 28, 2011	-	
Coral Resorts Estates	Certificate of Registration	HLURB	Oct 7, 2013	-	
Xavier Estates Phase 5A-Ventura Residences	Certificate of Registration	HLURB	Apr 17, 2012	-	
Xavier Estates Phase 5A-Ventura Lane	Certificate of Registration	HLURB	May 30, 2015	-	
West Highlands	Certificate of Registration	HLURB	Feb 28, 2014	-	
West Highlands – Phase 2A	Certificate of Registration	HLURB	Oct 2017	-	
Mountain View Homes	Certificate of Registration	HLURB	Feb 25, 2015	-	
Mountain View Homes – Phase 2	Certificate of Registration	HLURB	Sep 28, 2016	-	
Adelaida Park Residences	Certificate of Registration	HLURB	Sep 29, 2016	-	
Xavier Estates Phase 6-Ignatius Enclave	Certificate of Registration	HLURB	Jun 26, 2018	-	
Mangoville	Certificate of Registration	HLURB	Feb 8, 2018	-	
The Terraces in Xavier Estates	Certificate of Registration	HLURB	Jun 22, 2018	-	
Xavier Estates Phase 5B-Ventura Residences II	Certificate of Registration	HLURB	Jun 26, 2018	-	
Xavier Estates Phase 6-Ignatius Enclave 2	Certificate of Registration	DHSUD	Dec. 27, 2021	-	

Project	Permits / License / Certification	Issuing Agency	Issue Date	Expiry Date	Status
Coral Resort Estates Phase 2	Certificate of Registration	DHSUD	July 23, 2021 Dec. 1, 2021	-	
Coral Resort Estates Phase 3	Certificate of Registration	DHSUD	Dec. 1, 2022	-	
Belle del Mar	Certificate of Registration	DHSUD	Dec. 27, 2021	-	
West Highlands Phase 2B	Certificate of Registration	DHSUD	Feb. 23, 2023	-	
Adelaida Meadow Residences	Certificate of Registration	DHSUD	Mar 31, 2023	-	
Mountain Pines Farm Phase 2	Certificate of Registration	DHSUD	June 19, 2023	-	
Adelaida Homes	Certificate of Registration	DHSUD	Mar 28, 2022	-	
Adelaida Mountain Residences	Certificate of Registration	DHSUD	Mar 28, 2022	-	
Teakwood Hills	Development Permit	CPDO	Sep 11, 2007	-	
Teakwood Hills – Phase 2	Development Permit	CPDO	Jul 6, 2010	-	
Xavierville Homes	Development Permit	CPDO	Mar 20, 2007	-	
Valencia Estates	Development Permit	CPDC	Sep 4, 2007	-	
Saint Therese	Development Permit	CPDO	May 2, 2011	-	
Coral Resorts Estates	Development Permit	MPDO	Apr 14, 2011	-	
Xavier Estates Phase 5A-Ventura Residences	Development Permit	CPDO	Nov 16, 2011	-	
Xavier Estates Phase 5A-Ventura Lane	Development Permit	CPDO	Apr 7, 2014	-	
West Highlands	Development Permit	CHDO	Aug 10, 2012	-	
West Highlands – Phase 2A	Development Permit	CHDO	Jun 29, 2017	-	
Mountain View Homes	Development Permit	CPDO	Aug 14, 2014	-	
Mountain View Homes – Phase 2	Development Permit	CPDO	Jun 13, 2016	-	
Adelaida Park Residences	Development Permit	CPDO	Jun 13, 2016	-	
Xavier Estates Phase 6-Ignatius Enclave	Development Permit	CPDO	Mar 19, 2018	-	
Mangoville	Development Permit	CPDO	Sep 18, 2017	-	

Project	Permits / License / Certification	Issuing Agency	Issue Date	Expiry Date	Status
The Terraces in Xavier Estates	Development Permit	CPDO	Mar 19, 2018	-	
Xavier Estates Phase 5B-Ventura Residences II	Development Permit	CPDO	Mar 19, 2018	-	
Xavier Estates Phase 6-Ignatius Enclave 2	Development Permit	CHUDD	June 28, 2021	-	
Coral Resort Estates Phase 2	Development Permit	MPDO	Oct. 13, 2020	-	
Coral Resort Estates Phase 3	Development Permit	MPDO	June 20, 2022	-	
Belle del Mar	Development Permit	CHUDD	March 15, 2021	-	
West Highlands Phase 2B	Development Permit	CHDO	Sept. 9, 2022	-	
Adelaida Meadow Residences	Development Permit	CHDO	Nov. 18, 2022	-	
Mountain Pines Farm Phase 2	Development Permit	MPDC	Oct. 14, 2021	-	

* *For the licenses to sell that have expired, the Company has either completed or is no longer engaged in selling activities for the relevant project. In the event selling activities will be undertaken in the future with respect to these projects, the Company will apply for the renewal of their respective license to sell.*

Material Permits and Licenses for the Agri-Business

Permits / License / Certification	Issuing Agency	Issue Date	Expiry Date
ECC – Palm Oil Mill/ Palm Oil Refinery with Fractionation	DENR	Dated February 4, 2013; Released February 6, 2013	Perpetual
ECC – Palm Plantation	DENR	Mar 20, 2007	Perpetual
License to Operate as Food Manufacturer	FDA	Jul 1, 2016	July 1, 2023

The Company believes it has all the applicable and material permits and licenses necessary to operate its business as currently conducted and such permits and licenses are valid, subsisting, or pending renewal.

The Company is also in the process of obtaining a new FDA License to Operate as Food Manufacturer. Nonetheless, the FDA license is not necessary for the current operations of the Company, as it is currently focused on selling crude palm oil instead of refined palm oil.

HEALTH, SAFETY AND ENVIRONMENT

The Company regards occupational health and safety as one of its most important corporate and social responsibilities and as such it is a corporate policy to comply with environmental laws and regulations and consider the promotion of health and safety measures and of appropriate programs as a mutual objective for management and employees at all levels.

The Company regularly reviews policies to do all that is reasonable to prevent personal injury and damage to property and to protect staff and the general public from foreseeable work hazards including environmental nuisances.

The Company adopts & maintains various environmental protection systems and conducts regular trainings on environment, health and safety. For the years 2020, 2021 and 2022 and as of September 30, 2023, the Company has spent PHP52,452.01, PHP57,429.10, PHP120,000.00, and PHP75,700.00, respectively to comply with environmental laws and regulations. Other than the foregoing, the other costs related to compliance with environmental laws form part of the cost of real estate sales and are capitalized by the Company.

The Company was quick to respond when the COVID-19 pandemic hit the country in 2020. It immediately created the COVID19 Response Team who spearheaded the implementation of the IATF Safety & Health Protocols and workplace COVID19 guidelines. To date, it continues to implement responsive & relevant HSE programs to ensure the safety, health and wellbeing of stakeholders such as but not limited to the following:

- Creation and implementation of COVID19 Workplace Policy
- Daily COVID19 Information Drive
- Monthly Health & Wellness Sessions – Speakers from DOH, CHO & Medical Practitioners
- Monthly Turo ni Nurse COVID19 Webinar Series
- Provision for face-shield, face mask, vitamins & alcohol, shuttle service for employees
- Installation of handwashing areas, thermal scanners & foot bath in all entry points
- Creation of Workplace Contact Tracing Team, COVID19 Marshals, COVID19 Vaccine Ambassadors
- Care Packs for COVID19 Positive & Close Contacts
- Monthly Safety & Health Team Meeting
- Provision for Flexible Work Arrangements

EXECUTIVE COMPENSATION

Pursuant to Part IV, Paragraph (B) of Annex C of SRC Rule 12, below is a summary compensation table of the President and Chief Executive Officer and the four (4) most highly compensated officers of the Company:

Summary of Compensation

Name and Position	Year	Salary (PHP)	Per Diem (PHP)	Bonus (PHP)	Total (PHP)
Total compensation of the President and Chief Executive Officer and the four (4) most highly compensated officers of the Company:	**2021**	14,937,077	160,000	3,477,418	**18,574,495**
1. Walter W. Brown 2. Robertino E. Pizarro 3. John L. Batac 4. Marie Antonette U. Quinito 5. Paul Francis B. Juat	**2022**	14,801,946	180,000	2,699,915	**17,681,861**
	2023*	15,981,371	180,000	2,699,915	**18,861,286**
All other officers and directors as a group unnamed	**2021**	15,351,506	660,000	2,790,671	**18,802,177**
	2022	17,998,428	740,000	2,622,497	**21,360,925**
**Estimates*	**2023***	18,950,940	740,000	2,850,818	**22,541,758**

Directors

The regular directors receive PHP10,000 while the Chairman of the Board and the independent directors receive PHP15,000 as per diem for every board and committee meeting. As provided in the By-Laws, a bonus may be distributed to the members of the Board of Directors, officers and employees upon the recommendation of the Corporate Governance Committee (assuming the function of the Compensation and Remuneration Committee) and shall not exceed 10% of the net income of the corporation excluding the unrealized equity in the net earnings of affiliated and subsidiary corporations before this bonus and taxes of the preceding year or preceding years if in a cumulative basis. The said bonus is to be pro-rated with respect to Director's attendance and for those who have served for less than one year.

Other Arrangements

The Company has no other arrangements pursuant to which a director is compensated or to be compensated, directly or indirectly.

Officers

The Company adopts a performance-based compensation scheme as incentive to its officers. Bonuses are paid to all senior personnel from manager and up in cash. The total annual compensation of officers includes the basic salary and other variable pay (performance bonus and other taxable income).

Employment Contracts

The Company maintains standard employment contracts with executive officers. Executive officers are entitled to receive retirement benefits in accordance with the terms and conditions of the Company's BIR-registered Employees' Retirement Fund.

EMPLOYEES

As of September 30, 2023, the Group has 282 employees across its various offices in the Philippines.

The table below sets forth the number of the Group's employees for its various businesses by industry as of September 30, 2023:

As to position:

Position	No. of Personnel
Officers	10
Managers (Including AVPs)	24
Supervisors	47
Rank and File	201
Total	**282**

As to function:

Position	No. of Personnel
Operations	147
Sales and Marketing	25
Accounting / Credit and Collection / Finance	33
Administration	77
Total	**282**

The Company expects to maintain its number of employees in the next 12 months.

Pursuant to Article V of the Company's By-laws, bonuses for the members of the Board of Directors, officers, and employees of the Company will be given upon the recommendation of the Compensation and Remuneration Committee, which amount shall not exceed 10% of the net income of the Company, excluding the unrealized equity in the net earnings of affiliated and subsidiary corporations, before such bonus and taxes of the preceding year or years if in a cumulative basis. 25% of the bonus shall be distributed to the Directors of the Company while the remaining 75% shall be distributed to the officers and employees of the Company in such amounts as may be recommended by the Compensation and Remuneration Committee and subject to the approval of the Board of Directors.

Significant Employees

While the Company values the contribution of each of its employees, the Company believes that there is no employee as of the date of this Offer Supplement that, the resignation or loss of whom, would have a material adverse impact on our business.

RESEARCH AND DEVELOPMENT

The Company is currently doing market studies for expansion projects related to energy, bulk water, and the irradiation segments. The Company does not expect to conduct any significant product research and development in the foreseeable future other than related to its existing operations and business segments.

INTELLECTUAL PROPERTY

The Company has no material intellectual property assets.

INSURANCE

The Group obtains and maintains adequate and comprehensive insurance coverage on its properties, assets and liability exposures pertaining to its business operations from reputable insurance companies. The Group's insurance coverage includes, but not limited to the following: Fire/Lightning, Earthquake Fire & Earthquake Shock, Typhoon, Robbery/Hold-up, Riot/Strike/Malicious Damage, Spontaneous Combustion, Landslide & Subsidence.

The Group believes that its insurance coverage is in accordance with its business exposure and in line with prevailing industry requirements.

CORPORATE SOCIAL RESPONSIBILITY

COVID 19 Molecular Laboratory in Philippine Red Cross – Cagayan de Oro Chapter – In 2020, the Company contributed to the installation of the 1st COVID19 Molecular Laboratory Facility in the region sometime 4Q 2020 as one of the flagship projects of the PRC – Cagayan de Oro Chapter to help contain the COVID-19 virus. ABCI shouldered the civil works of the lab.

COVID 19 Molecular Laboratory in Xavier University – Maria Reyna Hospital – The Company also made contributions to the installation of a Molecular Laboratory Facility for Xavier University – Maria Reyna Hospital.

ABCI Scholarship Program – Since 2011 the company has been providing scholarship to deserving students from the Higaonon Tribe in Kalabugao, Bukidnon and Opol, Misamis Oriental. The Company currently has 2 scholars attending Opol Community College. Since 2011, the Company's scholarship program has sponsored 18 students of which 7 have graduated and obtained their college degrees in Business Administration and Education.

Blood-Letting Activity – Since 2009, in partnership with Philippine Red Cross, ABCI has organized an annual bloodletting activity dubbed "Dugong ABrown". On its 12th year a total of 350 bags or 106,400 cc of blood were successfully donated in partnership with Red Cross.

Relief Goods for Agency Workers – As part of Company's assistance to the independent agency workers deployed to the Company during the community quarantine due to the Covid-19 pandemic, the Company distributed relief goods containing food packs and vitamins to 534 agency workers.

Relief Goods for the Communities the Company is Serving – On March 2020, the Company initiated the distribution of 20 sacks of rice to Brgy. Balulang for its residents. ABCI also distributed alcohol and face masks to residents of Brgy Bonbon and Brgy Kinamlutan, Butuan City.

Company supports LGU Zero-Waste Management Program – In May 2021, the company donated 10 steel drums to the LGU of Brgy. Poblacion, Impasug-ong, Bukidnon. The drums are used as garbage containers for the LGU's Zero-waste management program.

Premium Cooking Oil for Locals in COVID Isolation Units – In June 2021, the Company donated premium cooking oil to COVID19 affected locals temporarily housed in the Municipal Isolation Units in Impasug-ong, Bukidnon as part of the company's COVID19 response initiatives.

Pet Ko, Love Ko: Free Anti-Rabies Vaccination Drive – In celebration of the Rabies Awareness Month and as part of the Company's advocacy to promote a safe and rabies- free subdivision, the Safety & Health Committee of ABCI in partnership with ABECCo and CDO City Veterinary Office conducted, "Pet ko, Luv Ko" an animal welfare event where 83 dogs and cats were successfully vaccinated from rabies.
Tires for Landscaping and Gardening Program of Impasug-ong Central Elementary School – The company donated tires to Impasug-ong Central Elementary School last January 2021 for the school's gardening & landscaping program. The Company is one in continuous improvement of schools situated in Impasug-ong, Bukidnon where its central operation is located.

Binhi sa Kinabukasan: Seedling Donation: Fourteen (14) African Talisay Tree seedlings were donated by West Highlands Golf and Residential Estates to Brgy Ambago, Butuan City received by Councilor Joseph Gabor.

Drug Free Workplace Seminar – ABCI invited the Philippine Drug Enforcement Agency to give the RA No. 9165: Drug Free Workplace Seminar workshop to over 450 employees and agency workers in the A Brown Workplace.

KAISA-Ian ng Bayan: Pre-Marriage Counselling – ABCI initiated the Pre-Marriage Counselling Seminar last October 28, 2022 with 21 couples for the KAISA-lan ng Bayan Mass Wedding participants for the following year. The seminar is a requirement to secure the Marriage License. Among the topics discussed where Responsible Parenthood, Family Planning, etc.

A Brown Employees Credit Cooperative (ABECCO). The company supports and is instrumental in the creation of A Brown Employees Credit Cooperative (ABECCO). The employees' coop serves as a vehicle of inclusive growth, driving development, encouraging & promoting self-help as an engine for economic growth and poverty alleviation.

ABECCO is registered with CDA-10. From the initial 34 cooperators at the inception when organized in June 4, 2019, the membership has grown to 137 as of May 31, 2021. As credit coop, ABECCO promotes thrift and wise use of money and undertakes savings and lending services among its members. It generates a common pool of funds in order to provide financial assistance and other related financial services to its members for productive and provident purposes.

DESCRIPTION OF PROPERTY

LAND BANK

As an integral part of its real estate development business, the Company maintains an adequate land bank for its land development projects. As of September 30, 2023, the Company has acquired 514 hectares of land. The land bank is focused on areas in Rizal, Cagayan de Oro City, Initao in the Misamis Oriental, Butuan City, Agusan del Norte, and Bukidnon. The Company believes that with its current landbank it will be able to meet the requirements of the real estate business of the Company in the next 5 to 8 years.

Please refer to Appendix C for the list of properties of the Company.

OWNERSHIP AND CAPITALIZATION

Share Capital

As of September 30, 2023, the following is the outstanding capital stock of the Company:

Share Class	Issued	Outstanding	Treasury
Common	2,477,668,925	2,372,367,911	105,301,014
Preferred Shares	13,264,900	13,264,900	
TOTAL	**2,490,933,825**	**2,385,632,811**	**105,301,014**

List of Top 20 Stockholders

Common Shares

As of September 30, 2023, the Company had 2,477,668,925 issued common shares and 2,372,367,911 outstanding common shares. The table below sets forth the Company's top 20 holders of common shares as of September 30, 2023:

	Name of Shareholder	**Total Common Shares**	**Percentage (%)**
1.	PCD Nominee Corporation – Filipino ** (Excluding Treasury Shares)	1,958,881,471	82.5707
2.	Brown, Walter W.	176,880,000	7.4558
3.	Jin Natura Resources Corporation	102,000,000	4.2995
4.	PBJ Corporation	74,306,496	3.1322
5.	PCD Nominee Corporation – Non-Filipino	18,872,201	0.7955
6.	Tan, A. Bayani K.	2,033,120	0.0857
7.	Brown, Walter W. or Annabelle P. Brown	1,550,566	0.0654
8.	Tan, Ma. Gracia P.	1,123,089	0.0473
9.	Pizarro, Robertino E.	1,060,613	0.0447
10.	Davila, Regina	938,462	0.0396
11.	Fernandez, Luisito Gandionco, Andrea L.	853,147 853,147	0.0360 0.0360
12.	Lorenzo, Alicia P.	750,769	0.0316
13.	Lagdameo, Jr., Ernesto R.	602,690	0.0254
14.	Kalinangan Youth Foundation, Inc.	561,123	0.0237
15.	King, Josefina B.	557,334	0.0235
16.	Gamilla, Juliana	544,615	0.0230
17.	EBC Securities Corporation	518,221	0.0218
18.	Tan, Joaquin T.Q.	511,885	0.0216
19.	Trifels, Inc.	481,905	0.0203
20.	Ignacio, Edgardo	472,512	0.0199
	TOTAL SHARES	2,344,353,366	98.8191%
	*** The following are the clients - beneficial owners (Filipino) of the PCD participants owning 5% or more of the outstanding capital stock:*		
	Walter W. Brown (direct and indirect)	323,294,169	13.6275%
	Annabelle P. Brown (direct and indirect)	131,135,874	5.5276%
	Brownfield Holdings, Inc.	842,754,901	35.5238%

Preferred Shares – Series A

As of September 30, 2023, the Company had 13,264,900 Series A preferred shares issued and outstanding. The table below sets forth the Company's top three (3) holders of preferred shares as of September 30, 2023:

	Name of Shareholder	Total Series A Preferred Shares	Percentage (%)
1.	PCD Nominee Corporation – Filipino **	13,184,340	99.3927
2.	PCD Nominee Corporation – Non-Filipino	75,560	0.5696
3.	G.D. Tan & Co., Inc.	5,000	0.0377
	TOTAL SHARES	**13,264,900**	**100.0000%**

Security Ownership of Certain Record and Beneficial Owners

The owners of more than 5% of any class of registrant's voting securities as of September 30, 2023 are as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. Of Common Shares Held	Percent to Total Outstanding Common Stock
Common	PCD Nominee Corporation (Filipino) ** (adjusted), 29th Floor, BDO Equitable Tower, 8751 Paseo De Roxas, Makati City 1226	Various individuals/ Entities	Filipino	661,450,130	27.8814%
Common	PCD Nominee Corporation (Non-Filipino), 29th Floor, BDO Equitable Tower, 8751 Paseo De Roxas, Makati City 1226	Various individuals/ Entities	Alien	18,872,201	0.7955%
Common	Brown, Walter W., No. 10, Giraffe St., Greenmeadows, QC, Chairman	Direct and Indirect	Filipino	501,727,372	21.1488%
Common	Brown, Annabelle P., No. 10, Giraffe St., Greenmeadows, QC, Director	Direct and Indirect	Filipino	205,444,488	8.6599%
Common	Brownfield Holdings, Inc., 3301-C PSE Tektite West Tower, Exhange Road, Ortigas Center, Pasig City, Stockholder	Direct	Filipino	842,754,901	35.5238%
			TOTAL	**2,230,316,809**	**94.0123%**

** PCD Nominee Corporation has a total shares of 1,977,753,672 or 83.3662% (Filipino - 1,958,881,471 or 82.5707% and Non-Filipino - 18,872,201 or 0.7955%) of the outstanding common stock including clients - beneficial owners owning 5% or more as enumerated below: ** The following are the PCD participants with shareholdings of 5% or more of the outstanding common stock:		
COL Financial Group, Inc. *2401-B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City*	889,961,013	37.5136%
Campos, Lanuza & Company, Inc. *Unit 2003B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City*	354,455,501	14.9410%
F. Yap Securities, Inc. *17F, Lepanto Building, 8747 Paseo de Roxas, Makati City*	194,013,974	8.1781%
Maybank Securities, Inc. *17F, Tower One & Exchange Plaza,* *Makati City*	145,912,107	6.1505%
Wealth Securities, Inc. *15F,PSE Tower, 5th Avenue cor 28th St., Bonifacio Global City, Taguig City*	134,069,012	5.6513%
*** The following are the clients - beneficial owners (Filipino) of the PCD participants owning 5% or more of the OCS:*		
Walter W. Brown (direct and indirect) *No. 10 Giraffe St., Greenmeadows Q. C.*	323,294,169	13.6275%
Annabelle P. Brown (direct and indirect) *No. 10 Giraffe St., Greenmeadows Q. C.*	131,135,874	5.5276%
Brownfield Holdings, Inc. *3301-C PSE Tektite West Tower,* *Exchange Road, Ortigas Center, Pasig City*	842,754,901	35.5238%

The following are the number of shares comprising the Company's capital stock owned of record by the Chief Executive Officer, the directors, and key officers of the Company, as of September 30, 2023:

Name	Amount and Nature of Ownership	Citizenship	Total No. of Shares and Percent to Total Outstanding Common Stock
Walter W. Brown	195,617,609 (Direct) 306,109,763 (Indirect)	Filipino	501,727,372 21.1488%
Annabelle P. Brown	1,202,118 (Direct) 204,242,370 (Indirect)	Filipino	205,444,488 8.6599%
Robertino E. Pizarro	1,060,613 (Direct) 2,044,530 (Indirect)	Filipino	3,105,143 0.1309%
Antonio S. Soriano	911,581 (Direct)	Filipino	911,581 0.0384%
Elpidio M. Paras	1,581 (Direct)	Filipino	1,581 0.0001%
Thomas G. Aquino	3,500 (Direct)	Filipino	3,500 0.0001%
Joselito H. Sibayan	146,400 (Direct)	Filipino	146,400 0.0062%
Renato N. Migriño	120 (Direct)	Filipino	120 0.0000%
Jun Hou	100 (Direct)	Chinese	100 0.0000%
Marie Antonette U. Quinito	120 (Direct)	Filipino	120 0.0000%

Name	Amount and Nature of Ownership	Citizenship	Total No. of Shares and Percent to Total Outstanding Common Stock
John L. Batac	-	Filipino	-
Paul Francis B. Juat	7,243,410 (Direct)	Filipino	7,243,410 0.3053%
Jason C. Nalupta	-	Filipino	-
Daniel Winston C. Tan-chi	7,147,600 (Direct)	Filipino	7,147,600 0.3013%
Allan Ace R. Magdaluyo	-	Filipino	-

The aggregate number of common shares owned of record by the Chief Executive Officer, Chief Operating Officer, key officers and directors (as a group) of the Company as of September 30, 2023 is 725,731,415 or approximately 30.5910% of the outstanding common stock of the Company.

Name	Amount and Nature of Ownership	Citizenship	Total No. of Shares and Percent to Total Outstanding Capital Series A Preferred Stock
Daniel Winston C. Tan-chi	54,000 (Direct)	Filipino	54,000 0.4071%

There are 54,000 Series A Preferred Shares which is 0.4071% of its outstanding preferred shares owned by a key officer.

Voting Trust of Holders of 5% and more

There is no person holding more than 5% of the Company's voting securities under a voting trust arrangement.

Change in Control

There had been no change of control in the Company that had occurred since the beginning of the last fiscal year. Furthermore, management is not aware of any arrangement which may result in a change in control of the company.

MARKET PRICE OF AND DIVIDENDS ON THE EQUITY AND RELATED SHAREHOLDER MATTERS

Market Information – Common Shares

The common shares of ABCI have been listed at the Philippine Stock Exchange (PSE) since February 1994. The Company's common shares are principally traded at the PSE under the symbol "**BRN**". The high and low daily closing prices for the twelve months of 2023 are ₱0.84 and ₱0.61, respectively.

The table below shows the high and low sales prices of the Company's shares on the PSE for each quarter within the last three (3) fiscal years, to wit:

Quarter	2020		2021		2022	
	High	Low	High	Low	High	Low
1st	0.90	0.455	1.18	0.82	0.97	0.72
2nd	0.81	0.50	1.05	0.84	0.92	0.71
3rd	0.88	0.68	0.96	0.78	0.86	0.71
4th	1.13	0.73	0.94	0.76	0.77	0.69

The table below shows the high and low sales prices of the Company's shares on the PSE for the first (1st) to fourth (4th) quarters of 2023 to wit:

Quarter		2023	
		High	Low
1st	January	0.79	0.70
	February	0.84	0.74
	March	0.83	0.72
2nd	April	0.78	0.73
	May	0.79	0.73
	June	0.79	0.71
3rd	July	0.74	0.69
	August	0.70	0.65
	September	0.77	0.64
4th	October	0.71	0.66
	November	0.71	0.62
	December	0.69	0.61

On December 29, 2023, ABCI's shares of common stock were traded at a high and a low of ₱0.65 at the Philippine Stock Exchange with closing price of ₱0.65. The stocks are not traded in any foreign market.

Market Information – "Series A" Preferred Shares

The "Series A" preferred shares of ABCI have been listed at the Philippine Stock Exchange (PSE) on November 29, 2021. The table below shows the high and low sales prices of the Company's "Series A" preferred shares on the PSE for each quarter, to wit:

Quarter	2021		2022	
	High	Low	High	Low
1st	-	-	106.00	102.30
2nd	-	-	109.00	102.00
3rd	-	-	107.00	100.00
4th	105.00	99.55	103.90	99.00

The Company's "Series A" preferred stock price was trading as high as ₱109.00 and as low as ₱99.00 for the four (4) quarters of the year 2022. It also closed at ₱100.00 on December 28, 2022 as compared to the ₱105.00 on December 31, 2021.

The table below shows the high and low sales prices of the Company's "Series A" preferred shares on the PSE for the first (1st) to fourth (4th) quarters of 2023 to wit:

Quarter		2023	
		High	Low
1st	January	101.60	100.00
	February	103.00	99.70
	March	102.80	100.00
2nd	April	102.00	100.00
	May	103.00	100.00
	June	101.00	100.00
3rd	July	101.00	90.00
	August	100.00	95.00
	September	99.95	95.15
4th	October	99.50	95.00
	November	99.45	96.00
	December	98.00	96.05

On December 28, 2023, ABCI's shares of "Series A" preferred stocks were traded at a high and a low of ₱96.15 at the Philippine Stock Exchange with closing price of ₱96.15. The stocks are not traded in any foreign market.

Dividends – Common Shares and Dividend Policy

Dividends are declared by the Company on its shares of stocks and are payable in cash, property or in additional shares of stock. The Company currently has not adopted a dividend policy. The declaration and payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors affecting the availability of unrestricted retained earnings, as prescribed under the Revised Corporation Code. Dividend declaration must also take into account the Company's capital expenditure and project requirements and settlement of its credit. Cash and property dividends are subject to approval by the Company's Board of Directors while stock dividends require the approval of both the Company's Board of Directors and Stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and the PSE, if the shares are to be listed with the Exchange. Other than the restrictions imposed by the Revised Corporation Code of the Philippines, the covenants (financial or otherwise) in the loans and credit agreements to which the Issuer is a party and the requirements under applicable laws and regulations, there is no other restriction that limits the Company's ability to pay dividends on common equity.

There was no dividend declaration in 2020, 2021 and 2022.

Dividends – "Series A" Preferred Shares

As and if cash dividends are declared by the Board of Directors on the Company's "Series A" preferred dividends, the cash dividends shall be at the fixed rate of 7.00% per annum which will be payable quarterly on March 1, May 29, August 29 and November 29 of each year subject to the certain limitations as provided for in the Prospectus and Offer Supplement dated November 11, 2021. The cash dividend on "Series A" preferred shares is computed as 7% x ₱100.00 x 90/360 amounting to ₱1.75 per share.

The following are the dividend declarations of the Company on "Series A" preferred shares in 2022:

Declaration Date	Record Date	Payment Date
February 2, 2022	February 16, 2022	March 1, 2022
April 29, 2022	May 17, 2022	May 30, 2022
April 29, 2022	August 3, 2022	August 30, 2022
April 29, 2022	November 3, 2022	November 29, 2022

Considering that May 29, 2022 (Sunday) and August 29, 2022 (National Heroes Day) are not Banking Days, dividends were paid on the next succeeding Banking Day which is May 30, 2022 and August 30, 2022, respectively, without adjustment on the amount of dividends to be paid.

The cash dividends were paid out of the Company's unrestricted retained earnings as of December 31, 2021.

The following are the dividend declarations of the Company on "Series A" preferred shares in 2023:

Declaration Date	Record Date	Payment Date
February 3, 2023	February 17, 2023	March 1, 2023
February 3, 2023	May 3, 2023	May 29, 2023
February 3, 2023	August 1, 2023	August 29, 2023
February 3, 2023	November 3, 2023	November 29, 2023

The cash dividend for this period – for 2023 were paid out of the Company's unrestricted retained earnings as of December 31, 2022.

Sale of Unregistered or Exempt Including Securities Constituting an Exempt Transaction

There were no securities sold by the Company within the past 3 years which were not registered under the SRC.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Company, being a Parent Company, in its regular course of trade or business, enters into transactions with its subsidiaries consisting of reimbursement of expenses, purchase of other assets, construction and development contracts, management, marketing and service agreements. Sales and purchases of goods and services to and from related parties are made at arms-length transaction.

The Company, in the normal course of business has significant transactions with related parties, which principally consist of the following:

- Interest-bearing loan from shareholder.

  As of December 31, 2022 and 2021, the Company has outstanding loan from shareholder, which is classified under "Long term debt" in the parent company statements of financial position amounting to PHP184.1 million and PHP240.4 million, respectively.

  On January 13, 2019, the Company signed into an agreement with the shareholder to restructure the remaining balance of its original short-term loan amounting to PHP369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. The loan bears a fixed annual interest rate of 6.00%.

- Noninterest-bearing deposits for future stock subscription to the Company's subsidiaries. These deposits will either be converted to equity or returned to the Company in consideration for a possibility of an incoming new investor.

- Noninterest-bearing cash advances to ABBWCI, SHDI, PTCHC, BCL, MCPI, ISI and VEC

- Noninterest-bearing cash advances to PEI, an associate.

- Noninterest-bearing cash advances to East West Railway Transit Corporation (EWRTC), NC, BAC, AFF-PBJ Corporation (AFFPBJC), AFF-Monte Oro Resources & Energy, Inc. (AFFMOREI), affiliates of the Company.

- Interest-bearing loan received from Brown Resources Corporation (BRC), an affiliate of the Company.

For further information, please refer to Note 15 and Note 16 of the Company's 2022 Audited Financial Statements.

The outstanding accounts with related parties, except for deposits for future stock subscription and the advances to key management personnel, shall be settled in cash. The deposits for future stock subscription are convertible to additional investment in subsidiary. These accounts are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. The Company has approval process and established limits when entering into material related party transactions.

Company requires directors to disclose immediately their interests in transactions or any other conflict of interests and do not participate in the decision-making process.

No material related party transaction was made in 2022 and 2021 that breached the materiality threshold. However, related party transactions below the threshold apply the same principle of abstentions if the directors are involved in the transaction.

For the past five years, the Company did not enter into any contract with promoters.

In addition, material related party transactions that amount to 10% or higher of the Company's total assets shall be subject to the review of the Related Party Transaction Committee and the approval by at least 2/3 of the Board of Directors, with at least a majority of independent directors voting to approve the transaction.

LEGAL PROCEEDINGS

There are no material pending legal proceeding that could be expected to have a material adverse effect on the issuance of the Offer Shares and on the results of the financials and the operations of the Group. The Company has not been the subject of any bankruptcy petition, insolvency, receivership, or similar proceedings. The Company has contingent liabilities for lawsuits and various other matters occurring in the ordinary course of business. Management believes, that none of those contingencies will materially affect the Company's financial position and results of operation.

The Company notes the following on-going litigation with an informal settler and registration of title of the Company's properties, but which Management believes will not materially affect the Company's financial position and results of operation.

1. **Civil Case No. QZN-15-06599-CV**

   Facts, Issues, and Amount Involved
   This is a case for recovery of possession (*accion publiciana*) with damages filed by the Company, involving two (2) parcels of land located in Quezon City, covered by Transfer Certificate of Title ("TCT") No. N-259913 and TCT No. 368563 T124809.

   Plaintiff completed its presentation of evidence in the first quarter of 2019.

   Defendants have presented their evidence except defendant Spouses Almeda who were deemed to have waived their right to present evidence when they failed to appear during the hearing set on December 14, 2020.

   On February 15, 2021, the Company filed its Manifestation/Motion and Formal Offer of Additional Documentary Exhibits manifesting that it will no longer be presenting any rebuttal evidence and instead will submit the case for decision.

   Current Status
   Last March 23, 2023, the Company filed its *Notice of Appeal* dated March 16, 2023 via registered mail.

   On June 27, 2023, the Company received a copy of the *Order* dated March 27, 2023 of the Regional Trial Court of Quezon City confirming the receipt of the Company's Notice of Appeal and ordering the Clerk to transmit the records to the Court of Appeals.

   To date, the Company is still waiting for the Order of the Court of Appeals requiring it to file its Appellant's Brief.

2. **Land Reg. Case No. 09-1350-M, LRA Record No. N-79868, CA-G.R. CV No. 109954, now G.R. No. 252044**

   Facts, Issues, and Amount Involved
   This is an application for registration of title of a parcel of land with an area of Twelve Thousand Four Hundred Nine (12,409) square meters situated in Sampaloc, Tanay, Rizal filed by the Company in 2009.

   On April 12, 2017, the Company received the Regional Trial Court's Decision dated April 3, 2017 denying its application. A Motion for Reconsideration thereof was likewise denied in an Order dated July 21, 2017. Hence, the Company appealed before the Court of Appeals.

   On March 22, 2019, the Company received the Court of Appeals' resolution promulgated March 8, 2019, denying its appeal. A Motion for Reconsideration was likewise denied in the Court of Appeals' Resolution promulgated February 14, 2020.

   Current Status
   On June 25, 2020, the Company filed our Petition for Review before the Supreme Court. In a Resolution dated September 14, 2020, the Court denied the petition.

The Company notes that the Supreme Court has issued an Entry of Judgment dated March 3, 2021, stating that the case has become final and executory.

However, the Company filed a Motion for Reconsideration which is still pending resolution before the Supreme Court.

3. LRC Case No. 23-2246-M

Facts, Issues, and Amount Involved
This is an application for reconstitution of title of a parcel of land for Original Certificate of Title No. M-4728 with an area of 3.8404 has. situated in Sampaloc, Tanay, Rizal filed by the Company in 2023, by virtue of the Extrajudicial Settlement of estate with Deed of Absolute Sale of Real Property and Partition executed by the Company and the heirs of the registered owner of the property. One of the heirs, however, lost the original owner's duplicate of the title, thus necessitating the filing of the instant case.

On December 13, 2023, the Company received a Motion to Dismiss and/or Opposition to a Verified Petition for Issuance of Duplicate Certificate of Title dated November 15, 2023 from Oppositor Atty. Romeo B. Igot and Mr. Jose Luis A. Achacoso, who alleged actual possession of the original title to the parcel of land by reason of sale.

Current Status
The Company filed its Comment/Opposition (To Oppositors' Motion to Dismiss and/or Opposition to A Verified Petition for Issuance of Duplicate Certificate of Title dated November 15, 2023) dated December 22, 2023 to the Opposition. The motion of the Oppositor and the Company's comment thereon are still pending resolution with the Regional Trial Court.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

The summary historical consolidated statement of financial position data as of December 31, 2021 and 2022 and summary historical consolidated statement of comprehensive income for the years ended December 31, 2020, 2021 and 2022, set forth below have been derived from, and should be read in conjunction with, the audited consolidated financial statements and, including the notes thereto, included elsewhere in this Offer Supplement. SyCip Gorres Velayo & Co., a member firm of Ernst & Young Global Limited, has audited the consolidated financial statements in accordance with Philippine Standards on Auditing. The summary historical consolidated statement of financial position data as of September 30, 2023 and summary historical consolidated statement of comprehensive income for the nine months ended September 30, 2022 and 2023 have been derived from, and should be read in conjunction with the unaudited interim condensed consolidated financial statements, which SyCip Gorres Velayo & Co. has reviewed in accordance with Philippine Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

The Group's investments in associates in the Power and Utilities segment are accounted for using the equity method. Under the equity method, the investments in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statements of comprehensive income outside operating profit as Other Income ('Equity in net earnings of associates').

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash	**₱111,490,928**	₱209,847,156
Receivables	**346,334,136**	267,890,499
Contract assets	**871,242,239**	684,156,555
Receivables from related parties	**50,660,359**	106,811,847
Real estate inventories	**3,483,158,085**	2,961,366,258
Other inventories	**206,477,244**	200,284,318
Other current assets	**725,940,251**	465,546,940
Total Current Assets	**5,795,303,242**	4,895,903,573
Noncurrent Assets		
Contract assets - net of current portion	**923,835,985**	784,993,918
Equity instruments at fair value through other comprehensive income (EIFVOCI)	**355,094,062**	301,030,435
Investments in associates	**1,836,241,720**	1,738,605,677
Investment properties	**456,671,680**	455,420,654
Property, plant and equipment	**1,421,040,313**	1,139,609,766
Deferred tax assets	**18,460,838**	15,578,575
Other noncurrent assets	**763,808,007**	674,704,194
Total Noncurrent Assets	**5,775,152,605**	5,109,943,219
TOTAL ASSETS	**₱11,570,455,847**	₱10,005,846,792

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	**₱1,262,254,840**	₱1,084,061,250
Short-term debt	**675,166,000**	472,019,208
Current portion of long-term debt	**450,818,388**	317,602,384
Contract liabilities	**303,776,024**	219,826,473
Total Current Liabilities	**2,692,015,252**	2,093,509,315
Noncurrent Liabilities		
Long-term debt - net of current portion	**1,353,756,218**	959,274,404
Retirement benefit obligation	**75,067,011**	68,155,571
Deferred tax liabilities - net	**424,303,208**	325,045,243
Total Noncurrent Liabilities	**1,853,126,437**	1,352,475,218
Total Liabilities	**4,545,141,689**	3,445,984,533

(Forward)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Equity Attributable to Equity Holders of the Parent Company		
Capital stock		
Common stock	**₱2,477,668,925**	₱2,477,668,925
Preferred stock	**13,264,900**	13,264,900
Additional paid-in capital	**1,931,178,758**	1,931,178,758
Retained earnings	**2,795,821,490**	2,380,947,983
Fair value reserve of EIFVOCI	**(78,976,731)**	(133,040,358)
Remeasurement loss on retirement benefit obligation - net of tax	**(22,273,216)**	(21,458,396)
Remeasurement loss on defined benefit plan of an associate	**(139,540)**	(139,540)
Cumulative translation adjustment	**3,895,009**	6,553,467
Treasury shares	**(94,932,275)**	(94,932,275)
	7,025,507,320	6,560,043,464
Noncontrolling interest	**(193,162)**	(181,205)
Total Equity	**7,025,314,158**	6,559,862,259
TOTAL LIABILITIES AND EQUITY	**₱11,570,455,847**	₱10,005,846,792

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2023	2022	**2023**	2022
REVENUE				
Real estate sales	**₱972,897,515**	₱766,659,696	**₱289,038,856**	₱299,128,252
Sale of agricultural goods	**111,094,508**	106,351,030	**36,721,998**	23,450,786
Water service	**20,420,873**	18,767,705	**7,092,377**	6,474,331
	1,104,412,896	891,778,431	**332,853,231**	329,053,369
COSTS OF SALES AND SERVICES				
Cost of real estate sales	**294,074,250**	276,187,650	**88,408,176**	127,759,686
Cost of agricultural goods sold	**84,573,086**	87,967,842	**21,792,103**	26,335,646
Cost of water service revenue	**11,585,272**	10,149,297	**3,633,727**	4,572,780
	390,232,608	374,304,789	**113,834,006**	158,668,112
GROSS PROFIT	**714,180,288**	517,473,642	**219,019,225**	170,385,257
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES	**348,080,739**	300,966,584	**127,063,357**	77,567,356
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates	**261,350,282**	263,383,758	**79,799,179**	130,190,273
Interest expense	**(65,327,327)**	(9,433,826)	**(37,321,503)**	(6,396,969)
Other income - net	**23,084,033**	20,306,963	**13,305,022**	10,533,875
	219,106,988	274,256,895	**55,782,698**	134,327,179
INCOME BEFORE INCOME TAX	**585,206,537**	490,763,953	**147,738,566**	227,145,080
PROVISION FOR INCOME TAX				
Current	**3,134,004**	2,432,635	**1,405,468**	661,375
Deferred	**97,570,258**	86,423,828	**21,138,415**	30,085,586
	100,704,262	88,856,463	**22,543,883**	30,746,961
NET INCOME	**₱484,502,275**	₱401,907,490	**₱125,194,683**	₱196,398,119

(Forward)

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2023	2022	**2023**	2022
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified to profit or loss in subsequent periods:				
Cumulative translation adjustment	**(₱2,658,458)**	(₱448,889)	**(₱245,484)**	(₱640,863)
Items that will not be reclassified to profit or loss in subsequent periods:				
Net change in fair value of EIFVOCI	**54,063,627**	(1,294,162)	**1,278,262**	(12,782,609)
Remeasurement loss on defined benefit plan - net of tax effect	**(814,820)**	(2,969,333)	**(734,616)**	(1,270,869)
	50,590,349	(4,712,384)	**298,162**	(14,694,341)
TOTAL COMPREHENSIVE INCOME	**₱535,092,624**	₱397,195,106	**₱125,492,845**	₱181,703,778
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company	**₱484,514,232**	₱405,357,416	**₱125,198,811**	₱196,401,002
Noncontrolling interest	**(11,957)**	(3,449,926)	**(4,128)**	(2,883)
	₱484,502,275	₱401,907,490	**₱125,194,683**	₱196,398,119
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company	**₱535,104,581**	₱400,645,032	**₱125,496,973**	₱181,706,661
Noncontrolling interest	**(11,957)**	(3,449,926)	**(4,128)**	(2,883)
	₱535,092,624	₱397,195,106	**₱125,492,845**	₱181,703,778
Basic/Diluted Earnings per Share	**0.18**	0.14	**0.04**	0.07

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱585,206,537**	₱490,763,953
Adjustments for:		
Equity in net earnings of associates	**(261,350,282)**	(263,383,758)
Interest expense	**65,327,327**	9,433,826
Depreciation	**48,913,408**	23,766,330
Impairment loss	**21,569,977**	77,072,213
Net changes in retirement benefit obligation	**8,556,447**	7,972,689
Interest income	**(362,769)**	(1,806,514)
Dividend income	**(5,354)**	(3,812)
Gain on sale of property, plant and equipment	**–**	(89,285)
Operating income before working capital changes	**467,855,291**	343,725,642
Decrease (increase) in:		
Receivables	**(85,438,283)**	139,029,654
Contract assets	**(325,927,751)**	(524,034,730)
Real estate inventories	**(516,583,930)**	(491,832,515)
Other inventories	**(3,787,979)**	95,066,743
Other current assets	**(263,839,351)**	(786,443,391)
Increase in:		
Accounts and other payables	**223,672,686**	367,441,589
Contract liabilities	**83,949,551**	54,061,349
Net cash used in operations	**(420,099,766)**	(802,985,659)
Interest received	**362,769**	1,806,514
Net cash flows used in operating activities	**(419,736,997)**	(801,179,145)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from associates	**170,714,239**	164,000,000
Additions to property, plant and equipment	**(348,695,558)**	(280,275,675)
Proceeds from sale of property, plant and equipment	**–**	89,285
Collections of receivables from related parties	**56,151,488**	17,079,806
Decrease (increase) in other noncurrent assets	**(89,103,813)**	74,296,687
Net cash flows used in investing activities	**(210,933,644)**	(24,809,897)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Long-term debt	**802,496,889**	138,036,499
Short-term debt	**669,530,000**	189,187,000
Payments of:		
Long-term debt	**(270,551,434)**	(192,335,247)
Short-term debt	**(466,383,208)**	(255,320,900)
Interest	**(124,672,221)**	(69,341,259)
Preferred share dividends	**(69,640,725)**	(69,647,026)
Debt issue cost	**(5,806,430)**	(930,000)
Acquisition of treasury shares	**–**	(24,314,028)
Net cash flows from (used in) financing activities	**534,972,871**	(284,664,961)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(2,658,458)**	(448,889)

(Forward)

	For the Nine Months Ended September 30	
	2023	2022
NET DECREASE IN CASH	**(₱98,356,228)**	(₱1,111,102,892)
CASH AT BEGINNING OF PERIOD	**209,847,156**	1,277,986,644
CASH AT END OF PERIOD	**₱111,490,928**	₱166,883,752

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

For the years ended December 31, 2022, 2021, and 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		
	2022	2021	2020
ASSETS			
Current Assets			
Cash	**₱209,847,156**	₱1,277,986,644	₱231,321,649
Receivables	**267,890,499**	439,386,177	1,009,113,885
Contract assets	**684,156,555**	185,102,035	76,301,227
Receivables from related parties	**106,811,847**	126,310,274	117,690,925
Real estate inventories	**2,961,366,258**	2,090,015,454	1,573,049,067
Other inventories	**200,284,318**	176,156,568	148,093,928
Other current assets	**465,546,940**	347,606,217	511,185,498
Total Current Assets	**4,895,903,573**	4,642,563,369	3,666,756,179
Noncurrent Assets			
Receivables - net of current portion	**–**	46,999,426	26,338,455
Contract assets - net of current portion	**784,993,918**	484,925,421	20,563,963
Equity instruments at fair value through other comprehensive income (EIFVOCI)	**301,030,435**	239,411,453	175,587,105
Investments in associates	**1,738,605,677**	1,551,999,914	1,430,559,395
Investment properties	**455,420,654**	449,402,314	97,133,941
Property, plant and equipment	**1,139,609,766**	921,133,741	912,510,888
Deferred tax assets	**15,578,575**	11,529,697	16,486,463
Other noncurrent assets	**674,704,194**	277,779,179	156,516,069
Total Noncurrent Assets	**5,109,943,219**	3,983,181,145	2,835,696,279
TOTAL ASSETS	**₱10,005,846,792**	₱8,625,744,514	₱6,502,452,458
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	**₱1,084,061,250**	₱740,116,319	₱628,610,957
Short-term debt	**472,019,208**	443,461,020	414,177,400
Current portion of long-term debt	**317,602,384**	201,643,018	254,200,759
Contract liabilities	**219,826,473**	169,402,619	168,966,097
Total Current Liabilities	**2,093,509,315**	1,554,622,976	1,465,955,213
Noncurrent Liabilities			
Long-term debt - net of current portion	**959,274,404**	850,811,991	566,655,809
Retirement benefit obligation	**68,155,571**	69,198,434	61,169,956
Deferred tax liabilities - net	**325,045,243**	177,285,689	154,238,970
Total Noncurrent Liabilities	**1,352,475,218**	1,097,296,114	782,064,735
Total Liabilities	**3,445,984,533**	2,651,919,090	₱2,248,019,948

(Forward)

	December 31		
	2022	2021	
Equity Attributable to Equity Holders of the Parent Company			
Capital stock			
Common stock	**₱2,477,668,925**	₱2,477,668,925	₱2,477,668,925
Preferred stock	**13,264,900**	13,264,900	–
Additional paid-in capital	**1,931,178,758**	1,931,178,758	637,968,859
Retained earnings	**2,380,947,983**	1,834,803,085	1,437,223,304
Fair value reserve of EIFVOCI	**(133,040,358)**	(194,659,340)	(258,483,688)
Remeasurement loss on retirement benefit obligation - net of tax	**(21,458,396)**	(27,250,541)	(25,293,809)
Remeasurement loss on defined benefit plan of an associate	**(139,540)**	(347,343)	(731,525)
Cumulative translation adjustment	**6,553,467**	6,498,274	4,000,560
Treasury shares - common	**(94,932,275)**	(70,618,247)	(21,236,419)
	6,560,043,464	5,970,538,471	4,251,116,207
Noncontrolling interest	**(181,205)**	3,286,953	3,316,303
Total Equity	**6,559,862,259**	5,973,825,424	4,254,432,510
TOTAL LIABILITIES AND EQUITY	**₱10,005,846,792**	₱8,625,744,514	₱6,502,452,458

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
REVENUE			
Real estate sales	**₱1,378,739,155**	₱628,452,425	₱761,538,359
Sale of agricultural goods	**116,143,469**	56,980,212	79,088,786
Water service	**25,323,973**	24,836,284	23,417,340
	1,520,206,597	710,268,921	864,044,485
COSTS OF SALES AND SERVICE			
Cost of real estate sales	**477,722,261**	219,690,454	353,431,663
Cost of agricultural goods sold	**87,730,319**	42,016,968	60,135,511
Cost of water service revenue	**14,212,257**	9,579,082	5,733,021
	579,664,837	271,286,504	419,300,195
GROSS PROFIT	**940,541,760**	438,982,417	444,744,290
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES	**472,282,218**	284,537,926	273,385,676
OTHER INCOME (EXPENSES)			
Equity in net earnings of associates	**316,397,960**	273,498,337	175,888,940
Interest expense	**(24,354,370)**	(26,678,756)	(25,245,886)
Unrealized foreign exchange gain (loss)	**2,472**	(1,834)	1,129
Realized gain on sale of equity instruments at fair value through profit or loss (EIFVPL)	**–**	–	12,478,111
Gain on bargain purchase	**–**	–	2,659,077
Other income - net	**28,183,979**	19,565,759	8,784,492
	320,230,041	266,383,506	174,565,863
INCOME BEFORE INCOME TAX	**788,489,583**	420,827,997	345,924,477
PROVISION FOR INCOME TAX			

	Years Ended December 31		
	2022	2021	2020
Current	**5,331,878**	(2,408,591)	48,954,056
Deferred	**147,620,365**	25,686,157	2,866,315
	152,952,243	23,277,566	51,820,371
NET INCOME	**₱635,537,340**	₱397,550,431	₱294,104,106

(Forward)

	Years Ended December 31		
	2022	2021	2020
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	**₱55,193**	₱2,497,714	₱2,993,975
Items that will not be reclassified to profit or loss in subsequent periods:			
Net change in fair value of EIFVOCI	**61,618,982**	63,824,348	8,025,652
Remeasurement gain (loss) on defined benefit plan - net of tax effect	**5,792,145**	(1,956,732)	(5,209,889)
Equity in other comprehensive income (loss) of an associate	**207,803**	384,182	(731,525)
	67,674,123	64,749,512	5,078,213
TOTAL COMPREHENSIVE INCOME	**₱703,211,463**	₱462,299,943	₱299,182,319
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	**₱639,005,498**	₱397,579,781	₱294,130,474
Noncontrolling interest	**(3,468,158)**	(29,350)	(26,368)
	₱635,537,340	₱397,550,431	₱294,104,106
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	**₱706,679,621**	₱462,329,293	₱299,208,687
Noncontrolling interest	**(3,468,158)**	(29,350)	(26,368)
	₱703,211,463	₱462,299,943	₱299,182,319
Basic/Diluted Earnings per Share	**₱0.27**	₱0.16	₱0.12

See accompanying Notes to Consolidated Financial Statements.

NON-PFRS FINANCIAL MEASURES

The following table shows EBITDA as derived from the Group's net income for the period:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
			(in millions of Peso ₱)		
	(Audited)			(Unaudited)	
Net income attributable to equity holders of the parent	294.13	397.58	639.01	405.36	484.51
Non-controlling interests	-0.03	-0.03	-3.47	-3.45	-0.01
Provision for income tax	51.82	23.28	152.95	88.86	100.70
Income before income tax	345.92	420.83	788.49	490.77	585.20
Add (Deduct):					
Depreciation and amortization	27.77	33.19	33.79	23.77	48.91
Interest expenses	25.25	26.68	24.35	9.43	65.33
EBITDA(1)	**398.94**	**480.70**	**846.63**	**523.97**	**699.44**

Notes:
(1) EBITDA is not a uniformly or legally defined financial measure. It generally represents earnings before interest, taxes, depreciation and amortisation. The Group presents EBITDA because it believes it to be an important supplemental measure of its performance and liquidity and believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in its industry.

The EBITDA figures are not, however, readily comparable to other companies' EBITDA figures, as they are calculated differently and must be read in conjunction with the related additional explanations. EBITDA has limitations as an analytical tool and potential investors should not consider it in isolation or as a substitute for analysis of its results as reported under PFRS. Some of the limitations concerning EBITDA are:

- *EBITDA does not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;*
- *EBITDA does not reflect changes in, or cash requirements for, the Group's working capital needs;*
- *EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;*
- *Although depreciation and amortisation are non-cash charges, the assets being depreciated or amortised will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and*
- *Other companies in the industry may calculate EBITDA differently than the Group does, limiting its usefulness as a comparative measure.*

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of its business. The Group compensates for these limitations by relying primarily on its PFRS results and using EBITDA only supplementally.

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

PART I – Financial Information

Item 1. Financial Statements

The following Management Discussion and Analysis should be read in conjunction with the Interim Consolidated Financial Statements (Unaudited) – Reviewed (as Appendix A) for the Third (3rd) Quarter ending September 30, 2023 and for the nine months ended September 30, 2023 and 2022 and Audited Consolidated Financial Statements as of December 31, 2022, 2021, and 2020, included elsewhere in this Offer Supplement.

The accounting policies adopted are consistent with those of the previous financial year.

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

<u>Financial Condition – Interim Consolidated (Unaudited) - Reviewed</u>

In Philippine Peso	Unaudited 3rd Quarter September 2023	Audited 2022	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis Unaudited 3rd Quarter September 2023	Audited 2022
Current Assets	**5,795,303,242**	4,895,903,573	899,399,669	18%	50%	49%
Noncurrent Assets	**5,775,152,605**	5,109,943,219	665,209,386	13%	50%	51%
Total Assets	**11,570,455,847**	10,005,846,792	1,564,609,055	16%	100%	100%
Current Liabilities	**2,692,015,252**	2,093,509,315	598,505,937	29%	23%	21%
Noncurrent Liabilities	**1,853,126,437**	1,352,475,218	500,651,219	37%	16%	14%
Equity	**7,025,314,158**	6,559,862,259	465,451,899	7%	61%	66%
Total Liability and Equity	**11,570,455,847**	10,005,846,792	1,564,609,055	16%	100%	100%

A Brown Company, Inc. - CONSOLIDATED
Financial Condition items – September 30, 2023 vs. December 2022

The Group's total assets increased by **16% or about ₱1.6 billion** from a balance of about ₱10.006 billion as of end of the year 2022 to about **₱11.570 billion** as of September 30, 2023.

Current assets increased by 18% or about ₱899.4 million as a result of the net effect of the following:

47% or* ₱98.4M *decrease in Cash – due to the net effect of cash used from operating, investing and net cash provided from financing activities. Cash dividends from associates amounting to **₱170.7M** were generated from investments and cash inflow from receivables from related parties amounting to **₱56.2M**. Other uses of cash from investing activities include the acquisition of property, plant and equipment at **₱348.7M and** cash outflow from other non-current assets at **₱89.1M.** Financing activities include the receipt of the proceeds from short term and long-term debt amounting to **₱669.5M and ₱ 802.5M**, respectively and the payments made to short-term and long-term debt amounting to **₱466.4M and ₱270.6M**, respectively. Interest payments amounted to
₱124.7M. Payment of preferred shares cash dividends amounted to **₱69.6M.** Net cash flow used from operating activities totaled **₱419.7M.** The effect of exchange rate changes on cash resulted to deduction to cash balance which amounted to **₱2.7M.**

29% or about* ₱78.4M *increase in Current Receivable due to the net effect of:

a) **35% or ₱7.0M decrease in dividend receivable -** due to the collection of dividends declared by the associates during this current period
b) **47% or ₱7.9M increase in Trade Receivable** – directly related to the collectible in trade receivables on the sale of agricultural goods and the collectibles from water income.
c) **59% or ₱94.7M increase in installment contract receivable-current -** due to increase in booked installment sales
d) **42% or ₱3.4M increase in advances to officers and employees -** due to additional cash advances
e) **27% or ₱18.4M decrease in Other receivables -** due to increase collection of advances made to affiliates and homeowners
f) **28% or ₱2.2M increase in Allowance for credit losses** - due to the increase in expected credit losses arising from the receivables from the sale of agricultural goods

27% or ₱187.1M increase in Current Contract assets - pertains to the increase in the completed portion of the contract against the amount collected from buyers that will be billed and collected within 12 months

18% or* ₱521.8M *increase in Real estate inventories – due to the net effect of the increase in land and development costs over sales of various projects. There is an increase in construction and development costs by **20% or ₱435.9M** and the increase of land for sale and development by **11% or ₱85.9M**. Additional construction costs incurred for the period amounted to **₱580.2M**; capitalized borrowing cost amounted to
₱54.1M, deposits for land acquisition amounted to **₱176.4M** and capitalized depreciation of equipment used in the development amounted to **₱5.2M** net of cost of real estate inventory sold amounted to **₱ 294.1M.**

3% or* ₱6.2M *increase in Inventories – due to increase in construction materials used in development projects amounting to **₱13.8M or by 13%** though there was a slight decrease in finished agricultural goods amounting to **₱6.5M or by 7%** and **₱1.1M or by 97%** for material and other supplies.

53% or* ₱56.2M *decrease in receivables from related parties – due to collection of receivables from related parties

56% or ₱260.5M increase *in prepayments and other current assets* – due to the net effect of:

a) 75% or ₱193.4M increase in deposit for land acquisition – pertains to installment payments made to landowners of land intended for real estate project in the future
b) 25% or ₱30.5M increase in creditable withholding tax – Pertains to the corresponding creditable withholding taxes on collections during the period
c) 39% or ₱27.3M increase in prepaid expenses – pertains to the utilization of the fuel to development
d) ₱17k increase in input taxes – directly related to the increase in the balance of Input VAT passed on by the Company's suppliers and contractors in the ordinary course of its business which is applied against the Output VAT payable by the Company on the sale of its goods and services
e) 138% or ₱3.3M increase in cost to obtain contract – Due to pre-payments of commissions on real estate sales and additional booked units during the period
f) 141% or ₱5.9M increase in miscellaneous – pertains to the advances to suppliers and contractors.

Non-Current assets increased by 13% or about ₱665.2 million as a result of the net effect of the following:

18% or* ₱138.8M *increase in Contract Assets – net of current – Due to increase in sales to which revenue is already recognized to the extent of percentage-of-completion (POC) prior to billing beyond the 12 months

***18% or* ₱54.1M *increase in Equity Instruments at fair value through other comprehensive income* –** due to increase of share price of equity instruments at FVOCI.

6% or ₱97.6M *increase in Investment in Associates* – due to the Group's share in the net income of the associates, net of the ₱163.7M dividends declared for the Group during the period

₱1.3M *increase in Investment Properties* – due to additional land held for capital appreciation by 1% or
₱3.4M which was reduced by additional **₱2.1M** depreciation of golf properties during the period

25% or ₱281.4M *increase in Property, Plant and Equipment, net* - due to the additional property and equipment purchased against the depreciation recorded by the Group

a) 587% or ₱76.1M increase in Land – due to additional acquisition of land of the new subsidiary SGAC
b) 14% or ₱4.9M decrease in Leasehold improvements – net due to depreciation
c) 8% or ₱21.1M decrease in Bearer Plants – net due to impairment of bearer plants-trees
d) 4% or ₱7.7M decrease in RBD and Fractionation Machineries - net due to depreciation
e) 128% or ₱9.5M increase in Building and Improvements - net due to ₱11.4M additions and the new recorded ₱1.9M depreciation
f) 1% or ₱1.4M decrease in Machinery and Equipment- net due to lower new acquisitions at ₱17.3M as compared to the added ₱18.8M depreciation
g) 62% or ₱214.3M increase in Construction in Progress - net due to additional development cost of new projects e.g. Irradiation Solutions Inc. (ISI); Vires Energy Corporation (VEC) and Surigao Greens Agri Corp. (SGAC)
h) 3% or ₱826k decrease in Right-of-Use Assets – net due to amortization
i) 14% or ₱17.4M increase in Other equipment – net due to ₱38.1M new purchases which is higher than the ₱20.7M depreciation

19% or* ₱2.9M *increase in Deferred Tax Assets – due to the increase in the tax effect of the allowance for impairment loss on receivables and on PPE; PFRS 16 adjustment and retirement benefit obligation as of this period.

13% or* ₱89.1M *increase in Other Non-current Assets – due to net effect on the increase in advances to third party by 35% or ₱75.7M - pertaining to payments made by the Group to its suppliers for materials to be used for the construction of its irradiation facility and for potential joint venture partners for acceptable business projects; increase on refundable deposits – net of current portion, by 1% or ₱264k and increase in deferred input VAT by 21% or ₱13.2M.

Current liabilities increased by 29% or about ₱598.5 million as a result of the net effect of the following:

16% or* ₱178.2M *increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

a) 12% or ₱89.9M increase in accounts payable – payments on the purchases made during the period is higher than the purchased made on account
b) 53% or ₱111.9M decrease in accrued expenses – due to the net effect on the decrease in accrued services by 3% or ₱1.3M and other accrued expenses by 93% or ₱118.7M and increase in accrued professional fees by 85% or ₱7.9M and with accrued payroll by ₱107k
c) 57% or ₱25.0M increase in retention payable - due to the increase in the amount withheld by the Group on contractor's billings
d) 326% or ₱173.4M increase in statutory payables - increase is due to additional output tax recognized on sales of real estate inventory
e) 28% or ₱1.8M increase in accrued interest payable - due to accrued interest payable for existing and new loan availment

43% or* ₱203.1M *increase in Short term Debt – due to the net effect on the higher availment of new short-term loan versus its payments

42% or* ₱133.2M *increase in Current portion of long-term debt – pertains to the increase of the part of loan currently due against settlement of principal amount due

38% or* ₱84.0M *increase in Contract liabilities – pertains to the collection from real estate customers that have not reached the equity threshold to qualify for a revenue recognition and excess of collections over the goods and services transferred by the Parent Company based on percentage of completion.

Non-Current liabilities increased by 37% or about* ₱500.7 *million as a result of the net effect of the following:

41% or ₱394.5M *increase in Long-term Debt - net* – due to the availment of new long-term loans

***10% or* ₱6.9M *increase in Retirement benefit obligation* –** due to increase in retirement benefit obligation by resulting from the net effect on the increase of current service cost of **₱4.7M** and interest cost of **₱4.1M** against the increase in fair value of plan assets, mainly from the contribution to the retirement fund amounting to **₱2.7M** and actuarial losses amounting to **₱1.1M**

***31% or* ₱99.3M *increase in Deferred tax liabilities* –** mainly due to the effect of deferred taxable income on sale of real estate

Equity increased by 7% or about ₱465.5 million as a result of the net effect of the following:

***17% or* ₱414.9M *increase in the Retained Earnings* –** due to the net effect of net income earned during the period and the declaration of preferred shares cash dividends

41% or* ₱54.1M *decrease in Cumulative unrealized loss on EIFVOCI – *due to the increase in value of equity instruments at fair value through comprehensive income (EIFVOCI)*

4% or ₱815k *increase in Remeasurement loss on retirement benefit obligation* – related to the re-measurement loss on plan assets, net of income tax

41% or* ₱2.7M *decrease in Cumulative translation adjustment – related to the exchange differences in foreign currency translation

Results of Operations – Interim Consolidated (Unaudited) - Reviewed

For the Quarter

In Philippine Pesos	For the Quarter ending		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	Unaudited September 2023	**Unaudited September 2022**	**Amount**	%	**Unaudited September 2023**	**Unaudited Septembe r 2022**
Real estate sales	**289,038,856**	299,128,252	(10,089,396)	-3%	**87%**	91%
Sale of agricultural goods	**36,721,998**	23,450,786	13,271,212	57%	**11%**	7%
Water service income	**7,092,377**	6,474,331	618,046	10%	**2%**	2%
REVENUES	**332,853,231**	329,053,369	3,799,862	1%	**100%**	100%
Cost of real estate sales	**88,408,176**	127,759,686	(39,351,510)	-31%	**27%**	39%
Cost of agricultural goods sold	**21,792,103**	26,335,646	(4,543,543)	-17%	**7%**	8%
Cost of water service income	**3,633,727**	4,572,780	(939,053)	-21%	**1%**	1%
COST OF SALES AND SERVICES	**113,834,006**	158,668,112	(44,834,106)	-28%	**34%**	48%
GROSS PROFIT	**219,019,225**	170,385,257	48,633,968	29%	**66%**	52%
General, Administrative and Selling Expenses	**127,063,357**	77,567,356	49,496,001	64%	**38%**	24%
Share in net income (loss) of associates	**79,799,179**	130,190,273	(50,391,094)	-39%	**24%**	40%
Interest expense	**(37,321,503)**	(6,396,969)	30,924,534	483%	**-11%**	-2%
Other income (expense) -net	**13,305,022**	10,533,875	2,771,147	26%	**4%**	3%
Other Income (Expense)	**55,782,698**	134,327,179	(78,544,481)	-58%	**17%**	41%
Income (Loss) before Income Tax	**147,738,566**	227,145,080	(79,406,514)	-35%	**44%**	69%
Provision for (Benefit from) Income Tax	**22,543,883**	30,746,961	(8,203,078)	-27%	**7%**	9%
NET INCOME (LOSS)	**125,194,683**	196,398,119	(71,203,436)	-36%	**38%**	60%
Cumulative loss translation adjustment	**(245,484)**	(640,863)	(395,379)	-62%		
Net change in fair value of EIFVOCI	**1,278,262**	(12,782,609)	14,060,871	110%		
Re-measurement gain (loss) on retirement obligation-net of tax effect	**(734,616)**	(1,270,869)	(536,253)	-42%		
OTHER COMPREHENSIVE INCOME (LOSS)	**298,162**	(14,694,341)	14,992,503	102%		
TOTAL COMPREHENSIVE INCOME (LOSS)	**125,492,845**	181,703,778	(56,210,933)	-31%		

Year-to-Date

In Pesos	Year-to-Date ending		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	Unaudited September 2023	**Unaudited September 2022**	**Amount**	%	**Unaudited September 2023**	**Unaudited September 2022**
Real estate sales	**972,897,515**	766,659,696	206,237,819	27%	**88%**	86%
Sale of agricultural goods	**111,094,508**	106,351,030	4,743,478	4%	**10%**	12%
Water service income	**20,420,873**	18,767,705	1,653,168	9%	**2%**	2%
REVENUES	**1,104,412,896**	891,778,431	212,634,465	24%	**100%**	100%
Cost of real estate sales	**294,074,250**	276,187,650	17,886,600	6%	**27%**	31%
Cost of agricultural goods sold	**84,573,086**	87,967,842	(3,394,756)	-4%	**8%**	10%
Cost of water service income	**11,585,272**	10,149,297	1,435,975	14%	**1%**	1%
COST OF SALES AND SERVICES	**390,232,608**	374,304,789	15,927,819	4%	**35%**	42%
GROSS PROFIT	**714,180,288**	517,473,642	196,706,646	38%	**65%**	58%
General, Administrative and Selling Expenses	**348,080,739**	300,966,584	47,114,155	16%	**32%**	34%
Share in net income (loss) of associates	**261,350,282**	263,383,758	(2,033,476)	-1%	**24%**	30%
Interest expense	**(65,327,327)**	(9,433,826)	55,893,501	592%	**-6%**	-1%
Other income (expense) -net	**23,084,033**	20,306,963	2,777,070	14%	**2%**	2%
Other Income (Expense)	**219,106,988**	274,256,895	(55,149,907)	-20%	**20%**	31%
Income (Loss) before Income Tax	**585,206,537**	490,763,953	94,442,584	19%	**53%**	55%
Provision for (Benefit from) Income Tax	**100,704,262**	88,856,463	11,847,799	13%	**9%**	10%
NET INCOME (LOSS)	**484,502,275**	401,907,490	82,594,785	21%	**44%**	45%
Cumulative loss translation adjustment	**(2,658,458)**	(448,889)	2,209,569	492%		
Net change in fair value of EIFVOCI	**54,063,627**	(1,294,162)	55,357,789	4278%		
Re-measurement gain (loss) on retirement obligation-net of tax effect	**(814,820)**	(2,969,333)	(2,154,513)	-73%		
OTHER COMPREHENSIVE INCOME (LOSS)	**50,590,349**	(4,712,384)	55,302,733	1174%		
TOTAL COMPREHENSIVE INCOME (LOSS)	**535,092,624**	397,195,106	137,897,518	35%		

A Brown Company, Inc. - CONSOLIDATED

Results of Operations
For the 3rd Quarter ending September 30, 2023

The Consolidated Statement of Comprehensive Income (CSCI) for the quarter ending September 30, 2023 showed an after-tax quarter net income of **₱125.2 million** compared to the **₱196.4 million** net income for the same quarter last year with a decrease of 36% or **₱71.2 million** and an after-tax year-to-date net income of **₱484.5 million** compared to the **₱401.9 million** net income for the same year-to-date period last year with an increase of 21% or **₱82.6 million** due to the net effect of the following:

Revenue streams from real estate sales, sale of agricultural goods and water service income for this quarter totaled **₱332.9 million** with **₱113.8 million** as the cost of sales and services, which resulted to a gross profit of about **₱219.0 million.** After deducting the general, administrative and selling expenses amounting to **₱127.1 million**, and considering other income and expenses: share in the net income (loss) of associates at **₱79.8 million,** interest expense of **₱37.3 million** and other income/(expense)-net of **₱13.3 million**, the derived net income before tax was **₱147.7 million.** With **₱22.5 million** as provision for income tax for the quarter, it resulted to a net income of **₱125.2 million.**

The comparisons of the income and cost and expense accounts between the two periods - 2023 against 2022 are as follows:

1% or* ₱3.8M *increase in Revenue on a QTR and 24% or* ₱212.6M *increase on a YTD due to:

a) ***Decrease in Real estate Sales by 3% or* ₱10.1M on a QTR and *27% or* ₱206.2M increase on a YTD** – the decrease was due to the lower percentage of completion of units sold at this quarter/period as compared to the percentage of completion of units sold for same quarter/period last year. On YTD, real estate sales increased by 27% or **₱206.2M** due to the increase in additional sales booking during the period as compared to prior period and increase in the revenues recognized pertaining to the incremental sales on the booked units of prior period with POC increment in the current period based on the actual accomplishment of the units.

b) ***Increase in Sales of agricultural goods by 57% or* ₱13.3*M on a QTR and 4% or* ₱4.7M *increase on a YTD due to –***

   a. ***Increase in Sales of crude palm oil by 46% or* ₱10.2*M on a QTR and 1% or* ₱ 1.1M *increase on a YTD*** – this was due to the increase in quantity sold by 72% or 343.59 metric tons, from a volume of 478.65 metric tons in the 3rd quarter 2022 to 822.24 metric tons in 3rd quarter of 2023; the average selling price decreased by 15% or ₱6,837 per metric ton from ₱52,241 per metric ton for the 3rd quarter last year metric ton for the same period this year. The YTD increase in sales was due to increase in the number of metric tons sold by 43% or 660.62 metric tons from 1,524 metric tons for the nine months last year to 2,184.61 metric tons for the same period this year even if there is a decrease in average selling price by 29% or ₱ 18,756 per metric tons.

   b. ***Increase in Palm Olein Sales by* ₱406k *on a QTR and 5,286% or* ₱3.9M *increase on a YTD –*** this was due to the increase in quantity sold by 5.93 metric tons, from a volume of nil in the 3rd quarter of last year to 5.93 metric tons for the same period this year with the average selling price of ₱68,587 per metric tons. The YTD increase in sales was due to increase in the number of metric tons sold by 7952% or 98.05 metric tons from 1.23 metric tons for the nine months last year to 99.28 metric tons for the same period this year even if there is a decrease in average selling price by 33% or ₱19,602 per metric ton.

   c. ***Increase in sales of Palm kernel by 89% or* ₱222*k on a QTR and 9% or* ₱72k increase *on a YTD –*** this was due to the increase in quantity sold by 326% or 80.92 metric tons, from a volume of 24.81 metric tons in the 3rd quarter of last year to 105.73 metric tons for the same period this year; the average selling price decreased by 56% or ₱5,557 per metric ton from ₱10,000 per metric ton for the 3rd quarter last year to ₱4,443 per metric ton for the same period this year. The YTD increase in sales was due to the increase in quantity sold by 109% or 132.11 metric tons, from a volume of 99.56 metric tons for nine months of last year to 209.14

metric tons for the same period this year even if there is a decrease in average selling price by 66% or ₱21,075 per metric ton.

d. Increase in Palm Acid Oil sales by 12% or **₱148k *on a QTR and 28% or* ₱1.1M de*crease on a YTD*** – this was due to increase in the in quantity sold by 289% or 114.72 metric tons, from a volume of 39.72 metric tons in the 3rd quarter of last year to 154.44 metric tons for the same period this year; the average selling price decreased by 71% or ₱21,327 per metric ton from ₱28,049 per metric ton for the 3rd quarter last year to ₱3,832 per metric ton for the same period this year. The YTD decrease in sales was due to the average selling price decreased by 66% or ₱21,074 per metric ton from ₱22,977 per metric ton for the nine months last year to ₱6,018 per metric ton for the same period this year.

e. **Increase in palm stearin by ₱1.3M on a QTR and 127% or ₱2.3M on YTD –** this was due to the increase in quantity sold by 38.30 metric tons, from a volume of nil in the 3rd quarter of last year to 38.30 metric tons for the same period this year with the average selling price of ₱12,140 per metric tons. The YTD increase in sales was due to increase in the number of metric tons sold by 19% or 19.50 metric tons from 101.81 metric tons for the nine months last year to 121.31 metric tons for the same period this year with an increase in average selling price by 91% or ₱16,279 per metric tons.

f. **Increase in Palm fatty acid distillate** by **₱1.1M** on a QTR **and 23% or ₱205k on YTD** – this was due to the increase in quantity sold by 35.96 metric tons, from a volume of nil in the 3rd quarter of last year to 35.96 metric tons for the same period this year with the average selling price of ₱30,000 per metric tons. The YTD increase in sales was due to increase in the number of metric tons sold by 98% or 17.75 metric tons from 18.21 metric tons for the nine months last year to 35.96 metric tons for the same period this year even if there is a decrease in average selling price by 38% or ₱18,000 per metric ton.

g. **Decrease** in **Refined, Bleached and Deodorized Oil (RBDO**) sales by 100% or **₱**15k on a QTR and 100% or **₱**1.8M on a YTD – this was due to no quantity sold in the 3rd quarter of 2023 as compared with a volume of 0.17 metric tons sold last year at an average selling price of ₱87,353 per metric ton. For the YTD decrease, this is due to no quantity sold for the nine months this year as compared to the 19.68 metric tons sold last year at an average selling price by ₱88,986 per metric ton.

c) ***Increase in Water services by 10% or ₱618k on a QTR and 9% or* ₱1.7M *increase on a YTD -*** due to higher water consumption for this quarter compared to the water services rendered for the same quarter last year as a result from additional buyers moving in to their units thereby increasing water connections and usage

28% or* 44.8*M decrease in Cost of Sales and Services on a QTR and 4% or* ₱15.9M *increase on a YTD due to:

a) ***31% or ₱39.4M decrease in cost of real estate sales on a QTR and 6% or* ₱17.9M *increase on a YTD –*** the decrease was relatively due to corresponding lots sold with its corresponding development costs as compared to the units sold for the same quarter last year, though for the year-to-date, it increased

b) ***Decrease in cost of sales of agricultural goods by 17% or ₱4.5M on a QTR and 4% or ₱ 3.4M decrease on a YTD*** –

   a. ***Decrease in cost of sales on crude palm oil by 20% or ₱4.9M on a QTR and 4% or ₱3.1M decrease on a YTD –*** this was due to the decrease in average cost of sales of crude palm oil by 53% or ₱27,845 per metric tons, from an average cost of sales of ₱52,241 per metric ton in the 3rd quarter of last year to ₱24,396 metric tons for the same period this year even though there was an increase in quantity sold by 72% or 343.59 metric tons. For YTD, the decrease was due to the decrease in average cost of sales of crude palm oil by 33% or ₱17,695 per metric tons, from an average cost of sales of ₱53,819 per metric ton in the nine months of last year to ₱36,124 metric tons for the same period this year even though there was an increase in quantity sold by 43% or 660.62 metric ton.

   b. ***Increase in cost of sales on Palm Olein by ₱224k on a QTR and 2,620% or ₱1.5M increase on a YTD –*** this was due to the increase in quantity sold on palm olein by

5.93 per metric ton from nil of the 3rd quarter of last year with an average selling price of ₱37,804 per metric ton. The increase in cost of sales on palm olein on YTD is due to increase in volume sold by 7952% or 98.05 metric tons even though there was a decrease on its average cost by 66% or ₱30,632 per metric ton.

c. ***Increase in cost of sales of Palm kernel by 110% or ₱228k on a QTR and 77% or ₱337k on a YTD*** – this was due to the increase in quantity sold by 326% or 80.92 metric tons from a volume of 24.81 metric tons in the 3rd quarter of last year to 105.73 metric tons for the same period this year with the average cost per metric ton decreased by 51% or ₱4,231 per metric ton, from the average cost of ₱5,557-per metric ton in the 3rd quarter of last year to ₱8,344 per metric ton for the same period this year.
d. ***Decrease in Palm Acid Oil cost of sales by 47% or ₱522k on a QTR and 45% or ₱ 1.3M decrease on a YTD –*** this was due to the decrease by 86% or ₱24,217 in the average cost incurred per metric ton sold from ₱28,049 per metric ton in the 3rd quarter of last year to
₱3,832 per metric ton for the same quarter this year though with an increase of 289% or 114.72 metric tons in the quantity sold. The YTD decrease was due to the decrease by 74% or ₱16,959 in the average cost incurred per metric ton sold from ₱22,977 per metric ton in the nine months last year to ₱6,018 per metric ton for the same period this year though with an increase of 109% or 132.11 metric tons in the quantity sold.
e. ***Increase in cost of sales of palm stearin by ₱465k on QTR and 19% or ₱250k on YTD -*** this is due to cost of sales incurred on the 38.30 quantity sold in the 3rd quarter this year compared to none from the same quarter last year with average cost of ₱ 12,140 per metric ton. The YTD increase was due to the increase in the quantity sold by 19% or 19.50 metric tons and increase in average cost of ₱24.47 per metric ton.
f. **Increase in cost of sales of Palm fatty acid distillate** by ₱17k **on a QTR and decrease by 14% or ₱44k** on a YTD – this is due to cost of sales incurred on the 35.96 quantity sold in the 3rd quarter this year compared to none from the same quarter last year with average cost of
₱470 per metric ton. The YTD decrease was due to the decrease in the average cost incurred by 57% or ₱9,638 on quantity sold from ₱17,018 per metric ton for the nine months last year to ₱7,380 per metric ton for the same period this year even though the quantity sold increased by about 98% or 17.75 metric tons.
g. **Decrease in the cost of sales of Refined, Bleached and Deodorized Oil (RBDO)** by **100% or ₱9k** on a QTR and **₱1.1M** on a YTD – this is due to no quantity sold in the 3rd quarter of 2023 as compared with a volume of 0.17 metric tons sold last year at an average cost price of
₱54,553 per metric ton and with a volume of 19.68 metric tons sold for the nine months last year at an average cost price of ₱54,553 per metric ton.

c) ***Decrease in Water Services Cost by 21% or ₱939k on a QTR and 14% or ₱1.4M increase on a YTD –*** due to the relative decrease in water services rendered as compared for the same quarter last year, though for year-to-date it increased.

After deducting Cost of Sales and Services from Revenue, the resulting Gross Profit increased by 29% or ₱48.6M on a QTR and 38% or ₱196.7M increase on a YTD:

64% or ₱49.5M increase in General, Administrative and Selling on a QTR and 16% or ₱47.1M increase on a YTD –due to the following:

a) ***190% or ₱18.3M increase on a QTR and 71% or ₱36.9M increase in Personnel cost on a YTD*** – due to salary increases to show appreciation to employees as well as help them counter the effect of inflation
b) ***51% or ₱7.8M increase on a QTR and 49% or ₱20.2M increase in Marketing expenses on a YTD*** – includes commissions and incentives on lot sales which is directly related to the increase real estate booked sales during the period and various advertising and promotional activities for newly launched projects which also increased this period
c) ***116% or ₱6.0M increase on a QTR and 20% or ₱5.3M decrease in Impairment Loss on a YTD*** – the quarter increase is due to the additional impairment loss recorded for Nakeen Corporation's bearer plants while the YTD decrease in provision for impairment loss was due to HLPC's CIP and MCPI's refundable deposit in 2022

d) ***241% or ₱14.2M increase on a QTR and 458% or ₱22.5M increase in Taxes and Licenses on a YTD*** – increase in DST on loans.
e) ***16% or ₱918k decrease on a QTR and 27% or ₱3.2M increase in Outside Services on a YTD*** – pertains to the increase in security services incurred in newly acquired landbanking
f) ***76% or ₱7.3M increase on a QTR and 107% or ₱25.3M increase in Depreciation and amortization on a YTD*** – due to depreciation of newly-acquired assets
g) ***763% or ₱1.7M increase on a QTR and* 53% or *₱1.5M* increase** in **Rental expense *on a YTD*** – due to higher rental payment of office space
h) ***27% or ₱1.4M increase on a QTR and 20% or ₱2.3M decrease in Utilities and supplies on a YTD*** – due to lower consumption of utilities and supplies this period as compared to last year
i) ***11% or ₱151k decrease on a QTR and 29% or ₱1.8M decrease in Repairs and maintenance on a YTD*** – due to decrease in the maintenance of additional transportation and heavy equipment and repair of old and worn out fixed assets this period compared last year
j) ***20% or ₱1.1M decrease on a QTR and 9% or ₱1.0M decrease in Professional fees on a YTD*** – directly related to the professional services incurred by the Group for this quarter and lower retainer fees paid
k) ***27% or ₱3.7M decrease on a QTR and 25% or ₱7.4M decrease in travel and transportation on a YTD*** – directly related to the lower expenses incurred on transportation and travel for site visitation for mill and real estate projects
l) ***48% or ₱100k increase on a QTR and 13% or ₱124k increase in insurance expense on a YTD –*** includes higher payments for the nine-month period of Company's insured fixed assets
m) ***7% or ₱195k increase on a QTR and 7% or ₱584k* increase in retirement benefits expense on a YTD** – due to increase in current service cost and interest expense on defined benefit obligation
n) ***74% or ₱63k increase on a QTR and 6% or ₱44k decrease in Director Fees on a YTD –*** due to higher per diem paid during the current 3rd quarter as compared to the previous 3rd quarter though on a YTD, there's a lower per diem paid as number of Board and Board Committee Meetings' attendance for this period was lower as compared to the same period last year
o) ***100% or ₱50.2M decrease in Provision for inventory obsolescence on a YTD –*** the decrease is due to the provision on identified obsolete and damaged inventories in the nine-month period in 2022 with zero for the same period in 2023.
p) ***725k decrease on a QTR and 28% or ₱472k*** increase in Bad debts on a YTD – includes increase in expected credit losses
q) ***10% or ₱1.0M decrease on a QTR and 28% or ₱4.6M increase in Other Expenses on a YTD –*** includes higher payments on notarization, bank charges, training and seminars and meeting expenses on a YTD period.

39% or* ₱50*.4M decrease in Equity in net gain (loss) of an associate on a QTR and 1% or* ₱2.0M *decrease on a YTD – this pertains to the group's 20% share on the net earnings of PCPC and PEI's operating companies during the 3rd quarter of 2023 as compared to the 3rd quarter of 2022

483% or* ₱30.9*M increase in Interest Expense on a QTR and 592% or* ₱55.9M *increase on a YTD – interest payments on bank loans increased this quarter as compared from last year

26% or* ₱2.8M *increase in Other income-net on a QTR and 14% or* ₱2.8M *increase on a YTD – due to the net of the following - increase in rental income by 148% or ₱3.6M on a QTR and 160% or ₱3.9M on a YTD; decrease in forfeited accounts by 26% or ₱2.1M on a QTR and by 12% or ₱1.5M on YTD; increase in miscellaneous income by 7596% or ₱1.4M QTR and increase by 51% or ₱1.9M on a YTD; decrease on gain on the disposal of PPE from previous YTD amounted to ₱89k with zero for the same period this year. About 40% or 2k increase for dividend income on YTD.

After deducting General, Administrative and Selling Expenses and Other Income (Expenses), the resulting Income Before Income Tax decreased by 35% or* ₱79.4M *on a QTR and 19% or* ₱ 94.4M *increase on a YTD

27% or* ₱8.2*M decrease in Provision of Income Tax on a QTR and 13% or* ₱11.8M *increase in Provision for Income Tax Expense on a YTD – due to increased taxable income from increased collections compared to the same YTD period last year

62% or ₱395k decrease in Cumulative translation loss adjustment on a QTR ***and 492% or ₱2.2M increase on a YTD*** – related to the exchange differences in foreign currency translation

110% or ₱14.1M increase in Net change in the fair value of EIFVOCI on a QTR and 4278% or ₱ 55.4M increase on a YTD - due to the increase in market value of equity instruments at fair value through other comprehensive income during the period

42% or ₱*536k decrease in Re-measurement loss on retirement benefits obligation, net of tax on a QTR and 73% or* ₱2.2M *decrease on a YTD* - related to the actuarial valuation of retirement benefits obligation

Other Information

The subsequent discussion presents the nature and amount of the adjustments made in the account balances reflected in the Reviewed Interim Consolidated Financial Statements as of and for the nine months ended September 30, 2023 as compared against the initially filed Q3 Interim Consolidated Financial Statements dated November 14, 2023:

Related Accounts	Per initially filed Q3 Interim Consolidated Financial Statements	Ref	Adjustments	Per Reviewed Q3 Interim Consolidated Financial Statements
Interim Consolidated Statement of Financial Position				
Current Assets				
Receivables	₱ 1,091,975,487	a	(₱745,641,351)	₱346,334,136
Contract assets	932,721,990	b	(61,479,751)	871,242,239
Other current assets	1,184,587,259	c	(458,647,008)	725,940,251
Noncurrent Assets				
Contract assets – net of current portion	536,428,484	d	387,407,501	923,835,985
Other noncurrent assets	91,095,333	e	672,712,674	763,808,007
Current Liabilities				
Accounts and Other Payables	1,408,514,246	f	(146,259,406)	1,262,254,840
Current Portion of long-term debt	462,168,069	g	(11,349,681)	450,818,388
Interim Consolidated Statement of Comprehensive Income				
Cost of Sales and Services				
Cost of agricultural goods sold	107,176,793	h	(22,603,707)	84,573,086
General, Administrative, Selling expenses	274,036,006	i	74,044,733	348,080,739
Interest Expense	59,710,338	j	5,616,989	65,327,327
Provision for Income Tax	25,581,634	k	75,122,628	100,704,262
Interim Consolidated Statement of Cash Flow				
Net Cash Flows from Operating Activities				
Operating income before working capital changes	439,388,349	l	28,466,942	467,855,291
Effect of changes in working capital	(1,106,263,031)		218,307,974	(887,955,057)

Related Accounts	Per initially filed Q3 Interim Consolidated Financial Statements	Ref	Adjustments	Per Reviewed Q3 Interim Consolidated Financial Statements
Net Cash Flows from Investing Activities				
Additions to property, plant and equipment	(538,052,065)	m	189,356,507	(348,695,558)
Decrease (increase) in other noncurrent assets	313,988,217		(403,092,030)	(89,103,813)
Collections of receivables from related parties	–		56,151,488	56,151,488
Net Cash Flows from Financing Activities				
Payment of preferred share dividends	₱–	n	(₱69,640,725)	(₱69,640,725)
Payment of interest	(65,044,029)		(59,628,192)	(124,672,221)
Availments of long-term debt, Payments of long-term debt and debt issue cost	525,793,016		346,009	526,139,025

Below are the discussion of the adjustments:

Interim Consolidated Statement of Financial Position

a. Movements in receivables pertain to (i) reclassification of 'receivables' to noncurrent for portion that is expected to be realized beyond 12 months amounting to ₱326.2 million , (ii) reclassification of advances to third party to other noncurrent assets amounting to ₱291.0 million, (iii) presentation of receivable from related parties amounting to ₱50.7 million to a separate account, and (iv) other adjustments to receivables at consolidation.

b. This pertains to reclassification of contract assets to noncurrent for portion that is expected to be realized beyond 12 months amounting to Php61.5 million.

c. Decrease in other current assets mainly pertains to the reclassification of deposits for land acquisition to noncurrent asset based on the intended use of the land amounting to ₱347.3 million, transfer to investment property and reclassifications to other noncurrent assets.

d. This pertains to reclassification of receivables and contract assets as discussed in (a) and (b).

e. Increase in other noncurrent assets pertains to (i) reclassification of advances to third party and others from receivables as discussed in (a), (ii) reclassification of deposits for land acquisition as discussed in (c).

f. Decrease in accounts payable mainly pertains to bank reconciliation and consolidation adjustments.

g. Movement pertains to the reclassification of current portion of long-term debt to noncurrent portion.

The adjustments in the interim consolidated statement of financial position accounts as discussed above resulted in decrease in total current assets by ₱1,265.8 million, increase in total noncurrent assets by ₱1,060.1 million and decrease in total current liabilities by ₱157.6 million.

Interim Consolidated Statement of Comprehensive Income

h. Decrease in cost of sales and services pertains to reclassification of cost and general, administrative and selling expenses.

i. Movements in general, administrative and selling expenses can be attributed to (i) recognition of impairment loss on bearer plants amounting to ₱21.6 million, (ii) additional depreciation expense amounting to ₱21.6 million, (iii) retirement benefit expenses amounting to ₱8.1 million, (iv) additional allowance for expected credit losses amounting to ₱2.2 million and (v) other adjustments to general, administrative and selling expenses.

j. This pertains to additional accrual of interest on bank loans incurred for general purpose.

k. This pertains to the adjustment on current and deferred taxes based on updated balances.

The adjustments in the interim consolidated statement of comprehensive income accounts as discussed above resulted in a decrease in net income and basic/diluted earnings per share by ₱ 132.2 million and ₱0.05, respectively.

Interim Consolidated Statement of Cash flows

l. Movements in net cash flows from operating activities pertain to the (i) increase in operating income before working capital changes based on the impact of adjustments affecting interim consolidated statement of comprehensive income accounts and (ii) the effect of changes in the working capital from the adjustments affecting the interim consolidated statement of financial position accounts.

m. Movements in net cash flows from investing activities pertain to (i) the changes in the amount of additions to property, plant and equipment, (ii) changes in the movement of other noncurrent assets based on the adjustments affecting the account and presentation of receivable from related parties under investing activities.

n. Movements in net cash flows from financing activities pertain to the presentation of payment of the preferred share dividends under financing activities, increase in interest paid based on actual interest payment for the existing short-term and long-term loans and adjustment on payment of debt issue costs and loan.

The above adjustments resulted in decrease in 'net cash used in operating activities', increase in 'net cash used in investing activities' and decrease in 'net cash from financing activities' amounting to ₱246.8 million, ₱157.6 million, and ₱128.9 million, respectively.

Financial Soundness Indicators/Top Key Performance Indicators
(Consolidated Figures)

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

Financial Ratios Consolidated Figures	Unaudited 09/30/2023	Unaudited 09/30/2022	Audited 12/31/2022
Current ratio[1]	2.15:1	2.64:1	2.34:1
Quick ratio[2]	0.19:1	0.27:1	0.28:1
Solvency ratio[3]	0.12:1	0.14:1	0.19:1
Total Debt to Equity ratio[4]	0.65:1	0.48:1	0.53:1
Asset to Equity ratio[5]	1.65:1	1.48:1	1.53:1
Interest coverage ratio[6]	5.61x	7.55x	8.82x
Return on Equity[7]	7.13%	6.56%	10.14%
Return on Assets[8]	4.49%	4.49%	6.82%
Profit Margin ratio[9]	43.87%	45.07%	41.8%

[1]*Current assets/Current liabilities*
[2]*Current assets less contract assets, inventories and prepayments/Current liabilities*
[3]*Net Income plus depreciation (YTD)/Total liabilities*
[4]*Total liabilities/Stockholders' equity*
[5]*Total assets/Stockholders' equity*
[6]*Earnings before income tax, interest, depreciation and amortization (YTD)/Total Interest Payment*
[7]*Net Income (YTD)/ Average Total stockholders' equity*
[8]*Net income (YTD)/Average Total assets*
[9]*Net income (YTD)/Total Revenue (YTD)*

Current Ratio
The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its statement of financial position (balance sheet) to satisfy its current debt and other payables.

Acid test Ratio or Quick Ratio
The acid-test, or quick ratio, compares a company's most short-term assets to its most short-term liabilities to see if a company has enough cash to pay its immediate liabilities, such as short-term debt.

Solvency Ratio
Solvency ratio is one of the various ratios used to measure the ability of a company to meet its long-term debts. Moreover, the solvency ratio quantifies the size of a company's after-tax income, not counting non-cash depreciation expenses, as contrasted to the total debt obligations of the firm. Also, it provides an assessment of the likelihood of a company to continue congregating its debt obligations.

Debt-to-equity Ratio
The debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity. It is a measure of the degree to which a company is financing its operations through debt versus wholly owned funds. More specifically, it reflects the ability of shareholder equity to cover all outstanding debts in the event of a business downturn. The debt-to-equity ratio is a particular type of gearing ratio.

Asset-to-equity Ratio
The asset to equity ratio reveals the proportion of an entity's assets that has been funded by shareholders. A low ratio indicates that a business has been financed in a conservative manner, with a large proportion of investor funding and a small amount of debt. A high asset to equity ratio can indicate that a business can no longer access additional debt financing, since lenders are unlikely to extend additional credit to an organization in this position.

Interest Coverage Ratio
The interest coverage ratio measures the number of times a company can make interest payments on its debt before interest and taxes (EBIT). In general, the lower the interest coverage ratio is, the higher the company's debt burden, which increases the possibility of bankruptcy.

Return on Assets (ROA)
The Return on Assets (ROA) figure gives investors an idea of how efficient the company uses the assets it owns to generate profits. The higher the ROA number, the better, because the company is earning more money on less investment.

Return on equity (ROE)
Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. It is considered a measure of a corporation's profitability in relation to stockholders' equity. Whether ROE is deemed good or bad will depend on what is normal among a stock's peers. A good rule of thumb is to target an ROE that is equal to or just above the average for the peer group.

Net Profit Margin
The net profit margin is a ratio formula that compares a business profits to its total expenses. The net profit margin allows analysts to gauge how effectively a company operates. The higher the net profit margin, the more money a company keeps.

Prior Period (2022 & 2021) Operational and Financial Information

Financial Condition

In Philippine Peso	Audited 2022	Audited 2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis Audited 2022	Vertical Analysis Audited 2021
Current Assets	**4,895,903,573**	4,642,563,369	253,340,204	5%	**49%**	54%
Noncurrent Assets	**5,109,943,219**	3,983,181,145	1,126,762,074	28%	**51%**	46%
Total Assets	**10,005,846,792**	8,625,744,514	1,380,102,278	16%	**100%**	100%
Current Liabilities	**2,093,509,315**	1,554,622,976	538,886,339	35%	**21%**	18%
Noncurrent Liabilities	**1,352,475,218**	1,097,296,114	255,179,104	23%	**14%**	13%
Equity	**6,559,862,259**	5,973,825,424	586,036,835	10%	**66%**	69%
Total Liability and Equity	**10,005,846,792**	8,625,744,514	1,380,102,278	16%	**100%**	100%

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Statement of Financial Position items – December 2022 vs. December 2021

The Group's total assets increased by 16**% or ₱1.4 billion,** from a balance of **₱8.6 billion** as of end of the year 2021 to **₱10.0 billion** as of December 31, 2022.

The increase was contributed through the build-up in real estate held for sale by **₱871.4M**; contract assets by **₱799.1M**; other non-current assets **₱396.9M**; property, plant and equipment by **₱218.5M**; investments in associates by **₱186.6M** and prepayments by **₱117.9M**, among others as cash declined by **₱1.1B** and the receivables reduced by **₱218.5M**. The increase in the consolidated assets is coupled with the increase in short-term and long-term debt and the after-income tax earned as the sources of funds.

Current Assets increased by 5% or ₱253.3 million as a result of the net effect of the following:

84% or* ₱1.1B *decrease in Cash – due to the net effect of cash utilized for real estate development, landbanking, funding requirements of subsidiary ISI all sourced through the preferred shares offering as well as generated from collection of sales. The net cash used in operating and investing activities and net cash provided by financing activities are as follows: Net cash used in operating activities include acquisition of real estate properties and construction and development costs by **₱863.0M**; increases in contract assets by **₱799.1M**; other inventories by **₱72.3M** and other current assets by **₱133.6M** against the decrease of receivables by **₱158.5M**; increase of accounts and other payables by **₱400.9M**; increase in contract liabilities of **₱50.4M** and the **₱620.8M** operating income before working capital changes. Net cash used in investing activities include acquisition of property, plant and equipment amounting to **₱285.1M** and increase in other non-current assets by **₱396.9M** against the cash provided from the dividends received from associates which amounted to **₱190.0M** and collection of receivables from related parties at **₱19.5M.** Financing activities also include the receipt of the proceeds from long-term debt of **₱484.7M** and short-term debt of **₱326.9M;** payments made to short-term debt-net and the long-term debt amounted to **₱298.3M and ₱257.2M**, respectively. Interest payments amounted to **₱ 96.0M** and shares buy-back totalled **₱24.3M**. Preferred share dividends paid also amounted to **₱ 92.9M.**

39% or* ₱171.5*M decrease in Current Portion of Receivables – net due to the net effect of:

a) **75% or ₱60.0M decrease in dividend receivable -** due to collection of previously declared dividend net of the recently declared dividend
b) **43% or ₱121.9M decrease in installment contract receivables on sale of real estate** - higher collection of current ICRs and no reclassification of non-current ICRs this year as compared from last year
c) **29% or ₱6.7M decrease in Trade Receivable** – directly related from the receivable from water service and sale of crude palm oil (CPO), palm olein, palm stearin and other palm products
d) **157% or ₱5M increase in advances to officers and employees** – due to the increase in the advances of employees for liquidation
e) **25% or ₱13.8M increase in other receivables -** due to the advances made to homeowners' association of one of the Company's projects
f) **28% or ₱1.7M increase in allowance for credit losses -** due to the additional provision of expected credit losses

270% or ₱499.1M increase in Current portion of Contract Assets – pertains to the increase in the completed portion of the contract against the amount collected from buyers that will be billed and collected within the year.

42% or* ₱871.4*M increase in Real estate inventories – due to the net effect of the newly acquired land held for sale which increased by ***55% or* ₱287.6*M*** and the increase in construction and development costs of new projects and new phases of existing projects by ***37% or* ₱583.7*M*** as against units sold in all projects: increase pertains to the newly acquired land for development and development costs in newly launches phases of existing projects, namely Coral Resorts Estates, Ignatius Enclave and Teakwood Hills and Adelaida Homes and Adelaida Mountain Residences.

14% or **₱24.1M** ***increase in Inventories*** – due to lower inventory turn-over of palm olein thereby increasing its inventory and the growing piles of construction materials ready for use

15% or **₱19.5*****M decrease in Receivables from related parties*** – this pertains to receipt of payments from advances to a related party made during the year

34% or **₱117.9*****M increase in Prepayments and Other current assets*** – due to the net effect of:

a) **62% or ₱98.0M** increase in deposit for land acquisition – as a result of additional land purchase to be held for sale, for development in the future and for land banking
b) **26% or ₱25.1M** increase in creditable withholding taxes – as a result of higher creditable withholding taxes on sale of real estate and the increase in withholding by suppliers and contractors related to development costs versus utilization of creditable withholding taxes.
c) **4% or ₱371k** increase in input taxes – directly related to the increase in the balance of input VAT passed on by the Company's suppliers and contractors in the ordinary course of its business which is applied against the output VAT payable by the Company on the sale of its goods and services
d) **13% or ₱7.9M** increase in prepaid expenses – directly related to increase in prepaid expenses made by the Group during the year
e) **81% or ₱10.3M** decrease in prepaid commission – directly related to the increase in booked sales and completion of the sales transaction
f) **89% or ₱6.6M** decrease in refundable deposits - the decrease is related to the turnover to the homeowners the electric utilities
g) **480% or ₱3.4M** increase in other current assets – miscellaneous – increase in advances to suppliers and contractors.

Non-Current Assets increased by 28% or ₱1.1 billion as a result of the net effect of the following:

100% or **₱47.0M** ***decrease in Non-current portion of Receivables-net*** – due to reclassification to current Installment Contracts Receivable (ICR) already due for collection

62% or ₱300.1M increase in Non-current portion of Contract Assets – due to increase in sales to which revenue is already recognized to the extent of percentage-of-completion (POC) prior to billing for the next 12 months.

26% or ₱61.6M ***increase in Equity Instruments at Fair Value through Other Comprehensive Income (EIFVOCI)*** – due to the increase in value of the investment

12% or **₱*****186.6*****M** ***increase in Investment in Associates*** – due to the Group's share/equity in the net profit of associates which is higher amounting to **₱316.4M** ***versus*** **₱273.5M** for 2022 and 2021, respectively as compared to dividends declared, amounting to **₱130.0M** during the year versus **₱ 152.4M** from previous year.

1% or **₱*****6.0*****M** ***increase in Investment Properties*** – due to the net effect on increase in acquisition of land held for capital appreciation by 3% or **₱*****8.8*****M** and decrease in land and building held for lease by 2% or **₱2.8M** during the year

24% or **₱218.5*****M increase in Property, Plant and Equipment*** - net due to the net effect in:

j) **15% or ₱6.5M** decrease in Leasehold improvements – net due to depreciation
k) **7% or ₱20.3M** decrease in Bearer Plants – net due to depreciation and impairment of bearer plants-trees
l) **5% or ₱10.1M** decrease in RBD and Fractionation Machineries - net due to depreciation
m) **5% or ₱427k** decrease in Building and Improvements - net due to ₱412k new additions and the new recorded ₱839k depreciation
~~n)~~ **26% or ₱22.9M** increase in Machinery and Equipment- net due to higher new acquisitions at ₱ 29.6M as compared to the ₱6.7M depreciation
o) **131% or ₱196.1M** increase in Construction in Progress - net due to additional development cost of new projects e.g. ISI and VEC
p) **₱135k** decrease in Right-of-Use Assets – net due to amortization
q) **43% or ₱37.0M** increase in Other equipment – net due to ₱54.4M new purchases which is higher than the ₱17.4M depreciation and ₱375k disposal

35% or* ₱4.0M *increase in Deferred Tax Assets – directly related to the increase this year in the tax effect of the allowance for impairment loss on PPE, the increase in tax effect of allowance for impairment – receivables and increase in tax effect of retirement liability of the Group recorded as compared last year.

143% or* ₱397.0*M increase in Other Non-current assets – due to the increase in deposits for land acquisition – noncurrent portion by **₱347.3*M***; increase in refundable deposits - net of current portion by **18% or ₱7*.6M***; increase in advances to third party by **6% or ₱*12.6M*** and increase in deferred input VAT by **87% or ₱*29.5M***

Total liabilities increased by 30% or ₱794.1 million as a result of the net effect on current and non-current liabilities:

Current liabilities increased by 35*% or ₱538.9 million* as a result of the net effect of the following:

46% ***or ₱343.9M*** *increase* ***in Accounts payable and accrued expenses*** – primarily due to the net effect of the following:

a) **62% or ₱294.0M** increase in trade accounts payable – due to increase in development costs to be settled in the subsequent year
b) **7% or ₱14.6M** increase in accrued expenses – due to accrual of contractual services, professional fees, rentals and other recurring expenses
c) **14% or ₱5.5M** increase in retention payable- due to increase in the amount withheld by the Group on contractor's billings
d) **97% or ₱26.2M** increase in statutory payables – due to increase in dues for remittance to SSS, PHIC, HDMF and withholding taxes
e) **126% or ₱3.6M** increase in accrued interest payable – due to increase in accrued interest from loans availed by the Group

6% or* ₱28.6*M increase in Short-term Debt – due to the net effect additional loan availed and payments made by the group during the year

58% or* ₱116.0*M increase in Current portion of long-term debt – effect on the higher current year due portion of the long-term debt against paid in 2022

30% or ₱50.4M increase in Contract Liabilities – due to increase in sales to which collections exceeds over the total recognized ICR and contract assets.

Non-Current liabilities increased by 23% or* ₱255.2 *million as a result of the net effect of the following:

13% or ₱*108.4M increase in Non-current portion of long-term debt* – due to the net effect of the increase in long term loans availed against the reclassification of the principal amount that will be due within one year and repayments.

2% or ₱1.0M decrease in Retirement liability – as a result of the actuarial valuation of the retirement benefit obligation of the existing employees. Although there's an increase in the present value of defined benefit obligation of ₱207k, the decrease in the fair value of plan assets of ₱1.3M is much higher, which resulted to a net decrease in retirement liability.

83% or* ₱147.8*M increase in Deferred tax liabilities - due to the increase in the tax effect of sales on deferred payment scheme

Equity increased by 10% or ₱586.0 million as a result of the net effect of the following:

30% or* ₱546.1*M increase in the Retained Earnings – the increase pertains to the net income of the Group

34% or ₱24.3M increase in the Treasury Shares – the increase pertains to the shares buy-back program of the Company which started on August 17, 2020 and extended on May 25, 2021 until its last transaction in April 2022, with 26,545,000 and 53,092,000 acquired shares in 2022 and 2021, respectively.

32% or ₱61.6*M decrease in Fair Value Loss of EIFVOCI* – due to the increase in market value of equity instruments at fair value through other comprehensive income or available for sale investments

21% or **₱5.8*M decrease in Re-measurement loss on retirement benefits obligation, net of tax -*** related to the actuarial valuation of retirement benefits obligation

60% or **₱208k** ***decrease in Re-measurement loss on retirement benefits obligation of an associate***, net of tax – pertains to the reduction of actuarial loss incurred by an associate's retirement plan

1% or **₱55k** ***increase in Cumulative translation adjustment*** – related to the exchange differences in foreign currency translation

106% or **₱3.5M** ***decrease in Non-controlling interest*** – related to the share of the non-controlling interest on the net losses of subsidiary

Results of Operation

In Philippine Pesos	Audited 2022	Audited 2021	Audited 2020	Horizontal Analysis Increase (Decrease) Amount 2022 vs 2021	%	Amount 2021 vs 2020	%	Vertical Analysis Audited 2022	Audited 2021	Audited 2020
Real estate sales	1,378,739,155	628,452,425	761,538,359	750,286,730	119%	(133,085,934)	-17%	91%	88%	88%
Sale of agricultural goods	116,143,469	56,980,212	79,088,786	59,163,257	104%	(22,108,574)	-28%	8%	8%	9%
Water service income	25,323,973	24,836,284	23,417,340	487,689	2%	1,418,944	6%	2%	3%	3%
REVENUES	1,520,206,597	710,268,921	864,044,485	809,937,676	114%	(153,775,564)	-18%	100%	100%	100%
Cost of real estate sales	477,722,261	219,690,454	353,431,663	258,031,807	117%	(133,741,209)	-38%	31%	31%	41%
Cost of agricultural goods sold	87,730,319	42,016,968	60,135,511	45,713,351	109%	(18,118,543)	-30%	6%	6%	7%
Cost of water service income	14,212,257	9,579,082	5,733,021	4,633,175	48%	3,846,061	67%	1%	1%	1%
COST OF SALES AND SERVICES	579,664,837	271,286,504	419,300,195	308,378,333	114%	(148,013,691)	-35%	38%	38%	49%
GROSS PROFIT	940,541,760	438,982,417	444,744,290	501,559,343	114%	(5,761,873)	-1%	62%	62%	51%
General, Administrative and Selling Expenses	472,282,218	284,537,926	273,385,676	187,744,292	66%	11,152,250	4%	31%	40%	32%
Equity in net earnings of associates	316,397,960	273,498,337	175,888,940	42,899,623	16%	97,609,397	55%	21%	39%	20%
Interest expense	(24,354,370)	(26,678,756)	(25,245,886)	(2,324,386)	-9%	1,432,870	6%	-2%	-4%	-3%
Realized gain (loss) on sale of EIFVPL	-	-	12,478,111	-		(12,478,111)	-100%	0%	0%	1%
Gain on bargain purchase	-	-	2,659,077	-		(2,659,077)	-100%	0%	0%	0%
Unrealized foreign exchange gain (loss)	2,472	(1,834)	1,129	4,306	235%	(2,963)	-262%	0%	0%	0%
Other income (expense) - net	28,183,979	19,565,759	8,784,492	8,618,220	44%	10,781,267	123%	2%	3%	1%
Other Income (Expenses)	320,230,041	266,383,506	174,565,863	53,846,535	20%	91,817,643	53%	21%	38%	20%
Income (Loss) Before Income Tax	788,489,583	420,827,997	345,924,477	367,661,586	87%	74,903,520	22%	52%	59%	40%
Provision for (Benefit from) Income Tax	152,952,243	23,277,566	51,820,371	129,674,677	557%	(28,542,805)	-55%	10%	3%	6%
NET INCOME (LOSS)	635,537,340	397,550,431	294,104,106	237,986,909	60%	103,446,325	35%	42%	56%	34%
Cumulative translation adjustment	55,193	2,497,714	2,993,975	(2,442,521)	-98%	(496,261)	-17%			
Net change in fair value of EIFVOCI	61,618,982	63,824,348	8,025,652	(2,205,366)	-3%	55,798,696	695%			
Remeasurement gain (loss) on defined benefit plan-net of tax	5,792,145	(1,956,732)	(5,209,889)	7,748,877	396%	(3,253,157)	-62%			
Equity in other comprehensive loss of an associate	207,803	384,182	(731,525)	(176,379)	-46%	1,115,707	-153%			
OTHER COMPREHENSIVE INCOME (LOSS)	67,674,123	64,749,512	5,078,213	2,924,611	5%	59,671,299	1175%			
TOTAL COMPREHENSIVE INCOME (LOSS)	703,211,463	462,299,943	299,182,319	240,911,520	52%	163,117,624	55%			

A Brown Company - CONSOLIDATED
Results of Operations
For the Year Ended December 31, 2022

The Consolidated Statement of Comprehensive Income (CSCI) for the year ending December 31, 2022 resulted to an after-tax net income of **₱635.5 million** which increased by 60% or **₱238.0 million** compared to a **₱397.6 million** net income of last year.

The resulting after-tax income was primarily contributed by the gross profit from real estate sales amounting to **₱901.0 million** and the share in net income of associates amounting to **₱316.4 million**. Although the increase by 114% or **₱501.6 million** in gross profit was tremendous this year amounting to **₱940.5 million** as compared from previous year's **₱439.0 million**, the same was reduced by the 66% or **₱187.7 million** increase in the general, administrative and selling expenses amounting to **₱ 472.3 million** and the 557% or **₱129.7 million** increase in income tax expense amounting to **₱153.0 million** this year. The **₱61.6 million** net change in fair value of equity instruments through other comprehensive income (EIFVOCI) and the **₱5.8 million** remeasurement gain on defined benefit plan, net of tax effect contributed the increase in the total comprehensive income from **₱462.3 million** in 2021 to **₱703.2 million** in 2022.

Comparative results between the CSCIs accounts of the two periods (2022 against 2021) are as follows:

114% or ₱809.9M increase in Revenues due to:

a) ***Increase in Real estate Sales by 119% or ₱750.3M*** - Sales in 2022 were mostly high end and economic units from the new projects during the year compared to the sales last year. For 2021, there is a decrease in lots that were available for sale for high end and economic units
b) ***Increase in Sale of agricultural goods by 104% or ₱59.2M*** – due to the following:
    a. ***Increase in Sales of crude palm oil by 193% or ₱70.1M –*** this is due to the increase in quantity sold by 87% or 724 metric tons, from a volume of 830 metric tons in 2021 to 1,553 metric tons in 2022 with the average selling price increased by **₱25,107** per metric ton from **₱40,869** per metric ton last year to **₱65,976** per metric ton in 2022.
    b. ***Decrease in Palm Fatty Acid Distillate Sales by 54% or ₱1.0M –*** this is due to the decrease in quantity sold by 76% or 59 metric tons, from a volume of 77 metric tons in 2021 to 18 metric tons in 2022 even if the average selling price increased by **₱23,485** per metric ton from **₱24,515** per metric ton last year to **₱48,000** per metric ton in 2022.
    c. ***Decrease in Palm Olein Sales by 73% or ₱12.0M –*** this is due to the decrease in the average selling price by 22% or **₱14,623** per metric ton from **₱66,190** per metric ton in 2021 to **₱51,567** per metric ton in 2022 and the decrease in quantity sold by 65% or 162 metric tons, from a volume of 248 metric tons in 2021 to 86 metric tons in 2022.
    d. ***Increase in Palm Stearin Sales by 3% or ₱61k -*** this is due to the increase in average selling price by 71% or **₱12,619** per metric ton from **₱17,808** per metric ton in 2021 to
    ₱30,426 per metric ton in 2022 despite the decrease in quantity sold by 39% or 39 metric tons, from a volume of 99 metric tons in 2021 to 60 metric tons in 2022.
    e. ***Increase in Kernel and Kernel Nuts by ₱270k -*** the increase is due to higher quantity sold by 47% or 27 metric tons from 56 metric tons in 2021 to 83 metric tons in 2022, although the average selling price decreased by 4% or 473 metric tons,
    f. ***Increase in sale of refined bleached deodorized oil (RBDO) by ₱1.8M -*** this is due to the sale of RBDO in 2022 but none in 2021 with average selling price of ₱ 85,281 and 21 metric tons of quantity sold.

c) ***Increase in Sales from water services by 2% or ₱488k*** due to the increase in the turn-over of units and consumption of water by residents

114% or ₱308.4M increase in Cost of Sales and Services due to:

- ***117% or ₱258.0M increase in cost of real estate –*** the increase is relatively due to higher sales of high end and economic units during year as compared in 2021
- ***Increase in Cost of Sale of agricultural goods by 109% or ₱45.7M*** – due to the following:
  a. ***223% or ₱57.8M increase in cost of production of Crude palm oil –*** the increase is relatively due to the proportionate increase in the quantity sold by 87% or 724 metric tons with an increase in average cost of sale by 60% or **₱ 18,127 per metric ton.**
  b. ***90% or ₱1.2M decrease in cost of Palm Fatty Acid Distillate -*** the decrease is relatively to the proportionate to the decrease in the quantity sold by 76% or 59 metric tons with decrease in average cost of sale by 56% or **₱9,317 per metric ton.**
  c. ***Increase in cost of Kernel and kernel Nuts by 139% or ₱199k -*** the increase is due to the increase in *in quantity sold by 47% or 27 metric tons* despite the decrease in average cost of sale by 29% or ***₱1,723 per metric ton***
  d. ***Decrease in cost of Palm Olein by 86% or ₱10.7M -*** the decrease is due to the decrease in the cost of producing palm olein in the quantity sold by 65% or ₱162 per metric ton with decrease in average cost of sale by 22% or ₱14,624 per metric ton.
  e. **Increase in cost of Palm Stearin by 5% or ₱63k** - the increase is directly related to the increase sale of palm stearin with the increase in average cost of sale of ₱ 12,619 per metric ton despite a decrease in quantity sold by 39% or 39 metric tons**.**
  f. ***Increase in cost of sale of refined bleached deodorized oil (RBDO) by ₱551k*** - this is due to the sale of RBDO in 2022 but none in 2021 with average cost sale of ₱26,855 and 21 metric tons of quantity sold.

- ***Increase in cost of water services by 48% or ₱4.6M –*** due to the increased costs related to rendering water services

66% or ₱187.7M increase in General, Administrative and Selling Expenses - due to the following net effect of:

a) ***49% or ₱33.1M increase in Personnel expenses -*** due to the increase in compensation and other benefits and increase in manpower in 2022
b) ***51% or ₱25.8M increase in Marketing expenses –*** due to the increase in various sponsorships of events for ads and promotions and launching of new projects
c) ***90% or ₱15.2M increase in Impairment Loss*** – this pertains to the impairment of HLPC's Construction-In-Progress (CIP) and MCPI's refundable deposit
d) **17%** or **₱4.2M decrease in Taxes and Licenses** – pertains to the decrease in business permit fees
e) **76%** or **₱11.3M in*crease*** in **Outside Services** - due to the increase in requirement of non-professional services on additional projects
f) ***19% or ₱2.1M increase in Professional Fees*** – directly related to the increase in consultancy services incurred by the Group
g) ***2% or ₱605k increase in Depreciation –*** due to increase wear and tear and usage of PPEs
h) **₱50.2M *increase in Provision for inventory losses -*** due to increase in the identified obsolete and damaged finished agricultural goods inventories
i) ***8% or ₱647k decrease in Rental expense*** – due to lower rental fee paid for an office space
j) ***145% or ₱9.6M increase in Utilities and supplies –*** due to the increase in usage of utilities and supplies during the year.
k) ***119% or ₱23.5M increase in Transportation and Travel***– directly related to the various site visitations for real estate projects, plantation operations and power group operations.
l) **37*% or* ₱2.9M *increase in Retirement Benefits expense –*** *due to* the increase in current service *cost by* **₱2.6M**; increase in interest expense on defined benefit obligation by **₱275k** and decrease in interest income on plan assets by 16k
m) ***130% or ₱5.4M increase in Repairs and Maintenance*** – due to the increase in cost of repairs and maintenance during the year.
n) ***159% or ₱1.3M increase in Insurance –*** due to additional properties and units insured

o) ***17% or ₱141k increase in Director Fees –*** directly related to the per diem paid to directors on various directors' meetings conducted during the year which increased due to higher number of
meetings that were being paid this year as compared to last year.

p) **7% or ₱122k** decrease in Provision for expected credit losses – due to decrease in expected credit losses or bad debts

q) ***78% or ₱11.5M increase in Others –*** includes notarization, trainings and seminars, bank charges, and expenses arising from business and research development and software maintenance.

16% or ₱42.9M increase in Equity in net gain (loss) of an associates – this pertains to the Group's 20% share on the net earnings of associates, e.g. PCPC and Peakpower Energy, Inc., amounting to **₱ 316.4M *versus* ₱273.5M** for 2022 and 2021, respectively.

235% or ₱4k increase in Unrealized foreign exchange gain (loss) – this pertains to the related higher foreign exchange gain translation from previous year's unrealized foreign exchange loss of 1.8k to current year's unrealized foreign exchange gain of 2.5k

9% or ₱2.3M decrease in Interest Expense – directly related to the group's various loan availment

44% or ₱8.6M increase in Other Income - net – due to the net effect of the following:

a.) ***Increase in Income from forfeited deposits by 52% or ₱6.3M*** – foreclosed accounts in 2022 is higher compared last year.

b.) ***Increase in Dividend Income by 43% or 3k*** – this pertains dividend income received from EIFVOCI

c.) ***Decrease in Gain on disposal of PPE by 65% or ₱189k*** – this pertains to the sale of other equipment which is higher in 2021 as compared in 2022

d.) ***Increase in Interest income by 7% or ₱147k*** – due to the increase in the in-house financing of real estate sales this year as compared last year.

e.) ***Increase in Rental income by 2991% or ₱3.1M*** – due to the increase in the rental income from real estate properties for lease this year as compared from last year.

f.) ***Decrease in Other income- Tapping fees, transfer fees and other water charges by 16% or P767k*** – income from tapping fees due to decrease turn-over of units; transfer fees and other water charges

557% or ₱129.7M increase in Provision for Income Tax due to increased taxable income from increased collections compared to the same YTD period last year

With the foregoing increase of after-tax income, total comprehensive income also increased by **52%** or **₱240.9*M*** due to additional net effect of the following other comprehensive income (loss) items*:*

a.) decrease by **3%** or **₱2.2*M*** of the net change in fair value of EIFVOCI

b.) increase by **396%** or **₱7.7*M*** of the remeasurement gain on defined benefit plan-net of tax from prior year's remeasurement loss on defined benefit plan-net

c.) decrease by **46%** or **₱176k** of the share in other comprehensive income of associates

d.) decrease by **98%** or **₱2.4*M*** of the exchange differences in foreign currency translation

Key Performance Indicator

Financial Ratios Consolidated Figures	**Audited 12/31/2022**	**Audited 12/31/2021**
Current ratio[1]	2.34:1	2.99:1
Current Debt to Equity Ratio[2]	0.32:1	0.26:1
Total Debt to Equity ratio[3]	0.53:1	0.44:1
Return on Assets[4]	6.82%	5.26%
Return on Equity[5]	10.14%	7.77%

[1]Current assets/Current liabilities
[2]Current liabilities/Stockholders' equity

[3]*Total liabilities/Stockholders' equity*
[4]*Net income/Average Total assets*
[5]*Net income/ Average Stockholders' equity*

Current ratio decreased from 2.99:1 to 2.34:1 in 2022 primarily due to lower net increase in current assets with only 5% or **₱253.3** million relative to the increase by 35% or **₱538.9** million of current liabilities. The decrease in current assets was brought by the cash disbursements in 2022 of the bulk of the proceeds of preferred shares offering received in 2021 while the increase in current liabilities is due to the increase in accounts and other payables and the current portion of the long-term debt. This ratio is a liquidity ratio that measures the Company's ability to pay short-term obligations or those within one year.

Current debt to equity ratio increased from 0.26:1 to 0.32:1 in 2022 was due to the increase in current liabilities by 35% or **₱538.9** million as against the increase in equity of only 10% or **₱586.0** million. The ratio indicates how much equity is available to cover the current debt.

Total debt to equity ratio increased from 0.44:1 to 0.53:1 in 2022 as a result of net increase in total liabilities by 30% or **₱794.1 million** as compared to the increase in equity by only 10% or **₱586.0 million**. This ratio evaluates a company's financial leverage and is a measure of the degree to which a company is financing its operations through debt versus wholly-owned funds.

Return on assets (ROA) increased in 2022 from 5.26% to 6.82% due to the net income after tax of **₱ 635.5 million** which increased by 60% or **₱238.0 million** relative to the increase in the average total assets. ROA measures how efficient the company uses the assets it owns to generate profits.

Return on equity (ROE) also increased from 7.77% to 10.14% in 2022 due to the increase in net income after tax by 60% or **₱238.0 million** relative to the increase in the average total equity. ROE measures the Corporation's profitability in relation to stockholders' equity.

Prior Period (2021 & 2020) Operational and Financial Information

Financial Condition

In Philippine Peso			**Horizontal Analysis Increase (Decrease)**		**Vertical Analysis**	
	Audited 2021	**Audited 2020**	**Amount**	**%**	**Audited 2021**	**Audited 2020**
Current Assets	**4,642,563,369**	3,666,756,179	975,807,190	27%	**54%**	56%
Noncurrent Assets	**3,983,181,145**	2,835,696,279	1,147,484,866	40%	**46%**	44%
Total Assets	**8,625,744,514**	6,502,452,458	2,123,292,056	33%	**100%**	100%
Current Liabilities	**1,554,622,976**	1,465,955,213	88,667,763	6%	**18%**	23%
Noncurrent Liabilities	**1,097,296,114**	782,064,735	315,231,379	40%	**13%**	12%
Equity	**5,973,825,424**	4,254,432,510	1,719,392,914	40%	**69%**	65%
Total Liabilities and Equity	**8,625,744,514**	6,502,452,458	2,123,292,056	33%	**100%**	100%

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Statement of Financial Position items – December 2021 vs. December 2020

The Group's total assets increased by **33% or ₱2.1 billion,** from a balance of **₱6.5 billion** as of end of the year 2020 to **₱8.6 billion** as of December 31, 2021.

The increase was primarily contributed by the receipt of cash proceeds from the preferred shares offering which increased cash by **₱1.0B**. The build-up in contract assets by **₱573.2*M***; real estate held for sale by **₱517.0M** and investment properties by **₱352.3M** also augment such growth even if the receivables declined by **₱549.1M.** The increase in the consolidated assets is coupled with the increase in short-term and long-term debt, the preferred shares offering in excess of par and the after-income tax earned as the sources of funds.

Current Assets increased by 27% or ₱975.8 million as a result of the net effect of the following:

452% or* ₱1.0B *increase in Cash – due to the net effect of the net cash provided by financing activities and net cash used in operating and investing activities. The receipt of cash in the issuance of "Series A" preferred shares amounting to **₱1.3B** contributed to the bulk of the increase in cash. Financing activities also include the receipt of the proceeds from long-term debt of **₱547.2M** and short-term debt of **₱157.1M;** payments made to short-term debt-net and the long-term debt amounted to **₱127.8M and ₱315.6M**, respectively. Interest payments amounted to **₱87.7M** and shares buy-back amounted to **₱49.4M**. Investing activities include the dividends received from associates amounted to **₱ 160.4M,** acquisition of and proceeds from sale of property, plant and equipment at **₱69.4M and ₱1.5M,** respectively; acquisition of investment properties at **₱205.7M** and other non-current assets-planned acquisition of land/lot at **₱21.3M**.Collection of advances to a related party amounted to **₱8.6M.**

56% or* ₱569.7*M decrease in Current Portion of Receivables – net due to the net effect of:

a) **9% or ₱8.0M decrease in dividend receivable -** due to collection of previously declared dividend net of the recently declared dividend
b) **63% or ₱488.8M decrease in installment contract receivables on sale of real estate** - higher collection of current ICRs and lower reclassification of non-current ICRs this year as compared from last year
c) **19% or ₱3.8M increase in Trade Receivable** – directly related from the receivable from water service and sale of crude palm oil (CPO), palm olein, palm stearin and other palm products
d) **7% or ₱211k increase in advances to officers and employees** – due to the increase in the advances of employees for liquidation
e) **58% or ₱75.1M decrease in other receivables -** due to the collection of receivable from sale of equity instrument
f) **43% or ₱1.8M increase in allowance for credit losses -** due to the additional provision of expected credit losses

143% or ₱108.8M increase in Current portion of Contract Assets – pertains to the increase in the completed portion of the contract against the amount collected from buyers that will be billed and collected within the year.

33% or* ₱517.0*M increase in Real estate inventories – due to the net effect of the newly acquired land and the development costs of new phases of existing projects as against units sold in all projects: ₱324.1M increase pertains to the newly acquired land for development while ₱192.8M pertains to development costs in newly launches phases of existing projects, namely Coral Resorts Estates, Ignatius Enclave and Teakwood Hills.

19% or* ₱28.1M *increase in Inventories – due to lower inventory turn-over of crude palm oil thereby increasing its inventory and the growing piles of construction materials ready for use

32% or* ₱163.6*M decrease in Other current assets – due to the net effect of:

a) **50% or ₱160.3M decrease in deposit for land acquisition** – as a a result of reclassification of the account to real estate held for sale on fully paid acquisition and scheduled for developed landbanking

b) **37% or ₱26.1M increase in creditable withholding taxes** – as a result of higher creditable withholding taxes on sale of real estate versus utilization of creditable withholding taxes.
c) **9% or ₱5.3M increase in prepaid expenses** – directly related to decrease in prepaid expenses made by the Group during the year
d) **77 % or ₱29.3M decrease in input VAT** – directly related to application of input taxes against output VAT made by the Group during the year
e) **20% or ₱3.3M decrease in prepaid commission** – directly related to decrease pre-payments of commission to brokers and marketing agents
f) **75% ₱2.1M decrease in other current assets – miscellaneous** – decrease in advances to suppliers and contractors.

Non-Current Assets increased by 37% or ₱1.1 billion as a result of the net effect of the following:

78% or* ₱20.7M *increase in Non-current portion of Receivables-net – due to reclassification to current Installment Contracts Receivable (ICR) already due for collection

2258% or ₱464.4M increase in Non-current portion of Contract Assets – due to increase in sales to which revenue is already recognized to the extent of percentage-of-completion (POC) prior to billing for the next 12
months.

36% or ₱63.8M *increase in Equity Instruments at Fair Value through Other Comprehensive Income (EIFVOCI)* – due to the increase in share price of equity instruments at FVOCI

8% or* ₱*121.4M increase in Investment in Associates – due to the Group's share/equity in the net profit of associates which is higher amounting to **₱273.5*M versus* ₱175.**9M for 2021 and 2020, respectively.as compared to dividend received and/or receivable, amounting to **₱152.4*M versus* ₱ 175.0*M,*** during the year

363% or ₱352.3M increase in Investment Properties – due to the increase in acquisition of land held for capital appreciation by 215% or **₱*205.6M*** and increase in land and building held for lease by 9107% or **₱146.6*M*** during the year

1% or* ₱8.6*M increase in Property, Plant and Equipment - net due to the net effect in:
a) **13% or ₱6.5M decrease in Leasehold improvements** – net due to depreciation
b) **5% or ₱14.6M decrease in Bearer Plants – net** due to depreciation and impairment of bearer plants-trees
c) **5% or ₱10.5M decrease in RBD and Fractionation Machineries - net** due to depreciation
d) **9% or ₱826k decrease in Building and Improvements - net** due to depreciation
e) **24% or ₱27M decrease in Machinery and Equipment- net** due to higher depreciation amounting to ₱7.4M as compared to new acquisitions which amounted to ₱3.0M. There was also a reclassification from Machinery and Equipment to Other Equipment account amounting to ₱22.6M
f) **47% or ₱48.2M increase in Construction in Progress - net** due to additional development cost of new projects e.g. VEC
g) **₱61k decrease in Right-of-Use Assets – net** due to amortization
h) **31% or ₱19.9M increase in Other equipment – net** due to new purchases and reclassifications which is higher than the depreciation and disposal

30% or* ₱5.0M *decrease in Deferred Tax Assets – directly related to the decrease this year in the tax effect of the allowance for impairment loss on PPE and decrease in tax effect of retirement liability of the Group recorded last year.

77% or* ₱121.3*M increase in Other Non-current assets – due to the increase in refundable deposits - net of current portion by 5% or **₱*1.9M***; decrease in advances to third party by 76% or **₱*87.46M*** and increase in deferred input VAT 1822% or **₱*32.0M***

Total liabilities increased by 18% or* ₱403.9 *million as a result of the net effect on current and non-current liabilities:

Current liabilities increased by 6*% of ₱88.7 million* as a result of the net effect of the following:

18% ***or ₱111.5M*** *increase* ***in Accounts payable and accrued expenses*** – primarily due to the net effect of the following:

a) **15% or ₱61.0M increase in trade accounts payable** – due to increase trade payables
b) **32% or ₱47.7M increase in accrued expenses –** due to accrual of contractual services, professional fees, rentals and other recurring expenses
c) **16% or ₱5.4M increase in retention payable**- due to increase in the amount withheld by the Group on contractor's billings
d) **11% or ₱3.3M decrease in statutory payables** – due to decrease in dues for remittance to SSS, PHIC, HDMF and withholding taxes
e) **34% or ₱727k increase in accrued interest payable** – due to increase in accrued interest

7% or* ₱29.3*M increase in Short term Debt – due to the net effect additional loan availed and payments made by the group during the year

21% or* ₱52.5*M decrease in Current portion of long-term debt – effect on the lower current year due portion of the long-term debt against paid in 2021

₱437k increase in Contract Liabilities – due to increase in sales to which collections exceeds over the total recognized ICR and contract assets.

Non-Current liabilities increased by 40% or* ₱315.2 *million as a result of the net effect of the following:

50% or ₱*284.2M increase in Non-current portion of long-term debt* – due to the net effect of the increase in long term loans availed against the reclassification of the principal amount that will be due within one year and repayments.

13% or* ₱8.0*M increase in Retirement liability – as a result of the actuarial valuation of the retirement benefit obligation of the existing employees

15% or* ₱23.0*M increase in Deferred tax liabilities - due to the increase in the tax effect of sales on deferred payment scheme

Equity increased by 40*%* or ₱1.7 billion as a result of the net effect of the following:

1% or* ₱13.3*M increase in Capital Stock – the increase pertains to the issuance of 13,264,900 "Series A" preferred shares with par value of **₱1.00 per share in 2021.**

203% or* ₱1.3B *increase in Additional Paid-In Capital – the increase pertains to the issuance of 13,264,900 "Series A" preferred shares at an offer price of **₱100.00** per share with an excess of **₱99.00** per share over its
₱1.00 par value in 2021.

28% or* ₱397.6*M increase in the Retained Earnings – the increase pertains to the net income of the Group

233% or ₱49.4M increase in the Treasury Shares – the increase pertains to the shares buy-back program of the Company which started on August 17, 2020 and extended on May 25, 2021.

25% or ₱63.8*M decrease in Fair Value Loss of EIFVOCI* – due to the increase in market value of equity instruments at fair value through other comprehensive income or available for sale investments

8% or* ₱2.0*M increase in Re-measurement loss on retirement benefits obligation, net of tax - related to the actuarial valuation of retirement benefits obligation

53% or ₱384k decrease in Re-measurement loss on retirement benefits obligation of an associate, net of tax – pertains to the reduction of actuarial loss incurred by an associate's retirement plan

62% or ₱2.5M increase in Cumulative translation adjustment – related to the exchange differences in foreign currency translation

Results of Operation

In Philippine Pesos	Audited 2021	Audited 2020	Audited 2019	Horizontal Analysis Increase (Decrease) Amount 2021 vs 2020	%	Amount 2020 vs 2019	%	Vertical Analysis Audited 2021	Audited 2020	Audited 2019
Real estate sales	**628,452,425**	761,538,359	942,735,766	(133,085,934)	-17%	(181,197,407)	-19%	**88%**	88%	92%
Sale of agricultural goods	**56,980,212**	79,088,786	63,724,600	(22,108,574)	-28%	15,364,186	24%	**8%**	9%	6%
Water service income	**24,836,284**	23,417,340	21,349,825	1,418,944	6%	2,067,515	10%	**3%**	3%	2%
REVENUES	**710,268,921**	864,044,485	1,027,810,191	(153,775,564)	-18%	(163,765,706)	-16%	**100%**	100%	100%
Cost of real estate sales	**219,690,454**	353,431,663	355,232,138	(133,741,209)	-38%	(1,800,475)	-1%	**31%**	41%	35%
Cost of agricultural goods sold	**42,016,968**	60,135,511	49,684,623	(18,118,543)	-30%	10,450,888	21%	**6%**	7%	5%
Cost of water service income	**9,579,082**	5,733,021	11,989,512	3,846,061	67%	(6,256,491)	-52%	**1%**	1%	1%
COST OF SALES AND SERVICES	**271,286,504**	419,300,195	416,906,273	(148,013,691)	-35%	2,393,922	1%	**38%**	49%	41%
GROSS PROFIT	**438,982,417**	444,744,290	610,903,918	(5,761,873)	-1%	(166,159,628)	-27%	**62%**	51%	59%
General, Administrative and Selling Expenses	**284,537,926**	273,385,676	287,159,196	11,152,250	4%	(13,773,520)	-5%	**40%**	32%	28%
Equity in net earnings of associates	**273,498,337**	175,888,940	380,303,831	97,609,397	55%	(204,414,891)	-54%	**39%**	20%	37%
Interest expense	**(26,678,756)**	(25,245,886)	(23,059,066)	1,432,870	6%	2,186,820	9%	**-4%**	-3%	-2%
Realized gain (loss) on sale of EIFVPL	**-**	12,478,111	(32,094,814)	(12,478,111)	-100%	44,572,925	139%	**-**	1%	-3%
Gain on bargain purchase	**-**	2,659,077	-	(2,659,077)	-100%	2,659,077	100%	**-**	0%	-
Unrealized foreign exchange gain (loss)	**(1,834)**	1,129	10,668	(2,963)	-262%	(9,539)	-89%	**0%**	0%	0%
Unrealized gain (loss) on EIFVPL	**-**	-	(43,513,896)	-	-	43,513,896	100%	**-**	-	-4%
Other income (expense) - net	**19,565,759**	8,784,492	20,993,466	10,781,267	123%	(12,208,974)	-58%	**3%**	1%	2%
Other Income (Expenses)	**266,383,506**	174,565,863	302,640,189	91,817,643	53%	(128,074,326)	-42%	**38%**	20%	29%
Income (Loss) Before Income Tax	**420,827,997**	345,924,477	626,384,911	74,903,520	22%	(280,460,434)	-45%	**59%**	40%	61%
Provision for (Benefit from) Income Tax	**23,277,566**	51,820,371	131,591,686	(28,542,805)	-55%	(79,771,315)	-61%	**3%**	6%	13%
NET INCOME (LOSS)	**397,550,431**	294,104,106	494,793,225	103,446,325	35%	(200,689,119)	-41%	**56%**	34%	48%
Cumulative translation adjustment	**2,497,714**	2,993,975	4,111,237	(496,261)	-17%	(1,117,262)	-27%			

Net change in fair value of EIFVOCI	**63,824,348**	8,025,652	(1,086,232)	55,798,696	695%	9,111,884	839%			
Remeasurement gain (loss) on defined benefit plan-net of tax	**(1,956,732)**	(5,209,889)	(10,048,492)	(3,253,157)	-62%	(4,838,603)	-48%			
Equity in other comprehensive loss of an associate	**384,182**	(731,525)	-	1,115,707	153%	(731,525)	100%			
OTHER COMPREHENSIVE INCOME (LOSS)	**64,749,512**	5,078,213	(7,023,487)	59,671,299	1175%	12,101,700	172%			
TOTAL COMPREHENSIVE INCOME (LOSS)	**462,299,943**	299,182,319	487,769,738	163,117,624	55%	(188,587,419)	-39%			

A Brown Company - CONSOLIDATED
Results of Operations
For the Year Ended December 31, 2021

The Consolidated Statement of Comprehensive Income (CSCI) for the year ending December 31, 2021 resulted to an after-tax net income of **₱397.6 million** which increased by 35% or **₱103.4 million** compared to a **₱294.1 million** net income of last year .

The resulting after-tax income was primarily contributed by the share in net income (loss) of associates and the significant lower cost of sales and services incurred relative to the lower revenues this year. The lower income tax expense due to CREATE also added the increase in the net income earned this year. The 695% or **₱55.8 million** increase in the Net change in fair value of equity instruments through other comprehensive income (EIFVOCI) also contributed the increase in the total comprehensive income from **₱299.2 million** in 2020 **to**
₱462.3 million in 2021.

Comparative between the CSCIs accounts of the two periods (2021 against 2020) are as follows:

18% or ₱153.8M decrease in Revenues due to:

a) ***Decrease in Real estate Sales by 17% or ₱133.1M*** - Sales in 2020 were mostly high end and economic units compared to the sales this year. For 2021, there is a decrease in lots that were available for sale for high end and economic units as compared last year.

b) ***Decrease in Sale of agricultural goods by 28% or ₱22.1M*** – due to the following:
   a. ***Decrease in Sales of crude palm oil by 41% or ₱23.3M –*** this is due to the decrease in quantity sold by 61% or 1,310 metric tons, from a volume of 2,140 metric tons in 2020 to 830 metric tons in 2021; even though the average selling price increased by **₱14,148** per metric ton from **₱26,721** per metric ton last year to **₱40,869** per metric ton in 2021.
   b. ***Decrease in Palm Fatty Acid Distillate Sales by 65% or* ₱3.5M –** this is due to the decrease in quantity sold by 74% or 225 metric tons, from a volume of 302 metric tons in 2020 to 77 metric tons in 2021 even if the average selling price increased by **₱6,718** per metric ton from **₱17,797** per metric ton last year to **₱24,515** per metric ton in 2021.
   c. ***Increase in Palm Olein Sales by 75% or ₱7.1M –*** this is due to the increase in the average selling price by 46% or **₱20,835** per metric ton from **₱45,355** per metric ton in 2020 to **₱66,190.48** per metric ton in 2021 and the increase in quantity sold by 20% or 41.67 metric tons, from a volume of 206.46 metric tons in 2020 to 248.13 metric tons in 2021.
   d. ***Decrease in Palm Stearin Sales by 47% or* ₱1.6M -** this is due to the decrease in quantity sold by 49% or 94 metric tons, from a volume of 193 metric tons in 2020 to 99 metric tons in 2021 even if the average selling price increased by 3% or **₱541.34** per metric ton from **₱17,266** per metric ton in 2020 to **₱17,808** per metric ton in 2021

e. ***Increase in Kernel and Kernel Nuts by ₱655k -*** the increase is due to no sale of kernel and kernel nuts from last year since the production of kernel and kernel nuts in the previous year was only sold in 2021 due to decrease in market demand on the product in the previous year
f. ***Decrease in Palm Kernel Cake by 100% or*** **₱337k–** the decrease is due to no sale of kernel cake this year since ABERDI did not trade (buy and sell) on such product in 2021 due to low market demand
g. ***Decrease in sale of Palm acid oil by 33% or*** **₱1.2M -** this is due to the decrease in quantity sold by 58% or 163 metric tons, from a volume of 281 metric tons in 2020 to 118 metric tons in 2021 even if the average selling price increased by **₱8,197** per metric ton from **₱12,469** per metric ton in 2020 to **₱ 19,876** per metric ton in 2021

c) ***Increase in Sales from water services by 6% or*** **₱1.4*M*** due to the increase in the turn-over of units and consumption of water by residents

35% or ₱148.0M decrease in Cost of Sales and Services due to:

a) ***38% or*** **₱133.7*M*** ***decrease in cost of real estate –*** the decrease is relatively due to lower sales of high end and economic units during year as compared in 2020
b) ***Decrease in cost of sale of agricultural goods by 30% or*** **₱18.1*M*** – due to the following:
   a. ***43% or*** **₱18.6*M*** ***decrease in cost of production of Crude palm oil –*** the decrease is relatively due to the proportionate decrease in sales of crude palm oil
   b. ***80% or ₱5.0M decrease in cost of Palm Fatty Acid Distillate -*** the decrease is relatively to the proportionate to the decrease in sales of palm fatty acid distillate
   c. ***Increase in cost of Kernel and kernel Nuts by ₱143k -*** the increase is due to no sale of kernel nuts from last year
   d. ***Decrease in cost of Palm Acid Oil by 1% or*** **₱21k –** the decrease is related to lower cost of production as compared last year
   e. ***Increase in cost of Palm Olein by 133% or*** **₱7.1*M*** **-** the increase is due to the increase in the cost of producing palm olein
   f. **Decrease in cost of Palm Stearin by 51% or ₱1.3M -** the decrease is directly related to the decrease sale of palm stearin
   g. **Decrease in cost of Palm kernel cake by 100% or ₱448k** - the decrease is directly related to the decrease sale of palm kernel cake

c) ***Increase in cost of water services by 67% or*** **₱3.8*M* –** due to the increased costs related to rendering water services

4% or **₱11.2*M*** ***increase in General, Administrative and Selling Expenses -*** due to the following net effect of:

a) ***9% or*** **₱6.8*M*** ***decrease in Personnel expenses -*** due to the lower compensation and other benefits for those who filled-up vacancies in manpower in 2021
b) ***28% or*** **₱11.1*M*** ***increase in Marketing expenses –*** due to the increase in various sponsorships of events for ads and promotions and various training activities of accredited real estate brokers and agents of the Parent Company
c) ***43% or*** **₱12.5*M*** ***decrease in Impairment Loss*** – this pertains to the impairment of bearer plants-trees
d) **7%** or **₱1.8M decrease in Taxes and Licenses** – pertains to the decrease in documentary stamp taxes on loans in 2021 and application of tax credit with LGU
e) **1%** or **₱127k de*crease*** in **Outside Services** - due to the decrease in requirement on additional project
f) ***66% or*** **₱4.5*M*** ***increase in Professional Fees*** – directly related to the increase in consultancy services incurred by the Group in the market study on irradiation services as well as on environmental research and examination services.
g) ***19% or*** **₱5.4*M*** ***increase in Depreciation –*** due to increase wear and tear and usage of PPEs
h) **100% or ₱2.0M** ***decrease in Provision for inventory losses -*** due to identified obsolete and damaged inventories recorded in the previous year as compared to none this year

i) ***4% or ₱315k** decrease in Rental expense* – due to prepaid land rights reclassification to ROU asset in 2021; hence, a decrease in rent expense (from prepaid land rights)

j) ***22% or ₱1.9M** decrease in Utilities and supplies –* due to the decrease in usage of utilities and supplies during the year.

k) ***1080% or ₱18.1M increase in Transportation and Travel***– directly related to the various site visitations for real estate projects, plantation operations and power group operations.

r) **6% or ₱425k *increase in Retirement Benefits expense -*** *due to* the net effect of the increase in current service *cost by* **₱776k**; decrease in interest expense on defined benefit obligation by **₱416k** and decrease in interest income on plan assets by **₱64k**

l) ***17% or ₱612k increase in Repairs and Maintenance*** – due to the increase in cost of repairs and maintenance during the year.

m) ***163% or ₱524k increase in Insurance –*** due to additional properties and units insured

n) ***46% or ₱701k decrease in Director Fees –*** directly related to the per diem paid to directors on various directors' meetings conducted during the year which decreased due to lower number of meetings that were being paid this year as compared to last year.

o) ***52% or ₱2.0M decrease in Provision for expected credit losses*** – due to decrease in expected credit losses or bad debts

p) ***9% or ₱1.4M decrease in Others –*** includes notarization, insurance, bank charges, and expenses arising from business and research development and software maintenance.

55% or ₱97.6M increase in Equity in net gain (loss) of an associates – this pertains to the Group's 20% share on the net income of associates, e.g. PCPC and Peakpower Energy, Inc., amounting to **₱ 273.5*M versus* ₱175.9M** for 2021 and 2020, respectively.

100% or ₱2.7M decrease in Gain on bargain purchase – due to the acquisition of Vires Energy Corporation last year with the total fair value of net assets acquired being higher than the acquisition cost.

100% or ₱12.5*M decrease in Realized Gain on sale of equity instruments at fair value through profit and loss (EIFVPL)* – this pertains to the sale of equity instruments in 2020 that were classified as EIFVPL in 2018 upon adoption of PFRS 9 and no transaction involving the sale of equity instruments at fair value through profit and loss for current period.

262% or ₱3k decrease in Unrealized foreign exchange gain (loss) – this pertains to the related lower foreign exchange gain translation

6% or ₱1.4M increase in Interest Expense – directly related to the group's various loan availment

123% or ₱10.8M increase in Other Income - net – due to the net effect of the following:

a) ***Increase in Income from forfeited deposits by 411% or ₱9.7M*** – foreclosed accounts in 2021 is higher compared last year.

b) ***Decrease in Dividend Income by 96% or 194k*** – this pertains dividend income received from EIFVOCI

c) ***Decrease in Gain on disposal of PPE by 257% or ₱473k*** – this pertains to the sale of machinery and other equipment which is higher in 2020 as compared in 2021

d) ***Increase in Interest income by 7% or ₱139k*** – due to the increase in the in-house financing of real estate sales this year as compared last year.

e) ***Increase in Other income- Tapping fees, transfer fees and other water charges by 12% or P514k*** – income from tapping fees due to increase turn-over of units; transfer fees and other water charges

55% or **₱28.5M** decrease in Provision for Income Tax - caused by the decreased income tax rate effected by the CREATE law which decrease the corporate tax rate from 30% to 25% in the current year.

With the foregoing increase of after-tax income, total comprehensive income also increased by 55% or **₱163.1*M*** due to additional net effect of the following other comprehensive income (loss) items:

a.) increase by 695% or **₱55.8*M*** of the net change in fair value of EIFVOCI

b.) increase by 62% or **₱3.3*M*** of the remeasurement gain (loss) on defined benefit plan-net of tax

c.) increase by 153% or **₱1.1*M*** of the share in other comprehensive income of associates
d.) decrease by 17% or **₱496k** of the exchange differences in foreign currency translation

Key Performance Indicator

Financial Ratios Consolidated Figures	Audited 12/31/2021	Audited 12/31/2020
Current ratio[1]	2.99:1	2.50:1
Current Debt to Equity Ratio[2]	0.26:1	0.34:1
Total Debt to Equity ratio[3]	0.44:1	0.53:1
Return on Assets[4]	5.26%	4.67%
Return on Equity[5]	7.77%	7.15%

[1]*Current assets/Current liabilities*
[2]*Current liabilities/Stockholders' equity*
[3]*Total liabilities/Stockholders' equity*
[4]*Net income/Average Total assets*
[5]*Net income/ Average Stockholders' equity*

Current ratio increased from 2.50:1 to 2.99:1 in 2021 primarily due to net increase in current assets with 27% or **₱975.8 million** relative to the increase by 6% of **₱88.7 million** of current liabilities. The increase in current assets was brought by the cash received from the proceeds of preferred shares offering. This ratio is a liquidity ratio that measures the Company's ability to pay short-term obligations or those within one year.

Current debt to equity ratio decreased from 0.34:1 to 0.26:1 in 2021 was due to the increase in equity by 40% or **₱1.7 billion** as against the increase in current liabilities of 6% or **₱88.7 million**. The ratio indicates how much equity is available to cover the current debt.

Total debt to equity ratio decreased from 0.53:1 to 0.44:1 in 2021 as a result of net increase in equity brought about by the issuance of preferred shares as well as the net income earned during the period and other comprehensive income after deducting treasury shares. Although the total liabilities increased by 18% or **₱403.9 million**, the shareholders' equity increased by 40% or **₱1.7 billion**. This ratio evaluates a company's financial leverage and is a measure of the degree to which a company is financing its operations through debt versus wholly-owned funds.

Return on assets (ROA) increased in 2021 from 4.67% to 5.26% due to the net income after tax of **₱ 397.6 million** which increased by 35% or **₱103.4 million** relative to the increase in the average total assets. ROA measures how efficient the company uses the assets it owns to generate profits.

Return on equity (ROE) also increased from 7.15% to 7.77% in 2021 due to the increase in net income after tax by 35% or **₱103.4 million** relative to the increase in the average total equity. ROE measures the Corporation's profitability in relation to stockholders' equity.

Prior Period (2020 & 2019) Operational and Financial Information

Financial Condition

In Philippine Peso	Audited 2020	Audited 2019	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis Audited 2020	Audited 2019
Current Assets	**3,666,756,179**	3,213,597,388	453,158,791	14%	**56%**	53%
Noncurrent Assets	**2,835,696,279**	2,881,867,883	(46,171,604)	-2%	**44%**	47%
Total Assets	**6,502,452,458**	6,095,465,271	406,987,187	7%	**100%**	100%
Current Liabilities	**1,465,955,213**	1,312,702,337	153,252,876	12%	**23%**	22%
Noncurrent Liabilities	**782,064,735**	806,277,338	(24,212,603)	-3%	**12%**	13%
Equity	**4,254,432,510**	3,976,485,596	277,946,914	7%	**65%**	65%
Total Liabilities and Equity	**6,502,452,458**	6,095,465,271	406,987,187	7%	**100%**	100%

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Statement of Financial Position items – December 2020 vs. December 2019

The Group's total assets increased by 7**% or ₱407.0 million,** from a balance of **₱6.1 billion** as of end of the year 2019 to **₱6.5 billion** as of December 31, 2020.

Current Assets increased by 14% or ₱453.2 million as a result of the net effect of the following:

208% or* ₱156.3M *increase in Cash – due to the net effect of the net cash provided by operating and investing activities and net cash used by financing activities. Net cash provided in operating activities amounted to **₱738k** which was generated from **₱2.0M** interest received with net cash used in operations amounting to **₱1.3M**. Operating income before working capital changes amounted to **₱242.8M** which were adjusted by working capital changes including the increase in receivables by **₱185.2M**; increase in current assets by **₱159.9M**; decrease in contract assets by **₱38.4M**; decrease in real estate inventories by **₱17.1M** and increase in other inventories by **₱9.0M**. The accounts and other payables and contract liabilities also increased by **₱7.1M** and **₱29.5M**, respectively. Net cash provided by investing activities include dividends received from associates which amounted to **₱219.2M** and the proceeds from the sale of equity instruments at fair value through profit and loss (EIFVPL) which amounted to **₱25.8M** and the sale of property, plant and equipment which amounted to 608k. This was reduced by the acquisition of property, plant and equipment amounting to **₱23.7M** and increase in receivables from related parties and other non-current assets amounting to **₱3.3M and ₱15.7M**, respectively. Financing activities also include the receipt of the proceeds from long-term debt of **₱ 171.9M** and short-term debt of **₱241.3M;** payments made to short-term debt-net and the long-term debt amounted to **₱155.2M and ₱222.7M**, respectively. Interest payments amounted to **₱64.4M** and shares buy-back totalled **₱21.2M**.

35% or* ₱262.7*M increase in Current Portion of Receivables – net due to the net effect of:

a) **24% or ₱44.2M decrease in dividend receivable -** due to collection of previously declared dividend net of the recently declared dividend
b) **71% or ₱319.9M increase in installment contract receivables on sale of real estate** - due to reclassification of contract assets and noncurrent ICRs to current ICRs in 2020
c) **45% or ₱6.1M increase in Trade Receivable** – directly related from the receivable from water service and sale of crude palm oil (CPO), palm olein, palm stearin and other palm products

d) **126% or ₱1.7M increase in advances to officers and employees** – due to the increase in the advances of employees for liquidation
e) **17% or ₱17.0M decrease in other receivables -** due to the collection of receivable from sale of equity instrument
f) **798% or ₱3.8M increase in allowance for impairment losses -** pertain to increase in the allowance for impairment losses

41% or ₱52.6M decrease in Current portion of Contract Assets – pertains to the reclassification of contract assets to ICRs since these are already due for collection

1% or ₱7.9M decrease in Real estate inventories – due to the net effect of the development of new projects as against units sold in all projects

4% or ₱6.5M decrease in Inventories – due to higher inventory turn-over of crude palm oil

3% or ₱3.3M increase in Advances to a related party – this pertains to additional advances to a related party made during the year

100% or ₱63.5*M decrease in Equity Instruments at Fair Value through Profit and Loss (EIFVPL)* – the reduction is due to the sale of equity instruments at FVPL

46% or ₱161.4M increase in Other current assets – due to the net effect of:
a) 98% or ₱158.2M increase in deposit for land acquisition – as a result of installment payments to the sellers of land where sales contracts have yet to be executed
b) 27% or ₱26.8M decrease in creditable withholding taxes – as a result of lower creditable withholding taxes on sale of real estate versus utilization of creditable withholding taxes.
c) 41% or ₱27.7M increase in prepaid expenses – directly related to increase in prepaid expenses made by the group during the year
d) 2% or ₱350k decrease in prepaid commission – directly related to decrease pre-payments of commission to brokers and marketing agents
e) 2% or ₱166k increase in other refundable deposits
f) 741% ₱2.5M increase in other current assets – miscellaneous – increase in advances to suppliers and contractors.

Non-Current Assets decreased by 2% or ₱46.2 million as a result of the net effect of the following:

82% or ₱119.9M decrease in Non-current portion of Receivables-net – due to reclassification to current ICR since these are already due for collection

227% or ₱14.3M increase in Non-current portion of Contract Assets – due to increase in sales to which revenue is already recognized to the extent of POC prior to billing.

5% or ₱8.0*M increase in Equity Instruments at Fair Value through Other Comprehensive Income (EIFVOCI)* – due to the increase in share price of equity instruments at FVOCI

₱157k increase in Investment in Associates – due to the Group's share/equity in the net profit of associates which is higher as compared to dividend received and/or receivable during the year

4% or ₱32.2M increase in Property, Plant and Equipment - net due to the net effect in:
a) 8% or ₱6.5M decrease in Leasehold improvements – net due to depreciation6
b) 5% or ₱14.5M decrease in Bearer Plants – net due to depreciation and impairment of bearer plants-trees
c) 4% or ₱10.5M decrease in RBD and Fractionation Machineries - net due to depreciation
d) 1% or ₱124k decrease in Building and Improvements - net due to depreciation and reclassifications
e) 2% or ₱2.9M decrease in Machinery and Equipment- net due to higher depreciation amounting to ₱8.1M as compared to ₱5.6M new additions and ₱446k disposal
f) 148% or ₱63.8M increase in Construction in Progress - net due to additions of assets acquired from Vires Energy Corporation (VEC)
g) 4% or ₱1.1M decrease in Right-of-Use Assets – net due to amortization

h) 16% or ₱4M increase in Other equipment – net due to new purchases amounting to ₱17.4M which is higher than the ₱13.0M depreciation and ₱1.5M disposal

27% or* ₱3.5M *increase in Deferred Tax Assets – directly related to the increase in the tax effect of the allowance for impairment loss on PPE and increase in tax effect of retirement liability of the group during the year.

11% or ₱15.7M increase in Other Non-current assets – due to the increase in refundable deposits - net of current portion by 9% or ***₱3.3M*** and increase advances to third party by 12% or ***₱12.6M***.

Total liabilities increased by 6% or* ₱129.0 *million as a result of the net effect on current and no-current liabilities:

Current liabilities increased by *12% of ₱153.3 million* as a result of the net effect of the following:

*8% **or ₱45.9M** increase **in Accounts payable and accrued expenses*** – primarily due to the net effect of the following:

a) 3% or ₱13.9M decrease in trade accounts payable – due to decrease trade payables
b) 37% or ₱40.3M increase in accrued expenses – due to accrual of contractual services, professional fees, rentals and other recurring expenses
c) 64k increase in retention payable- due to increase in the amount withheld by the Group on contractor's billings
d) 281% or ₱22.4M increase in statutory payables – due to increase in dues for remittance to SSS, PHIC, HDMF and withholding taxes
e) 58% or ₱3.0M decrease in accrued interest payable – due to decrease in accrued interest

21% or* ₱29.5*M increase in Contract liabilities – due to the net effect of the new sales reservations of new projects and increase in book sales settled through end buyer's financing.

10% or* ₱36.1*M increase in Short term Debt – due to the net effect additional loan availed and payments made by the group during the year

20% or* ₱41.8*M increase in Current portion of long-term debt – effect on the current year due against paid in 2020

Non-Current liabilities decreased by 3% or* ₱24.2 *million as a result of the net effect of the following:

7% or *₱42.6M decrease in Non-current portion of long-term debt* – due to the net effect of the repayments, increase in long term loans availed and reclassification of the principal amount that will be due within one year.

32% or* ₱14.8*M increase in Retirement liability – as a result of the actuarial valuation of the retirement benefit obligation of the existing employees

2% or* ₱3.6*M increase in Deferred tax liabilities - due to the increase in the tax effect of sales on deferred payment scheme

Equity increased by *7%* or ₱277.9 million as a result of the net effect of the following:

26% or ₱294.1M increase in the Retained Earnings – the increase pertains to the net income of the group

2,094221% or ₱21.2M increase in the Treasury Shares – the increase pertains to the shares buy-back program of the Company which started on August 17, 2020.

3% or *₱8.0M increase in Fair Value Reserve of EIFVOCI* – due to the increase in market value of available for sale investments

731k increase in Remeasurement loss on defined benefit plan of an associate, net of tax - pertains to the actuarial loss incurred by an associate's retirement plan

26% or ₱5.2M decrease in Cumulative re-measurement loss on retirement benefits, net of tax – related to the actuarial valuation of retirement benefits obligation

297% or ₱3.0M increase in Cumulative translation adjustment – related to the exchange differences in foreign currency translation

Results of Operation

In Philippine Pesos	Audited 2020	Audited 2019	Audited 2018	Horizontal Analysis Increase (Decrease) Amount 2020 vs 2019	%	Amount 2019 vs 2018	%	Vertical Analysis Audited 2020	Audited 2019	Audited 2018
Real estate sales	**761,538,359**	942,735,766	705,185,689	(181,197,407)	-19%	237,550,077	34%	**88%**	92%	85%
Sale of agricultural goods	**79,088,786**	63,724,600	100,440,355	15,364,186	24%	(36,715,755)	-37%	**9%**	6%	12%
Water service income	**23,417,340**	21,349,825	20,441,816	2,067,515	10%	908,009	4%	**3%**	2%	2%
REVENUES	**864,044,485**	1,027,810,191	826,067,860	(163,765,706)	-16%	201,742,331	24%	**100%**	100%	100%
Cost of real estate sales	**353,431,663**	355,232,138	293,665,861	(1,800,475)	-1%	61,566,277	21%	**41%**	35%	36%
Cost of agricultural goods sold	**60,135,511**	49,684,623	82,826,053	10,450,888	21%	(33,141,430)	-40%	**7%**	5%	10%
Cost of water service income	**5,733,021**	11,989,512	9,625,079	(6,256,491)	-52%	2,364,433	25%	**1%**	1%	1%
COST OF SALES AND SERVICES	**419,300,195**	416,906,273	386,116,993	2,393,922	1%	30,789,280	8%	**49%**	41%	47%
GROSS PROFIT	**444,744,290**	610,903,918	439,950,867	(166,159,628)	-27%	170,953,051	39%	**51%**	59%	53%
General, Administrative and Selling Expenses	**273,385,676**	287,159,196	335,960,636	(13,773,520)	-5%	(48,801,440)	-15%	**32%**	28%	41%
Equity in net earnings of associates	**175,888,940**	380,303,831	252,093,316	(204,414,891)	-54%	128,210,515	51%	**20%**	37%	31%
Interest expense	**(25,245,886)**	(23,059,066)	(84,031,327)	2,186,820	9%	(60,972,261)	-73%	**-3%**	-2%	-10%
Realized gain (loss) on sale of EIFVPL	**12,478,111**	(32,094,814)	10,099,242	44,572,925	139%	(42,194,056)	-418%	**1%**	-3%	1%
Gain on bargain purchase	**2,659,077**	-	-	2,659,077	100%	-	-	**0%**	0%	0%
Unrealized foreign exchange gain (loss)	**1,129**	10,668	14,704,981	(9,539)	-89%	(14,694,313)	-100%	**0%**	0%	2%
Unrealized gain (loss) on EIFVPL	**-**	(43,513,896)	16,672,566	43,513,896	100%	(60,186,462)	-361%	**0%**	-4%	2%
Other income (expense) - net	**8,784,492**	20,993,466	35,300,717	(12,208,974)	-58%	(14,307,251)	-41%	**1%**	2%	4%
Other Income (Expenses)	**174,565,863**	302,640,189	244,839,495	(128,074,326)	-42%	57,800,694	24%	**20%**	29%	30%
Income (Loss) Before Income Tax	**345,924,477**	626,384,911	348,829,726	(280,460,434)	-45%	277,555,185	80%	**40%**	61%	42%
Provision for (Benefit from) Income Tax	**51,820,371**	131,591,686	60,073,621	(79,771,315)	-61%	71,518,065	119%	**6%**	13%	7%
NET INCOME (LOSS)	**294,104,106**	494,793,225	288,756,105	(200,689,119)	-41%	206,037,120	71%	**34%**	48%	35%
Cumulative translation adjustment	**2,993,975**	4,111,237	(6,584,862)	(1,117,262)	-27%	10,696,099	162%			
Net change in fair value of EIFVOCI	**8,025,652**	(1,086,232)	28,900,000	9,111,884	839%	(29,986,232)	-104%			
Remeasurement gain (loss) on defined benefit plan-net of tax	**(5,209,889)**	(10,048,492)	4,806,470	(4,838,603)	-48%	(14,854,962)	-309%			
Equity in other comprehensive loss of an associate	**(731,525)**	-	-	(731,525)	100%	-	-			
OTHER COMPREHENSIVE INCOME (LOSS)	**5,078,213**	(7,023,487)	27,121,608	12,101,700	172%	(34,145,095)	-126%			
TOTAL COMPREHENSIVE INCOME (LOSS)	**299,182,319**	487,769,738	315,877,713	(188,587,419)	-39%	171,892,025	54%			

A Brown Company - CONSOLIDATED
Results of Operations
For the Year Ended December 31, 2020

The consolidated financial statements for the year ending December 31, 2020 resulted to an after-tax net income of **₱294.1 million** compared to a **₱494.8 million** net income of last year due to the net effect of the following:

16% or ₱163.8M decrease in Revenues due to:

a) ***Decrease in Real estate Sales by 19% or ₱181.2M*** - Sales in 2019 were mostly high end and
   economic units compared to the sales this year
b) ***Increase in Sale of agricultural goods by 24% or ₱15.4M*** – due to the following:
   a. ***Increase in Sales of crude palm oil by 24% or ₱11.2M –*** this is due to the increase in quantity sold by 33% or 534 metric tons, from a volume of 1,606 metric tons in 2019 to 2,140 metric tons in 2020; the average selling price increased by **₱1,887** per metric ton from **₱28,608** per metric ton last year to **₱ 26,721** per metric ton in 2020.
   b. ***Increase in Palm Fatty Acid Distillate Sales by 828% or ₱4.8M –*** this is due to the increase in quantity sold by 459% or 248 metric tons, from a volume of 54 metric tons in 2019 to 302 metric tons in 2020; the average selling price increased by **₱7,083** per metric ton from **₱10,714** per metric ton last year to **₱ 17,797** per metric ton in 2020.
   c. ***Decrease in Palm Olein Sales by 2% or ₱182k –*** this is due to the decrease in quantity sold by 23% or 61,597 metric tons, from a volume of 268,057 metric tons in 2019 to 206,460 metric tons in 2020; the average selling price decreased by **₱9.7** per metric ton from **₱35.6** per metric ton in 2019 to **₱45.4** per metric ton in 2020.
   d. ***Increase in Palm Stearin Sales by 284% or ₱2.5M -*** this is due to the increase in quantity sold by 218% or 132 metric tons, from a volume of 61 metric tons in 2019 to 193 metric tons in 2020; the average selling price increased by **₱2,980** per metric ton from **₱14,286** per metric ton in 2019 to **₱17,266** per metric ton in 2020
   e. ***Decrease in Kernel and kernel Nuts by 100% or ₱1.3M -*** the decrease is due to no sale of kernel nuts for this year
   f. ***Decrease in Palm Kernel Cake by 91% or ₱3.3M–*** this is due to the decrease in quantity sold by 71% or 321 metric tons, from a volume of 453 metric tons in 2019 to 132 metric tons in 2020; the average selling price decreased by **₱5,409** in 2020.
   g. ***Increase in sale of Palm acid oil by 91% or ₱1.7M -*** this is due to the increase in quantity sold by 25% or 57 metric tons, from a volume of 224 metric tons in 2019 to 281 metric tons in 2020; the average selling price increased by **₱4,273** per metric ton from **₱8,197** per metric ton in 2019 to **₱12,469** per metric ton in 2020
c) ***Increase in Sales from water services by 10% or ₱2.1M*** due to the increase in the turn-over of units and consumption of water by residents

1% or ₱2.4M increase in Cost of Sales and Services due to:

a) ***1% or ₱1.8M decrease in cost of real estate –*** the decrease is relatively due to lower sales of high end and economic units during year as compared in 2019
b) Increase in cost of sale of agricultural goods by 21% or **₱10.5*M*** – due to the following:
   a. ***21% or ₱7.5M increase in cost of production of Crude palm oil –*** the increase is relatively due to the proportionate increase in sales of crude palm oil
   b. ***680% or ₱5.5M increase in cost of Palm Fatty Acid Distillate -*** the increase is relatively to the proportionate to the increase in sales of palm fatty acid distillate
   c. ***Decrease in cost of Kernel Nuts by 100% or ₱661k -*** the decrease is due to no sale of kernel nuts for this year

d. ***Decrease in cost of Palm Acid Oil by 8% or* ₱160k –** the decrease is related to lower cost of production as compared last year
e. ***Increase in cost of Palm Olein by 26% or* ₱1.1*M* -** the increase is due to the increase in the cost of producing palm olein
f. **Increase in cost of Palm Stearin by 39% or ₱705k-** the increase is directly related to the increase sale of palm stearin
g. **Decrease in cost of Palm kernel cake by 86% or ₱3.5M** - the decrease is directly related to the decrease sale of palm kernel cake

c) ***Decrease in cost of water services by 52% or* ₱6.3*M* –** due to the reduced costs related to rendering water services

5% or* ₱13.8*M decrease in General, Administrative and Selling Expenses - due to the following net effect of:

a) ***10% or* ₱8.4*M decrease in Personnel expenses -*** due to the lower compensation and other benefits for those who filled-up vacancies in manpower in 2020
b) ***22% or* ₱11.3*M decrease in Marketing expenses* –** due to the decrease in various sponsorships of events for ads and promotions and various training activities of accredited real estate brokers and agents of the parent company
c) ***34% or* ₱7.5*M increase in Impairment Loss*** – this pertains to the impairment of bearer plants-trees
d) **3%** or **₱764k increase in Taxes and Licenses** – pertains to the increase in documentary stamp taxes on loans in 2020 and application of tax credit with LGU
e) **36%** or **₱4*M increase*** in **Outside Services** - due to the increase in requirement on additional project
f) ***33% or* ₱3.3*M decrease in Professional Fees*** – directly related to the decrease in consultancy services incurred by the group
g) ***11% or* ₱2.8*M increase in Depreciation* –** due to increase wear and tear and usage of PPEs
h) **₱2.0M *increase in Provision for inventory losses -*** due to identified obsolete and damaged inventories recorded this year as compared to none in the prior year
i) ***36% or* ₱4.8*M decrease in Rental expense*** – due to prepaid land rights reclassification to ROU asset in 2019; hence, a decrease in rent expense (from prepaid land rights)
j) ***4% or* ₱323k *decrease in Utilities and supplies* –** due to the decrease in usage of utilities and supplies during the year.
k) ***75% or P4.9M decrease in Transportation and Travel***– directly related to the various site visitations for real estate projects, plantation operations and power group operations.
l) ***44% or* ₱2.2*M increase in Retirement Benefits expense -*** *due to* the net effect of the increase in current service *cost by* **₱2.0M**; decrease in interest expense on defined benefit obligation by **₱97k** and decrease in interest income on plan assets by **₱367k**
m) ***22% or* ₱992k *decrease in Repairs and Maintenance*** – due to the decrease in cost of repairs and maintenance during the year.
n) ***41% or* ₱221k *decrease in Insurance* –** due to reduction of properties and units insured
o) ***61% or* ₱578k *increase in Director Fees* –** directly related to the per diem paid to directors on various directors' meetings conducted during the year.
p) ***₱3.8M increase in Provision for expected credit losses*** – due to increase in expected credit losses or bad debts
q) ***16% or* ₱3.1M *decrease in Others* –** pertain to expenses arising from business and research development and software maintenance

54% or* ₱204.4*M decrease in Equity in net gain (loss) of an associates – this pertains to the group's 20% share on the net income of associates, e.g. PCPC and Peakpower Energy, Inc. totaling to **₱175.9M *versus* ₱380.3M** for 2020 and 2019, respectively.

100% or ₱43.5*M decrease in Unrealized loss on sale of equity instruments at fair value through profit and loss (EIFVPL)* – this pertains to the decrease in unrealized loss on sale of equity instruments with none for 2020 as compared to 2019. As of end of 2020, EIFVPL is zero.

139% or ₱44.6*M increase in Realized Gain on sale of equity instruments at fair value through profit and loss (EIFVPL)* – this pertains to the sale of equity instruments in 2020 that were classified as EIFVPL in 2018 upon adoption of PFRS 9

89% or* ₱9.5k *decrease in Unrealized foreign exchange gain (loss) – this pertains to the related lower foreign exchange gain translation

9% or* ₱2.2M *increase in Interest Expense – directly related to the group's various loan availment

58% or* ₱12.2*M decrease in Other Income - net – due to the net effect of the following:

a) ***Increase in Income from forfeited deposits by 86% or* ₱1.1*M*** – foreclosed accounts in 2019 is lower compared to that of this year.
b) ***Increase in Dividend Income by 201k*** – this pertains dividend income received from EIFVOCI
c) ***Decrease in Gain on sale of Investment Property by 100% or ₱5.1M*** – this pertains to sale of investment property in 2019
d) ***Decrease in Gain on disposal of PPE by 105% or* ₱3.7M** – this pertains to the sale of machinery and other equipment which is higher in 2019 as compared in 2020
e) ***Decrease in Interest income by 25% or* ₱696k** – due to the decrease in the in-house financing of real estate sales this year as compared last year.
f) ***Decrease in Other income by 48% or ₱4M*** – income from tapping fees due to decrease turn-over of units; transfer fees and other water charges

61% or ₱79.8M decrease in Provision for Income Tax - due to lower consolidated taxable income in 2020 as compared to 2019.

With the foregoing decrease of after-tax income, total comprehensive income also decreased by 39% or **₱188.6M** due to additional net effect of the following other comprehensive income (loss) items:

a.) increase by 839% or **₱9.1*M*** of the net change in fair value of EIFVOCI
b.) decrease by 48% or **₱4.8*M*** of the remeasurement gain (loss) on defined benefit plan-net of tax
c.) increase by **₱732k** of the share in other comprehensive loss of associates
d.) decrease by 27% or **₱1.1M** of the exchange differences in foreign currency translation

Key Performance Indicator

Financial Ratios Consolidated Figures	Audited 12/31/2020	Audited 12/31/2019
Current ratio[1]	2.50:1	2.45:1
Current Debt to Equity Ratio[2]	0.34:1	0.33:1
Total Debt to Equity ratio[3]	0.53:1	0.53:1
Return on Assets[4]	4.67%	8.56%
Return on Equity[5]	7.15%	13.26%

[1]Current assets/Current liabilities
[2]Current liabilities/Stockholders' equity
[3]Total liabilities/Stockholders' equity
[4]Net income/Average Total assets
[5]Net income/ Average Stockholders' equity

Financial soundness indicators are also shown below:

FINANCIAL SOUNDNESS INDICATORS

Financial Ratios Consolidated Figures	Audited 12/31/2022	Audited 12/31/2021	Audited 12/31/2020
Current ratio[1]	2.34:1	2.99:1	2.50:1
Quick ratio[2]	0.28:1	1.19:1	0.93:1
Solvency ratio[3]	0.19:1	0.16:1	0.14:1
Total Debt to Equity ratio[4]	0.53:1	0.44:1	0.53:1
Asset to Equity ratio[5]	1.53:1	1.44:1	1.53:1
Interest coverage ratio[6]	8.82x	5.48x	6.20x
Return on Equity[7]	10.14%	7.77%	7.15%
Return on Assets[8]	6.82%	5.26%	4.67%
Net Profit Margin ratio[9]	41.8%	55.97%	34.04%

[1]*Current assets/Current liabilities*
[2]*Current assets less contract assets, inventories and prepayments/Current liabilities*
[3]*Net Income plus depreciation/Total liabilities*
[4]*Total liabilities/Stockholders' equity*
[5]*Total assets/Stockholders' equity*
[6]*Earnings before income tax, interest, depreciation and amortization/Total Interest Payment*
[7]*Net Income/ Average Total stockholders' equity*
[8]*Net income/Average Total assets*
[9]*Net income/Revenue*

Current Ratio
The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its statement of financial position (balance sheet) to satisfy its current debt and other payables.

Acid test Ratio or Quick Ratio
The acid-test, or quick ratio, compares a company's most short-term assets to its most short-term liabilities to see if a company has enough cash to pay its immediate liabilities, such as short-term debt.

Solvency Ratio
Solvency ratio is one of the various ratios used to measure the ability of a company to meet its long-term debts. Moreover, the solvency ratio quantifies the size of a company's after-tax income, not counting non-cash depreciation expenses, as contrasted to the total debt obligations of the firm. Also, it provides an assessment of the likelihood of a company to continue congregating its debt obligations.

Debt-to-equity Ratio
The debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity. It is a measure of the degree to which a company is financing its operations through debt versus wholly owned funds. More specifically, it reflects the ability of shareholder equity to cover all outstanding debts in the event of a business downturn. The debt-to-equity ratio is a particular type of gearing ratio.

Asset-to-equity Ratio
The asset to equity ratio reveals the proportion of an entity's assets that has been funded by shareholders. A low ratio indicates that a business has been financed in a conservative manner, with a large proportion of investor funding and a small amount of debt. A high asset to equity ratio can indicate that a business can no longer access additional debt financing, since lenders are unlikely to extend additional credit to an organization in this position.

Interest Coverage Ratio
The interest coverage ratio measures the number of times a company can make interest payments on its debt before interest and taxes (EBIT). In general, the lower the interest coverage ratio is, the higher the company's debt burden, which increases the possibility of bankruptcy.

Return on Assets (ROA)
The Return on Assets (ROA) figure gives investors an idea of how efficient the company uses the assets it owns to generate profits. The higher the ROA number, the better, because the company is earning more money on less investment.

Return on equity (ROE)
Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. It is considered a measure of a corporation's profitability in relation to stockholders' equity. Whether ROE is deemed good or bad will depend on what is normal among a stock's peers. A good rule of thumb is to target an ROE that is equal to or just above the average for the peer group.

Net Profit Margin
The net profit margin is a ratio formula that compares a business profits to its total expenses. The net profit margin allows analysts to gauge how effectively a company operates. The higher the net profit margin, the more money a company keeps.

Material Event/s and Uncertainties

The Company has no other events to report on the following:

a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.
b) Any material commitments for capital expenditures.
c) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
d) Any significant elements of income or loss that did not arise from the issuer's continuing operations.
e) Any seasonal aspects that had a material effect on the financial condition or results of operations.
f) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation
g) All material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company as at December 31, 2022, 2021, and 2020 have been audited by SGV & Co, independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Offer Supplement. The interim consolidated financial statements of the Company as at September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022 have been reviewed by SGV & Co., independent auditors, in accordance with PSRE 2410, as set forth in their report thereon appearing elsewhere in this Offer Supplement.

The stockholders approve the appointment of the independent auditors of the Company. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the Board of Directors and ensures that audit services rendered shall not impair or derogate the independence of the independent auditors or violate SEC regulations. Likewise, the Audit Committee evaluates and determines any non-audit work performed by independent auditors, including the fees therefor, and ensures that such work will not conflict with Independent Auditors' duties as such or threaten its independence.

The audit and audit-related fees cover professional services related to the performance of the audit or review of the Company's annual financial statements by the external auditor. The Audit Committee reviews and approves the audit and non-audit services rendered by the Company's independent auditors to ensure that the Company does not engage the independent auditors for certain non-audit services expressly prohibited by regulations of the SEC to be performed by an external auditor for its audit clients. The proposal of independent auditors for professional services was submitted to, and reviewed by, the Audit Committee which, in turn, is endorsed to the Board of Directors for approval.

For the audit years 2019, 2020, 2021, and 2022 the Partner-In-Charge of the audit is Alvin M. Pinpin.

External Audit Fees and Services

Aggregate fees billed for the calendar years 2022 and 2021 for the audit of financial statements:		
Amounts in PHP	**2022**	**2021**
Regular Annual Audit and Review of Financial Statements (inclusive of VAT)	2,700,320.00	8,516,872.00
TOTAL	**2,700,320.00**	**8,516,872.00**

The nature of services comprising the fees includes the following: audit in accordance with generally accepted auditing standards; examination of the Company's internal control structure for the purpose of establishing a basis for determining the nature, timing and extent of auditing procedures necessary for expressing an opinion; procedures designed to provide reasonable assurance of detecting errors and irregularities that are material to the financial statements; and audit and business advisory.

Aggregate fees billed for the calendar years 2022 and 2021 for Tax Compliance Audit/ Tax Services are as follows:

	2022	**2021**
Tax Compliance Audit/ Tax Services (Inclusive of VAT)	-	108,000.00

The nature of services comprising the fees includes the following: in-depth review of company's records to ascertain compliance with the rules and regulations of the Bureau of Internal Revenue and the local government; review completeness of documents for BIR and local government purposes; evaluation of income and business tax positions based on past and current operations to determine tax savings and/or exposures; recommend corrective measures to ensure compliance with tax laws; and recommend measures for tax- savings purposes.

The tax services evaluated the tax position of the Company and determined tax savings and/or exposures on a prospective transaction with different scenarios.

The external auditor also receives a fee amounting to PHP364,000.00 for performance of agreed-upon procedures on the annual and quarterly report on the use of the proceeds from the Series A Preferred Shares offering of the Company in 2021. The engagement involves the performance of agreed-upon procedures on the Quarterly Progress Report/Annual Summary Report on the Application of Proceeds from the preferred shares offering of the Parent Company for the year ending December 31, 2022 as requirement by the Philippine Stock Exchange and the Securities and Exchange Commission.

There were no other fees paid to the independent auditors other than for the above-described services.

The Company's Audit Committee recommends to the Board and stockholders the appointment of the external auditor and the fixing of audit fees. The Board and stockholders approve the Audit Committee's recommendation.

During end-of-audit, an initial conference by the external auditors with the management's authorized representatives discuss the initial findings. After the clarification conference, the external auditors together with the partner in-charge will discuss before the rest of the Audit Committee. If there are any revisions, another round of discussion will be set before the audited reports are finalized, accepted and approved.

Changes in and Disagreements with Accountants

The Company has not had any changes in or disagreements with its independent accountants/auditors on any matter relating to financial or accounting disclosures.

No interest in the Company

There is no arrangement that any of the foregoing experts shall receive a direct or indirect interest in the Company or was a promoter, co-manager, voting trustee, director, officer, or employee of the Company.

LEGAL MATTERS

All legal opinions/matters in connection with the issuance of each Offer will be passed upon by Picazo Buyco Tan Fider & Santos ("**Picazo Law**") for the Company and SyCip Salazar Hernandez & Gatmaitan ("**SyCip Law**") for the Underwriter. Picazo Law and SyCip Law have no direct interest in the Company. None of the legal counsels will receive any direct or indirect interest in any of our securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

Picazo Law and SyCip Law may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that Picazo Law and SyCip Law can provide such services to its other clients.

REGULATIONS

The statements herein are based on the laws in force as of the date of this Offer Supplement and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the regulatory and environmental considerations that may be relevant to the Company or the Offer.

GENERAL BUSINESS REGULATORY FRAMEWORK

Revised Corporation Code

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law on February 20, 2019, and took effect on February 23, 2019. Among the salient features of the Revised Corporation Code are as follows:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Revised Corporation Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.

- A corporation vested with public interest must submit to its shareholders and to the Philippine SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.

- Banks, quasi-banks, pawnshops, non-stock savings and loan associations, and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have at least 20% independent directors in the Board, in accordance with the Securities and Regulation Code The Philippines is party to the United Nations Convention on Recognition and Enforcement of Foreign Arbitral Awards, though it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, a judgment or final order of a foreign court is, through the institution of an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Philippine SEC.

- The Revised Corporation Code allows the creation of a “One Person Corporation”. However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly listed companies, among others, from being incorporated as such. This restriction also applies with respect to Close Corporation.

- Material contracts between the Company and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

- The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.

- As to the filing of the by-laws and any amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Revised Corporation Code requires that a prior certificate of the appropriate government agency to the effect that such bylaws or amendments are in accordance with law, must be submitted.

- A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Philippine SEC approves any merger or consolidation, or any voluntary dissolution.

- In case of transfer of shares of listed companies, the Philippine SEC may require that these corporations whose securities are traded in trading markets, and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Philippine SEC.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

The Philippine Competition Act

The PCA was signed into law on July 21, 2015, and took effect on August 8, 2015. This Act aims to codify anti-trust laws in the Philippines, and it provides the competition framework in the country. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry, and all commercial economic activities.

To implement its objectives, the PCA provides for the creation of the PCC, an independent quasi-judicial agency to be composed of five (5) commissioners. Among the PCC's powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court.

The PCA prohibits anti-competitive agreements between or among competitions, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

The PCA also introduces the pre-notification regime for mergers and acquisitions, which requires covered transactions to be notified to the PCC for its approval.

On June 3, 2016, the PCC issued the implementing rules and regulations of the Philippine Competition Act ("**PCA IRR**"). Under the PCA IRR, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1.0 billion; ("**Size of Party**") and (b) the value of the transaction exceeds ₱1.0 billion, as determined in the PCC IRR ("**Size of Transaction**"); while Parties to a joint venture transaction shall also be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1.0 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1.0 billion.

The Size of Party is determined by computing the aggregate value of the assets in the Philippines and revenues from sales in, into, or from the Philippines of the filing ultimate parent entity ("**UPE**"). The UPE is the entity that, directly or indirectly, controls a party to the transaction, and is not controlled by any other entity.

For transactions involving the purchase of assets such as land, the Size of Transaction is determined by taking the higher of the gross revenues the asset generates in the Philippines or the value of the asset itself, both as indicated in the most recently audited financial statements. For joint venture transactions, the Size of Transaction is determined by computing the higher of the aggregate value of the assets combined or contributed “in” the Philippines or the gross revenues generated “in” the Philippines by the assets to be combined or contributed “in” the Philippines. In determining the value of the assets, the following shall be included: (1) Value of all assets that are not owned by any of the joint venture parties for which agreements have been secured by any of the joint venture parties for the joint venture to obtain at any time, whether or not such entity is subject to the requirements of the act; (2) any amount of credit or any obligations of the joint venture which any of the joint venture parties agreed to extend or guarantee to the joint venture, at any time; and (3) the value of the assets owned by any of the joint venture parties that will be combined in the Philippines or contributed into the proposed joint venture.

The PCC also has released its “Guidelines on the Computation of Merger Notification Thresholds”, providing the method for calculation of the aggregate value of assets and gross revenues from sales for the purposes of determining whether a proposed merger or acquisition is notifiable to the PCC.

The Size of Party and Size of Transactions have been gradually increased by the PCC to ensure that the thresholds maintain their real value over time and relative to the size of the economy. Beginning March 1, 2019, and for every subsequent year, the notification thresholds will be indexed based on the official estimates by the PSA of the nominal GDP growth for the previous calendar year rounded up to the nearest hundred million. Pursuant to PCC Resolution No. 04-2023 which took effect on March 1, 2023, parties to a merger or acquisition are required to provide notification when the Size of the Party exceeds ₱7,000,000,000.00 and the Size of Transaction exceeds ₱2,900,000,000.00.

In a notifiable joint venture transaction, an acquiring entity shall be subject to the notification requirements if either the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2,900,000,000.00 or the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2,900,000,000.00. In determining the assets of the joint venture, the following shall be included: a) all assets which any entity contributing to the formation of the joint venture has agreed to transfer, or for which agreements have been secured for the joint venture to obtain at any time, whether or not such entity is subject to the requirements of the PCA; and b) any amount of credit or any obligations of the joint venture which any entity contributing to the formation has agreed to extend or guarantee, at any time.

Violations of the PCA and its IRR carry administrative and criminal penalties. A transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of 1% to 5% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50.0 million but not more than ₱250.0 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100.0 million to ₱250.0 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On September 15, 2017, the PCC published the 2017 Rules of Procedure (“**PCC Rules**”) which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The PCC Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On September 10, 2019, the Supreme Court of the Philippines approved the Rules on Administrative Search and Inspection under the PCA. The rules govern the application, issuance, and enforcement of inspection orders for administrative investigations of alleged violations of the Philippine Competition Act. Inspection orders will allow the PCC and its deputized agents to enter, search and inspect business premises, offices, land, and vehicles to examine, copy, photograph, record or print information in order to prevent their removal, concealment, tampering with or destruction.

Intellectual Property Code

Under the Intellectual Property Code of the Philippines, as amended, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents, and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as *prima facie* evidence of the validity of registration and the registrant's ownership of the mark. A certificate of registration shall remain in force for an initial period of ten (10) years and may be renewed for periods of ten (10) years at its expiration.

Data Privacy Act of 2012

The DPA, protects all forms of information, be it private, personal, or sensitive. It applies to any natural or juridical persons involved in processing of information (which refers to any operation or any set of operations performed upon personal data including, but not limited to, the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure, or destruction of data), whether in the government or private sector, and whether in or outside the Philippines.

The law defines personal information as any information whether recorded in a material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual. On the other hand, sensitive personal information refers to personal information:

- About an individual's race, ethnic origin, marital status, age, color, and religious, philosophical or political affiliations;

- About an individual's health, education, genetic or sexual life or a person, or to any proceeding for any offence committed or alleged to have been committed by such person, the disposal of such proceedings, or the sentence of any court in such proceedings;

- Issued by government agencies peculiar to an individual which includes, but not limited to, social security numbers, previous or current health records, licenses or its denials, suspension or revocation, and tax returns; and

- Specifically established by an executive order or an act of the Philippine Congress to be kept classified.

In general, the processing of sensitive personal information and privileged information is prohibited except where: (1) the data subject has given his or her consent, specific to the purpose prior to the processing, or in the case of privileged information, all parties to the exchange have given their consent prior to processing; (2) the processing is provided for by existing laws and regulations; (3) the processing is necessary to protect the life and health of the data subject or another person, and the data subject is not able to give consent; (4) the processing is carried out for limited non-commercial purposes by public organizations and their associations; (5) the processing is necessary for purposes of medical treatment, is carried out by a medical practitioner or a medical treatment institution, and an adequate level of protection of personal information is ensured; or (6) the processing is necessary for court proceedings or legal claims, or is provided to the government or a public authority.

Under the DPA, the appointment of a Data Protection Officer (**DPO**) is a legal requirement for all personal information controllers (**PICs**) and personal information processors (**PIPs**). The DPO is accountable for ensuring the company's compliance with all data privacy and security laws and regulations.

A PIC may be a natural or juridical person who exercises control over the processing of personal data and furnishes instructions to another person or entity to process personal data on its behalf. A PIP on the other hand, refers to a person or body instructed or outsourced by a PIC to engage in the processing of the personal data of a data subject.

The PIC or PIP that employs fewer than 250 persons shall not be required to register unless the processing it carries out is likely to pose a risk to the rights and freedoms of data subjects, the processing is not occasional, or the processing includes sensitive personal information of at least 1,000 individuals.

The DPA Implementing Rules and Regulations ("**DPA IRR**") took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adoption of a privacy management program and privacy policy; (d) implement privacy and data protection measures; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the Privacy Commission. The DPA IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

Registration under the BOI

Under the Executive Order No. 226, otherwise known as the Omnibus Investments Code, as amended, a BOI- registered enterprise enjoy certain incentives, both financial and non-financial, provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. However, prior to registration with the BOI, the enterprise must first satisfy the minimum equity required to finance the project applied equivalent to 25.0% of the estimated project cost, or as may be prescribed by the BOI. Such incentives include: (i) income tax holiday, (ii) exemption from taxes and duties on imported spare parts; (iii) exemption from wharfage dues and export tax, duty, impost and fees; (iv) reduction of the rates of duty on capital equipment, spare parts and accessories; (v) tax exemption on breeding stocks and genetic materials; (vi) tax credits; (vii) additional deductions from taxable income; (viii) employment of foreign nationals; simplification of customs procedure; and (x) unrestricted use of consigned equipment.

On April 12, 2019, Republic Act No. 11285, otherwise known as the Energy Efficiency and Conservation Act, was enacted. Under the said law, upon certification by the DOE, energy efficiency projects shall be included in the annual investment priorities plan of the BOI and shall be entitled to the incentives provided under Executive Order No. 226, as amended, and any other applicable laws for 10 years from the effectivity of the Act. Said energy efficiency projects shall also be exempt from the requirements provided under Article 32(1) of Executive Order No. 226. Energy efficiency projects refer to projects designed to reduce energy consumption and costs by any improvement, repair, alteration, or betterment of any building or facility, or any equipment, fixture, or furnishing to be added to or used in any building, facility, or vehicle including the manufacturing and provision of services related thereto: provided, that such projects shall be cost-effective and shall lead to lower energy or utility costs during operation and maintenance.

The CREATE Act, which took effect on April 11, 2021, sought to rationalize the tax incentives provided by investment promotion agencies, such as the BOI. In view of the effectivity of the CREATE Act, registered business enterprises with incentives granted prior to the effectivity of the CREATE Act shall be subject to the following rules:

(i) registered business enterprises whose projects or activities were granted only an income tax holiday prior to the effectivity of the law shall be allowed to continue to avail of the income tax holiday for the remaining period specified in the terms and conditions of their registration, provided that enterprises that have been granted the income tax holiday but have not yet availed of such incentive upon the effectivity of the law may use the income tax holiday for the period specified in the terms and conditions of their registration;

(ii) registered business enterprises whose projects or activities were granted an income tax holiday prior to the effectivity of the law and that are entitled to 5% tax on gross income earned incentive after the income tax holiday shall be allowed to avail of the 5% tax on gross income incentive subject to the ten-year limit under the CREATE Act; and

(iii) registered business enterprises currently availing of the 5% gross income earned incentive granted prior to the effectivity of the law shall be allowed to continue of such tax incentive for ten (10) years.

Local Government Code

Republic Act No. 7160, otherwise known as the Local Government Code of 1991 ("**LGC**") establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every LGU shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

The power to tax and police power is exercised by the LGU through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, impose real property taxes, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Labor Code of the Philippines

The DOLE is the Government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the executive branch of the Government in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as Presidential Decree No. 442, as amended, (the "Labor Code of the Philippines" or the "**Labor Code**") and Republic Act No. 11058 (the "Occupational Safety and Health Standards Law"), as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

On 15 March 2017, Department Order No. 174 (2017) ("**D.O. 174"**) was issued by the DOLE providing for the guidelines on contracting and subcontracting, as provided for under the Labor Code. It has reiterated the policy that labor-only contracting is absolutely prohibited where: (1) (a) the contractor or subcontractor does not have substantial capital, or does not have investments in the form of tools, equipment, machineries, supervision, work premises, among others; and (b) 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. Subsequently, DOLE issued Department Circular No. 1 (2017) clarifying that the prohibition under D.O. 174 does not apply to business process outsourcing, knowledge process outsourcing, legal process outsourcing, information technology infrastructure outsourcing, application development, hardware and/or software support, medical transcription, animation services and back-office operations or support.

Occupational Safety and Health Standards Law

On 17 August 2018, Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law. It mandates employers, contractors or subcontractors and any person who manages, controls, or supervises the work, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness, or physical harm to the workers. It also requires employers, contractors, or subcontractors to give complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency.

An employer, contractor or subcontractor who willfully fails or refuses to comply with the Occupational Safety and Health Standards Law shall be administratively liable for a fine. Further, the liability of the employer, project owner, general contractor, contractor, or subcontractor, if any, and any person who manages, controls or supervises the work, shall be solidary.

Social Security System, PhilHealth and the Pag-IBIG Fund

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, otherwise known as the Social Security Act of 2018, to ensure coverage of employees following procedures set out by the law and the SSS. Under the said law, social security coverage is compulsory for all employees not over 60 years of age. An employer must deduct and withhold from its compulsorily covered employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

Employers are likewise required to ensure enrollment of its employees in the National Health Program administered by the PHIC, a government corporation attached to the DOH tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995, as amended by the Republic Act No. 11223, otherwise known as the Universal Health Care Act. The registration, accurate and timely deductions, and remittance of contributions to the Philippine Health Insurance Corporation is mandatory as long as there is employer-employee relationship.

Under Republic Act No. 9679 or the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security System 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 to provide affordable shelter financing to Filipino employees. The employer is likewise mandated to deduct and withhold, pay, and remit to the Pag-IBIG Fund the respective contributions of the employees under the prescribed schedule.

Labor Code Provision on Retirement Pay

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six months being considered as one whole year.

For the purpose of computing the retirement pay, "one-half month's salary" shall include all of the following: 15 days salary based on the latest salary rate; in addition, 1/12 of the thirteenth month pay and the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement.

DOLE Mandated Work-Related Programs

Under the Comprehensive Dangerous Drugs Act, a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with ten or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational, or training environment or institution also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement, or prosecution of such cases. Under Republic Act No. 7877, otherwise known as the Anti-Sexual Harassment Act, the employer will be solidarily liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding this, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other affirmative relief. Any person who violates the provisions of this law shall, upon conviction, be penalized by imprisonment of not less than one month nor more than six months, or a fine of not less than ₱10,000 nor more than ₱20,000, or both such fine and imprisonment, at the discretion of the court. Any action arising from the violation of the provisions of this law shall prescribe in three years.

Under Republic Act No. 11313, or the Safe Spaces Act, the employer shall have the duty to prevent, deter, or punish the performance of acts of gender-based sexual harassment in the workplace. Towards this end, the employer or person of authority, influence or moral ascendancy shall: (a) Disseminate or post in a conspicuous place a copy of this Act to all persons in the workplace; (b) Provide measures to prevent gender-based sexual harassment in the workplace, such as the conduct of anti-sexual harassment seminars; (c) Create an independent internal mechanism or a committee on decorum and investigation to investigate and address complaints of gender-based sexual harassment which shall: (1) Adequately represent the management, the employees from the supervisory rank, the rank-and-file employees, and the union, if any; (2) Designate a woman as its head and not less than half of its members should be women; (3) Be composed of members who should be impartial and not connected or related to the alleged perpetrator; (4) Investigate and decide on the complaints within ten (10) days or less upon receipt thereof; (5) Observe due process; (6) Protect the complainant from retaliation; and (7) Guarantee confidentiality to the greatest extent possible; (d) Provide and disseminate, in consultation with all persons in the workplace, a code of conduct or workplace policy which shall: (1) Expressly reiterate the prohibition on gender-based sexual harassment; (2) Describe the procedures of the internal mechanism created under Section 17(c) of this Act; and (3) Set administrative penalties. In addition to liabilities for committing acts of gender-based sexual harassment, employers may also be held responsible for: (a) non-implementation of their above-mentioned duties; or (b) not taking action on reported acts of gender-based sexual harassment committed in the workplace. Any person who violates subsection (a) of this section, shall upon conviction, be penalized with a fine of not less than ₱5,000.00 nor more than ₱10,000.00. Any person who violates subsection (b) of this section, shall upon conviction, be penalized with a fine of not less than ₱10,000.00 nor more than ₱15,000.00.

Moreover, the Philippines AIDS Prevention and Control Act and its implementing rules and regulations require all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it is strictly limited to medical personnel.

All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, and tuberculosis prevention and control.

REGULATIONS RELATING TO THE REAL ESTATE BUSINESS

Property Registration

The Philippines has adopted a system of land registration which conclusively confirms land ownership, which is binding on all persons, including the Government. Once registered, title to registered land can no longer be challenged 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, codified the laws relative to land registration and is based on the generally accepted principles underlying the Torrens System.

After proper surveying, application, publication and 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 within 15 days to the Court of

Appeals or the Supreme Court. After the lapse of the period of appeal, the Register of Deeds may issue an Original Certificate of Title. 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 by issuance of a patent and the patent becomes the basis for issuance of the Original Certificate of Title by the Register of Deeds. All land patents such as homestead, sales, and free patents, must be registered with the appropriate registry of deeds since the conveyance of the title to the land covered thereby takes effect only upon such registration.

Any subsequent transfer of 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 purchase price. Any mortgage existing thereon must be released within six months from the delivery of title. To evidence ownership of condominium units, a Condominium Certificate of Title is issued by the Register of Deeds.

Nationality Restrictions

The Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%.

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, and the Ninth Regular Foreign Investment Negative List, provide that certain activities are nationalized or partly- nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly- nationalized and thus, landholding companies may only have a maximum of 40% foreign equity.

Considering the foregoing, for as long as the Company or any of its subsidiaries own land in the Philippines, or continue to conduct property development in the Philippines, foreign ownership in the Company shall be limited to a maximum of 40% of the capital stock of the Company which is outstanding and entitled to vote. Accordingly, the Company shall disallow the issuance or the transfer of shares to persons other than Philippine Nationals and shall not record transfers in its books if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership discussed above. Philippine National, as defined under the Foreign Investment Act, means a citizen of the Philippines, or a domestic partnership or association wholly-owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and the entitlement to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Corporation Code, of which 100% of the capital stock outstanding and the entitlement to vote is wholly-owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals.

Compliance with the required ownership by Philippine Nationals of a corporation is determined on the basis of its outstanding capital stock whether fully paid or not, but only such stocks which are generally entitled to vote are considered.

In the case of *Express Investments v. Bayan Telecommunications, Inc.* (G.R. No. 174457-59) (the "**Express Investments Case**"), the Supreme Court ruled that "the term 'capital' in Section 11, Article XII of the Constitution refers only to shares of stock that can vote in the election of directors."

On May 20, 2013, the SEC, however, issued Memorandum Circular No. 8 or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities. The Circular provides that for purposes of determining compliance with nationality restrictions, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors; and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors, which seems to contradict the Express Investments Case above. A petition questioning the constitutionality of the SEC issuance is currently pending with the Supreme Court.

More recently, in the case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp.* (G.R. No. 195580) and its corresponding motions for reconsideration (the "**Narra Nickel Case**"), the Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as part of Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders' own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (1) if the corporation's Filipino equity falls below 60%, such corporation is deemed foreign-owned, applying the Control Test; (2) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (3) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

On January 28, 2015, the Supreme Court issued a Resolution dismissing with finality the Motion for Reconsideration of its decision in the Narra Nickel Case. Thus, the Supreme Court affirmed that the Grandfather Rule is to be used jointly and cumulatively with the Control Test, as follows: (1) if the Filipino equity of the corporation falls below 60%, it is immediately considered foreign-owned, applying the Control Test; (2) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (3) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

Thus, although the Narra Nickel Case in no way abandons the use of the Control Test and the Foreign Investments Act provisions in determining the nationality of a corporation, it appears to expand and/or modify the doctrine laid in the Gamboa Case cited above. Under the Constitution, however, no doctrine or principle of law laid down by the Supreme Court in a decision *en banc* or in division may be modified or reversed except by the court sitting *en banc*.

Zoning and Land Use

Land use may be also limited by zoning ordinances enacted by LGUs. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant LGU. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

DAR Land Conversion Clearance/Exemption Clearance

Under DAR Administrative Order ("**AO**") No. 1, series of 1990 (Revised Rules and Regulations Governing Conversion of Private Agricultural Land to Non- Agricultural Uses), "**agricultural land**" refers to the following: (1) those devoted to agricultural activity as defined in RA 6657 or the Comprehensive Agrarian Reform Law ("**CARL**") and not classified as mineral or forest by DENR and its predecessor agencies, and (2) not classified in town plans and zoning ordinances as approved by the HLURB and its preceding competent authorities prior to 15 June 1988 for residential, commercial or industrial use.

Land is not agricultural, and therefore, outside of the ambit of the CARP if the following conditions concur: (i) the land has been classified in town plans and zoning ordinances as residential, commercial or industrial; and (ii) the town plan zoning ordinances embodying the land classification has been approved by the HLURB and its preceding competent authorities prior to June 15, 1988.

Conversion clearances are not needed for lands already classified as non-agricultural prior to the enactment of the CARL. Any landowner whose lands fall within this definition and desires to have an exemption clearance from the DAR should file the application with the Regional Office of the DAR where the land is located.

Under Section 3.4 of DAR AO No. 01, series of 2002 or the 2002 Comprehensive Rules on Land Use Conversion), these rules shall apply to all applications for conversion such as conversion of agricultural lands that were "reclassified by the LGU or by way of a Presidential Proclamation to residential, commercial, industrial, or other non-agricultural uses on or after the effectivity of RA 6657 on June 15, 1988 pursuant to Section 20 of RA 7160 and other pertinent laws and regulations, and are to be converted to such uses. However, for those reclassified prior to June 15, 1988, the guidelines in securing an exemption clearance from the DAR shall apply."

NCIP Certificate of Non-Overlap

Republic Act No. 8371, or The Indigenous Peoples Rights Act of 1997 ("**IPRA**"), provides that no department or governmental agency shall issue, renew or grant any concession, license or lease, or enter into any production-sharing agreement without prior certification from the National Commission on Indigenous Peoples ("**NCIP**") that the area affected does not overlap with any ancestral domain (*i.e.,* Certificate of Non-Overlap or CNO).

Under the Implementing Rules and Regulations of the IPRA, the Ancestral Domain Office shall issue the certification only after a field-based investigation that such areas are not within any certified or claimed ancestral domains are conducted. The Certificate of Non-Overlap ("**CNO**") shall be issued by the NCIP Regional Director (RD) and concurred with by the concerned NCIP Commissioner.

Real Estate Development in the Philippines

Presidential Decree No. 957, otherwise known as the Subdivision and Condominium Buyer's Protective Decree ("**P.D. 957**") and Batas Pambansa Bilang 220 ("**B.P. 220**"), R.A. 4726 and R.A. 7279 are the principal statutes which regulate the development and sale of real property as part of a condominium project or subdivision. P.D. 957, B.P. 220, R.A. 4726 and R.A. 7279 cover subdivision projects for residential, commercial, industrial, or recreational purposes and condominium projects for residential or commercial purposes.

On February 14, 2019, Republic Act No. 11201, otherwise known as "Department of Human Settlements and Urban Development Act" was signed into law by the President. Consequently, the Implementing Rules and Regulations of the Act was approved on July 19, 2019. The HUDCC and HLURB were consolidated to create the DHSUD. Simultaneously, the HLURB was reconstituted into the HSAC. The functions of the HUDCC and the planning and regulatory functions of HLURB were transferred to and consolidated in the DHSUD, while the HSAC shall assume and continue to perform the adjudication functions of HLURB. Now, DHSUD is the administrative agency of the Government which, together with LGUs, enforces these decrees and has jurisdiction to regulate the real estate trade and business.

All subdivision and condominium plans for residential, commercial, industrial, and other development projects are subject to approval by the DHSUD and the relevant LGU of the area in which the project is situated. The development of subdivision and condominium projects can commence only after the LGU has issued the development permit.

The development of subdivision and condominium projects can commence only after the relevant government body has issued the required development permit. The issuance of a development permit is dependent on, among other things: (i) compliance with required project standards and technical requirements which may differ depending on the nature of the project and (ii) issuance of the barangay clearance, the locational clearance, DENR permits and DAR, as applicable, conversion or exemption orders, as discussed below.

Further, all subdivision plans and condominium project plans are required to be filed with and approved by the DHSUD. Approval of such plans is conditional on, among other things, the developer's financial, technical, and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the DHSUD and the written conformity or consent of the duly organized homeowners' association, or in the absence of the latter, by the majority of the lot buyers in the subdivision. Owners of, or dealers in, real estate projects are required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects. Dealers, brokers, and salesmen are also required to register with the DHSUD.

Project permits and licenses to sell may be suspended, cancelled, or revoked by the DHSUD, by itself or upon a verified complaint from an interested party, for reasons such as involvement in fraudulent transactions, misrepresentation about the subdivision project or condominium project in any literature which has been distributed to prospective buyer. A license or permit to sell may only be suspended, cancelled, or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HSAC's rules of procedure and other applicable laws.

Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the DHSUD. The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance by the owner or dealer with the applicable laws and regulations.

Real estate dealers, brokers and salesmen are also required to register and secure a certificate of registration with the DHSUD before they can sell lots or units in a registered subdivision or condominium project. The certificate of registration will expire on the first day of December of each year.

There are essentially two (2) different types of residential subdivision developments, which are distinguished by different development standards issued by the DHSUD. The first type of subdivision, aimed at low-cost housing, must comply with BP 220, a Philippine statute regulating the development and sale of real property as part of a condominium project or subdivision, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with PD 957, which sets out standards for lower density developments. Both types of development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction.

Under current regulations, a developer of a residential subdivision, with an area of one hectare or more and covered by P.D. 957, is required to reserve at least 30% of the gross land area of such subdivision, which shall be non-saleable, for open space for common uses, which include roads, parks, playgrounds and recreational facilities. A developer of a subdivision is required to reserve at least 3.5% of the gross project area for parks and playgrounds.

Further, RA 7279, as amended by Republic Act No. 10884, 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, 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. To comply with this requirement, the developers may choose to develop for socialized housing an area equal to 15% of the total area of the main subdivision project or allocate and invest an amount equal to 15% of the main subdivision total project cost, which shall include the cost of the land and its development as well as the cost of housing structures therein, in development of a new settlement through purchase of socialized housing bonds, participation in a community mortgage program, the undertaking of joint-venture projects and the building of a large socialized housing project to build a credit balance.

Under the 2022 Strategic Investment Priorities Plan issued by the Board of Investments, mass housing projects are eligible for government incentives subject to certain policies and guidelines.

The Company has benefited from providing low-income housing or projects of such types which are financially assisted by the Government. These policies and programs may be modified or discontinued in the future. The Government may also adopt regulations which may have the effect of increasing the cost of doing business for real estate developers. Under current law, income derived by domestic corporations from the development and sale of socialized housing which currently, among other things, must have a basic selling price of no more than ₱450,000.00, is exempt from project related income taxes. Sale of residential dwellings with a gross selling price of ₱3,199,200 or less, where the instrument of sale, transfer, disposition was executed and notarized on or after January 1, 2012 are exempt from VAT. However, for instruments of sales executed and notarized on or after November 1, 2005 but prior to January 1, 2012, the threshold amounts are ₱l.5 million and ₱2.5 million, respectively, and excess thereof is subject to 10% output VAT, and starting February 1, 2006, to 12% output VAT. Sale, transfer or disposal of two (2) or more adjacent residential lots or dwellings by the same seller to the same buyer within a 12-month period, even if covered by separate titles or tax declarations, will be considered as one residential area for purposes of computing the threshold levels for VAT purposes. Under the 2011 and 2012 Investment Priorities Plan issued by the BOI and approved by the President on July 5, 2011, and June 13, 2012, respectively, mass housing projects including development and fabrication of housing components, are eligible for government incentives subject to certain policies and guidelines. In the future, since the sale of socialized housing units comprise a portion of homes sold by the Company, any changes in the tax treatment of income derived from the sale of socialized housing units may affect the effective rate of taxation of the Company.

Executive Order No. 45 prescribes a specific period for a government agency and the LGUs to act on application for certifications, clearances and permits for housing projects. It also provides an option for the applicant-developer where the government agency or LGU refuses or fails to dispose an application for said housing permit, in which case an affidavit may be submitted with supporting technical studies and documents, in lieu of the certification, clearance or permit.

Real Estate Sales on Installments

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 instalment payments (including residential condominium units but excluding industrial lots and commercial buildings and sales to tenants under RA 3844). Under the provisions of the Maceda Law, where a buyer of real estate has paid at least two (2) years of instalments, the buyer is entitled to the following rights in case of a default in the payment of succeeding instalments:

- To pay, without additional interest, the unpaid instalments due within the total grace period earned by him, which is fixed at the rate of one month for every one year of instalment payments made. However, this right may be exercised by the buyer only once every five (5) years during the term of the contract and its extensions, if any.

- 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 (5) years of instalments have been paid, an additional 5% every year (but with a total not to exceed 90% of the total payments). However, the actual cancellation of the contract shall take place after thirty (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 (2) 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.

Notably, the buyer has the right to sell or assign his or her rights to another person or to reinstate the contract by updating the account during the grace period and before actual cancellation of the contract. The deed of sale or assignment shall be done by notarial act.

Philippine Financial Reporting Standards

On August 15, 2017, the Commission approved the adoption of the Philippine Financial Reporting Standards (PFRS) No. 15, *Revenue from Contracts with Customers*, effective for annual reporting periods beginning on or after January 1, 2018, as part of its financial reporting rules. PFRS No. 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

On January 31, 2018, and June 27, 2018, respectively, the Philippine Interpretation Committee ("**PIC**") issued PIC Q&A 2018-12-H, *Accounting for Common Usage Area Service ("**CUSA**") Charges,* and PIC Q&A 2018-14, *Accounting for Cancellation of Real Estate Sales*.

PIC Q&A 2018-12-H (Accounting for Common Usage Area Service (CUSA) Charges) discussed as to whether the real estate developer acts as a principal or customer in goods and services that it delivers based on contract of lease with the tenants. Based on the contract of lease, the real estate developer bills and charges the tenant for electricity, water, air conditioning, and common use service area (CUSA) expenses every month. The real estate developer may shut off all utilities to the premises occupied by the tenant/customer at any time if they have failed to pay the outstanding bills due to the real estate developer.

If a contract with a customer includes more than one specified good or service, an entity could be a principal for some specified goods or services and an agent for others. In this case, the real estate developer, being the assigned administrator of the building, is the agent who coordinates with utility companies to ensure that tenants have access to utilities. For CUSA expenses and air conditioning charges, the real estate developer is the principal and the party responsible to provide the necessary services to the CUSA and to provide proper ventilation and air conditioning to the leased premises.

On the other hand, PIC Q&A 2018-14 (Accounting for Cancellation of Real Estate Sales) discussed two (2) approaches as to how real estate developers should account for the sales cancellation and repossession of the property. The first approach recognizes the repossessed property at its fair value less cost to repossess. The second approach recognizes the repossessed property at its fair value plus repossession cost.

In a meeting held by the Securities and Exchange Commission *en banc* on February 7, 2019, the Committee decided to provide relief to the real estate industry by deferring the application of the provisions of PIC Q&A Nos. 2018-12 (H) and 2018-14 for a period of three (3) years or until 2023.

During this period of deferral, land will be allowed to be included in the percentage of completion ("**POC**") calculation only at historical acquisition cost. Uninstalled materials shall be included in the calculation of the POC based on the proportionate work accomplishment of significant building components procured which are specifically and directly identifiable to the project, as long as covered by contracts and purchase orders, and partially paid for.

A real estate company may opt not to avail of any of the relief provided above and instead comply in full with the requirements of PIC Q&A Nos. 2018-12-H and 2018-14. Real estate companies which opted for the deferral shall be required to disclose in the Notes to the Financial Statements the accounting policies applied, a discussion of the deferral of the subject implementation issues in the PIC Q&A and a qualitative discussion of the impact in the financial statements had the concerned application guideline in the PIC Q&A been adopted. The above relief shall form part of the PFRS for the purpose of preparing and filing general-purpose financial statements with the Commission.

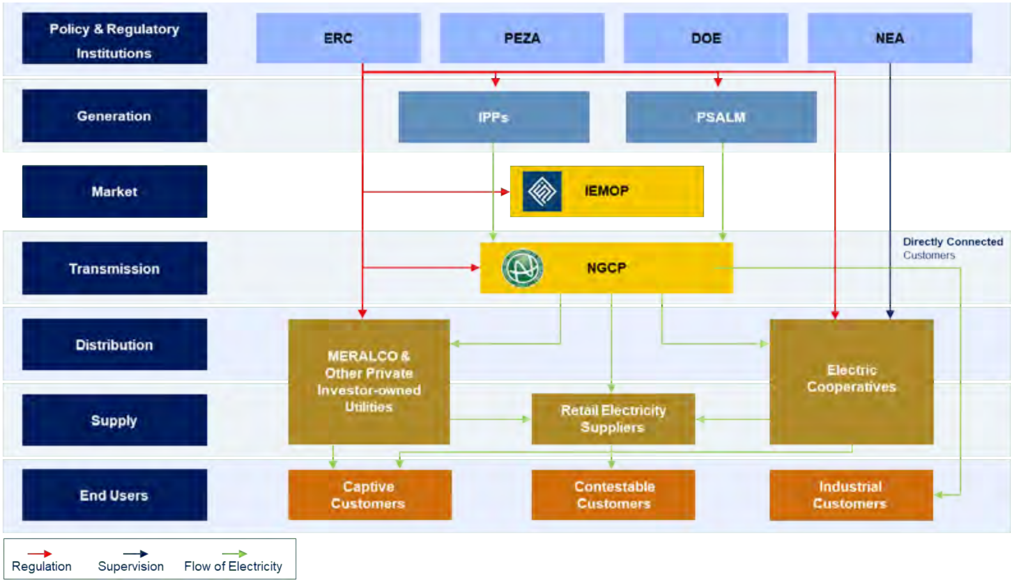
Effective January 1, 2021, real estate companies will adopt the subject pronouncements and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

REGULATIONS RELATING TO POWER AND UTILITIES BUSINESS

Organization and Operation of the Power Industry

The EPIRA established a framework for the organization, operation and restructuring of the electric power industry, with the industry divided into four sectors: generation, transmission, distribution, and supply. The following diagram shows the current structure of the electric power industry under the EPIRA.

Below is a diagram of the industry structure under the EPIRA.



Through the EPIRA, the Government instituted major reforms with the goal of fully privatizing all aspects of the power industry. The principal objectives of the EPIRA are:

- to ensure and accelerate the total electrification of the country;
- to ensure the quality, reliability, security and affordability of the supply of electric power;
- to ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency and enhance the competitiveness of Philippine products in the global market;
- to enhance the inflow of private capital and broaden the ownership base of the power generation, transmission and distribution sectors;
- to ensure fair and non-discriminatory treatment of public and private sector entities in the process of restructuring the electric power industry;
- to protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;
- to assure socially and environmentally compatible energy sources and infrastructure;
- to promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy;
- to provide for an orderly and transparent privatization of the assets and liabilities of NPC;
- to establish a strong and purely independent regulatory body and system to ensure consumer protection and enhance the competitive operation of the electricity market; and
- to encourage the efficient use of energy and other modalities of demand side management.

With a view to implementing these objectives, the DOE, in consultation with the relevant Government agencies, electric power industry participants, non-Government organizations and electricity consumers, promulgated the IRR of the EPIRA on February 27, 2002 (subsequently amended in 2007).

The EPIRA IRR governs the relations between, and respective responsibilities of, the different electric power industry participants as well as the particular Governmental Authorities involved in implementing the structural reforms in the industry, including, but not limited to, the DOE, NPC, NEA, ERC, and the PSALM Corporation.

Reorganization of the Electric Power Industry

Of the many changes initiated by the EPIRA, of primary importance is the reorganization of the electric power industry by segregating the industry into four sectors: (i) the generation sector; (ii) the transmission sector; (iii) the distribution sector; and (iv) the supply sector. The goal is for the generation and supply sectors to be fully competitive and open, while the transmission sector will be a regulated common electricity carrier business and the distribution sector will be a regulated common carrier business requiring a national franchise, thus both the transmission and distribution sectors will be regulated as public utilities. Prior to the EPIRA, the industry was regulated as a whole, with no clear distinctions between and among the various sectors and/or services.

The Generation Sector

Under the EPIRA, power generation *per se* is not a public utility operation. Thus, generation companies are not required to secure congressional franchises, and there are no restrictions on the ability of non-Filipinos to own and operate generation facilities. However, generation companies must obtain a certificate of compliance from the ERC, as well as health, safety and environmental clearances from appropriate Government agencies under existing laws. Furthermore, PPAs and PSAs between generation companies and distribution utilities are subject to the review and approval of the ERC. Generation companies are also subject to the rules and regulations of the ERC on abuse of market power and anticompetitive behavior. In particular, the ERC has the authority to impose price controls, issue injunctions, require divestment of excess profits and impose fines and penalties for violation of the EPIRA and the IRR policy on market power abuse, cross-ownership and anti-competitive behavior.

The goal of the EPIRA is for the generation sector to be open and competitive, while the private sector is expected to take the lead in introducing additional generation capacity. Generation companies will compete either for bilateral contracts with various Retail Electricity Suppliers ("**RES**"), electric cooperatives and private distribution utilities, or through spot sale transactions in the WESM. With the implementation of RCOA in Luzon and Visayas, generation companies are already able to sell electricity to eligible end-users. "Open Access" is defined under the IRR as the system of allowing any qualified person the use of electric power transmission and distribution systems; while "Retail Competition" is defined as the provision of electricity to a contestable market (which, under prevailing regulations, refer to electricity end-users with monthly average peak demand of at least 500 KW) by persons licensed by the ERC to engage in the business of supplying electricity end-users through Open Access.

In *Philippine Chamber of Commerce and Industry vs. Department of Energy* (G.R. No. 228588) (the "**PCCI Case**"), the Supreme Court sustained the validity of DOE Department Circular Nos. DC2017-12-0013 and DC2017-12-001 which stipulates that a customer can exercise its choice to patronize RES on voluntary basis – and not mandatory, as previously targeted by rules laid down by the ERC. As of the date of this Offer Supplement, the DOE has yet to provide additional guidelines, as ordered by the Supreme Court in the PCCI Case, in relation to DC2017-12-0013 and DC2017-12-0014.

The generation sector must observe the Market Share Limitations set in the EPIRA which states that no generation company or related group is allowed to own more than 30% of the installed generating capacity of the Luzon, Visayas or Mindanao Grids and/or 25% of the national installed generating capacity. Also, no generation company associated with a distribution utility may supply more than 50% of the distribution utility's total demand under bilateral contracts, without prejudice to the bilateral contracts entered into prior to the effectivity of the said Act.

Historically, the generation sector has been dominated by NPC. To introduce and foster competition in the sector, and, more importantly, to lessen the debt of NPC, the EPIRA mandates the total privatization of the generation assets and IPP contracts of NPC, which exclude the assets devoted to missionary electrification through the small power utilities group of NPC. NPC is directed to transfer ownership of all the assets for privatization to a separate entity, PSALM, which is specially tasked to manage the privatization. Beginning early 2004, PSALM has been conducting public bidding for the generation facilities owned by NPC.

Section 47(j) of the EPIRA prohibits NPC from incurring any new obligations to purchase power through bilateral contracts with generation companies or other suppliers. Also, NPC is only allowed to generate and sell electricity from generating assets and IPP contracts that have not been disposed of by PSALM.

Generation companies which are not publicly listed are required to offer and sell to the public a portion of not less than 15% of their common shares of stock. Under prevailing regulations, any offer of common shares of stock for sale to the public through any of the following modes shall be deemed as public offering:

- listing in the PSE;
- a public offering undertaken in accordance with the Securities Regulation Code and its implementing rules and regulations; and
- listing in any accredited stock exchange or direct offer of a portion of registered enterprises' capital stock to the public and/or their employees, when deemed feasible and desirable by the BOI.

The Supply Sector

The supply of electricity refers to the sale of electricity directly to end-users. The supply function used to be undertaken largely by franchised distribution utilities. However, with the commencement of the RCOA, the supply function has become competitive. The retail supply business is not considered a public utility operation and suppliers are not required to obtain franchises. However, the supply of electricity to a market of end-users who have a choice on their supplier of electricity is considered a business affected with public interest. As such, the EPIRA requires all RESs to obtain a license from the ERC and they are subject to the rules and regulations of the ERC on the abuse of market power and other anti-competitive or discriminatory behavior.

A RES may only sell up to 50% of its total capacity to all of its end-user affiliates.

With the RCOA already implemented, a RES license will allow a generation company to enter into retail electricity supply agreements with contestable customers. This will encourage competition at the retail level and it is planned that retail competition will gradually increase over time, provided that supply companies are sufficiently creditworthy to be suitable off takers for generation companies.

Role of the ERC

The ERC is the independent, quasi-judicial regulatory body created under the EPIRA that replaced the Energy Regulatory Board. The ERC plays a significant role in the restructured industry environment, consisting of, among others, promoting competition, encouraging market development, ensuring consumer choice, and penalizing abuse of market power by industry participants.

Among the primary powers and functions of the ERC are:

- to determine, fix and approve, after conducting public hearings, transmission and distribution wheeling charges and retail rates and to fix and regulate the rates and charges to be imposed by distribution utilities on their captive end-users, as well as the universal charge to be imposed on all electricity end-users, including self-generating entities;

- to grant, revoke, review or modify the certificates of compliance required of generation companies and the licenses required of suppliers of electricity in the contestable market;

- to enforce the Grid Code and Distribution Code, which shall include performance standards, the minimum financial capability standards, and other terms and conditions for access to and use of transmission and distribution facilities;

- to enforce the rules and regulations governing the operations of the WESM and the activities of the WESM operator and other WESM participants to ensure a greater supply and rational pricing of electricity;

- to ensure that the electric power industry participants and NPC functionally and structurally unbundled their respective business activities and rates and to determine the levels of cross-subsidies in the existing and retail rates until the same is removed in accordance with the different sectors;

- to set a lifeline rate for marginalized end-users;

- to promulgate rules and regulations prescribing the qualifications of suppliers which shall include, among others, their technical and financial capability and creditworthiness;

- to determine the electricity end-users comprising the contestable and Captive Markets;

- to fix user fees to be charged by TransCo/NGCP for ancillary services to all electric power industry participants or self-generating entities connected to the grid;

- to monitor and adopt measures to discourage or penalize abuse of market power, cartelization and any anticompetitive or discriminatory behavior by any electric power industry participant;

- to review and approve the terms and conditions of service of TransCo/NGCP and any distribution utility or any changes therein;

- to perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernization of the electric power industry; and

- to have original and exclusive jurisdiction over all cases that involve the contesting of rates, fees, fines and penalties imposed in the exercise of its powers, functions and responsibilities and over all cases involving disputes between and among participants or players in the energy industry relating to the foregoing powers, functions and responsibilities except cases which involve abuse of market power, cartelization and any anticompetitive or discriminatory behavior by any electric power industry participant.

Role of the DOE

In accordance with its mandate to supervise the restructuring of the electric power industry, the DOE exercises, among others, the following functions:

- preparation and annual updating of the Philippine Energy Plan and the Philippine Power Development Program, and thereafter integrate the latter into the former;

- ensuring the reliability, quality and security of the supply of electric power;

- exercise of supervision and control over all Government activities pertaining to energy projects;

- encouragement of private investment in the power industry and promotion of the development of indigenous and renewable energy sources for power generation;

- facilitation of reforms in the structure and operation of distribution utilities for greater efficiency and lower costs;

- promotion of a system of incentives to encourage industry participants, including new generating companies and end-users, to provide adequate and reliable electric supply;

- education of the public (in coordination with NPC, ERC, NEA and the Philippine Information Agency) on the restructuring of the industry and the privatization of NPC assets; and

- establishment of the WESM in cooperation with electric power industry participants, and formulating rules governing its operations.

Role of the Joint Congressional Power Commission

The Joint Congressional Power Commission created pursuant to the EPIRA consists of 14 members selected from the members of the Philippine senate and house of representatives. Its responsibilities and functions include, among others, the following:

- monitoring and ensuring the proper implementation of the EPIRA;

- endorsement of the initial privatization plan of PSALM for approval by the President of the Philippines;

- ensuring transparency in the public bidding procedures adopted for the privatization of the generation and transmission assets of NPC;

- evaluation of the adherence of industry participants to the objectives and timelines under the EPIRA; and

- determination of inherent weaknesses in the EPIRA and recommend necessary remedial legislation or executive measures.

Competitive Selection Process

Under prevailing regulations, Distribution Utilities ("**DU**") and Electric Cooperatives ("**EC"**) are mandated to undertake a CSP in the procurement of PSAs to ensure the security and certainty of electricity prices of electric power in the long-term.

Under Department Circular No. DC2023-06-0021, the DOE issued the DOE CSP Policy, which sets forth the department's policy on the conduct of CSP in the procurement by DUs and ECs. Under the DOE CSP Policy, all Power Supply Agreements are required to be procured through the CSP, except in the following instances: (a) provision for power supply by the NPC in off grid areas: (i) prior to and until the entry of New Power Providers ("**NPP**"); or (ii) in emergency circumstances; (b) provision of power supply by PSALM through bilateral contracts; (c) power supply procured by an DU exercising the Opt-in Mechanism under the Green Energy Auction Program; (d) supplying to any DU from any generating plant embedded in its franchise area utilizing renewable energy resources wherein the contracted capacity of the embedded generation plant shall not exceed 10 MW per DU; and (e) negotiated procurement of emergency power supply with a cooperation period not exceeding one year. While the DOE CSP Policy effectively revoked the authority of the ERC to issue supplemental guidelines and procedures relating to implement the CSP, the DOE directed the ERC to: (i) establish and impose existing fines and/or penalties for non-compliance with the DOE CSP Policy, (ii) review compliance with the requirements of CSP, (iii) develop a template PSA to be used with electric power industry participants, and (iv) develop rules and procedures to address disputes arising from the conduct of the CSP.

Government Approval Process

As set forth in the EPIRA, power generation is not considered a public utility operation. Thus, an entity engaged or intending to engage in the generation of electricity is not required to secure a national franchise. However, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a certificate of compliance from the ERC to operate facilities used in the generation of electricity. A certificate of compliance is valid for a period of five years from the date of issuance.

In addition to the certificate of compliance requirement, a generation company must comply with government-prescribed technical, financial capability, health, safety and environmental standards. A generation company must ensure that all its facilities connected to the grid meet the technical design and operational criteria of the Grid Code and Distribution Code promulgated by the ERC. In this connection, the ERC has issued guidelines setting the minimum financial capability standards for generation companies. Under the guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service capability ratio (which measures the ability of the power generation company to service its debts) of 1.25x throughout the period covered by its certificate of compliance. For certificate of compliance applications and renewals, the guidelines require the submission to the ERC of, among other things, a schedule of liabilities, and a five-year financial plan. For the duration of the certificate of compliance, the guidelines also require a generation company to submit audited financial statements and forecast financial statements to the ERC for the next two financial years, as well as other documents. The failure by a generation company to submit the requirements prescribed by the guidelines may be grounds for the imposition of fines and penalties.

With the introduction of RCOA, the rates charged by a generation company are no longer regulated by the ERC, except rates for Captive Markets (as determined by the ERC). In addition, since the establishment of the WESM, generation companies are now required to comply with the membership criteria and appropriate dispatch scheduling as prescribed under the WESM Rules.

In the course of developing a power plant, other permits, approvals and consents must also be obtained from relevant national, provincial and local Government authorities, relating to, among others, site acquisition, construction and operation, including environmental-related licenses and permits.

The Renewable Energy Act of 2008 and its Implementing Rules and Regulations

R.A. No. 9513, or the Renewable Energy Act of 2008 ("**Renewable Energy Act**"), provides that it is the policy of the State to increase the development and utilization of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal, and ocean energy sources, including hybrid systems, and to establish the necessary infrastructure and mechanism to carry this out. The DOE is the lead agency mandated to implement RA No. 9513, in conjunction with the National Renewable Energy Board ("**NREB**").

A DOE Certificate of Registration is issued to RE Developers holding valid RE Service or Operating Contracts upon application with the DOE. A DOE Certification shall be issued immediately upon the award of an RE Service/Operating Contract. Similarly, existing RE projects must be covered by a new RE Service/Operating Contract, pre-terminating and replacing any existing service contract with the DOE.

R.A. No. 9513 provides numerous incentives to RE developers, such as a seven-year income tax holiday ("**ITH**"), import duty exemptions, and a 10% special corporate income tax rate after availment of the ITH, among others. To qualify for these incentives, BIR Revenue Regulations No. 7-2022 require RE developers to secure the following certifications:

a. Certificate of Registration from the DOE, through the Renewable Energy Management Bureau ("**REMB**"), which is issued to an RE developer holding a valid RE Service or Operating Contract.

b. Certificate of Endorsement from the DOE prior to the first year of availment of the 10% corporate income tax rate incentive. In addition, the RE developer shall also submit to the BIR its valid and subsisting RE Service or Operating Contract, the corresponding DOE Certificate of Registration, and a Sworn Undertaking (to be attached to the ITR) stating that for the year of its availment of the l0% corporate income tax rate incentive, it has not been found to have breached its obligations under the RE Service or Operating Contract and that it shall pass on the savings derived from this incentive in the form of lower power rates.

c. Certificate of Registration from the BOI; and

d. Certificate of ITH Entitlement ("**CE**") issued by the BOI. The CE is a required attachment to the current annual ITR to be filed with the BIR. The ITH shall only be applied to the registered activity indicated in the CE. Failure to attach the CE to the ITR may result to the forfeiture of the ITH incentive for the covered taxable year.

   The previous rule that the RE developer must secure a Certificate of Endorsement from the DOE REMB on a per transaction basis to qualify for the incentives under the Renewable Energy Act has been repealed under Department Circular No. DC2021-12-0042.

Wholesale Electricity Spot Market Rules

The WESM Rules establish the basic rules, requirements, and procedures that govern the operation of the Philippine electricity market. The WESM Rules identifies and recognizes and sets the responsibilities of the Market Operator, System Operator, WESM Participants, and the PEM Board. These groups shall comply with and are bound by all the provisions of the WESM Rules. The WESM Rules are intended to be complimentary with the Grid Code and Distribution Code, all of which are meant to ensure the development of an appropriate, equitable and transparent electricity market, along with a safe, reliable, and efficient operation of the power system.

Under the WESM, renewable energy developers are classified as a must-dispatch generating unit, which grants them specific preferences as to the dispatch output and restrictions. These preferences are granted to intermittent renewable energy-based generation plants such as wind, solar, run-of-river hydro, or ocean energy owing to the fact that they are dependent on a base supply of electricity but on the availability of the energy source.

Feed-in Tariff System

The Feed-in Tariff system ("**FIT**") is a scheme that involves the obligation on the part of electric power industry participants to source electricity from RE generation at a guaranteed fixed price applicable for a given period of time. The FIT is adopted to accelerate the development of emerging RE Resources through a fixed tariff mechanism and is mandated for wind, solar, ocean, run-of-river hydropower, and biomass energy resources.

Under DOE Circular No. DC 2013-05-0009 or the Guidelines for the Selection Process of Renewable Energy Projects under Feed-in Tariff System and the Award of Certificate for Feed-in Tariff Eligibility (the "**Eligibility Guidelines**"), only RE Developers with valid and subsisting RE Service Contracts ("**RESCs**") may apply for eligibility and inclusion of their projects under the FIT System. Projects that have complied with the requirements for conversion from Pre-Development Stage to Development Stage under the FIT System shall be issued a Certificate of Confirmation of Commerciality. This certification shall serve as a notice to proceed to the construction phase under the Development Stage.

Upon attainment by the RE Developer of the Electromechanical Completion of the project, the RE Developer shall notify the DOE which shall, within fifteen (15) working days from receipt of notice, conduct a site validation and inspection of the project including the interconnection facility.

- Electromechanical Completion is deemed attained if the construction phase is at least eighty percent (80.00%) completed, as may be determined from the RE Developer's Engineering, Procurement, and Construction (EPC) contract or construction and development timeline under the approved Work Plan.
- In the event that DOE confirms the Electromechanical Completion of the project, it shall nominate the eligibility of the project under the FIT system to the ERC for the processing of a Certificate of Compliance under the FIT system, provided that the interconnection facility is fully in place.

The RE Developer shall inform the DOE on the date of Successful Commissioning of the RE Plant, which shall be validated by the DOE. Upon validation, the DOE shall issue a Certificate of Endorsement for FIT Eligibility to the ERC on a first-come, first-served basis. COEs for FIT Eligibility shall be issued by the DOE until the maximum installation target per technology is fully subscribed.

The FIT rates and equivalent degression rates for all RE technologies entitled to FITs are determined by ERC, upon recommendation of the NREB. The latest FIT rates as under ERC Resolution No. 10, Series of 2012 are as follows:

FIT Rates and Equivalent Degression Rates for all RE Technologies			
RE Technology	ERC-Approved FIT Rate (₱/kWh)	Digression Rates	Installation Target (MW)
Solar	₱9.68 for the first 70.0 MW ₱8.69 for 71.0 MW to 500.0 MW	6.00% after year 1 from effectivity of FIT	500
Wind	₱8.53	0.50% after year 2 from effectivity of FIT	200
Biomass	₱6.63	0.50% after year 2 from effectivity of FIT	250
Hydro	₱5.90	0.50% after year 2 from effectivity of FIT	350

The DOE sets out a "first come-first served" policy in respect of entitlement to the FIT that is hoped to weed out the speculators from the more serious energy players. This is laid out on the DOE Circular No. DC 2013-05-0009, or the Guidelines for the Selection Process of Renewable Energy Projects under Feed-In Tariff System and the Award of Certificate for Feed-In Tariff Eligibility (the "**Eligibility Guidelines**"), which lays down the criteria and process by which RE developers holding RE service contracts shall qualify to avail of the FIT.

Feed-in Tariff Eligibility Process

On June 8, 2022, the DOE issued a Certification approving an increase of 100MW capacity on the installation target for run-of-river (ROR) power projects under the Feed-in Tariff (FIT) mechanism. The additional 100MW capacity brings to 350MW the total capacity of ROR projects that could avail of the FIT. The original hydro FIT installation target was set at 250MW capacity and is projected to be fully subscribed by early 2023.

The 350MW updated installation target shall be valid until full subscription to allow ROR projects to be completed given the difficult challenges in the development and construction phase.

The DOE Certification was submitted to the ERC on 10 June 2022 to determine the applicable FIT rate for the additional 100MW capacity. The first FIT rate for ROR is at PHP5.90 per kWh for projects that came into commercial operations between 2014 and 2016. ROR projects that went online between 2017 and 2019 have a FIT rate of PHP5.8705 per kWh.

The DOE Certification effectively gives ROR projects already under development and construction an assured market on a first come-first served basis wherein projects that are completed and have declared commercial operations ahead of the other projects would be entitled to FIT, until the full 350MW is fully subscribed.

Green Energy Auction Program

The DOE issued DOE Department Circular No. 2021-11-0036 ("**Revised GEAP Rules**"), which went into effect on December 5, 2021.

The Revised GEAP aims to promote the growth of renewable energy as one of the Philippines' primary sources of energy to achieve energy security and self-reliance. It sets the framework for the procurement of renewable energy (RE) supply by the distribution utilities ("**DUs**") and Retail Electricity Suppliers ("**RES**") from eligible RE suppliers under a transparent and competitive process to secure long-term power supply and to assist in their compliance with the mandate on Renewable Portfolio Standards ("**RPS**").

Under the Revised GEAP, the determination of RE facilities that are eligible under the GEAP is facilitated through the Green Energy Auction ("**GEA**"), which will be administered by the Green Energy Auction Committee ("**GEAC**"). The offer of supply from generators under GEA is only open to new and existing RE capacities using solar, run-of-river hydro, biomass and wind energy sources. The offer of supply from geothermal and impounding hydropower facilities will be the subject of a separate auction policy and guidelines to be developed by the DOE at a later stage.

The Revised GEAP also provides that the offer of supply to the GEA must come from duly DOE-registered RE facilities and must be free from any supply contract with DUs or other off-takers at the time of agreed delivery dates.

The auction process begins with the DOE's publication of the Notice of Auction, which will indicate the coverage as the case may be, for Luzon, Visayas, and Mindanao, whether per grid or as a whole, as well as the capacity and equivalent energy generation, with due consideration to interconnection limits and security of the grids. The ERC will then issue and submit to the DOE the GEAR Price. The GEAR Price is the maximum price offer that the generators will use as ceiling price for their offer of supply for each particular auction round. Qualified Suppliers intending to participate in the auction shall register with the DOE, and the GEAC will evaluate the Qualified Suppliers and thereafter declare the Qualified Bidders. Qualified Bidders must post a bid bond and submit an Affidavit of Undertaking to deliver the committed capacities on delivery date.

On the date and time set for the auction, all Qualified Bidders shall place their bids capacity (MW) and price (PHP/kWH) offer. The GEAC shall rank the offers from lowest to highest bid price, and the Winning Bidder will be declared. This determines the Green Energy Tariff ("**GET**"), which is the price, in PHP/kWh, resulting from the conduct of each GEA corresponding to each Winning Bidder on a pay-as-bid basis. The GET is included in the ERC's computation of the Feed-in Tariff Allowance ("**FIT-All**") for the GEA.

To reduce FIT-All charges to the electricity end-users and to meet supply requirements, DUs also have the option to procure from the GEAP pool of a Winning Bidder under a particular auction round and thereby carve out such DU-procured volumes from the pool compensable by the FIT-All. The generation cost reflected in the contract between the DU exercising the Opt-In option and the Winning Bidder/s shall be the offered price or the blended offer price of the Winning Bidder/s in the relevant auction round. The contracted generation under such contract shall be charged by the DU against its captive customers and the corresponding RECs generated from the "Opt-In Capacity" generation shall accrue in favor of the DU off-taker. In all cases, the Winning Bidder shall still be paid its offered price after the Opt-In.

The DOE intends to conduct an annual auction process under the GEAP based on the power supply requirements of the country and to achieve the goal of at least 35 percent renewable energy share in the country's power generation mix by 2030 and 50 percent share by 2040.

BOI Certificate of Registration

Under the IRR of the Renewable Energy Act, RE Developers shall register with the BOI to avail of incentives under the Renewable Energy Act. The application for registration shall be favorably acted upon immediately by the BOI on the basis of the certification issued by the DOE.

Renewable Energy Safety, Health and Environment Rules and Regulations

Pursuant to the enactment of the Renewable Energy Act of 2008, the DOE issued Circular No. DC 2012-11-0009, or the Renewable Energy Safety, Health, and Environment Rules and Regulations of 2012 ("**RESHERR**"), which outlines the pertinent rules and regulations specifically applicable for RE contractors.

Under the RESHERR, all RE Facilities are required, upon commencement of its operations, to organize a Safety, Health, and Environment Committee ("**SHEC**"), the minimum composition of which shall be determined based on the number of workers of the facility. Similarly, all persons employed in the practice of occupational safety in the RE industry are required to be duly qualified and accredited by the REMB. In addition, the RESHERR likewise establishes minimum occupational safety and health requirements for RE facilities.

Rules and Regulations for Renewable Energy Service Contracts

DOE Department Circular No. DC-2009-07-0011 issued by the DOE provides for the guidelines on the award of RE Contracts covering both the Pre-Development and Development Stages, including the transition of existing service contracts and agreements. An RE Contract is a service agreement between the Government, through the President or the DOE, and an RE Developer over an appropriate period as determined by the DOE in which the RE Developer shall have the exclusive right to explore, develop, or utilize a particular RE area.

On October 1, 2019, the DOE issued Department Circular No. DC 2019-10-0013, effective November 22, 2019, which harmonized the existing guidelines and procedures governing the transparent and competitive system of awarding RE contracts and the registration of RE projects. Under these omnibus guidelines, RE Contracts may be awarded through (a) an Open and Competitive Selection Process ("**OCSP**") or (b) Direct Application. Any assignment of a RE Contract shall be subject to prior written approval of the DOE. An assignment to a non- affiliate, whether full or partial, may be allowed only once during: (a) the entire period of the Pre-Development Stage of the RE Service Contract; or (b) the entire term of the RE Operating Contract. An assignment shall not be allowed to a non-affiliate during the first two (2) years of the RE Contract from its effectivity.

The award of all service contracts under DOE Department Circular No. DC 2009-07-0011 shall follow a template contract as provided for under DOE Department Order No. 2013-08-0011. Any RE service contracts already issued under DOE Department Circular No. DC 2009-07-0011 at the time of effectivity shall remain valid and subsisting. Holders of contracts/agreements prior to the effectivity of DOE Department Circular No. 2019-10-0013 may apply for conversion to the new RE Contract templates, provided that such holders are fully compliant with the terms of the approved Work Program/Work Plan and the material terms and conditions of the contract/agreement for the past six months prior to the date of filing its application for conversion.

RE Service Contracts are divided into two (2) stages, namely:

a. Pre-Development Stage, which involves the preliminary assessment and feasibility study up to financial closing and Declaration of Commerciality of the RE project, including the identification of the proposed Production Area; and

b. Development/Commercial Stage, which involves the development, construction and commercial operation of the RE project, production, and utilization of RE resources, including the construction and installation of relevant facilities up to the operation phase of the RE facilities.

Upon the Declaration of Commerciality by an RE Developer and after due confirmation by the DOE, the RE Developer shall apply for the conversion of the RE Contract, prior to its expiration, from the Pre-Development Stage to the Development/Commercial Stage. The Declaration of Commerciality shall be based on the feasibility studies and/or exploration activities conducted by the RE Developer.

All applicants of RE contacts must possess the necessary technical capability to undertake the obligations under the RE Contract in terms of the following:

- Track Record or Experience – The applicant must submit proof of its on-going or completed contracts/agreements similar to or congruent with the nature of the project/work being proposed to be covered by an RE Contract involving a specific RE resource. Individual firms may specialize on any or several stages of the RE Contract. Joint ventures or consortiums shall be evaluated based on the individual or collection experience of the member-firms.
- Work Program – This shall be evaluated based on its viability, minimum expenditure commitments, detailed program of activities inclusive of environmental protection / conservation and social acceptability plans, among others.
- Key Personnel Experience – The key personnel of the RE Applicant must have sufficient and relevant work experience in connection with the project being applied for. For this purpose, the Curriculum Vitae of the Management and technical personnel must be submitted.
- List of Existing Company-owned Equipment (if any) for RE Operations and Lease Agreements of RE Equipment – This shall be evaluated based on the technical and environmental soundness, sufficiency, and appropriateness of company-owned and leased equipment that will be used for the project.

The RE Applicant must also demonstrate that it has adequate capability to provide financial resource to sustain the proposed Work Program for the exploration activities or conduct of feasibility studies during the Pre-Development Stage, and detailed engineering, geological, or industrial design for the development and operation of facilities during Development/Commercial Stage, as the case may be. For RE Developers with RE Contracts executed less than six (6) months from date of application for conversion, the evaluation of compliance with commitments under the approved Work Program and of the material terms and conditions of the RE Contract shall be the basis of their performance.

Immediately upon the effectivity of the RE Contract, the DOE shall issue the Certificate of Registration to the RE Developer, whether during the Pre-Development or Development/Commercial Stage. Holders of valid and existing contracts or agreements on RE resources awarded prior to the effectivity of the RE Law shall be issued a DOE Certificate of Registration as an RE Developer only upon conversion of these contracts or agreement to RE Contracts. A Certificate of Registration with the DOE is required for RE Developers to avail of the incentives under the Renewable Energy Act. The Certificate of Registration shall have an initial validity period of five years, renewable for the same period until the end-of-project life is reached, in no case to exceed twenty-five (25) years.

DOE Certificate of Confirmation of Commerciality

Upon Declaration of Commerciality by an RE Developer and after due confirmation by the DOE, the RE Developer shall apply for the conversion of the RE Contract, prior to its expiration, from Pre-Development Stage to Development/Commercial Stage.

The Declaration of Commerciality shall be based on the feasibility studies and/or exploration activities conducted by the RE Developer. The RE Developer of an RE Contract shall secure permits, clearances, or certificates such as, but not limited to, Environmental Compliance Certificate/Certificate of Non-Coverage, Water Rights Permit, Free and Prior Informed Consent/Certificate of Non-Overlap, Local Government Unit endorsement and all other regulatory requirements from other government agencies which are applicable activities/operations.

REGULATIONS RELATING TO THE AGRIBUSINESS

Role of the DA

The DA is the government agency responsible for the promotion of agricultural development by providing the policy framework, public investments, and support services needed for domestic and export-oriented business enterprises. To accomplish its mandate, the DA shall have the following powers and functions:

- It shall provide integrated services to farmers/fishermen and other food produces on production, utilization, conservation and disposition of agricultural and fishery resources;

- It shall be responsible for the planning, policy, formulation, regulation, execution, monitoring and/or programs/activities relating to agriculture/ food production and supply;

- It shall promulgate and enforce all laws, rules, and regulations governing the conservation and proper utilization of agricultural and fishery resources;

- It shall establish central and regional information systems to serve the production, marketing and financing data requirements of the farmers as well as domestic and foreign investors in agribusiness ventures;

- It shall provide comprehensive and effective extension services and training to farmers and other agricultural entrepreneurs on the production, marketing and financing aspects of agricultural enterprises;

- It shall conduct, coordinate and disseminate research studies and appropriate technologies for the improvement/development of agricultural crops, fisheries and other allied commodities;

- It shall provide the mechanism for the participation of farmers/fishermen and entrepreneurs at all levels of policy making and plan/programs formulation;

- It shall coordinate with and/or call upon other public and private agencies for cooperation and assistance on matters affecting Ministry plans, policies and programs.

Health Regulations

The FDA administers and enforces the law, and issues any circular, on safety and good quality supply of food, drug and cosmetic to consumers. It also regulates the production, sale, and traffic of the same to protect the health of the people.

Consistent with the mandate to adopt and establish mechanisms and initiatives that are aimed to protect and promote the right to health of every Filipino, the FDA issued the Rules and Regulations on the Licensing of Food Establishments and Registration of Processed Food, which require all food establishments obtain a LTO from the FDA before they can validly engage in the manufacture, importation, exportation, sale, offer for sale, distribution, and transfer of food products in the Philippine market. Such rules cover processed food and food products and exclude fresh or raw food derived from plant, animal, fisheries and aquaculture products or foods in the primary production and post-harvest stages of the supply chain. An initial LTO is valid for a period of two years, while a renewed license is valid for five years.

In addition to an LTO, the FDA also requires a CPR for processed food products, including food additives, food supplements and bottled water, before said products are distributed, supplied, sold or offered for sale or use in the market. A CPR covering a particular health product constitutes *prima facie* evidence of the registrant's marketing authority for said health product in connection with the activities permitted pursuant to the registrant's LTO. In case of initial registration, a CPR is valid for a minimum period of two years to a maximum period of five years. Any renewal thereafter is valid for five years.

The operation of a food business without the proper authorization from the FDA is prohibited and punishable with a fine. The closure of the establishment may also be imposed as a penalty upon a finding of a commission of a prohibited act.

The DOH is the Government agency tasked to implement the Consumer Act with respect to food products. The DOH also prescribes the Guidelines on Current Good Manufacturing Practice in Manufacturing, Packaging, Repacking, or Holding Food or food manufacturers. Under the Consumer Act, the DOH also has the authority to order the recall, ban or seizure from public sale or distribution of food products found to be injurious, unsafe or dangerous to the general public.

ENVIRONMENTAL MATTERS

The operations of the businesses of the Company are subject to various laws, rules and regulations that have been promulgated for the protection of the environment.

Philippine Environmental Impact Statement System

The Philippine Environmental Impact Statement System ("**EISS Law**") established under Presidential Decree No. 1586, which is implemented by the DENR, is the general regulatory framework for any project or undertakingthat is either (i) classified as environmentally critical or (ii) is situated in an environmentally critical area. The DENR, through its regional offices or through the EMB, determines whether a project is environmentally critical or located in an environmentally critical area and processes all applications for an ECC.

The law requires an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area to submit an EIS which is a comprehensive study of the significant impacts of a project on the environment. The EIS serves as an applicationfor the issuance of an ECC, if the proposed project is environmentally critical or situated in an environmentally critical area; or for the issuance of a Certificate of Non-Coverage, if otherwise. An ECC is a government certification that, among others: (i) the proposed project or undertaking will not cause significant negative environmental impact; (ii) the proponent has complied with all the requirements of the EISS Law in connection with the project; and (iii) the proponent is committed to implement its approved EMP in the EIS. The EMP details the prevention, mitigation, compensation, contingency and monitoring measures to enhance positive impacts and minimize negative impacts and risks of a proposed project or undertaking.

Project proponents that prepare an EIS are required to establish an EGF when the ECCis 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 Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents are also required to establish an EMF when an ECC is eventually issued. The EMF is to support the activities of the team monitoring the project proponent's compliance with ECC conditions, EMP and applicable laws, rules and regulations.

The Clean Water Act

Republic Act No. 9275 or the Clean Water Act and its implementing rules and regulations provide for water quality standards and regulations for the prevention, control, and abatement of pollution of the water resources of the country. The Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time. The discharge permit specifies the quantity and quality of effluents that the holder of the permit is allowed to discharge as well as the validity of the permit. The discharge permit is valid for a maximum period of five years from the date of its issuance, renewable for five-year periods thereafter. The Department may, however, renew the discharge permit and keep it valid for a longer period if the applicant has adopted waste minimization and waste treatment technologies, consistent with incentives currently provided, and has been paying the permit fees on time. The DENR, together with other Government agencies and the different local Government units, is tasked with implementing the Clean Water Act and with identifying existing sources of water pollutants, as well as strictly monitoring pollution sources which are not in compliance with the effluent standards provided in the law.

The Water Code

Presidential Decree No. 1067, or "The Water Code of the Philippines," requires a water permit for the appropriation or use of natural bodies of water. Use or appropriation of water includes, among others, the utilization of water in factories, industrial plants and mines, including the use of water as an ingredient of a finished product. Appropriation of water without a water permit, when one is required, is subject to the imposition of the corresponding penalties imposed by the Water Code and its implementing rules and regulations.

The Clean Air Act

Pursuant to Republic Act No. 8749 or the Clean Air Act of 1999 and its implementing rules and regulations, enterprises that operate or utilize air pollution sources are required to obtain a Permit to Operate from the DENRwith respect to the construction or the use of air pollutants. Said permit shall cover emission limitations for the regulated air pollutants to help maintain and attain the ambient air quality standards. A permit duly issued shall be valid for the period specified therein but not beyond one year from the date of issuance unless sooner suspendedor revoked. It may be renewed by filing an application for renewal at least thirty days before the expiration date and upon payment of the required fees and compliance with requirements. The issuance of the permit does not, however, relieve the permittee from complying with the requirements of the Clean Air Act and its implementingrules and regulations.

Other Environmental Laws

Other regulatory environmental laws and regulations applicable to the businesses of the Company include the following:

- Republic Act No. 6969 or the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990,which regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substances and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry as well as transit into the Philippines, or the keeping or storage and disposal of hazardous wastes which include by-products, side-products, process residue, contaminated plant or equipment or other substances from manufacturing operations. Under this law, before any new chemical substance or mixture can be manufactured, processed or imported for the first time, the manufacturer, processor, or importer shall first submit information pertaining to the: (i) name of chemical substance or mixture; (ii) its chemical identity and molecular structure; (iii) proposed categories of use; (iv) estimate of the amount to be manufactured, processed or imported; (v) processing and disposal thereof; and (vi) any test date related to health and environmental effects which the manufacturer, processor or importer has. The said law is implemented by the DENR.

- Republic Act No. 9003 or the Ecological Solid Waste Management Act of 2000, which provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping ofcollected solid wastes in areas other than prescribed centers and facilities. The National Solid Waste Management Commission, together with other Government agencies and the different local Governmentunits, are responsible for the implementation and enforcement of the said law.

- Presidential Decree No. 856 or the Code on Sanitation of the Philippines (the Sanitation Code), which provides for sanitary and structural requirements in connection with the operation of certain establishments such as industrial and food establishments. Food establishment is defined as any establishment where food or drinks are manufactured, processed stored, sold, or served. Under the Sanitation Code, which is implemented by the Philippine Department of Health, no person, firm, corporation, or entity shall operate a food establishment without first obtaining a sanitary permit. The permit shall be valid for one year, and shall be renewed every year.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Offer Shares. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Offer Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Offer Shares 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 Offer Shares in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect as at the date of this Offer Supplement.

The tax treatment applicable to a holder of the Offer Shares 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 the Offer Shares.

PROSPECTIVE PURCHASERS OF THE OFFER SHARES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF THE OFFER SHARES, 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 of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines." A non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines. The term "dividends" under this section refers to cash or property dividends. "Tax Code" means the Philippine National Internal Revenue of 1997, as amended.

The term "non-resident holder" means a holder of the Offer Shares:

- *who is an individual who is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and*
- *should an income tax treaty be applicable, whose ownership of the Offer Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

Philippine Taxation

On January 1, 2018, Republic Act No. 10963, otherwise known as the TRAIN took effect. The TRAIN amended various provisions of the Tax Code, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax.

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises bill was signed into law as Republic Act No. 11534, otherwise known as the CREATE Act. The CREATE Act serves as a follow-up to Package 1 of the CTRP. The main amendment of CREATE Act is the reduction of the regular corporate income tax rate for both domestic and foreign corporations from 30% to 25%. For domestic corporations, the regular corporate income tax rate may be further reduced to 20% depending on the net taxable income and total assets of such domestic corporation. In addition to the reduction of the regular corporate income tax, the rate of the MCIT was lowered to 1%, effective July 1, 2020 to June 30, 2023.

Taxes on Dividends on the Offer Shares

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10.0%, which shall be withheld by the Company. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20.0% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25.0% of the gross amount, subject, however, to the applicable preferential tax rates under income tax treaties executed between the Philippines and the country of residence or domicile of such non-resident alien individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by a resident foreign corporation are not subject to income tax while those received by a non-resident foreign corporation are generally subject to income tax at a final withholding tax rate of 25%. The 25.0% income tax rate for dividends paid to a non-resident foreign corporation may be reduced to a lower rate of 15.0% if tax sparing applies, which is when (i) the country where the non-resident foreign corporation is domiciled imposes no tax on foreign sourced dividends or (ii) the country of domicile of the nonresident foreign corporation allows at least 15.0% credit equivalent for taxes deemed to have been paid in the Philippines.

In order to avail of the 15% tax sparing rate, a non-resident foreign corporation must file an application with the BIR for a confirmatory ruling on its entitlement pursuant to Revenue Memorandum Order No. 46-20 (Guidelines and Procedures for the Availment of the Reduced Rate of 15% on Intercompany Dividends Paid by a Domestic Corporation to a Non-resident Foreign Corporation Pursuant to Section 28 (B) (5) (b) of the National Internal Revenue Code of 1997, as Amended, dated December 23, 2020). The application has to be filed within 90 days from "the remittance of the dividends or from the determination by the foreign tax authority of the deemed paid tax credit/non-imposition of tax because of the exemption, whichever is later." A domestic corporation is not required to first secure a ruling from the BIR in order to use the tax sparing rate when it remits the dividends. However, it is required to determine if under the law of the country of domicile of the non-resident foreign corporation, such non-resident foreign corporation is granted the applicable "deemed paid" tax credit, or an exemption from income tax on such dividends.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident holder. (Please see discussion on tax treaties below.)

Preferential Rates under the Income Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Country	Dividends	Stock transaction tax on sale or disposition effected through the PSE (%)(9)	Capital Gains Tax Due on Disposition of Shares Outside the PSE
Canada	25(1)	0.6	May be exempt(13)
China	15(2)	Exempt(10)	May be exempt(13)
France	15(3)	Exempt(11)	May be exempt(13)
Germany	15(4)	Exempt(12)	May be

Country	Dividends	Stock transaction tax on sale or disposition effected through the PSE (%)(9)	Capital Gains Tax Due on Disposition of Shares Outside the PSE
			exempt(13)
Japan	15(5)	0.6	May be exempt(13)
Singapore	25(6)	0.6	May be exempt(13)
United Kingdom	25(7)	0.6	Exempt(14)
United States	25(8)	0.6	May be exempt(13)

Notes:

(1) *15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.*

(2) *10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.*

(3) *10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.*

(4) *5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends.; 15% in all other cases*

(5) *10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.*

(6) *15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.*

(7) *15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.*

(8) *20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.*

(9) *If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Tax Code as amended by the Section 39 of the TRAIN.*

(10) *Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.*

(11) *Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9,*

1976 was signed in Paris, France on June 26, 1995 signed on June 26, 1995.

(12) *Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.*

(13) *Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.*

(14) *Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.*

When availing of capital gains tax exemption on the sale of shares of stock under an income tax treaty, a tax treaty exemption ruling from the BIR shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a Certificate Authorizing Registration ("**CAR**") from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

As mentioned in the previous section, the BIR revised its procedures for availment of tax treaty relief on dividends by issuing Revenue Memorandum Order No. 14-21 ("Streamlining the Procedures and Documents for the Availment of Treaty Benefits, dated March 31, 2021") as clarified by Revenue Memorandum Circular No. 77-21 ("Clarification on Certain Provisions of Revenue Memorandum Order No. 14-21, dated June 15, 2021"). In accordance with the foregoing regulations, all income items derived by nonresident taxpayers entitled to tax treaty relief shall be confirmed by the BIR through filing of: (i) a request for confirmation by the withholding agent, or (b) a tax treaty relief application by the nonresident taxpayer, with the required supporting documents in either case.

*Request for Confirmation (**"RFC"**)*

The withholding agent/income payor may apply the preferential tax treaty rate on the dividend income of the non-resident foreign shareholder by relying the submission by such shareholder of the following documents before the dividend income is paid: (a) on an application form for treaty purposes (BIR Form 0901-D for dividends), an authenticated/apostilled tax residency certificate duly issued by the relevant foreign tax authority in favor of the shareholder, and (c) the relevant provision of the applicable tax treaty which prescribes the preferential tax treatment on dividend income. If the tax treaty rate was applied, the withholding agent/income payor must file with the BIR's International Tax Affairs Division ("ITAD") a request for confirmation of the use of the tax treaty rate. The request for confirmation must be filed after the payment of the withholding tax and in no case later than the last day of the fourth month following the close of the relevant taxable year. Revenue Memorandum Circular No. 77-21 prescribes the filing of one consolidated request for confirmation per nonresident income recipient, regardless of the number and type of income payments during the year. Revenue Memorandum Circular No. 77-21 also provides for a list of all documentary requirements that have to be submitted in support of the request for confirmation.

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 it will require the withholding agent/income payor to pay the deficiency taxes plus surcharge, interest and penalties.

*Tax Treaty Relief Application (**"TTRA"**)*

In case the withholding agent/income payor used the regular rate under the Tax Code, the non-resident foreign shareholder may, at any time after its receipt of the dividend income, file a TTRA with ITAD. Similar to a request for confirmation, the must also be supported by the documents specified in Revenue Memorandum Circular No. 77-21.

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 shareholder may apply for a refund of excess withholding tax within the two-year period provided in Section 229 of the Tax Code. The claim for refund of the shareholder may also be filed simultaneously with the TTRA.

The Company shall withhold taxes at a reduced rate on dividends to a non-resident holder if the nonresident submitted to the Company a Tax Residency Certificate ("**TRC**") and BIR Form No. 0901-D prior to the payment of dividends. TRC is a certificate issued by the tax authority of the country of residence and shall establish the fact of residency in a contracting state of the non-resident.

On March 31, 2021, the BIR issued Revenue Memorandum Order No. 14-2021 ("**RMO 14-2021**"). RMO 14-2021 was issued to streamline the procedures and documents for the availment of the tax treaty benefits. To avail of the tax treaty relief benefits, the following guidelines and procedures will be observed:

1. The non-resident income recipient should submit to the withholding agent or income payor the submitted Application Form for Treaty Purposes, Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty on whether to apply a reduced rate of, or exemption from, withholding at source on the income derived by the non-resident income recipient. The documents should be submitted to each withholding agent or income payor prior to the payment of income for the first time. The failure to provide the said documents when requested may lead to the withholding using the regular withholding rates without the tax treaty benefit rate.

2. When the preferential tax rates have been applied by the withholding agent, it shall file with the ITAD a request for confirmation on the propriety of the withholding tax rates applied by the withholding agent. On the other hand, if the regular withholding rates have been imposed on the income, the non-resident income recipient shall file a tax treaty relief application ("**TTRA**") with ITAD. In either case, each request for confirmation and TTRA shall be supported by the documentary requirements set out in the issuance.

3. The request for confirmation shall be filed by the withholding agent at any time after the payment of withholding tax but shall in no case be later than the last day of the fourth month following the close of each taxable year. On the other hand, the filing of the TTRA may be filed by the non-resident income recipient at any time after the receipt of the income.

If the BIR determines that the withholding tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the nonresident income recipient is not entitled to treaty benefits, it will issue a BIR Ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties. On the contrary, if the withholding tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the nonresident income recipient's entitlement to the treaty benefits. In this case, the nonresident income recipient may apply for a refund of the excess withholding tax.

The original or certified true copy of the following documents, as may be applicable, shall be submitted to the International Tax Affairs Division of the BIR when claiming the tax treaty relief:

A. General Requirements
    1. Letter-request
    2. Application Form duly signed by the non-resident income earner or its/his/her authorized representative
    3. Tax Residency Certificate for the relevant period, duly issued by the tax authority of the foreign country in which the Bondholder is a resident
    4. Bank documents/certificate of deposit/telegraphic transfer/telex/money transfer evidencing the payment/remittance of income
    5. Withholding tax return with Alphalist of Payees
    6. Proof of payment of withholding tax
    7. Notarized Special Power of Attorney issued by the non-resident income earner to its/his/her authorized representative(s), which shall expressly state the authority to sign the Application Form as well as to file the tax treaty relief application or request for confirmation

B. Additional general requirements for legal persons and arrangements, and individuals:

1. Authenticated copy of the non-resident legal person or arrangement's Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming its establishment or incorporation, with an English translation thereof if in foreign language.
2. Original copy of the Certificate of Non-Registration of the Bondholder or certified true copy of License to Do Business in the Philippines duly issued by the Philippine SEC for legal persons and arrangements, or original copy of the Certificate of Business Registration/Presence duly issued by the DTI for individuals.

C. Additional general requirements for fiscally transparent entities:
1. 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;
2. List of owners/beneficiaries of the foreign entity;
3. Proof of ownership of the foreign entity; and
4. Tax Residency Certificate issued by the concerned foreign tax authority to the owners or beneficiaries of the fiscally transparent entity.

The BIR may require additional documents during the course of its evaluation as it may deem necessary. Upon the confirmation of the entitlement to the tax treaty benefit or confirmation of the correctness of the withholding tax rates applied, the BIR will issue a certification to that effect. Any adverse ruling may be appealed to the Department of Finance within 30 days from receipt.

If the income of the nonresident Shareholder has been subjected to regular withholding rates, the Shareholder may file a claim for refund with the BIR independently of, or simultaneously with, the TTRA. Nonetheless, all claims for refund shall be filed within the two-year prescriptive period provided under Section 229 of the National Internal Revenue Code, as amended.

Transfer taxes (*e.g.*, documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro-rata to any holder of shares of stock are generally not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the shareholder is subject to stock transaction tax if the transfer is through a local stock exchange; or if the transfer is made outside of the exchange, capital gains tax; and documentary stamp tax.

If the dividends of the non-resident taxpayer have been subjected to the regular rate, he/she/it may subsequently file a claim for refund of the difference between the amount of withholding tax actually paid in the Philippines and the amount of tax that should have been paid under the treaty after obtaining a certificate confirming his/her/its entitlement to treaty benefits. For this purpose, a duly accomplished BIR Form No. 1913 shall be filed together with the letter-request. The claim for refund may be filed independently of, or simultaneously with, the TTRA. (See RMO 14-2021, sec. 10). However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information and may also involve the filing of a judicial appeal, it may be impractical to pursue obtaining such a refund.

Sale, Exchange or Disposition of Shares after the Offer Period

Capital gains tax

The net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, or a domestic corporation (other than a dealer in securities) during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to capital gains tax at the rate of 15.0% of the net capital gains realized during the taxable year.

The net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock in a domestic corporation outside the facilities of the PSE are also subject to the final tax rate of 15% based on the net capital gains realized during the taxable year.

If an applicable income tax treaty exempts net gains from such sale from capital gains tax, either a request for confirmation on the propriety of the withholding tax or an application for tax treaty relief has to be filed with the BIR in accordance with BIR regulations, and approved by the BIR, to avail of the exemption. (Please see discussion below on tax treaties.) The transfer of shares shall not be recorded in the books of a company, unless the BIR has issued a CAR.

Taxes on transfer of shares listed and traded at the PSE

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax (please see discussion below on tax treaties), a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder (other than a dealer in securities) is subject to a percentage tax usually referred to as a stock transaction tax at the rate of six-tenths of one percent (6/10 of 1.0%) of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, which shall be paid by the seller or transferor. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to stock transaction tax.

In addition, VAT of 12.0% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client, the seller or transferor.

The stock transaction tax will not apply if the shares are sold outside the facilities of the PSE, including during a trading suspension. PSE Memorandum CN-No. 2012-0046 dated August 22, 2012 provides that immediately after December 31, 2012, the Philippine SEC shall impose a trading suspension for a period of not more than six (6) months, on shares of a listed company who has not complied with the Rule on Minimum Public Ownership ("**MPO**") which requires listed companies to maintain a minimum percentage of listed securities held by the public at 10.0% of the listed companies issued and outstanding shares at all times. The sale of such listed company' shares during the trading suspension may be effected only outside the trading system of the PSE and shall therefore be subject to taxes on the sale of shares that are not listed or traded at the stock exchange (i.e., capital gains tax and documentary stamp tax, and may even include donor's tax).

The stock transaction tax will also not apply if the shares sold are issued by a corporation that does not meet the MPO requirement, even if the sale is done through the facilities of the PSE. Revenue Regulations No. 16-2012 ("**R.R. 16-12**") provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. R.R. 16-12 also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

Documentary Stamp Taxes on Shares

The original issue of shares is subject to documentary stamp tax of ₱2.00 on each ₱200.00 par value, or fraction thereof, of the shares issued. On the other hand, the transfer of shares is subject to a documentary stamp tax at a rate of ₱1.50 on each ₱200.00, or fractional part thereof, of the par value of the Shares. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the vendor or the purchaser of the shares.

However, the sale, barter or exchange of Offer Shares should they be listed and traded through the PSE are exempt from documentary stamp tax.

Estate and Gift Taxes

The transfer of the Offer Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, shall be subject to an estate tax which is levied on the net estate of the deceased at a uniform rate of 6.0%. An Investor shall be subject to donor's tax at a uniform rate of 6.0% based on the value of the total gift on the transfer of the Commercial Papers by gift in excess of ₱250,000.00 made during a calendar year, regardless of the relation of the donor to the donee.

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 the donor's tax, in respect of the Offer Shares, shall not be collected:
(1) if the decedent at the time of his 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 (2) if the laws of the foreign country of which the decedent 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 that foreign country.

In case the Offer Shares 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 Offer Shares exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the Offer Shares, based on Section 100 of the Philippine Tax Code, provided that a transfer of property 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.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law to be situated in the Philippines and any gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donors' tax or estate tax.

The tax treatment of a non-resident holder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of its domicile or business activities and such holder's particular situation. This Offer Supplement does not discuss the tax considerations of non-resident holders of shares of stock under laws other than those of the Philippines.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

PARTIES TO THE OFFER

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To the Issuer

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Philippines

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Metro Manila, Philippines

DEPOSITORY AGENT

Philippine Depository & Trust Corp.
29/F BDO Equitable Tower
8751 Paseo de Roxas
Makati City, 1226

RECEIVING AGENT, REGISTRAR, AND STOCK TRANSFER AGENT
Professional Stock Transfer, Inc.
10th Fl., Eastern Telecom Plaza Bldg. 1209,
316 Sen. Gil J. Puyat Ave,
Makati City, Metro Manila

APPENDIX

A. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AS OF SEPTEMBER 30, 2023 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

- Interim Consolidated Statements of Financial Position
- Interim Consolidated Statements of Comprehensive Income
- Interim Consolidated Statements of Changes in Equity
- Interim Consolidated Statements of Cash Flows
- Notes to Interim Condensed Consolidated Financial Statements

B. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AS OF DECEMBER 31, 2022 and 2021 AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 and 2020

- Independent Auditor's Report
- Consolidated Statements of Financial Position
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Changes in Equity
- Consolidated Statements of Cash Flows
- Notes to the Consolidated Financial Statements

C. LIST OF ABCI'S PROPERTIES

D. LIST OF ABCI'S ACCREDITED SUPPLIER'S

A BROWN COMPANY, INC.

December 27, 2023

The Securities and Exchange Commission
The SEC Headquarters, 7907 Makati Avenue
Salcedo Village, Bel-Air, Makati City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **A Brown Company, Inc. and its Subsidiaries** (the "Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at September 30, 2023 and December 31, 2022 and for the nine-month periods ended September 30, 2023 and 2022, 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 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.

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

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

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has reviewed the consolidated financial statements of the Group in accordance with Philippine Standard on Review Engagements and in its report to the stockholders.

WALTER W. BROWN
Chairman

ROBERTINO E. PIZARRO
President and Chief Executive Officer

MARIE ANTONETTE U. QUINITO
Chief Finance Officer

DEC 27 2023

SUBSCRIBED AND SWORN to before me this ____ day of ______, affiants exhibiting to me their respective passports, as follows:

Names	Competent Evidence of Identity	Date of Issue	Place of Issue
Walter W. Brown	P0742117C	June 30, 2022	DFA – NCR Central
Robertino E. Pizarro	P8882731B	February 8, 2022	DFA – Cagayan de Oro
Marie Antonette U. Quinito	P6933691B	June 5, 2021	DFA – Cagayan de Oro

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Book No. IV
Series of 2023

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Appointment No. M-305
Notary Public for Makati City
Until December 31, 2023
Liberty Center-Picazo Law
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Roll of Attorney's No. 80641
PTR No. 9573211/Makati City/01-07-2023
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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and Stockholders
A Brown Company, Inc.
Xavier Estates Uptown, Airport Road
Balulang, Cagayan de Oro City

Introduction

We have reviewed the accompanying unaudited interim condensed consolidated financial statements of A Brown Company, Inc. and its subsidiaries (collectively referred to as "the Group"), which comprise the interim consolidated statement of financial position as at September 30, 2023, and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the nine-month periods ended September 30, 2023 and 2022, and material accounting policy information and other explanatory notes. Management is responsible for the preparation of these interim condensed consolidated financial statements in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the interim condensed consolidated financial statements. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with PAS 34, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic.

Emphasis of Matter - Basis of Preparation

We draw attention to Note 2 of the interim condensed consolidated financial statements which indicates that the interim condensed consolidated financial statements have been prepared in accordance with PAS 34, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the September 30, 2023 interim condensed consolidated financial statements are discussed in detail in Note 2. Our report is not modified in respect of this matter.

SYCIP GORRES VELAYO & CO.

Alvin M. Pinpin
Partner
CPA Certificate No. 94303
Tax Identification No. 198-819-157
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-070-2023, October 23, 2023, valid until October 22, 2026
PTR No. 9564678, January 3, 2023, Makati City

December 27, 2023

A BROWN COMPANY, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash (Note 3)	**₱111,490,928**	₱209,847,156
Receivables (Note 4)	**346,334,136**	267,890,499
Contract assets (Note 11)	**871,242,239**	684,156,555
Receivables from related parties (Note 4)	**50,660,359**	106,811,847
Real estate inventories (Note 5)	**3,483,158,085**	2,961,366,258
Other inventories (Note 6)	**206,477,244**	200,284,318
Other current assets (Note 7)	**725,940,251**	465,546,940
Total Current Assets	**5,795,303,242**	4,895,903,573
Noncurrent Assets		
Contract assets - net of current portion (Note 11)	**923,835,985**	784,993,918
Equity instruments at fair value through other comprehensive income (EIFVOCI)	**355,094,062**	301,030,435
Investments in associates (Note 8)	**1,836,241,720**	1,738,605,677
Investment properties (Note 9)	**456,671,680**	455,420,654
Property, plant and equipment (Note 9)	**1,421,040,313**	1,139,609,766
Deferred tax assets (Note 15)	**18,460,838**	15,578,575
Other noncurrent assets (Note 7)	**763,808,007**	674,704,194
Total Noncurrent Assets	**5,775,152,605**	5,109,943,219
TOTAL ASSETS	**₱11,570,455,847**	₱10,005,846,792
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 10)	**₱1,262,254,840**	₱1,084,061,250
Short-term debt (Note 12)	**675,166,000**	472,019,208
Current portion of long-term debt (Note 12)	**450,818,388**	317,602,384
Contract liabilities (Notes 11)	**303,776,024**	219,826,473
Total Current Liabilities	**2,692,015,252**	2,093,509,315
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 12)	**1,353,756,218**	959,274,404
Retirement benefit obligation	**75,067,011**	68,155,571
Deferred tax liabilities - net (Note 15)	**424,303,208**	325,045,243
Total Noncurrent Liabilities	**1,853,126,437**	1,352,475,218
Total Liabilities	**4,545,141,689**	3,445,984,533

(Forward)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 13)		
Common stock	**₱2,477,668,925**	₱2,477,668,925
Preferred stock	**13,264,900**	13,264,900
Additional paid-in capital (Note 13)	**1,931,178,758**	1,931,178,758
Retained earnings (Note 13)	**2,795,821,490**	2,380,947,983
Fair value reserve of EIFVOCI	**(78,976,731)**	(133,040,358)
Remeasurement loss on retirement benefit obligation - net of tax	**(22,273,216)**	(21,458,396)
Remeasurement loss on defined benefit plan of an associate	**(139,540)**	(139,540)
Cumulative translation adjustment	**3,895,009**	6,553,467
Treasury shares (Note 13)	**(94,932,275)**	(94,932,275)
	7,025,507,320	6,560,043,464
Noncontrolling interest	**(193,162)**	(181,205)
Total Equity	**7,025,314,158**	6,559,862,259
TOTAL LIABILITIES AND EQUITY	**₱11,570,455,847**	₱10,005,846,792

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2023	2022 (Note 19)	**2023**	2022 (Note 19)
REVENUE (Note 14)				
Real estate sales	**₱972,897,515**	₱766,659,696	**₱289,038,856**	₱299,128,252
Sale of agricultural goods	**111,094,508**	106,351,030	**36,721,998**	23,450,786
Water service	**20,420,873**	18,767,705	**7,092,377**	6,474,331
	1,104,412,896	891,778,431	**332,853,231**	329,053,369
COSTS OF SALES AND SERVICES				
Cost of real estate sales (Note 5)	**294,074,250**	276,187,650	**88,408,176**	127,759,686
Cost of agricultural goods sold	**84,573,086**	87,967,842	**21,792,103**	26,335,646
Cost of water service revenue	**11,585,272**	10,149,297	**3,633,727**	4,572,780
	390,232,608	374,304,789	**113,834,006**	158,668,112
GROSS PROFIT	**714,180,288**	517,473,642	**219,019,225**	170,385,257
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES	**348,080,739**	300,966,584	**127,063,357**	77,567,356
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates (Note 8)	**261,350,282**	263,383,758	**79,799,179**	130,190,273
Interest expense (Note 12)	**(65,327,327)**	(9,433,826)	**(37,321,503)**	(6,396,969)
Other income - net	**23,084,033**	20,306,963	**13,305,022**	10,533,875
	219,106,988	274,256,895	**55,782,698**	134,327,179
INCOME BEFORE INCOME TAX	**585,206,537**	490,763,953	**147,738,566**	227,145,080
PROVISION FOR INCOME TAX (Note 15)				
Current	**3,134,004**	2,432,635	**1,405,468**	661,375
Deferred	**97,570,258**	86,423,828	**21,138,415**	30,085,586
	100,704,262	88,856,463	**22,543,883**	30,746,961
NET INCOME	**₱484,502,275**	₱401,907,490	**₱125,194,683**	₱196,398,119

(Forward)

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2023	2022 (Note 19)	**2023**	2022 (Note 19)
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified to profit or loss in subsequent periods:				
Cumulative translation adjustment	**(₱2,658,458)**	(₱448,889)	**(₱245,484)**	(₱640,863)
Items that will not be reclassified to profit or loss in subsequent periods:				
Net change in fair value of EIFVOCI	**54,063,627**	(1,294,162)	**1,278,262**	(12,782,609)
Remeasurement loss on defined benefit plan - net of tax effect	**(814,820)**	(2,969,333)	**(734,616)**	(1,270,869)
	50,590,349	(4,712,384)	**298,162**	(14,694,341)
TOTAL COMPREHENSIVE INCOME	**₱535,092,624**	₱397,195,106	**₱125,492,845**	₱181,703,778
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company	**₱484,514,232**	₱405,357,416	**₱125,198,811**	₱196,401,002
Noncontrolling interest	**(11,957)**	(3,449,926)	**(4,128)**	(2,883)
	₱484,502,275	₱401,907,490	**₱125,194,683**	₱196,398,119
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company	**₱535,104,581**	₱400,645,032	**₱125,496,973**	₱181,706,661
Noncontrolling interest	**(11,957)**	(3,449,926)	**(4,128)**	(2,883)
	₱535,092,624	₱397,195,106	**₱125,492,845**	₱181,703,778
Basic/Diluted Earnings per Share (Note 13)	**0.18**	0.14	**0.04**	0.07

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	Total Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock	Preferred Stock	Additional Paid-in Capital	Retained Earnings	Fair Value Reserve of EIFVOCI	Remeasurement Loss on Retirement Obligation - net of tax	Remeasurement Loss on Defined Benefit Plan of an Associate	Cumulative Translation Adjustment	Treasury Shares	Total	Noncontrolling interest	Total
At January 1, 2023	**₱2,477,668,925**	**₱13,264,900**	**₱1,931,178,758**	**₱2,380,947,983**	**(₱133,040,358)**	**(₱21,458,396)**	**(₱139,540)**	**₱6,553,467**	**(₱94,932,275)**	**₱6,560,043,464**	**(₱181,205)**	**₱6,559,862,259**
Net income	–	–	–	**484,514,232**	–	–	–	–	–	**484,514,232**	**(11,957)**	**484,502,275**
Other comprehensive income (loss)	–	–	–	–	**54,063,627**	**(814,820)**	–	**(2,658,458)**	–	**50,590,349**	–	**50,590,349**
Total comprehensive income (loss)	–	–	–	**484,514,232**	**54,063,627**	**(814,820)**	–	**(2,658,458)**	–	**535,104,581**	**(11,957)**	**535,092,624**
Dividend declaration	–	–	–	**(69,640,725)**	–	–	–	–	–	**(69,640,725)**	–	**(69,640,725)**
At September 30, 2023	**₱2,477,668,925**	**₱13,264,900**	**₱1,931,178,758**	**₱2,795,821,490**	**(₱78,976,731)**	**(₱22,273,216)**	**(₱139,540)**	**₱3,895,009**	**(₱94,932,275)**	**₱7,025,507,320**	**(₱193,162)**	**₱7,025,314,158**
At January 1, 2022	₱2,477,668,925	₱13,264,900	₱1,931,178,758	₱1,834,803,085	(₱194,659,340)	(₱27,250,541)	(₱347,343)	₱6,498,274	(₱70,618,247)	₱5,970,538,471	₱3,286,953	₱5,973,825,424
Net income (Note 19)	–	–	–	405,357,416	–	–	–	–	–	405,357,416	(3,449,926)	401,907,490
Other comprehensive income (loss) (Note 19)	–	–	–	–	(1,294,162)	(2,969,333)	–	(448,889)	–	(4,712,384)	–	(4,712,384)
Total comprehensive income (loss) (Note 19)	–	–	–	405,357,416	(1,294,162)	(2,969,333)	–	(448,889)	–	400,645,032	(3,449,926)	397,195,106
Dividend declaration	–	–	–	(69,647,026)	–	–	–	–	–	(69,647,026)	–	(69,647,026)
Acquisitions of treasury shares (Note 13)	–	–	–	–	–	–	–	–	(24,314,028)	(24,314,028)	–	(24,314,028)
At September 30, 2022	₱2,477,668,925	₱13,264,900	₱1,931,178,758	₱2,170,513,475	(₱195,953,502)	(₱30,219,874)	(₱347,343)	₱6,049,385	(₱94,932,275)	₱6,277,222,449	(₱162,973)	₱6,277,059,476

See accompanying Notes to Interim Condensed Consolidated Financial Statements

A BROWN COMPANY, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱585,206,537**	₱490,763,953
Adjustments for:		
Equity in net earnings of associates (Note 8)	**(261,350,282)**	(263,383,758)
Interest expense (Note 12)	**65,327,327**	9,433,826
Depreciation	**48,913,408**	23,766,330
Impairment loss (Notes 7 and 9)	**21,569,977**	77,072,213
Net changes in retirement benefit obligation	**8,556,447**	7,972,689
Interest income	**(362,769)**	(1,806,514)
Dividend income	**(5,354)**	(3,812)
Gain on sale of property, plant and equipment	–	(89,285)
Operating income before working capital changes	**467,855,291**	343,725,642
Decrease (increase) in:		
Receivables	**(85,438,283)**	139,029,654
Contract assets	**(325,927,751)**	(524,034,730)
Real estate inventories	**(516,583,930)**	(491,832,515)
Other inventories	**(3,787,979)**	95,066,743
Other current assets	**(263,839,351)**	(786,443,391)
Increase in:		
Accounts and other payables	**223,672,686**	367,441,589
Contract liabilities	**83,949,551**	54,061,349
Net cash used in operations	**(420,099,766)**	(802,985,659)
Interest received	**362,769**	1,806,514
Net cash flows used in operating activities	**(419,736,997)**	(801,179,145)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from associates (Note 8)	**170,714,239**	164,000,000
Additions to property, plant and equipment (Note 9)	**(348,695,558)**	(280,275,675)
Proceeds from sale of property, plant and equipment (Note 9)	–	89,285
Collections of receivables from related parties (Note 4)	**56,151,488**	17,079,806
Decrease (increase) in other noncurrent assets	**(89,103,813)**	74,296,687
Net cash flows used in investing activities	**(210,933,644)**	(24,809,897)
CASH FLOWS FROM FINANCING ACTIVITIES (Note 18)		
Availments of:		
Long-term debt	**802,496,889**	138,036,499
Short-term debt	**669,530,000**	189,187,000
Payments of:		
Long-term debt	**(270,551,434)**	(192,335,247)
Short-term debt	**(466,383,208)**	(255,320,900)
Interest	**(124,672,221)**	(69,341,259)
Preferred share dividends	**(69,640,725)**	(69,647,026)
Debt issue cost	**(5,806,430)**	(930,000)
Acquisition of treasury shares (Note 13)	–	(24,314,028)
Net cash flows from (used in) financing activities	**534,972,871**	(284,664,961)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(2,658,458)**	(448,889)

(Forward)

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
NET DECREASE IN CASH	**(₱98,356,228)**	(₱1,111,102,892)
CASH AT BEGINNING OF PERIOD	**209,847,156**	1,277,986,644
CASH AT END OF PERIOD (Note 3)	**₱111,490,928**	₱166,883,752

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

A Brown Company, Inc. (the Parent Company or ABCI), a publicly-listed company, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1966 as Bendana Brown Pizarro and Associates, Inc. to primarily engage in the business of property development and to invest in shares of stocks of listed companies.

The Parent Company is engaged in the business of real estate development in Cagayan de Oro City and Initao in Misamis Oriental; Cainta and Tanay in Rizal; Valencia City, Bukidnon and Butuan City, Agusan del Norte.

The Parent Company's common and preferred shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE) (see Note 13).

The principal place of business and registered office address of the Parent Company is Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City.

Group Information

The Parent Company, through its subsidiaries, also ventured into palm oil milling, power generation and holdings of investments. The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries of the Group:

			Effective Percentage of Ownership (%)	
	Nature of Business	Place of Incorporation	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
A Brown Energy and Resources Development, Inc. (ABERDI)	Manufacturing and Agriculture	Philippines	**100**	100
Nakeen Corporation (NC)	Agriculture	Philippines	**100**	100
Bonsai Agri Corporation (BAC)*	Agriculture	Philippines	**100**	100
Surigao Greens Agri Corporation (SGAC)	Manufacturing	Philippines	**100**	–
Palm Thermal Consolidated Holdings Corp. (PTCHC)	Holdings	Philippines	**100**	100
Hydro Link Projects Corp. (HLPC)*	Power	Philippines	**100**	100
AB Bulk Water Company, Inc. (ABWCI)*	Water services	Philippines	**100**	100
Blaze Capital Limited (BCL)*	Infrastructure	British Virgin Islands	**100**	100
Simple Homes Development, Inc. (SHDI)*	Real estate	Philippines	**100**	100
Masinloc Consolidated Power, Inc. (MCPI)**	Power	Philippines	**49**	49
Vires Energy Corporation (VEC)*	Power	Philippines	**100**	100
Irradiation Solutions, Inc. (ISI)*	Irradiation Services	Philippines	**100**	100

** pre-operating subsidiaries*
*** non-operating subsidiary*

On February 11, 2023, the SEC has approved the incorporation of SGAC with an authorized share capital of ₱50.0 million divided into 50.0 million shares with a par value of ₱1.0 per share. The Parent Company has subscribed to 12,500,000 common shares representing one hundred percent (100%) of capital stock at incorporation.

Approval of Interim Condensed Consolidated Financial Statements
The accompanying interim condensed consolidated financial statements of the Group as of September 30, 2023 and for the nine months period ended September 30, 2023 and 2022 were approved and authorized for issue by the Board of Directors (BOD) on December 27, 2023.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation
The accompanying interim condensed consolidated financial statements have been prepared using the historical cost basis, except for EIFVOCI that are carried at fair value. The interim condensed consolidated financial statements are presented in Philippine Peso (₱), which is the functional currency of the Parent Company. All subsidiaries and associates also use ₱ as functional currency, except for BCL whose functional currency is US Dollar ($). All amounts are rounded off to the nearest Philippine Peso, except when otherwise indicated.

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

The interim condensed consolidated financial statements of the Group have been prepared for inclusion in a prospectus in relation to a planned capital raising activity.

Statement of Compliance
The accompanying interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, as modified by the application of the following reporting reliefs issued and approved by SEC under Memorandum Circular No. 34-2020 in response to the COVID-19 pandemic:

a. Assessing if the transaction price includes a significant financing component discussed in Philippine Interpretations Committee (PIC) Questions and Answers (Q&A) No. 2018-12-D;
b. Treatment of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E.; and,
c. Application of International Financial Reporting Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost).*

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2022, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include the availment of reliefs granted by the above SEC Memorandum Circular (MC).

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the interim condensed consolidated financial statements of the Group.

The nature and impact of each new standards and amendment are described below:

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

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

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

  The amendments to the Practice Statement provide non-mandatory guidance.

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

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

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

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

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

Standards Issued but Not Yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its interim condensed consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.

- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts.* This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

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

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued MC No. 14-2018 and MC No. 3-2019, respectively, providing reliefs to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the SEC issued MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023 as follows:

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

  To assist real estate companies to finally adopt the said PIC and IFRIC pronouncements and enable them to fully comply with PFRS 15 and revert to full PFRS, the Commission en banc, in its meeting held on July 8, 2021, approved the amendment to the transitional provisions in the above MCs which would provide real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncements.

  The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

  a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell (CTS) might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable (ICR), provision for deferred income tax, deferred income tax asset or liability for all years presented, and the opening balance of retained earnings. The Parent Company has yet to assess if the mismatch constitutes a significant financing component for its CTSs.

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

  The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

- IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*)

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of PFRS 15, *Revenue from Contracts with Customers*. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under Philippine Accounting Standards (PAS) 23, *Borrowing Costs*, considering that these inventories are ready for their intended sale in their current condition.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

  The Group opted to avail of the relief as provided by the SEC. Had the Parent Company adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  These amendments do not have any impact on the parent company financial statements.

Significant Accounting Judgment, Estimates and Assumptions

Judgments, 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 are consistent with those applied in the most recent annual financial statements.

3. **Cash**

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	**₱4,391,316**	₱13,867,018
Cash in banks	**107,099,612**	195,980,138
	₱111,490,928	₱209,847,156

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates.

4. **Receivables**

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ICR	**₱256,341,062**	₱161,658,616
Dividend receivable	**13,000,000**	20,000,000
Trade receivables	**24,577,675**	16,707,537
Advances to officers and employees	**11,666,589**	8,224,199
Other receivables	**50,738,085**	69,105,684
	356,323,411	275,696,036
Less allowance for credit losses	**9,989,275**	7,805,537
	₱346,334,136	₱267,890,499

ICR consists of accounts collectible in equal monthly installments with various terms up to a maximum of two years, and bear interest ranging from 14% to 18% in 2023 and 2022, depending on the project and units. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers.

Dividend receivable pertains to the cash dividends declared by the associates, PEI, which are due and demandable.

Trade receivables include receivables from water service and sale of palm oil and other palm products which are noninterest-bearing and are normally collected within seven (7) to sixty (60) days.

In 2023, the Group assigned accounts receivable with recourse as collateral with its short-term loan discounting agreement with a bank. The outstanding balance of the assigned accounts receivable amounted to ₱220.2 million as of September 30, 2023 (see Note 12).

Advances to officers and employees pertain to salary and other loans granted to the Group's employees that are collectible through salary deduction. These are noninterest-bearing and are due within one year.

Other receivables pertain to advances made to homeowners' association of one of the projects and nontrade receivables. These receivables are noninterest-bearing and are due within one (1) year.

Movement in the allowance for impairment is as follows:

	September 30, 2023 (Unaudited; Nine Months)	December 31, 2022 (Audited; One Year)
Balances at beginning of year	**₱7,805,537**	₱6,094,110
Provision for expected credit losses	**2,183,738**	1,711,427
Balances at end of year	**₱9,989,275**	₱7,805,537

Receivables from related parties
Receivable from related parties pertains to cash advances of the Group's associates, PEI and EWRTC, that are settled in cash. These are noninterest-bearing and are due and demandable.

As of September 30, 2023, the outstanding receivable from PEI, which was classified under "Receivable from related parties" in the consolidated statement of financial position amounting to ₱56.9 million on December 31, 2022, has been collected and settled. Receivable from EWRTC amounted to ₱50.7 million and to ₱49.9 million as of September 30, 2023 and December 31, 2022, respectively.

5. **Real Estate Inventories**

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Land for sale and development	**₱893,213,273**	₱807,287,382
Construction and development costs	**2,589,944,812**	2,154,078,876
	₱3,483,158,085	₱2,961,366,258

The rollforward of this account are as follows:

	September 30, 2023 (Unaudited; Nine Months)	December 31, 2022 (Audited; One Year)
Balance at beginning of the period	**₱2,961,366,258**	₱2,090,015,454
Construction and development costs incurred	**580,239,316**	803,472,006
Transfer from deposit for land acquisition (Note 7)	**176,355,465**	394,235,788
Borrowing costs capitalized (see Note 12)	**54,063,399**	75,270,157
Purchase of land	–	67,640,630
Depreciation expense capitalized	**5,207,897**	8,454,484
Cost of real estate sales	**(294,074,250)**	(477,722,261)
	₱3,483,158,085	₱2,961,366,258

The real estate inventories are carried at cost. No real estate inventories are recorded at amounts lower than cost as of September 30, 2023 and December 31, 2022.

Land for sale and development represents real estate subdivision projects in which the Group has been granted License to Sell (LTS) by the Department of Human Settlements and Urban

Development. It also includes raw land inventories that are under development and those that are about to undergo development.

Construction and development costs incurred pertain to amounts paid to contractors and development costs in relation to the development of land and construction of housing units, and other costs directly attributable to bringing the real estate inventories to its intended condition.

Borrowing costs capitalized to inventories for the nine months ended September 30, 2023 and 2022 amounted to ₱54.1 million and ₱61.2 million, respectively (see Note 12). The capitalization rate used to determine the borrowing costs eligible for capitalization in 2023 and 2022 is 8.03% and 6.89%, respectively.

Collateralized properties
Pursuant to the loan agreement, certain real estate inventories were collateralized in favor of the bank to secure the Group's short-term and long-term debts (see Note 12). As at September 30, 2023 and December 31, 2022, the carrying values of the collateralized real estate inventories amounted to ₱1.5 billion and ₱0.3 billion, respectively.

6. **Other Inventories -** At Cost

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Construction materials	**₱123,029,741**	₱109,257,514
Finished agricultural goods	**83,412,597**	89,849,239
Agricultural materials and other supplies	**34,906**	1,177,565
	₱206,477,244	₱200,284,318

Construction materials pertain to supplies used in the construction and development of the real estate projects.

Agricultural materials and other supplies pertain to fertilizers, fuel and oil and other consumables.

For the nine months ended September 30, 2022, the Group recognized inventory loss of ₱50.2 million in the interim consolidated statement of comprehensive income to account for the identified obsolete and damaged finished agricultural goods inventories.

7. **Other Assets**

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current:		
Deposits for land acquisition	**₱450,246,278**	₱256,818,694
Creditable withholding taxes	**153,115,944**	122,676,007
Prepaid expenses	**96,960,714**	69,650,459
Input VAT	**9,022,894**	9,005,833
Costs to obtain contracts	**5,682,530**	2,383,406
Refundable deposits	**827,263**	827,263
Miscellaneous	**10,084,628**	4,185,278
	₱725,940,251	₱465,546,940

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Noncurrent		
Deposits for land acquisition - net of current portion	**₱347,339,831**	₱347,339,831
Advances to third party and others	**290,999,348**	215,311,840
Input VAT	**76,287,196**	63,134,788
Refundable deposits - net of current portion	**49,138,625**	48,874,728
Goodwill	**43,007**	43,007
	₱763,808,007	₱674,704,194

Deposits for purchased land pertain to installment payments made by the Group to the sellers of lands based on the sales contract. The lands are intended to be held for sale, for development in the future and for land banking. The Group made additional deposits for its land acquisition amounting to ₱373.2 million and ₱501.1 million as of September 30, 2023 and December 31, 2022, respectively. The Group made transfers of land from deposits to real estate inventories amounting to ₱176.4 million and ₱394.2 million as of September 30, 2023 and December 31, 2022, respectively (see Note 5). The Group also made transfers of land from deposits for land acquisition to investment properties upon transfer of control of the land to the Group amounting to ₱3.4 million and ₱8.8 million as of September 30, 2023 and December 31, 2022, respectively (see Note 9).

Creditable withholding taxes pertain to carry over of unapplied income tax credits and are recoverable and can be applied against the income tax payable in future periods.

Prepaid expenses consist mainly of prepaid supplies, employee benefits, rent, insurance and taxes and licenses which are applicable within one (1) year.

Costs to obtain contracts pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units. These capitalized costs are amortized as marketing expense under "General, administrative and selling expenses" in the consolidated statements of comprehensive income over the expected construction period using the POC following the pattern of real estate revenue recognition.

Advances to third parties pertain to payments made by the Group to its suppliers for materials to be used for the construction of its irradiation facility and for potential joint venture partners for acceptable business projects. The advances to potential joint venture partners are to be applied to the cost of the business project.

Input VAT pertains to the 12% indirect taxes passed on to the Company by its supplier and contractors in the course of its business on its acquisition of goods and services under Philippine taxation laws and regulations. Input tax is applied against output VAT.

Refundable deposits pertain to deposits for installations of water and electric utility.

For the nine months ended September 30, 2022, refundable deposits written-off amounting to ₱6.7 million were recognized in the interim consolidated statement of comprehensive income.

Miscellaneous pertains to advances to suppliers and contractors.

8. **Investments in Associates**

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
PCPC	**₱1,311,764,394**	₱1,266,109,455
PEI	**471,120,882**	419,080,852
EWRTC*	**53,356,444**	53,415,370
	₱1,836,241,720	₱1,738,605,677

**EWRTC has not yet started its commercial operations as of September 30, 2023.*

	September 30, 2023 (Unaudited; Nine Months)	December 31, 2022 (Audited; One Year)
Acquisition cost, beginning and end of period	**₱1,105,595,917**	₱1,105,595,917
Accumulated equity in net earnings:		
Balances at beginning of period	**633,009,760**	446,403,997
Equity in net earnings	**261,350,282**	316,397,960
Dividends	**(163,714,239)**	(130,000,000)
Equity in other comprehensive income	**–**	207,803
Balances at the end of the period	**730,645,803**	633,009,760
	₱1,836,241,720	₱1,738,605,677

In 2022, PEI and PCPC declared cash dividends to the Group amounting to ₱80.0 million and ₱50.0 million, respectively. For the nine months ended September 30, 2023, PEI and PCPC declared cash dividends to the Group amounting to ₱53.7 million and ₱110.0 million, respectively.

Dividends received from associates amounted to ₱170.7 million and ₱164.0 million for the nine months ended September 30, 2023 and 2022, respectively.

The Group's share in net income (loss) of its associates are shown below:

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
PCPC	**₱155,654,940**	₱168,045,829
PEI	**105,754,269**	95,394,106
EWRTC	**(58,927)**	(56,177)
	₱261,350,282	₱263,383,758

Investment in PCPC
The Group has 20% investment in PCPC. PCPC was registered with the SEC on December 18, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants. The Group accounts its investment in PCPC as investment in associate as it exercises significant influence over PCPC.

The following table sets out the summarized financial information of PCPC as of September 30, 2023 and December 31, 2022:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets		
Current assets	**₱3,232,623,931**	₱3,779,595,880
Noncurrent assets	**7,443,877,393**	8,204,610,014
Less liabilities		
Current liabilities	**818,942,984**	2,351,887,255
Noncurrent liabilities	**3,580,247,760**	3,583,282,754
Equity	**₱6,277,310,580**	₱6,049,035,885
Group's carrying amount of the investment	**₱1,311,764,394**	₱1,266,109,455

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
Revenue	**₱6,031,288,263**	₱6,255,406,992
Costs and expenses	**5,253,013,565**	5,415,177,849
Net income	**778,274,698**	840,229,143
Other comprehensive income	**–**	–
Total comprehensive income	**₱778,274,698**	₱840,229,143

Investment in PEI
The Group has 20% investment in PEI. PEI was incorporated and registered with the SEC on February 19, 2013 primarily to purchase, acquire, own and hold shares of stock, equity, and property of energy companies. Through its subsidiaries, PEI's focus is to develop, construct, and operate diesel power plants in Mindanao to address the ongoing power shortages in the region.

The following table sets out the summarized financial information of PEI as of September 30, 2023 and December 31, 2022:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets		
Current assets	**₱380,106,074**	₱508,221,440
Noncurrent assets	**2,163,383,343**	2,160,678,487
Less liabilities		
Current liabilities	**141,955,438**	511,946,078
Noncurrent liabilities	**100,638,055**	116,252,017
Equity	**₱2,300,895,924**	₱2,040,701,832
Group's carrying amount of the investment	**₱471,120,882**	₱419,080,852

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
Revenue	**₱754,245,070**	₱794,884,425
Costs and expenses	**225,473,726**	317,913,893
Net income	**528,771,344**	476,970,532
Other comprehensive income	**–**	–
Total comprehensive income	**₱528,771,344**	₱476,970,532

Investment in EWRTC
The Group has 33.33% investment in EWRTC. The Consortium composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.) has submitted an unsolicited proposal to the Philippine National Railways (PNR) to build and then operate and maintain the East-West Rail Project. The East-West Rail Project is an integrated light rail mass transportation system and is intended to help alleviate the gap in the transportation infrastructure in the metropolis. This project is in line with the objective of the government to increase the ratio of rail transport systems to the rocketing ridership demand in Metro Manila and other major urban cities. The Project will involve the development, design, construction, supply, completion, testing, commissioning, and operation and maintenance of the East-West Rail Project.

As of September 30, 2023 this project has not yet started its commercial operations as it is still in process on obtaining the needed approvals and permits to start its construction.

9. Investment Properties and Property, Plant and Equipment

	September 30, 2023 (Unaudited)	December 31 2022 (Audited)
Investment properties	**₱456,671,680**	₱455,420,654
Property, plant and equipment	**₱1,421,040,313**	₱1,139,609,766

Investment Properties
The account includes land held for capital appreciation amounting to ₱313.4 million and ₱310.0 million as of September 30, 2023 and December 31, 2022, respectively, and land and building held for lease amounting to ₱143.3 million and ₱145.4 million as of September 30, 2023 and December 31, 2022, respectively.

Total additions to investment properties amounted to ₱3.4 million and ₱8.8 million as of September 30, 2023 and December 31, 2022, respectively (see Note 7).

The fair values of land and building as of September 30, 2023 and December 31, 2022, as determined by an independent appraiser using a combination of Market Data and Income Approach, amounted to ₱762.2 million and ₱758.8 million, respectively.

The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. This valuation approach are categorized as Level 3 in the fair value hierarchy as at September 30, 2023 and December 31, 2022. The significant unobservable input to the valuation is the price per square meter.

For land, significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

The fair value of the building was arrived using the Cost Approach. This is a comparative approach that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. This valuation approach is categorized as Level 3 in the fair value hierarchy as at September 30, 2023 and December 31, 2022. The significant unobservable input to the valuation is the price per square meter.

For buildings, significant increases or decreases in the replacement and reproduction costs, in isolation, would result in a significantly higher or lower fair value of the properties.

Rental income generated from land held under lease included under “Other income” in the consolidated statements of comprehensive income amounted to ₱2.4 million for nine months ended September 30, 2023 and 2022. Direct operating expense related to land held for lease included under “General, administrative and selling expenses” in the consolidated statements of comprehensive income amounted to ₱2.2 million for nine months ended September 30, 2023 and 2022.

Property, Plant and Equipment

September 30, 2023 (Unaudited; Nine Months)	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machineries and Equipment	Other Equipment	Right of Use Assets	Construction in Progress	Total
Cost										
At January 1	₱12,967,297	₱65,501,304	₱366,513,856	₱253,060,820	₱56,993,298	₱305,413,645	₱287,879,709	₱30,535,735	₱364,780,373	₱1,743,646,037
Additions	76,124,242	–	477,561	–	11,459,706	17,303,418	38,103,492	–	214,340,906	357,809,325
At September 30	89,091,539	65,501,304	366,991,417	253,060,820	68,453,004	322,717,063	325,983,201	30,535,735	579,121,279	2,101,455,362
Accumulated depreciation										
At January 1	–	29,596,836	11,989,939	44,935,552	49,538,300	195,368,061	165,846,967	2,671,314	–	499,946,969
Depreciation	–	4,898,237	–	7,731,358	1,947,872	18,753,493	20,665,406	826,475	–	54,822,841
At September 30	–	34,495,073	11,989,939	52,666,910	51,486,172	214,121,554	186,512,373	3,497,789	–	554,769,810
Allowance for impairment										
At January 1	–	–	85,440,060	–	–	–	–	–	18,649,242	104,089,302
Addition	–	–	21,555,937	–	–	–	–	–	–	21,555,937
At September 30	–	–	106,995,997	–	–	–	–	–	18,649,242	125,645,239
Net Book Value	₱89,091,539	₱31,006,231	₱248,005,481	₱200,393,910	₱16,966,832	₱108,595,509	₱139,470,828	₱27,037,946	₱560,472,037	₱1,421,040,313

December 31, 2022 (Audited; One Year)	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machineries and Equipment	Other Equipment	Right of Use Assets	Construction in Progress	Total
Cost										
At January 1	₱12,967,297	₱65,501,304	₱365,877,108	₱253,060,820	₱56,581,732	₱275,799,358	₱233,829,033	₱30,535,735	₱164,110,122	₱1,458,262,509
Additions	–	–	636,748	–	411,566	29,614,287	54,425,693	–	200,670,251	285,758,545
Disposals	–	–	–	–	–	–	(375,017)	–	–	(375,017)
At December 31	12,967,297	65,501,304	366,513,856	253,060,820	56,993,298	305,413,645	287,879,709	30,535,735	364,780,373	1,743,646,037
Accumulated depreciation										
At January 1	–	23,065,853	11,784,606	34,803,721	48,699,373	188,631,477	148,781,973	2,535,977	–	458,302,980
Depreciation	–	6,530,983	205,333	10,131,831	838,927	6,736,584	17,440,011	135,337	–	42,019,006
Disposals	–	–	–	–	–	–	(375,017)	–	–	(375,017)
At December 31	–	29,596,836	11,989,939	44,935,552	49,538,300	195,368,061	165,846,967	2,671,314	–	499,946,969
Allowance for impairment										
At January 1	–	–	64,729,932	–	–	–	–	–	14,095,856	78,825,788
Addition	–	–	20,710,128	–	–	–	–	–	4,553,386	25,263,514
At December 31	–	–	85,440,060	–	–	–	–	–	18,649,242	104,089,302
Net Book Value	₱12,967,297	₱35,904,468	₱269,083,857	₱208,125,268	₱7,454,998	₱110,045,584	₱122,032,742	₱27,864,421	₱346,131,131	₱1,139,609,766

As of September 30, 2023 and December 31, 2022, the Group has assessed that its bearer plants have indications of impairment due to the palm oil plantation's bearer plants not reaching their optimal fruiting stages. For the nine months ended September 30, 2023 and 2022, the Group recognized impairment loss of ₱21.6 million and ₱15.5 million, respectively, to account for the estimated fruit loss due to some trees not reaching the optimal fruiting stages in accordance with the industry standard yield.

No additional impairment was recognized by the Group for the remaining bearer plants since management estimated that the recoverable amount exceeds the carrying, excluding the specific impairment as of September 30, 2023 and December 31, 2022. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions such as future fresh fruit bunches production, prices, direct costs and using an average discount rate of 8.56% and 9.67% - 11.14% in 2023 and 2022, respectively.

Borrowing costs capitalized as construction in progress in relation to the Tanay E-Beam & Cold Storage Facility Project amounted to ₱8.6 million and nil for the nine months ended September 30, 2023 and 2022, respectively (see Note 12).

The Group's investment properties and property, plant and equipment are not used as collateral to its short-term and long-term debts.

10. **Accounts and Other Payables**

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade payables	**₱858,659,170**	₱768,765,412
Statutory payables	**226,699,254**	168,258,043
Retention payable	**68,913,686**	43,881,497
Accruals:		
Services	**46,432,793**	47,731,657
Payroll	**26,691,451**	26,584,351
Professional fees	**17,273,551**	9,356,568
Interest	**8,310,863**	6,514,943
Others	**9,274,072**	12,968,779
	₱1,262,254,840	₱1,084,061,250

Trade payables are noninterest-bearing and are generally on a 30 to 60-day credit terms.

Statutory payables pertain to the output tax on the sale of real estate units, dues for remittance to the Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, and Bureau of Internal Revenue. These are noninterest-bearing and are normally settled within one year.

Retention payables are noninterest-bearing and pertains to the amount withheld by the Group on contractor's billings to be settled upon completion of the relevant contracts within the year. The retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

Others pertain to rentals, administrative expenses and other recurring expenses incurred by the Group.

11. Contract Assets and Liabilities

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as ICR. This is reclassified as ICR when the monthly amortization of the customer is already due for collection. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in POC, less reclassification to ICR.

The Group requires buyers of real estate units to pay a minimum percentage of the total contract price as reservation fee before the parties enter into a sale transaction. Payments from buyers which have not yet reached the buyer's equity to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on POC are presented as "Contract liabilities" in the interim consolidated statements of financial position.

When the Group's current collection threshold is reached by the buyer, revenue is recognized, and these deposits and down payments are recorded as either ICR or contract asset depending on the right to demand collection. The excess of collections over the recognized revenue is applied against the receivables or contract assets in the succeeding years. The movement in contract liabilities is mainly due to the reservation sales and advance payments of buyers less real estate sales recognized upon reaching the collection threshold and from increase in POC.

The Group's contract assets and liabilities as at September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current portion of contract assets	**₱871,242,239**	₱684,156,555
Noncurrent portion of contract assets	**923,835,985**	784,993,918
Contract assets	**₱1,795,078,224**	₱1,469,150,473
Contract liabilities	**₱303,776,024**	₱219,826,473

Revenue recognized from amounts included in contract liabilities amounted to ₱63.0 million and ₱73.4 million for the nine months ended September 30, 2023 and 2022, respectively.

Other income recognized from forfeited reservation sales and advances payments amounted to ₱10.8 million and ₱12.3 million for the nine months ended September 30, 2023 and 2022, respectively.

12. Loans Payable

Loans payable represents various secured and unsecured loans obtained from local financial institutions and shareholder to finance the Group's real estate development projects, working capital requirements and for general corporate purposes.

The Parent Company entered into loan agreements with the following banks: Union Bank of the Philippines (UBP), Development Bank of the Philippines (DBP), Land bank of the Philippines (LBP), China Bank Corporation (CBC), BPI Family Savings Bank (BPIF) and Philippine Bank of Communication (PBCOM). The Parent Company also entered into loan agreements from a financial services company, Caterpillar Financial Services Phils. Inc. (CFSPI), and from a shareholder.

Short-term debt

Short-term debt represents peso loans obtained from local banks and shareholder for working capital and financing requirements. These loans, except loan from shareholder, bear annual interest rates ranging from 5.50% to 9.50% and 5.50% to 8.25% in 2023 and 2022, respectively, subject to semi-annual and quarterly repricing and are due at various dates within the following year from the reporting date. Loan from shareholder is on demand and noninterest bearing.

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
LBP	**7.00% - 8.00%**	**₱189,000,000**	7.00% - 8.25%	₱29,660,208
DBP	**5.50% - 7.90%**	**183,966,000**	5.50% - 6.00%	189,159,000
CBC	**5.75% - 8.00%**	**150,000,000**	5.75% - 6.25%	150,000,000
UBP	**6.50% - 8.75%**	**95,000,000**	6.25% - 8.25%	90,000,000
PBCOM	**8.25% - 9.50%**	**57,200,000**	8.25%	13,200,000
		₱675,166,000		₱472,019,208

Interest expense on short-term debt (excluding capitalized borrowing costs) recognized in the interim consolidated statements of comprehensive income amounted to ₱24.0 million and ₱3.4 million for the nine months ended September 30, 2023 and 2022, respectively.

Borrowing costs from short-term loans for the nine months ended September 30, 2023 and 2022 amounted to ₱9.8 million and ₱14.1 million, respectively, are capitalized as part of real estate inventories.

In 2023, the Group assigned accounts receivable with recourse as collateral with its short-term loan discounting agreement with a bank. The outstanding balance of the assigned accounts receivable amounted to ₱220.2 million as of September 30, 2023 (see Note 4).

Long-term debt

The long-term debt represents various loans obtained from local financial institutions and shareholder to finance the Parent Company's real estate projects and for general corporate purposes.

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
UBP	**6.50% - 9.82%**	**₱627,366,101**	6.50% - 9.82%	₱749,181,355
LBP	**7.00% - 8.00%**	**463,408,200**	7.00%	22,783,200
CBC	**6.00% - 10.59%**	**334,391,915**	6.00% - 10.51%	76,069,100
DBP	**6.00%**	**230,044,000**	6.00%	246,294,000
CFSPI	**11.00%**	**164,590**	11.00%	1,580,235
Shareholder loan	**6.00%**	**156,570,203**	6.00%	184,091,664
		1,811,945,009		1,279,999,554
Less unamortized debt issue cost		**7,370,403**		3,122,766
		1,804,574,606		1,276,876,788
Less current portion		**450,818,388**		317,602,384
Noncurrent portion		**₱1,353,756,218**		₱959,274,404

Loans from UBP are comprised of loans subject to fixed interest rates which are payable in monthly installments and secured by real estate mortgage. Fixed-rate loans have annual interest rates ranging from 6.50% to 9.82% payable for 5 years.

On October 28, 2022, the Parent Company entered into a loan agreement with UBP for a term loan that grants a maximum aggregate principal of ₱330.0 million available for drawing within 1 year from the date of approval. Interest rate is fixed at BVAL plus 2% spread and floor rate of 8%, whichever is higher, payable monthly. The Group has availed ₱300.0 million during 2022. On June 23, 2023, the remaining ₱30.0 million of the term loan was availed carrying a nominal interest rate of 8.00% and effective interest of 8.34%, payable in monthly installments for 5 years.

Loans from LBP are payable in quarterly installments for 5 years secured by real estate mortgage which are subject to fixed interest rate of 7.00% to 8.00%.

On November 29, 2022, the Parent Company entered into a loan agreement with LBP for a term loan that grants a maximum aggregate principal of ₱500.0 million available for drawing within 1 year from the date of signing of loan documents. On March 27, 2023, the maximum aggregate principal of ₱500.0 million was availed with this agreement carrying a nominal interest rate of 8.00% and effective interest of 8.33%, payable in quarterly installments for 5 years.

Loans from CBC are payable in monthly installments for 2 to 5 years pertaining to secured loans subject to fixed annual interest rates ranging from 6.00% to 10.59%.

On September 30, 2022, ISI was granted a 10-year ₱400.0 million credit facility by CBC of various drawdown depending on the percentage of completion of its E-Beam and Cold Storage Facility project, with interest rate of 8.00% payable quarterly. The Group has availed ₱50.0 million during 2022. On March 20, May 25, June 30, and September 13, 2023, ₱80.0 million, ₱4.2 million, ₱80.0 million, and ₱80.0 million, respectively, was granted with this agreement carrying a nominal interest rate of 8.00% and effective interest of 8.26% to 8.27%. Principal is payable in quarterly amortizations starting after the grace period of 13 quarters of the first drawdown on December 19, 2022 and will mature on December 19, 2032.

For the nine months ended September 30, 2023, the Group has availed ₱26.7 million as various car loans from CBC carrying a nominal interest rate of 9.51% to 10.59%, payable in monthly installments for 2 to 5 years.

Loan from DBP is payable in quarterly installments for 6 years secured by real estate mortgage which is subject to a fixed annual interest rate of 6.0%.

Loan from CFSPI is payable in monthly installments for 3 years, unsecured, and subject to a fixed annual interest rate of 11%.

On January 13, 2019, the Parent Company signed into an agreement with the shareholder to restructure the remaining balance of its original short-term loan amounting to ₱369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. This loan is now payable in monthly installments for 12 years, unsecured and subject to a fixed annual interest rate of 6.0%. For the nine months ended September 30, 2023, availments from shareholders amounted to ₱1.6 million payable in monthly installments.

Interest expense on long-term debt (excluding capitalized borrowing costs) recognized in the interim consolidated statements of comprehensive income amounted to ₱39.8 million and ₱5.8 million for the nine months ended September 30, 2023 and 2022, respectively.

Borrowing costs from long-term loans for the nine months ended September 30, 2023 and 2022 amounted to ₱44.3 million and ₱47.1 million, respectively, are capitalized as part of real estate inventories, while ₱8.6 million and nil, respectively, are capitalized as construction in progress under property, plant and equipment (see Note 9).

The capitalization rate used to determine the borrowing costs eligible for capitalization attributed to the general borrowings is 8.03% and 6.89% for the nine months period ended September 30, 2023 and 2022, respectively (see Note 5).

The movement of the unamortized debt issue cost follows:

	September 30, 2023 (Unaudited; Nine Months)	December 31, 2022 (Audited; One Year)
At January 1	**₱3,122,766**	₱–
Additions	**5,806,430**	3,555,000
Amortization	**(1,558,793)**	(432,234)
At December 31	**₱7,370,403**	₱3,122,766

The repayment schedule of long-term debt follows:

Year	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
2023	**₱115,917,041**	₱318,604,203
2024	**458,199,742**	345,586,596
2025 – 2032	**1,237,828,226**	615,808,755
	₱1,811,945,009	₱1,279,999,554

Real estate inventories amounting to ₱1.5 billion and ₱0.3 billion have been collateralized against short-term and long-term debts as of September 30, 2023 and December 31, 2022 (see Note 5).

The Group is not subject to any financial covenants from its short-term and long-term debts.

13. Equity

Common stock

As of September 30, 2023 and December 31, 2022, the Group's common stock consists of:

	Authorized Capital Stock	Number of Outstanding Shares
Subscribed and issued common shares, ₱1 par value	3,250,000,000	2,477,668,925
Less treasury shares		105,301,014
		2,372,367,911

Preferred Stock

The details of the Parent Company's preferred stock as at September 30, 2023 and December 31, 2022 follow:

Authorized shares	50,000,000
Par value per share	₱1.00
Issued shares	13,264,900
Outstanding shares	13,264,900
Value of shares issued	₱13,264,900

Record of Registration of Securities with the SEC

Common Stock

The Securities and Exchange Commission (SEC) issued the following orders related to the Group's registration of its securities which are offered to the public: SEC-BED Order No. 1179 issued on December 17, 1993 of 200.0 million shares at an issue price of ₱4.50 per share; SEC-BED Order No. 847 issued on August 15, 1994 of 230.0 million shares; and, SEC-CFD Order No. 64 issued on March 12, 1996 of 530.0 million shares.

There were 2,087 and 2,088 common stockholders as of September 30, 2023 and December 29, 2022, respectively in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱0.69 and ₱0.73 on September 29, 2023 and December 29, 2022, respectively.

Preferred Stock

The SEC issued the following orders related to the Group's registration and issuance of its "Series A" preferred shares securities which are offered to the public: (1) SEC MSRD Order No. 76 s. 2021 ("Order of Registration") for the shelf registration of up to 50.0 million cumulative, non-voting, non-participating, non-convertible, and redeemable perpetual preferred shares; and (2) Permit to Offer Securities for Sale ("Permit to Sell") covering the Initial Offer Shares dated November 12, 2021. The "Series A" preference shares are entitled to fixed rate cash dividends at 7% per annum, payable quarterly in arrears on March 1, May 29, August 29, and November 29 each year.

On November 29, 2021, there were 13,264,900 "Series A" preferred shares that were issued and listed in the PSE with "BRNP" as its ticker symbol.

As of September 30, 2023 and December 31, 2022, there were three (3) registered "Series A" preferred stockholders in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱99.00 and ₱100.00 on September 29, 2023 and December 28, 2022, respectively.

Additional Paid-In Capital (APIC)

APIC pertains to the excess proceeds over the par value of the issued shares. APIC for common shares amounted to ₱638.0 million as of September 30, 2023 and December 31, 2022.

In 2021, the Group has recognized APIC for preferred shares for the excess proceeds of subscriptions over the par value amounting to ₱1,313.2 million in relation to the issuance of preferred shares by the Parent Company. Incremental costs directly attributable to the issue of new shares such as underwriter fees, legal fees, and other professional fees are presented in equity as a deduction from APIC amounting to ₱20.0 million, net of income tax benefit.

As of September 30, 2023 and December 31, 2022, APIC on preferred shares amounted to ₱1,293.2 million.

Treasury shares

In 2016, the Group has acquired all of the unissued fractional common shares arising from the stock dividend declaration in 2013, constituting an aggregate of 1,014 shares. These 1,014 shares were reflected as subscribed and issued shares and recognized as treasury shares at cost equal to par value of ₱1.00.

On August 17, 2020, the BOD of the Parent Company has approved the implementation of a share buyback program of up to ₱50.0 million worth of the Parent Company's common shares. On May 25, 2021, the initial approved budget of the program has been extended from ₱50.0 million to ₱100.0 million as recommended and approved by the BOD.

As of September 30, 2023 and December 31, 2022, the Parent Company has bought back from the market a total of 105,301,014 common shares or ₱94.9 million. These treasury shares are recorded at cost and are not entitled for dividends.

The movement in the Parent Company's treasury shares follows:

	September 30, 2023		December 31, 2022	
	Common Shares	**Amount**	Common Shares	Amount
Beginning	**105,301,014**	**₱94,932,275**	78,756,014	₱70,618,247
Additions	**–**	**–**	26,545,000	24,314,028
Ending	**105,301,014**	**₱94,932,275**	105,301,014	₱94,932,275

Retained Earnings
Retained earnings amounting to ₱2,795.8 million and ₱2,380.9 million as of September 30, 2023 and December 31, 2022, respectively, include the accumulated equity in undistributed net earnings of consolidated subsidiaries. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

Declaration of Dividends
On February 2, 2022, the BOD declared a cash dividend for its preferred share amounting to ₱1.75 per share out of the Group's unrestricted retained earnings as of December 31, 2021 or a total of ₱23.2 million to all preferred stockholders of record as of February 16, 2022, paid in arrears on March 1, 2022.

On April 29, 2022, the BOD declared a cash dividend for its preferred share amounting to ₱1.75 per share out of the Group's unrestricted retained earnings as of December 31, 2021 to all preferred stockholders of record as of May 17, 2022 payable on May 30, 2022, all preferred stockholders of record August 3, 2022 payable on August 30, 2022 and all preferred stockholders of record as of November 3, 2022 payable on November 29, 2022. The Group has declared and paid dividends amounting to ₱69.6 million.

On February 3, 2023, the BOD declared a cash dividend for its preferred share amounting to ₱1.75 per share out of the Group's unrestricted retained earnings as of December 31, 2022 to all preferred stockholders of record as of February 17, 2023, payable on March 1, 2023, all preferred stockholders of record as of May 3, 2023, payable on May 29, 2023, all preferred stockholders of record as of August 1, 2023, payable on August 29, 2023 and all preferred stockholders of record as of November 3, 2023, payable on November 29, 2023. As of September 30, 2023, the Group has declared and paid dividends amounting to ₱69.6 million.

Earnings per share
Basic and diluted earnings per share amounts attributable to common equity holders of the Parent Company are as follows:

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
Net income attributable to the owners of the Parent Company	**₱484,514,232**	₱405,357,416
Less: Cumulative preferred dividends, net of tax	**62,676,653**	62,682,323
Net income attributable to the common shareholders of the Parent	**421,837,579**	342,675,093
Weighted average number of outstanding shares*	**2,372,367,911**	2,378,806,757
Basic/Diluted earnings per share	**₱0.18**	₱0.14

**Weighted average common shares consider the effect of treasury shares*

Earnings per share are calculated using the interim consolidated net income attributable to the common equity holders of Parent Company divided by the weighted average number of outstanding shares.

For the nine months ended September 30, 2023 and 2022, there were no issued and outstanding share options that could potentially dilute the Group's earnings per share.

14. Revenue from Contracts with Customers

The Group derives revenue from the transfer of services and goods over time and at a point in time, respectively, in different product types. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
Type of product:		
Real estate sales		
Lot-only units	**₱488,984,758**	₱428,704,118
House and lot units	**483,912,757**	337,955,578
Sale of agricultural goods		
Crude palm oil	**98,280,223**	97,144,100
Palm olein	**3,931,096**	72,991
Palm stearin	**4,148,250**	1,824,045
Palm acid oil	**2,772,774**	3,873,180
Palm kernel nut	**745,765**	–
Palm kernel	**137,600**	811,586
Refined bleached deodorized oil	–	1,751,240
Palm fatty acid distillate	**1,078,800**	873,888
Water service	**20,420,873**	18,767,705
	₱1,104,412,896	₱891,778,431

The real estate sales and water service revenue are revenue from contracts with customers that are recognized over time while revenue from sale of agricultural goods are recognized at a point in time.

15. Income Taxes

The provision for current income tax of the Group pertains to regular corporate income tax (RCIT) and minimum corporate income tax (MCIT) as follows:

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
RCIT	**₱635,766**	₱259,226
MCIT	**2,498,238**	2,173,409
	₱3,134,004	₱2,432,635

The reconciliation of provision for (benefit from) income tax computed at the statutory tax rate to provision for income tax reported in the interim consolidated statements of comprehensive income follows:

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
Income before income tax	**₱585,206,537**	₱490,763,953
Provision for income tax computed at statutory rate	**146,301,634**	122,690,988
Adjustments for:		
Equity in net earnings of associates	**(65,337,571)**	(65,845,940)
Change in unrecognized deferred tax assets	**12,966,795**	12,748,992
Nondeductible expenses	**6,795,705**	19,492,763
Interest income already subjected to final tax	**(22,301)**	(230,340)
	₱100,704,262	₱88,856,463

The components of net deferred tax liabilities as of September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred tax liabilities on:		
Excess of real estate sales based on POC over real estate sales based on tax rules	**(₱526,241,387)**	(₱380,324,442)
Unamortized debt issue cost	**(1,395,384)**	(780,692)
Costs to obtain contracts	**(1,420,633)**	(595,851)
Unrealized foreign exchange gain	**(3,810)**	(158,933)
	(₱529,061,214)	(₱381,859,918)

(Forward)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred tax assets on:		
NOLCO	**₱56,110,987**	₱13,062,224
Fair value adjustment arising from business combination	**13,301,338**	13,301,338
Retirement benefit obligation	**11,537,427**	10,202,221
MCIT	**8,452,114**	6,087,308
Allowance for impairment on receivables	**698,549**	698,549
	90,100,415	43,351,640
In equity:		
Remeasurement loss on retirement benefit plan	**7,319,072**	7,047,465
Preferred share issue costs recognized in APIC	**6,671,734**	6,671,734
Cumulative translation adjustment	**666,785**	(256,164)
	14,657,591	13,463,035
Deferred tax liabilities – net	**(₱424,303,208)**	(₱325,045,243)

The components of deferred tax assets as of September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred tax assets on:		
Allowance for impairment loss on property, plant and equipment	**₱14,125,187**	₱11,925,547
Allowance for impairment on receivables	**1,798,770**	1,252,835
Lease adjustments	**1,576,117**	1,560,476
Retirement benefit obligation	**1,110,178**	989,131
	18,610,252	15,727,989
In equity:		
Remeasurement loss on retirement benefit plan	**(149,414)**	(149,414)
Deferred tax assets – net	**₱18,460,838**	₱15,578,575

Unrecognized deferred tax assets

The Group has NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized as of September 30, 2023 and December 31, 2022 since management does not expect these to be realized before expiration, as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
NOLCO	**₱178,494,326**	₱125,377,766
Excess MCIT	**1,020,710**	887,279

Bayanihan to Recover as One Act (Bayanihan 2)
On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 of Bayanihan 2 which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Corporate Recovery and Tax Incentives Enterprises (CREATE) Act
Pursuant to the CREATE Act and Revenue Memorandum Circular (RMC) No. 69-2023, the MCIT rate shall revert back from 1% to 2% effective July 1, 2023. As illustrated in RMC No. 69-2023, it appears that MCIT due will be computed based on the assumption that the gross taxable income as of September 30, 2023 was earned evenly during the period. As such, the Group's relevant MCIT rate for the quarter ended September 30, 2023 is 1.33%.

16. Financial Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities in relation to its financial instruments which include financial assets comprising cash, receivables (excluding advances to officers and employees), receivables from related parties, EIFVOCI and refundable deposits included under "Other assets". This also includes financial liabilities comprising accounts and other payables (excluding statutory payables), short-term and long-term debts. The main types of risks are market risk (mainly interest rate and equity price risks), credit risk and liquidity risk which arise in the normal course of the Group's business activities.

The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle. The management takes charge of the Group's overall risk management strategies and for approval of risk strategies and policies under the direction of the Group's BOD.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

There were no changes in the Group's financial risk management objectives and policies in 2023 and 2022.

The main risks arising from the use of financial instruments are credit risk, liquidity risk, interest rate risk and equity price risk. The Group's BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis to manage exposure to bad debts and to ensure timely execution of necessary intervention efforts. The Group's debt financial assets are not subject to collateral and other credit enhancement except for ICRs. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

In addition, the credit risk for ICRs is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject real estate property in case of refusal by the buyer to pay on time the due ICR. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%).

With respect to credit risk arising from the other debt financial assets of the Group, which comprise cash and refundable deposits, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks which have demonstrated financial soundness for the past 5 years.

For financial assets recognized on the interim consolidated statements of financial position, the gross exposure to credit risk equals their carrying amount except for ICR and contract assets where exposure to credit risk is not significant given that title of the real estate property is only transferred to the customer if the consideration had been fully paid.

The aging analysis per class of financial assets as at September 30, 2023 and December 31, 2022:

	September 30, 2023 (Unaudited)						
		Neither Past	**Past Due But not Impaired**				
	Total	**Due nor Impaired**	**Less than 30 Days**	**30-60 Days**	**61-90 Days**	**More than 90 Days**	**Impaired**
Financial assets:							
Cash in banks	**₱107,099,612**	**₱107,099,612**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Receivables	**356,323,411**	**338,119,636**	**2,217,915**	**2,053,625**	**1,642,900**	**2,300,060**	**9,989,275**
Receivable from related parties	**50,660,359**	**50,660,359**	–	–	–	–	–
Refundable deposits	**49,965,888**	**49,965,888**	–	–	–	–	–
	₱564,049,270	**₱545,845,495**	**₱2,217,915**	**₱2,053,625**	**₱1,642,900**	**₱2,300,060**	**₱9,989,275**

	December 31, 2022 (Audited)						
			Past Due But not Impaired				
	Total	Neither Past Due nor Impaired	Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	Impaired
Financial assets:							
Cash in banks	₱195,980,138	₱195,980,138	₱–	₱–	₱–	₱–	₱–
Receivables	275,696,036	264,613,375	1,602,840	535,176	569,554	569,554	7,805,537
Receivable from related parties	106,811,847	106,811,847	–	–	–	–	–
Refundable deposits	49,701,991	49,701,991	–	–	–	–	–
	₱628,190,012	₱617,107,351	₱1,602,840	₱535,176	₱569,554	₱569,554	₱7,805,537

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed adequate by management to finance its operations and capital requirements and to mitigate the effects of fluctuations in cash flows. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, this is backed up by contracts to sell and collaterals. Further, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt. In addition, the Group also has credit lines available if immediate payment is needed. As part of its liquidity risk management, it regularly evaluates its projected and actual cash flows.

The tables below summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of its financial liabilities as of September 30, 2023 and December 31, 2022 based on contractual undiscounted payments:

	September 30, 2023 (Unaudited)			
	On Demand	**One Year and Below**	**More than One Year**	**Total**
Financial Assets				
Cash	**₱111,490,928**	**₱–**	**₱–**	**₱111,490,928**
Receivables	**13,000,000**	**333,334,136**	**–**	**346,334,136**
EIFVOCI	**–**	**–**	**355,094,062**	**355,094,062**
Receivables from related parties	**50,660,359**	**–**	**–**	**50,660,359**
Refundable deposits	**–**	**827,263**	**49,138,625**	**49,965,888**
Total financial assets	**175,151,287**	**334,161,399**	**404,232,687**	**913,545,373**
Contract assets	**–**	**871,242,239**	**923,835,985**	**1,795,078,224**
	175,151,287	**1,205,403,638**	**1,328,068,672**	**2,708,623,597**
Financial Liabilities				
Accounts and other payables*	**₱–**	**₱1,035,555,586**	**₱–**	**₱1,035,555,586**
Short-term debt				
Principal	**–**	**675,166,000**	**–**	**675,166,000**
Interest	**–**	**42,769,345**	**–**	**42,769,345**
Long-term debt				
Principal	**–**	**452,945,872**	**1,358,999,137**	**1,811,945,009**
Interest	**–**	**17,307,483**	**51,928,620**	**69,236,103**
	–	**2,223,744,286**	**1,410,927,757**	**3,634,672,043**
Net Inflow (Outflow)	**₱175,151,287**	**(₱1,018,340,648)**	**(₱82,859,085)**	**(₱926,048,446)**

** Excluding statutory payables*

	December 31, 2022 (Audited)			
	On Demand	One Year and Below	More than One Year	Total
Financial Assets				
Cash	₱209,847,156	₱–	₱–	₱209,847,156
Receivables	20,000,000	247,890,499		267,890,499
EIFVOCI	–	–	301,030,435	301,030,435
Receivables from related parties	106,811,847	–	–	106,811,847
Refundable deposits	–	827,263	48,874,728	49,701,991
Total financial assets	336,659,003	248,717,762	349,905,163	935,281,928
Contract assets	–	684,156,555	784,993,918	1,469,150,473
	336,659,003	932,874,317	1,134,899,081	2,404,432,401
Financial Liabilities				
Accounts and other payables*	₱–	₱915,803,207	₱–	₱915,803,207
Short-term debt				
Principal	–	472,019,208	–	472,019,208
Interest	–	29,900,724	–	29,900,724
Long-term debt				
Principal	–	318,604,203	961,395,351	1,279,999,554
Interest	–	12,174,163	36,735,864	48,910,027
	–	1,748,501,505	998,131,215	2,746,632,720
Net Inflow (Outflow)	₱336,659,003	(₱815,627,188)	₱136,767,866	(₱342,200,319)

** Excluding statutory payables*

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes.

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax and equity, through the impact on floating rate borrowings:

Increase (decrease) in basis points	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
200	**(₱30,391,367)**	(₱19,976,583)
100	**(15,195,683)**	(9,988,292)
(100)	**15,195,683**	9,988,292
(200)	**30,391,367**	19,976,583

Equity Price Risk. The Group's equity investments on golf and club shares, classified as FVOCI, are susceptible to market price risk arising from uncertainties about future values of the investment securities.

As of September 30, 2023 and December 31, 2022, the Group's exposure to equity price risk with respect to EIFVOCI is minimal.

Fair Value of Financial Assets and Liabilities

The following table presents a comparison by category of carrying values and estimated fair values of the Group's financial instruments as at September 30, 2023 and December 31, 2022:

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Cash	**₱111,490,928**	**₱111,490,928**	₱209,847,156	₱209,847,156
Receivables	**346,334,136**	**346,334,136**	267,890,499	267,890,499
Receivables from related parties	**50,660,359**	**50,660,359**	106,811,847	106,811,847
EIFVOCI	**355,094,062**	**355,094,062**	301,030,435	301,030,435
Refundable deposits	**49,965,888**	**49,965,888**	49,701,991	49,701,991
	₱913,545,373	**₱913,545,373**	₱935,281,928	₱935,281,928
Financial Liabilities				
Accounts and other payables*	**₱1,035,555,586**	**₱1,035,555,586**	₱915,803,207	₱915,803,207
Short-term debt	**675,166,000**	**675,166,000**	472,019,208	472,019,208
Long-term debt	**1,811,945,009**	**1,819,688,585**	1,279,999,554	1,399,827,840
	₱3,522,666,595	**₱3,530,410,171**	₱2,667,821,969	₱2,787,650,255

** Excluding statutory payables*

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash, receivables (except ICR), accounts and other payables and short term-debt.* The fair values approximate their carrying amounts as of reporting dates due to the short-term maturity of these financial instruments.

- *ICR.* The fair value of ICR due within one year approximates its carrying amount. Noncurrent portion of ICR are discounted using the applicable discount rates (Level 3 input).

- *Receivables from related parties.* Carrying amounts of receivables from related parties which are collectible on demand approximate their fair values. Receivables from related parties are unsecured and have no foreseeable terms of repayments.

- *EIFVOCI.* For unquoted equity securities, the fair value is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input).

- *Refundable deposits.* The fair values of refundable deposits are not determinable since the timing of each refund is not reasonably predictable, hence presented at cost.

- *Long-term debt.* The fair value of borrowings with fixed interest rate is based on the discounted net present value of cash flows using the PH BVAL. Discount rates used range from 7.9% to 8.3% and 5.9% to 8.4% as of September 30, 2023 and December 31, 2022, respectively. The Group classifies the fair value of its long-term debt under Level 3.a

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at September 30, 2023, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
EIFVOCI	₱355,094,062	₱–	₱355,094,062	₱–
Disclosed at fair value:				
Long-term debt	1,819,688,585	–	–	1,819,688,585

During the period ended September 30, 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

17. **Segment Information**

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the segment information is reported based on the nature of service the Group is providing.

The segments where the Group operate follow:

- Real estate development - Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales;
- Agricultural - Development of land for palm oil production and sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.
- Power and utilities - Operating of power plants and/or purchase, generation, production supply and sale of power.
- Holding - Holding of properties of every kind and description.
- Services - Provide irradiation services for all types of goods

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the interim condensed consolidated financial statements.

For the nine months ended September 30, 2023 and 2022, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

The financial information about the operations of these operating segments is summarized below (in thousands):

	For the Nine Months Ended September 30, 2023						
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Revenues	₱993,318	₱111,095	₱–	₱–	₱–	₱–	₱1,104,413
Costs and expenses	305,660	84,573	–	–	–	–	390,233
Gross profit	687,658	26,522	–	–	–	–	714,180
General, administrative and selling expenses	(242,658)	(98,573)	(3,663)	(385)	(5,034)	2,232	(348,081)
Other income (expenses)	(46,630)	6,519	555,130	–	30	(295,942)	219,107
Income (loss) before income tax	398,370	(65,532)	551,467	(385)	(5,004)	(293,710)	585,206
Provision for (benefit from) income tax	102,817	(1,721)	–	–	–	(392)	100,704
Net income (loss)	₱295,553	(₱63,811)	₱551,467	(₱385)	(₱5,004)	(₱293,318)	₱484,502
Net income attributable to:							
Owners of the Parent Company	₱295,553	(₱63,811)	₱551,479	(₱385)	(₱5,004)	(₱293,318)	₱484,514
Non-controlling interests	–	–	(12)	–	–	–	(12)
	₱295,553	(₱63,811)	₱551,467	(₱385)	(₱5,004)	(₱293,318)	₱484,502

	As of September 30, 2023						
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Other information							
Segment assets	₱11,123,445	₱1,279,894	₱1,811,377	₱1,046,529	₱462,464	(₱4,171,714)	₱11,551,995
Deferred tax assets	–	13,901	–	–	–	4,560	18,461
Total Assets	₱11,123,445	₱1,293,795	₱1,811,377	₱1,046,529	₱462,464	(₱4,167,154)	₱11,570,456
Segment liabilities	₱3,778,012	₱1,378,432	₱50,888	₱855,231	₱419,590	(₱2,361,314)	₱4,120,839
Deferred tax liabilities	436,964	–	3	–	80	(12,744)	424,303
Total Liabilities	₱4,214,976	₱1,378,432	₱50,891	₱855,231	₱419,670	(₱2,374,058)	₱4,545,142

	For the Nine Months Ended September 30, 2022 (Note 19)						
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Revenues	₱785,427	₱106,351	₱–	₱–	₱–	₱–	₱891,778
Costs and expenses	286,337	87,968	–	–	–	–	374,305
Gross profit	499,090	18,383	–	–	–	–	517,473
General, administrative and selling expenses	(163,224)	(128,297)	(14,678)	(339)	(1,780)	7,352	(300,966)
Other income (expenses)	10,714	2,260	457,443	–	65	(196,225)	274,257
Income (loss) before income tax	346,580	(107,654)	442,765	(339)	(1,715)	(188,873)	490,764
Provision for (benefit from) income tax	86,901	(1,930)	–	–	–	3,886	88,857
Net income (loss)	₱259,679	(₱105,724)	₱442,765	(₱339)	(₱1,715)	(₱192,759)	₱401,907
Net income attributable to:							
Owners of the Parent Company	₱259,679	(₱105,724)	₱446,215	(₱339)	(₱1,715)	(₱192,759)	₱405,357
Non-controlling interests	–	–	(3,450)	–	–	–	(3,450)
	₱259,679	(₱105,724)	₱442,765	(₱339)	(₱1,715)	(₱192,759)	₱401,907

	As of December 31, 2022						
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Other information							
Segment assets	₱9,780,304	₱1,181,316	₱1,704,753	₱1,065,751	₱241,398	(₱3,983,254)	₱9,990,268
Deferred tax assets	–	11,411	–	–	–	4,168	15,579
Total Assets	₱9,780,304	₱1,192,727	₱1,704,753	₱1,065,751	₱241,398	(₱3,979,086)	₱10,005,847
Segment liabilities	₱2,997,934	₱1,228,878	₱41,834	₱853,463	₱193,520	(₱2,194,689)	₱3,120,940
Deferred tax liabilities	336,783	–	2	–	80	(11,820)	325,045
Total Liabilities	₱3,334,717	₱1,228,878	₱41,836	₱853,463	₱193,600	(₱2,206,509)	₱3,445,985

18. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities

For the nine months ended September 30, 2023

	Beginning Balance	**Availments**	**Payments**	**Others**	**Ending Balance**
Short-term debt	**₱472,019,208**	**₱669,530,000**	**(₱466,383,208)**	**₱–**	**₱675,166,000**
Long-term debt	**1,279,999,554**	**802,496,889**	**(270,551,434)**	**–**	**1,811,945,009**
Debt issue cost	**(3,122,766)**	–	**(5,806,430)**	**1,558,793**	**(7,370,403)**
Interest payable	**6,514,943**	**–**	**(124,672,221)**	**126,468,141**	**8,310,863**
	₱1,755,410,939	**₱1,472,026,889**	**(₱867,413,293)**	**₱128,026,934**	**₱2,488,051,469**

For the nine months ended September 30, 2022

	Beginning Balance	Availments	Payments	Others	Ending Balance
Short-term debt	₱443,461,020	₱189,187,000	(₱255,320,900)	₱–	₱377,327,120
Long-term debt	1,052,455,009	138,036,499	(192,335,247)	–	998,156,261
Debt issue cost	–	–	(930,000)	224,583	(705,417)
Interest payable	2,883,267	–	(69,341,259)	70,606,866	4,148,874
Treasury shares	(70,618,247)	–	(24,314,028)	–	(94,932,275)
	₱1,428,181,049	₱327,223,499	(₱542,241,434)	₱70,831,449	₱1,283,994,563

Others include interest expense and capitalized borrowing costs.

The Group's noncash investing and financing activities pertain to the following:

- Dividend receivable amounting to ₱13.0 million and nil as of September 30, 2023 and 2022, respectively.
- Capitalized borrowing cost on real estate inventories amounting to ₱54.1 million and ₱61.2 million for the nine months ended September 30, 2023 and 2022, respectively (see Note 5).

- Capitalized borrowing cost on property, plant and equipment amounting to ₱8.6 million and nil for the nine months ended September 30, 2023 and 2022, respectively (see Note 9).
- Capitalized depreciation expense amounting to ₱5.2 million and ₱6.3 million for the nine months ended September 30, 2023 and 2022, respectively.
- The Group transferred from real estate inventory to investment property amounting to ₱3.4 million and nil for the nine months ended September 30, 2023 and 2022, respectively (see Notes 7 and 9).

19. **Other Matters**

a. Seasonality of Interim Operations

The operations of real estate are dependent on market conditions and the timing of project launches depending on several factors such as completion of plans, permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of the project launch.

Operations of the power plants are generally affected by the seasonality of the demands for power consumption. As such demand is not consistent within the full year, the Group usually expects high demand during the summer season.

On the other hand, for the operations of its subsidiaries which engages in trading agricultural products, these are generally affected by the climatic seasonality in which the crops needed for the products are dependent on their season of harvest.

Any unexpected change in seasonal aspects will have no material effect on the Group's financial condition or results of its operations.

b. Subsequent Events

1. Planned Preferred Shares Offering

On November 3, 2023, the BOD approved the offer and sale to the public of up to 15,000,000 Non-voting Preferred Shares, to be issued and offered under the Corporation's 50,000,000 Preferred Shares Shelf Registration under MRSD Order No. 76 series 2021.

The Board likewise authorized Management to cause the preparation and filing of (i) a Registration Statement and Offer Supplement in relation to the Offer under the Shelf Registration; (ii) a Listing Application with the Philippines Stock Exchange ("PSE") for the Offer; (iii) the approval of all the disclosure contained in the Registration Statement, the Offer Supplement, and Listing Application to be filed with the Securities and Exchange Commission and the PSE.

Consequently, the Company filed on November 7, 2023 an Amended Registration Statement together with a Preliminary Offer Supplement for the issuance of 10,000,000 Preferred Shares with an oversubscription option of 5,000,000 Preferred Shares to be offered at an issue price of Php100.00 per share (the "Offer Shares").

2. Department of Energy (DOE) Wind Energy Service Contracts

On December 6, 2023, the Department of Energy (DOE) has awarded Hydro Link Projects Corp. for the Wind Energy Service Contracts for the Bukidnon Wind Power Project and the Misor Wind Power Project. The service contracts are effective November 28, 2023. HLPC is appointed by the Department of Energy as having the exclusive right to explore, develop, and utilize the Wind Energy Resources within the applied contract areas located in Malaybalay City, Cabanglasan, and San Fernando, in the Province of Bukidnon and Balingoan, Claveria, Salay, Sugbongcogon, Kinoguitan, Talisayan, and Medina, in the Province of Misamis Oriental. With the award of the service contract, HLPC will proceed with the pre-development activities and studies to ascertain the feasibility of the applied areas.

Furthermore, last July 24, 2023, the Group has approved the amendments of its subsidiary Hydro Link Projects Corp. (HLPC) of its articles of incorporation (AOI) changing the name of the Corporation to “Northmin Renewables Corp. (NRC)”, changing the primary purpose to “to invest in renewable energy projects and all other energy related investments”; changing of principal office of the Subsidiary; and increasing the authorized capital stock ₱100.00 million. As of December 27, 2023, the SEC is yet to approve the aforementioned amendments in the AOI and proposed increase in the authorized capital stock .

c. <u>Restatement</u>

The unaudited interim consolidated statement of comprehensive income for the nine months ended September 30, 2022 filed by the Group under SEC form 17-Q with the Philippine Stock Exchange in compliance with Section 17 of the Securities Regulations Code (SRC) and SRC Rule 17(2)(b) was restated due to the impact of December 31, 2022 annual audit adjustments to the September 30, 2022 quarterly report. As such, the adjustments resulted to ₱8.1 million decrease in revenues, ₱123.7 million increase in costs and general and administrative expenses, ₱130.2 million increase in equity in net earnings of associates, ₱4.6 million decrease in other income, ₱20.5 million decrease in other comprehensive income and consequently a ₱81.1 million increase in provision for income tax, ₱87.2 million decrease in net income, ₱87.2 million decrease in retained earnings as of September 30, 2022 and ₱0.04 decrease in basic/diluted earnings per share previously reported in the interim consolidated statements of comprehensive income and changes in equity. Moreover, the unaudited interim consolidated statement of cash flows for the nine months ended September 30, 2022 was also restated resulting to ₱0.9 million increase in net cash flows used in operating activities, ₱59.9 million decrease in net cash flows from investing activities, ₱64.3 million increase in net cash flows used in financing activities, and ₱4.5 million decrease in effect of exchange rates changes on cash, resulting to ₱0.7 million additional net decrease in cash. The adjustments have no impact on the consolidated statement of financial position as of December 31, 2022 presented as comparative period.

Except for the items above, there were no material, non-recurring adjustments made during the period that would require appropriate disclosures.

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
A Brown Company, Inc.
Xavier Estates Uptown, Airport Road
Balulang, Cagayan de Oro City

We have reviewed in accordance with Philippine Standard on Review Engagement 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, the interim condensed consolidated financial statements of A Brown Company, Inc. and its subsidiaries (the Group) as at September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022 and have issued our report thereon dated December 27, 2023. Our review was made for the purpose of expressing a conclusion on the basic interim condensed consolidated financial statements taken as whole. The schedules listed in the Index to the Interim Condensed Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of the Group. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic interim condensed consolidated financial statements. These schedules have been subjected to the procedures applied in the review of the basic interim condensed consolidated financial statements and, based on our review, nothing has come to our attention that causes us to believe that the information required to be set forth therein in relation to the basic interim condensed consolidated financial statements taken as a whole has not been prepared, in all material respects, in accordance with Philippine Accounting Standard 34, *Interim Financial Reporting,* as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the interim condensed consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alvin M. Pinpin
Partner
CPA Certificate No. 94303
Tax Identification No. 198-819-157
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-070-2023, October 23, 2023, valid until October 22, 2026
PTR No. 9564678, January 3, 2023, Makati City

December 27, 2023

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
A Brown Company, Inc. and Subsidiaries
Xavier Estates Uptown, Airport Road
Balulang, Cagayan de Oro City

We have reviewed in accordance with Philippine Standard on Review Engagement 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, the interim condensed consolidated financial statements of A Brown Company, Inc. and its subsidiaries (the Group) as at September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022 and have issued our report thereon dated December 27, 2023. Our review was made for the purpose of expressing a conclusion on the interim condensed consolidated financial statements taken as 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 Accounting Standards (PAS) 34, *Interim Financial Reporting*, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the interim condensed consolidated financial statements, 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 SEC, and is not a required part of the basic interim condensed consolidated financial statements prepared in accordance with PAS 34, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the interim condensed consolidated financial statements. The interim components of these financial soundness indicators have been traced to the Group's unaudited interim condensed consolidated financial statements as at September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Alvin M. Pinpin
Partner
CPA Certificate No. 94303
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December 27, 2023

A BROWN COMPANY, INC. AND SUBSIDIARIES

INDEX TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS OF SEPTEMBER 30, 2023

SCHEDULE A

A BROWN COMPANY, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

SEPTEMBER 30, 2023

	Number of shares or principal amount of bonds and notes	Amount shown in the interim consolidated statement of financial position	Income received or accrued
Cash	–	₱111,490,928	₱49,025
Receivables			
Dividend receivable	–	13,000,000	–
Trade receivable	–	24,577,675	–
ICR	–	256,341,062	313,744
Receivable from related parties	–	50,660,359	–
Advances to officers and employees	–	11,666,589	–
Other receivables	–	50,738,085	–
EIFVOCI	29,387,017	355,094,062	5,354
Refundable deposits	–	49,965,888	–
	29,387,017	₱923,534,648	₱368,123

A BROWN COMPANY, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

SEPTEMBER 30, 2023

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.						

A BROWN COMPANY, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

Intercompany receivable and payable

	Receivable Balance	Payable Balance	Current Portion
ABCI	₱156,328,999	(₱128,783,630)	₱27,545,369
ABERDI	46,122,002	(12,727,867)	33,394,135
ABBWCI	–	(15,484,042)	(15,484,042)
SHDI	–	(2,171,593)	(2,171,593)
BAC	–	(1,661,695)	(1,661,695)
NC	25,863,897	(4,241,828)	21,622,069
BCL	–	(28,314,475)	(28,314,475)
MCPI		(201,755)	(201,755)
ISI	73,000	(2,278,535)	(2,205,535)
VEC	–	(4,731,491)	(4,731,491)
SGAC	7,209,013	(35,000,000)	(27,790,987)
Total Eliminated Receivables/Payables	₱235,596,911	(₱235,596,911)	₱–

Deposit for future stock subscription (DFFS) classified as liability

	Receivable Balance	Payable Balance	Current Portion
ABCI	₱1,991,106,844	₱–	₱1,991,106,844
ABERDI	248,047,978	(950,357,660)	(702,309,682)
NC	–	(248,037,603)	(248,037,603)
HLPC	–	(35,000,000)	(35,000,000)
PTCHC	–	(749,427,698)	(749,427,698)
BCL	–	(12,109,713)	(12,109,713)
ISI	–	(109,100,000)	(109,100,000)
VEC	–	(95,922,148)	(95,922,148)
SGAC	–	(39,200,000)	(39,200,000)
Total Eliminated DFFS	₱2,239,154,822	(₱2,239,154,822)	₱–

SCHEDULE D

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
SEPTEMBER 30, 2023

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Not applicable						

A BROWN COMPANY, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

SEPTEMBER 30, 2023

Long-term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related interim consolidated statement of financial position	Amount shown under caption "long-term debt" in related interim consolidated statement of financial position
Term Loan	₱2,852,081,349	₱450,818,388	₱1,353,756,218

SCHEDULE F

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
SEPTEMBER 30, 2023

Indebtedness to related parties (Long-term loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
Shareholders	₱184,091,664	₱156,570,203

A BROWN COMPANY, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

SEPTEMBER 30, 2023

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
		Not applicable		

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
SEPTEMBER 30, 2023

	Number of shares			Number of shares held by		
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related interim consolidated statement of financial position caption	Number of shares reserved for options warrants, conversion and other rights	Affiliates	Directors, officers and employees	Others
Common stock	3,250,000,000	2,372,367,911	–	1,351,556,468	216,929,848	803,881,595
Preferred stock	50,000,000	13,264,900	–	–	44,000	13,220,900
	3,300,000,000	2,385,632,811	–	1,351,556,468	216,973,848	817,102,495

A BROWN COMPANY, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
SEPTEMBER 30, 2023

Unappropriated retained earnings as of December 31, 2022	₱2,274,547,568
Less: Deferred tax assets	(31,275,302)
Unappropriated retained earnings, as adjusted, beginning	₱2,243,272,266
Net income actually earned/realized for the nine months ended September 30, 2023	479,386,411
Net income based on the face of the financial statements	
Less: Non-actual/unrealized income	–
Equity in income of associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–
Unrealized actuarial gain	–
Fair value adjustment (mark-to-market gains)	–
Fair value adjustment of investment property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP – gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–
Add: Non-actual losses	
Increase in deferred income tax liabilities (excluding those recognized in OCI)	100,452,167
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP – loss	–
Loss on fair value adjustment of investment property (after tax)	–
	579,838,578
Add (less):	
Treasury shares	(94,932,275)
Cash dividend declarations during the period	(69,640,725)
	(164,573,000)
Unappropriated retained earnings as of September 30, 2023 available for dividend declaration	₱2,658,537,844

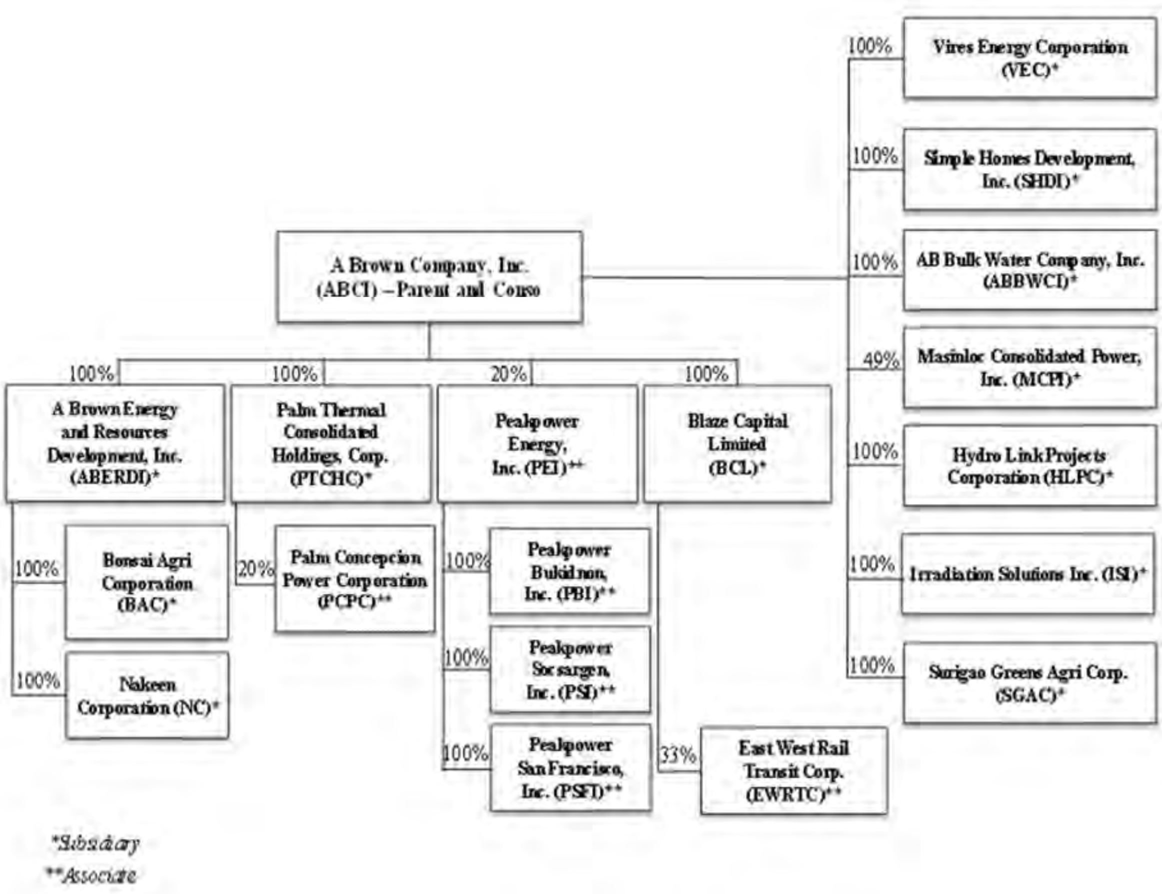
SCHEDULE J

A BROWN COMPANY, INC. AND SUBSIDIARIES
FINANCIAL RATIOS
SEPTEMBER 30, 2023

Ratios	Formula	September 30, 2023	September 30, 2022
Current ratio	Current assets / Current liabilities	**2.15**	2.64
Acid test ratio	Quick assets / Current liabilities	**0.19**	0.27
Solvency ratio	Net income + Depreciation / Total liabilities	**0.12**	0.14
Debt to equity ratio	Total liabilities / Total equity	**0.65**	0.48
Asset to equity ratio	Total assets / Total equity	**1.65**	1.48
Interest rate coverage ratio	EBITDA / Total interest paid	**5.61**	7.55
Return on equity	Net income / Average total equity	**0.07**	0.07
Return on assets	Net income / Average total assets	**0.04**	0.04
Net profit margin	Net income / Net revenue	**0.44**	0.45

SCHEDULE K

A BROWN COMPANY, INC. AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
SEPTEMBER 30, 2023



C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	3	1	1	6	8

C O M P A N Y   N A M E

A BROWN COMPANY, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

XAVIER ESTATES UPTOWN, AIRPORT ROAD, BALULANG, CAGAYAN DE ORO CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
abci_headoffice@abrown.ph	N/A	(+63)9178737268

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
Common - 2,088; Preffered - 3	Any day of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Marie Antonette U. Quinito	maquinito@abrown.ph	(088) 324-0150	(+63)9173101870

CONTACT PERSON's ADDRESS

Vista Verde Subdivision, Pueblo de Oro, Masterson Avenue, Cagayan de Oro City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

A BROWN COMPANY, INC.

April 28, 2023

The Securities and Exchange Commission
The SEC Headquarters, 7907 Makati Avenue
Salcedo Village, Bel-Air, Makati City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **A Brown Company, Inc. and its Subsidiaries** (the "Group) is responsible for the preparation and fair presentation of the consolidated 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 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.

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

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

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

WALTER W. BROWN
Chairman

ROBERTINO E. PIZARRO
President and Chief Executive Officer

MARIE ANTONETTE U. QUINITO
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this 28th day of April, 2023, affiants exhibiting to me their respective passports, as follows:

Names	Competent Evidence of Identity	Date of Issue	Place of Issue
Walter W. Brown	P0742117C	June 30, 2022	DFA – NCR Central
Robertino E. Pizarro	P8882731B	February 8, 2022	DFA – Cagayan de Oro
Marie Antonette U. Quinito	P6933691B	June 5, 2021	DFA – Cagayan de Oro

JANINE T. TUTANES
Notary Public for Cities of Pasig and San Juan
and in the Municipality of Pateros
Commission Expires on December 31, 2024
2704 East Tower, Tektite Towers, Exchange Road
Ortigas Center, 1605 Pasig City
PTR No. 9004903/01.04.23/Pasig
IBP No. 260918/01.05.23/RSM
Roll of Attorneys No. 79361
Admitted to the Bar: 05.16.22

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Series of 2023

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
A Brown Company, Inc. and Subsidiaries
Xavier Estates Uptown, Airport Road
Balulang, Cagayan de Oro City

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 audit 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 PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2022 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Real Estate Revenue Recognition

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the output method as the measure of progress in determining real estate revenue; and (3) determination of the actual costs incurred as cost of sales.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project engineers).

In determining the actual costs incurred to be recognized as cost of real estate sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The disclosures related to real estate revenue are included in Notes 2, 3 and 27 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year. On a sampling basis, we traced the historical analysis to supporting documents such as the buyer's collection report and official receipts.

For the application of the output method in determining real estate revenue, we obtained an understanding of the Group's processes for determining the percentage of completion (POC). We obtained the certified POC reports prepared by the project engineers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected ongoing projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period, and obtained the supporting details of POC reports showing the completion of the major activities of project construction.

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

Impairment of Bearer Plants

The Group's bearer plants has not been reaching its optimal fruiting stages. This indicates that the carrying amount of the Group's bearer plants of ₱269.1 million as of December 31, 2022, may not be recoverable. The Group performed an impairment testing on its property, plant and equipment of the palm oil business which resulted in the recognition of an impairment loss of ₱20.7 million in 2022. The impairment testing is significant to our audit because the assessment of the recoverable amount of the bearer plants requires significant judgment and involves estimation and assumptions about future fresh fruit bunches (FFB) production, FFB prices, direct costs, and discount rate.

The disclosures in relation to bearer plants are included in Notes 3 and 12 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. We compared the key assumptions used such as: (a) future FFB production against the forecasted FFB production in accordance with the industry standard yield, and (b) FFB prices and direct costs with externally published data.

We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of property, plant and equipment of palm oil business.

Accounting for Investments in Significant Associates

The Group owns 20% each of Palm Concepcion Power Corporation (PCPC) and Peakpower Energy, Inc. (PEI) which are accounted for under the equity method. As of December 31, 2022, the investments in these associates amounted to ₱1,738.6 million (representing 17.4% of the Group's consolidated total assets), and the Group's equity in net earnings from these associates in 2022 amounted to ₱316.4 million (representing 49.8% of the Group's consolidated net income). The accounting for these investments is significant to our audit because of the substantial amount of the Group's investments and equity in net earnings from these associates.

The disclosures in relation to investments in associates are included in Note 10 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's process in recognizing its equity in net earnings of the associates. We also obtained an understanding of the business transactions, the revenue recognition process, reviewed material items and other accounts that may have a material effect on the Group's share in the 2022 earnings of the associates, and reviewed alignment of accounting policies. We obtained the financial information of PCPC and PEI and recomputed the Group's equity in net earnings for the year ended December 31, 2022.

Other Information

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

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

In connection with our 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 audit, 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 of these consolidated financial statements in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements.

- 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 audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Alvin M. Pinpin.

SYCIP GORRES VELAYO & CO.

Alvin M. Pinpin
Partner
CPA Certificate No. 94303
Tax Identification No. 198-819-157
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 94303-SEC (Group A)
Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-070-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564678, January 3, 2023, Makati City

April 28, 2023

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Note 4)	**₱209,847,156**	₱1,277,986,644
Receivables (Note 5)	**267,890,499**	439,386,177
Contract assets (Notes 14 and 27)	**684,156,555**	185,102,035
Receivables from related parties (Note 15)	**106,811,847**	126,310,274
Real estate inventories (Note 6)	**2,961,366,258**	2,090,015,454
Other inventories (Note 7)	**200,284,318**	176,156,568
Other current assets (Note 8)	**465,546,940**	347,606,217
Total Current Assets	**4,895,903,573**	4,642,563,369
Noncurrent Assets		
Receivables - net of current portion (Note 5)	–	46,999,426
Contract assets - net of current portion (Notes 14 and 27)	**784,993,918**	484,925,421
Equity instruments at fair value through other comprehensive income (EIFVOCI) (Note 9)	**301,030,435**	239,411,453
Investments in associates (Note 10)	**1,738,605,677**	1,551,999,914
Investment properties (Note 11)	**455,420,654**	449,402,314
Property, plant and equipment (Note 12)	**1,139,609,766**	921,133,741
Deferred tax assets (Note 20)	**15,578,575**	11,529,697
Other noncurrent assets (Note 8)	**674,704,194**	277,779,179
Total Noncurrent Assets	**5,109,943,219**	3,983,181,145
TOTAL ASSETS	**₱10,005,846,792**	₱8,625,744,514
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 13)	**₱1,084,061,250**	₱740,116,319
Short-term debt (Notes 15 and 16)	**472,019,208**	443,461,020
Current portion of long-term debt (Notes 15 and 16)	**317,602,384**	201,643,018
Contract liabilities (Notes 14 and 27)	**219,826,473**	169,402,619
Total Current Liabilities	**2,093,509,315**	1,554,622,976
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 15 and 16)	**959,274,404**	850,811,991
Retirement benefit obligation (Note 19)	**68,155,571**	69,198,434
Deferred tax liabilities - net (Note 20)	**325,045,243**	177,285,689
Total Noncurrent Liabilities	**1,352,475,218**	1,097,296,114
Total Liabilities	**3,445,984,533**	2,651,919,090

(Forward)

	December 31	
	2022	2021
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 17)		
Common stock	**₱2,477,668,925**	₱2,477,668,925
Preferred stock	**13,264,900**	13,264,900
Additional paid-in capital (Note 17)	**1,931,178,758**	1,931,178,758
Retained earnings (Note 17)	**2,380,947,983**	1,834,803,085
Fair value reserve of EIFVOCI (Note 9)	**(133,040,358)**	(194,659,340)
Remeasurement loss on retirement benefit obligation - net of tax (Note 19)	**(21,458,396)**	(27,250,541)
Remeasurement loss on defined benefit plan of an associate (Note 10)	**(139,540)**	(347,343)
Cumulative translation adjustment	**6,553,467**	6,498,274
Treasury shares - common (Note 17)	**(94,932,275)**	(70,618,247)
	6,560,043,464	5,970,538,471
Noncontrolling interest (Note 17)	**(181,205)**	3,286,953
Total Equity	**6,559,862,259**	5,973,825,424
TOTAL LIABILITIES AND EQUITY	**₱10,005,846,792**	₱8,625,744,514

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
REVENUE			
Real estate sales (Note 27)	**₱1,378,739,155**	₱628,452,425	₱761,538,359
Sale of agricultural goods (Note 27)	**116,143,469**	56,980,212	79,088,786
Water service (Note 27)	**25,323,973**	24,836,284	23,417,340
	1,520,206,597	710,268,921	864,044,485
COSTS OF SALES AND SERVICE			
Cost of real estate sales (Note 6)	**477,722,261**	219,690,454	353,431,663
Cost of agricultural goods sold (Note 7)	**87,730,319**	42,016,968	60,135,511
Cost of water service revenue	**14,212,257**	9,579,082	5,733,021
	579,664,837	271,286,504	419,300,195
GROSS PROFIT	**940,541,760**	438,982,417	444,744,290
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES (Note 18)	**472,282,218**	284,537,926	273,385,676
OTHER INCOME (EXPENSES)			
Equity in net earnings of associates (Note 10)	**316,397,960**	273,498,337	175,888,940
Interest expense (Note 16)	**(24,354,370)**	(26,678,756)	(25,245,886)
Unrealized foreign exchange gain (loss)	**2,472**	(1,834)	1,129
Realized gain on sale of equity instruments at fair value through profit or loss (EIFVPL) (Note 9)	**–**	–	12,478,111
Gain on bargain purchase (Note 21)	**–**	–	2,659,077
Other income - net (Note 23)	**28,183,979**	19,565,759	8,784,492
	320,230,041	266,383,506	174,565,863
INCOME BEFORE INCOME TAX	**788,489,583**	420,827,997	345,924,477
PROVISION FOR INCOME TAX (Note 20)			
Current	**5,331,878**	(2,408,591)	48,954,056
Deferred	**147,620,365**	25,686,157	2,866,315
	152,952,243	23,277,566	51,820,371
NET INCOME	**₱635,537,340**	₱397,550,431	₱294,104,106

(Forward)

	Years Ended December 31		
	2022	2021	2020
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	**₱55,193**	₱2,497,714	₱2,993,975
Items that will not be reclassified to profit or loss in subsequent periods:			
Net change in fair value of EIFVOCI (Note 9)	**61,618,982**	63,824,348	8,025,652
Remeasurement gain (loss) on defined benefit plan - net of tax effect (Note 19)	**5,792,145**	(1,956,732)	(5,209,889)
Equity in other comprehensive income (loss) of an associate (Note 10)	**207,803**	384,182	(731,525)
	67,674,123	64,749,512	5,078,213
TOTAL COMPREHENSIVE INCOME	**₱703,211,463**	₱462,299,943	₱299,182,319
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	**₱639,005,498**	₱397,579,781	₱294,130,474
Noncontrolling interest (Note 17)	**(3,468,158)**	(29,350)	(26,368)
	₱635,537,340	₱397,550,431	₱294,104,106
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	**₱706,679,621**	₱462,329,293	₱299,208,687
Noncontrolling interest (Note 17)	**(3,468,158)**	(29,350)	(26,368)
	₱703,211,463	₱462,299,943	₱299,182,319
Basic/Diluted Earnings per Share (Note 17)	**₱0.27**	₱0.16	₱0.12

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Common Stock	Preferred Stock	Additional Paid-in Capital	Retained Earnings	Fair Value Reserve of EIFVOCI	Remeasurement Gain (Loss) on Retirement Obligation - net of tax	Remeasurement Gain (Loss) on Defined Benefit Plan of an Associate	Cumulative Translation Adjustment	Treasury Shares - Common	Total	Noncontrolling interest	Total
At January 1, 2022	**₱2,477,668,925**	**₱13,264,900**	**₱1,931,178,758**	**₱1,834,803,085**	**(₱194,659,340)**	**(₱27,250,541)**	**(₱347,343)**	**₱6,498,274**	**(₱70,618,247)**	**₱5,970,538,471**	**₱3,286,953**	**₱5,973,825,424**
Acquisitions of treasury shares (Note 17)	–	–	–	–	–	–	–	–	**(24,314,028)**	**(24,314,028)**	–	**(24,314,028)**
Dividend declaration (Note 17)	–	–	–	**(92,860,600)**	–	–	–	–	–	**(92,860,600)**	–	**(92,860,600)**
Net income (loss)	–	–	–	**639,005,498**	–	–	–	–	–	**639,005,498**	**(3,468,158)**	**635,537,340**
Other comprehensive income	–	–	–		**61,618,982**	**5,792,145**	**207,803**	**55,193**	–	**67,674,123**		**67,674,123**
Total comprehensive income (loss)	–	–	–	**639,005,498**	**61,618,982**	**5,792,145**	**207,803**	**55,193**	–	**706,679,621**	**(3,468,158)**	**703,211,463**
At December 31, 2022	**₱2,477,668,925**	**₱13,264,900**	**₱1,931,178,758**	**₱2,380,947,983**	**(₱133,040,358)**	**(₱21,458,396)**	**(₱139,540)**	**₱6,553,467**	**(₱94,932,275)**	**₱6,560,043,464**	**(₱181,205)**	**₱6,559,862,259**
At January 1, 2021	₱2,477,668,925	₱–	₱637,968,859	₱1,437,223,304	(₱258,483,688)	(₱25,293,809)	(₱731,525)	₱4,000,560	(₱21,236,419)	₱4,251,116,207	₱3,316,303	₱4,254,432,510
Issuance of capital stock	–	13,264,900	1,313,225,100	–	–	–	–	–	–	1,326,490,000	–	1,326,490,000
Stock issue costs, net of tax	–	–	(20,015,201)	–	–	–	–	–	–	(20,015,201)	–	(20,015,201)
Acquisitions of treasury shares (Note 17)	–	–	–	–	–	–	–	–	(49,381,828)	(49,381,828)	–	(49,381,828)
Net income (loss)	–	–	–	397,579,781	–	–	–	–	–	397,579,781	(29,350)	397,550,431
Other comprehensive income	–	–	–	–	63,824,348	(1,956,732)	384,182	2,497,714	–	64,749,512	–	64,749,512
Total comprehensive income (loss)	–	–	–	397,579,781	63,824,348	(1,956,732)	384,182	2,497,714	–	462,329,293	(29,350)	462,299,943
At December 31, 2021	₱2,477,668,925	₱13,264,900	₱1,931,178,758	₱1,834,803,085	(₱194,659,340)	(₱27,250,541)	(₱347,343)	₱6,498,274	(₱70,618,247)	₱5,970,538,471	₱3,286,953	₱5,973,825,424
At January 1, 2020	₱2,477,668,925	₱–	₱637,968,859	₱1,143,092,830	(₱266,509,340)	(₱20,083,920)	₱–	₱1,006,585	(₱1,014)	₱3,973,142,925	₱3,342,671	₱3,976,485,596
Acquisitions of treasury shares (Note 17)	–	–	–	–	–	–	–	–	(21,235,405)	(21,235,405)	–	(21,235,405)
Net income (loss)	–	–	–	294,130,474	–	–	–		–	294,130,474	(26,368)	294,104,106
Other comprehensive income	–	–	–	–	8,025,652	(5,209,889)	(731,525)	2,993,975	–	5,078,213	–	5,078,213
Total comprehensive income (loss)	–	–	–	294,130,474	8,025,652	(5,209,889)	(731,525)	2,993,975	–	299,208,687	(26,368)	299,182,319
At December 31, 2020	₱2,477,668,925	₱–	₱637,968,859	₱1,437,223,304	(₱258,483,688)	(₱25,293,809)	(₱731,525)	₱4,000,560	(₱21,236,419)	₱4,251,116,207	₱3,316,303	₱4,254,432,510

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱788,489,583**	₱420,827,997	₱345,924,477
Adjustments for:			
Equity in net earnings of associates (Note 10)	**(316,397,960)**	(273,498,337)	(175,888,940)
Provision for inventory losses (Notes 7 and 18)	**50,241,232**	–	1,983,704
Depreciation (Notes 11, 12 and 18)	**33,790,156**	33,185,103	27,774,186
Impairment loss (Notes 8, 12 and 18)	**32,068,874**	16,889,227	29,410,454
Interest expense (Note 16)	**24,354,370**	26,678,756	25,245,886
Net changes in retirement benefit obligation (Note 19)	**10,630,252**	7,773,386	7,348,507
Interest income (Note 23)	**(2,331,405)**	(2,183,947)	(2,045,174)
Loss (gain) on sale of:			
Property, plant and equipment (Notes 12 and 23)	**(99,685)**	(288,866)	184,474
EIFVPL (Note 9)	**–**	–	(12,478,111)
Dividend income (Note 9)	**10,618**	–	–
Unrealized foreign exchange loss (gain)	**(2,472)**	1,834	(1,129)
Gain on bargain purchase (Note 21)	**–**	–	(2,659,077)
Operating income before working capital changes	**620,753,563**	229,385,153	244,799,257
Decrease (increase) in:			
Receivables	**158,473,869**	441,066,737	(185,230,045)
Contract assets	**(799,123,017)**	(573,162,266)	38,365,488
Real estate inventories	**(862,997,456)**	(654,078,488)	17,098,300
Other inventories	**(72,320,568)**	(26,955,562)	7,010,224
Other current assets	**(133,574,083)**	161,816,388	(159,873,441)
Increase in:			
Accounts and other payables	**400,893,109**	176,156,733	7,061,066
Contract liabilities	**50,423,854**	436,522	29,461,662
Net cash used in operations	**(637,470,729)**	(245,334,783)	(1,307,489)
Interest received	**2,331,405**	2,183,947	2,045,174
Net cash flows from (used in) operating activities	**(635,139,324)**	(243,150,836)	737,685
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (Note 12)	**(285,121,797)**	(69,364,440)	(23,671,005)
Investment properties (Note 11)	**–**	(205,638,655)	–
Dividends received from associates (Notes 9 and 10)	**190,010,618**	160,442,000	219,200,000
Proceeds from sale of:			
Property, plant and equipment (Note 12 and 23)	**99,684**	1,457,573	608,038
EIFVPL (Notes 9 and 21)	**–**	–	25,792,552
Decrease (increase) in:			
Other noncurrent assets	**(396,925,015)**	(21,263,110)	(15,658,459)
Receivables from related parties	**19,498,427**	(8,619,349)	(3,305,566)
Cash inflow from acquisition of a subsidiary (Note 21)	**–**	–	51,507
Net cash flows from (used in) investing activities	**(472,438,083)**	(142,985,981)	203,017,067

(Forward)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Long-term debt (Note 26)	**₱484,720,800**	₱157,065,000	₱241,252,000
Short-term debt (Note 26)	**326,857,000**	547,171,200	171,903,700
Payments of:			
Short-term debt (Note 26)	**(298,298,812)**	(127,781,380)	(155,174,600)
Long-term debt (Note 26)	**(257,176,255)**	(315,572,759)	(222,737,099)
Interest (Notes 16 and 26)	**(95,992,851)**	(87,669,100)	(64,436,684)
Preferred share dividends (Note 17)	**(92,860,600)**	–	–
Debt issue cost (Notes 16 and 26)	**(3,555,000)**	–	–
Acquisition of treasury shares (Note 17)	**(24,314,028)**	(49,381,828)	(21,235,405)
Issuance of preferred stock, net of issue costs (Note 17)	–	1,306,474,799	–
Net cash flows from (used in) financing activities	**39,380,254**	1,430,305,932	(50,428,088)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**57,665**	2,495,880	2,995,104
NET INCREASE (DECREASE) IN CASH	**(1,068,139,488)**	1,046,664,995	156,321,768
CASH AT BEGINNING OF YEAR	**1,277,986,644**	231,321,649	74,999,881
CASH AT END OF YEAR (Note 4)	**₱209,847,156**	₱1,277,986,644	₱231,321,649

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

A Brown Company, Inc. (the Parent Company or ABCI), a publicly-listed company, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1966 as Bendana Brown Pizarro and Associates, Inc. to primarily engage in the business of property development and to invest in shares of stocks of listed companies.

The Parent Company is engaged in the business of real estate development in Cagayan de Oro City and Initao in Misamis Oriental, Tanay, Rizal; Valencia City, Bukidnon and Butuan City, Agusan del Norte.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

On November 12, 2021, the Parent Company secured the approval from PSE and SEC for the offer and sale of 15.0 million cumulative, non-voting, non-participating, non-convertible, redeemable "Series A" preferred shares at the option of the Parent Company. The Parent Company issued and listed its preferred shares in PSE on November 29, 2021 (see Note 17).

The principal place of business and registered office address of the Parent Company is Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City.

The Subsidiaries

The Parent Company, through its subsidiaries, also ventured into palm oil milling, power generation and holdings of investments. The following are the subsidiaries of the Parent Company:

A Brown Energy and Resources Development, Inc. (ABERDI)

ABERDI is a 100% owned subsidiary of the Parent Company incorporated and registered with the SEC on February 1, 2001 to primarily engage in the business of manufacturing and trading of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.

Palm Thermal Consolidated Holdings, Corp. (PTCHC)

PTCHC is a 100% owned subsidiary of the Parent Company registered with the SEC on November 22, 2010. Its primary purpose is to purchase, acquire, own, hold, lease, sell and convey properties of every kind and description, including land, buildings, factories and warehouses and machinery, equipment, the goodwill, shares of stock, equity, rights, and property of any person, firm, association, or corporation and other personal properties as may be necessary or incidental to the conduct of the corporate business and to pay cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

Blaze Capital Limited (BCL)

BCL is a 100% owned subsidiary of the Parent Company registered with BVI Financial Services Commission as a British Virgin Island (BVI) Business Company on August 8, 2011 under the BVI Business Companies Act 2004. Subject to the Act and any other BVI legislation, the Company has irrespective of corporate benefit (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transactions; and (b) for the purposes of (a), full rights, powers and privileges. Since its incorporation, BCL has not started its commercial operations.

Hydro Link Projects Corp. (HLPC)
HLPC is a 100% owned subsidiary of the Parent Company registered with the SEC on May 6, 2010. Its primary purpose is to engage in, conduct and carry on the business of developing, constructing, operating, repairing, and maintaining hydro-electrical plants and system and other power generating or converting stations, manufacture, operation and repair of related mechanical and electrical equipment. Since its incorporation, the Company has not started its commercial operations.

AB Bulk Water Company, Inc. (ABBWCI)
ABBWCI is a 100% owned subsidiary of the Parent Company registered with the SEC on March 31, 2015. ABBWCI was organized primarily to engage in the business of holding and providing rights to water to public utilities and cooperatives or in water distribution in the Municipality of Opol and related activities. Since its incorporation, ABBWCI has not started its commercial operations.

Masinloc Consolidated Power, Inc. (MCPI)
MCPI is a 49% owned subsidiary of the Parent Company registered with the SEC on July 4, 2007. MCPI was organized primarily to engage in, conduct and carry on the business of construction, planning, purchase, supply and sale of electricity. MCPI is registered under the Foreign Investments Act of 1991 on July 6, 2007. MCPI has not yet started its commercial operations. On March 22, 2023, the Company has secured the approval of the Securities and Exchange Commission (SEC) on the shortening of its corporate life from fifty (50) years from and after the date of incorporation to seventeen (17) years from and after the date of issuance of the Certificate of Incorporation, or on July 3, 2024.

Simple Homes Development, Inc. (SHDI)
SHDI is a 100% owned subsidiary of the Parent Company registered with the SEC on February 26, 1997. SHDI was organized primarily to invest in, purchase or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, and related activities. Since its incorporation, SHDI has not started its commercial operations.

Nakeen Corporation (NC)
NC is a 100% owned subsidiary of the Parent Company through ABERDI registered with the SEC on February 2, 1997. Its primary purpose is to engage in the business of agriculture in all aspects, including but not limited to, the operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chicken and any and all other activities related to or incidental to the foregoing markets. NC is also engaged in selling palm seedlings and bunch.

Bonsai Agri Corporation (BAC)
BAC is a 100% owned subsidiary of the Parent Company through ABERDI registered with the SEC on February 2, 1997. BAC was organized to engage in business of agriculture in all aspect, including but not limited to operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chickens and all other activities related to or incidental to the foregoing, and to market, sell, or otherwise dispose of any produce and products in both local and foreign markets. Since its incorporation, the Company has not started its commercial operations.

Vires Energy Corporation (VEC)
VEC is a 99.995% owned subsidiary of the Parent Company registered with the SEC on March 11, 2015. It was organized primarily to operate, engage in, conduct and carry on the business of exploring, developing, converting, producing, processing, and refining of power energy, fuel and/or any other source of power energy, including importation, handling, distributing and marketing at wholesale either within or outside the Philippines; to develop, manage, lease, and operate refineries

for the power and fuel products or any other source of power energy; to enter into business undertaking to establish, develop, explore and operate business that will provide the technical manpower to persons and institutions engaged in aforesaid energy production; and in general to carry on and undertake such activities which may seem to the Company capable of being conveniently carried on in connection with the above purposes, or calculated, directly, to enhance the value of or render profitable, any of the Company's property or rights. Since its incorporation, the Company has not started its commercial operations. VEC is a subsidiary effective June 18, 2020. Pursuant to the same authority granted by the Board of Director's (ABCI) in the initial acquisition of 99.995% of such VEC shares, the Parent Company has acquired the remaining 0.005% of the shares of VEC, thus increasing its ownership to 100% (see Note 21).

Irradiation Solutions Inc. (ISI)
ISI is a 100% owned subsidiary of the Parent Company incorporated and registered with the SEC on January 4, 2021. ISI was organized in providing irradiation services for all types of goods e.g., food products and non-food products through exposing such goods to ionizing radiation such as gamma rays, x-rays, or accelerated electrons from electron beam machines. Since its incorporation, the Company has not started its commercial operations

Approval of Consolidated Financial Statements
The accompanying consolidated financial statements of the Group as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 were approved and authorized for issue by the BOD on April 28, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (collectively referred to as "the Group").

The accompanying consolidated financial statements have been prepared using the historical cost basis, except for EIFVOCI that are carried at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the functional currency of the Parent Company. All subsidiaries and associates also use ₱ as functional currency, except for BCL whose functional currency is US Dollar ($). All amounts are rounded off to the nearest Philippine Peso, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the following financial accounting reliefs as issued and approved by the SEC in response to the COVID-19 pandemic:

a. Assessing if the transaction price includes a significant financing component discussed in Philippine Interpretations Committee (PIC) Questions and Answers (Q&A) No. 2018-12-D;
b. Treatment of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E; and,
c. Application of International Financial Reporting Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost).*

The Group has availed of the reliefs granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of the above PIC Q&As until December 31, 2023.

The details and the impact of the deferral of the above financial reporting reliefs are discussed in the Changes in Accounting Polices and Disclosures section.

The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022.

Control is achieved 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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences recorded in equity.

- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.

- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Effective Percentage of Ownership (%)		
	2022	2021	2020
ABERDI	**100**	100	100
NC	**100**	100	100
BAC*	**100**	100	100
PTCHC	**100**	100	100
HLPC*	**100**	100	100
ABWCI*	**100**	100	100
BCL*	**100**	100	100
SHDI*	**100**	100	100
MCPI**	**49**	49	49
VEC*	**100**	100	100
ISI*	**100**	100	–

** pre-operating subsidiaries*
*** non-operating subsidiary*

NCI
NCI represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

NCI are presented separately in the consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the NCI are allocated against the interests of the NCI even if this results to the NCI having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the NCI is recognized in equity of the parent in transactions where the NCI are acquired or sold without loss of control.

As at December 31, 2022 and 2021, percentage of NCI pertaining to MCPI amounted to 51%. The voting rights held by the NCI are in proportion of their ownership interest.

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. As of the acquisition date, the acquirer shall recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any NCI in the acquiree. For each business combination, the acquirer has the option to measure the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When a business is acquired, the financial assets and financial liabilities assumed are assessed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as an acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9, *Financial Instruments*, either in consolidated statement of comprehensive income or as a charge to OCI. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the fair values of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

A CGU to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the Group shall recognize the impairment loss. Impairment losses relating to goodwill cannot be reversed in subsequent periods.

The Group performs its impairment test of goodwill on an annual basis every December 31 or earlier whenever events or changes in circumstances indicate that goodwill may be impaired.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

The nature and impact of each new standard and amendment are described below:

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

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities 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 costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

  The amendment clarifies 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.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

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

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

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

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

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

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

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

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

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

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

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

  The Group is currently assessing the impact the amendments will have on current practice.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts.* This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

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

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued MC No. 14-2018 and MC No. 3-2019, respectively, providing reliefs to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the SEC issued MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023 as follows:

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

  To assist real estate companies to finally adopt the said PIC and IFRIC pronouncements and enable them to fully comply with PFRS 15 and revert to full PFRS, the Commission en banc, in its meeting held on July 8, 2021, approved the amendment to the transitional provisions in the above MCs which would provide real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncements.

  The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

  a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell (CTS) might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable (ICR), provision for deferred income tax, deferred income tax asset or liability for all years presented, and the opening balance of retained earnings. The Parent Company has yet to assess if the mismatch constitutes a significant financing component for its CTSs.

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

The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

- IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*)

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of PFRS 15, *Revenue from Contracts with Customers*. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under Philippine Accounting Standards (PAS) 23, *Borrowing Costs*, considering that these inventories are ready for their intended sale in their current condition.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

The Group opted to avail of the relief as provided by the SEC. Had the Parent Company adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

These amendments do not have any impact on the parent company financial statements.

Summary of Significant Accounting Policies
The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarized below. These policies have been consistently applied to all years presented, unless otherwise stated.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Group measures financial assets designated at FVOCI at each reporting date.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or,
- In the absence of a principal market, in the most advantageous market for the asset or liability.The principal or the most advantageous market must be accessible to the Group.

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

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether or not transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments - Initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

Financial assets
(i) Initial recognition and measurement
Financial assets are recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

Contractual cash flows characteristics. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

Business model. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

(ii) Subsequent measurement
The Group subsequently classifies its financial assets into the following measurement categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Losses arising from impairment are recognized in the consolidated statement of comprehensive income under "Provision for impairment".

The Group's financial assets at amortized cost include cash, receivables, receivables from related parties and refundable deposits included under "Other assets" in the consolidated statements of financial position (see Notes 4, 5, 8 and 15).

Financial assets at FVOCI (debt instruments). The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at FVOCI, interest income and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As at December 31, 2022 and 2021, the Group's does not have debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments). At initial recognition, an entity may make an irrevocable election to present in OCI subsequent changes in the fair value of an investment in an equity instrument within the scope of PFRS 9 that is neither held for trading (HFT) nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 applies. The classification is determined on an instrument-by-instrument basis. The Group recognizes the unrealized gains and losses arising from the fair valuation of financial assets at FVOCI, net of tax, in the consolidated statement of comprehensive income as 'Net change in fair value of EIFVOCI'.

In applying that classification, a financial asset or financial liability is considered to be HFT if:

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or,
(b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or,
(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Gains and losses on equity instruments designated at FVOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to 'Retained earnings' or any other appropriate equity account upon disposal. Dividends are recognized in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group includes equity instruments not HFT in this category. The Group made irrevocable election to present in OCI subsequent changes in the fair value of all the Group's investments in golf shares and unlisted shares of stock (see Note 9).

Financial assets at FVPL. Financial assets at FVPL are measured as at initial recognition unless these are measured at amortized cost or at FVOCI. Included in this classification are equity instruments HFT and debt instruments with contractual terms that do not represent SPPI on the principal amount outstanding. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income under 'Unrealized gain (loss) on EIFVPL'.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of financial investments.

The Company does not have financial assets at FVPL.

(iii) Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from The Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or,
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and,
- The Group has transferred its rights to receive cash flows from the asset and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group transfers its rights to receive cash flows from an asset or enters into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(iv) Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For cash, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are also recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

The Group applies a simplified approach in calculating ECLs for receivables. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For trade receivables, the Group has established a provision matrix that is based on its historical credit loss experience.

For ICR and contract assets, the Group uses the vintage analysis for ECL by calculating the cumulative loss rates of a given ICR pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

As these are future cash flows, these are discounted back to the time of default (i.e., is defined by the Group as upon cancellation of CTS) using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

For all debt financial assets other than receivables, ECLs are recognized using the general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

At each reporting date, the Group assesses whether there has been an SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

Determining the stage for impairment. At each reporting date, the Group assesses whether there has been an SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been an SICR when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Write-off policy. The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Reclassifications of financial instruments. The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

<u>Financial liabilities</u>
(i) Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

(ii) Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVPL
- Financial liabilities at amortized cost

Financial liabilities at FVPL. Financial liabilities at FVPL include financial liabilities that are HFT and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as HFT if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities that are HFT are recognized in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Financial liabilities at amortized cost. This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost under the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest in the consolidated statement of comprehensive income.

The Group's financial liabilities measured at amortized cost as of December 31, 2022 and 2021 includes the following (see Notes 13 and 16):

- Short-term debt
- Long-term debt
- Accounts and other payables (excluding statutory payables)

Short-term debt and long-term debt are raised for support of short and long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges are recognized as "Interest expense" in the consolidated statement of comprehensive income on an accrual basis using the EIR 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.

Accounts and other payables are initially recognized at fair value and subsequently measured at amortized cost, using EIR method for maturities beyond one year, less settlement payments.

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 when 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 noncurrent liabilities.

(iii) Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Classification of Financial Instruments Between Liability and Equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or,
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or,
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments
Financial assets and liabilities are offset, and the net amount is reported in the consolidated statement of financial position if, and only if, there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Real Estate Inventories
Real estate inventories consists of subdivision land and residential houses and lots for sale and development initially recorded at cost. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value (NRV). Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the construction and development of the properties. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. Repossessed real estate inventories are recorded at original cost.

NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated cost of completion and estimated costs necessary to make the sale. Valuation allowance is provided for real estate held for sale when the NRV of the properties are less than their carrying amounts. Undeveloped land is carried at lower of cost and NRV.

The costs of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Borrowing Costs
Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale while the asset, which includes real estate inventories, is being constructed are capitalized as part of the cost of that asset.

Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and, (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred.

Debt Issue Costs.
Debt issue costs are deducted against long-term debt and are amortized over the terms of the related borrowings using the effective interest method.

Other inventories
Other inventories pertain to finished agricultural goods, construction materials and agricultural materials and supplies which are measured at the lower of cost and NRV. At each reporting date, other inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its NRV. The impairment loss is recognized immediately in profit or loss. Provision for inventory losses is established for estimated losses on other inventories which are determined based on specific identification of slow-moving, damaged, and obsolete inventories.

Agricultural produce
Agricultural produce is the harvested product of the Group's bearer plants. A harvest occurs when agricultural produce is either detached from the bearer plant or when a bearer plant's life processes cease. The Group's agricultural produce (e.g. fresh fruit bunches, under other inventories) are measured at fair value less estimated costs to sell at the time of harvest. The Group uses the future selling prices and gross margin of finished goods, adjusted to remove the margin associated to further processing, less future growing cost as the basis of fair value. The Group's harvested produce to be used in processed products are measured at fair value at the point of harvest based on the estimated selling prices reduced by cost to sell and adjusted for margin associated to further processing.

Finished agricultural goods
Cost of processed inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion include raw materials, direct labor and overhead costs. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Construction materials and agricultural materials and supplies
Construction materials and agricultural materials and supplies are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the replacement cost.

Deposits for Land Aquisition
This represents deposits made to landowners for the purchase of certain parcels of land which are intended to be held for sale or development in the future. The Group normally makes deposits before a contract to sell is executed between the Group and the landowner. These are recognized at cost. The sales contracts are expected to be executed within 12 months after the reporting period. The deposits made are presented under other current and noncurrent assets in the consolidated statement of financial position as these are expected to be used for the Group's real estate development projects and landbanking, respectively.

Prepayments
Prepayments represent expenses not yet incurred but already paid. Prepayments are initially recorded as assets and measured at the amount paid. Subsequently, these are charged to the consolidated statement of comprehensive income as they are consumed in operations or expire with the passage of time. Prepayments are classified in the consolidated statement of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the entity's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

Investments in Associates
An associate is an entity in which the Group has significant influence, and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investments in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized and is not tested for impairment separately.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit as 'Equity in net earnings of associates'. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share to the extent of the interest in associate.The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statement of comprehensive income.

Investment Property
Investment property consists of land, building, and land improvements which currently held either to earn rental or for capital appreciation or for both, but not for sale in the ordinary course of business or use in the supply of services or for administrative purpose. These properties are initially recognized at fair value plus directly attributable cost incurred such as legal fees, transfer taxes and other transaction costs. Subsequent to initial recognition, the building and improvements is carried at cost less accumulated depreciation and amortization and any impairment in value while the land is carried at cost less any impairment in value.

The carrying value of the asset, is reviewed for impairment when changes in circumstances indicate the carrying value, may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount while impairment losses are recognized in the consolidated statement of comprehensive income.

Depreciation or amortization of an item of investment property begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the item is derecognized.

The Group depreciates and amortizes its land improvements using the straight-line method over the 10-30 years estimated useful lives.

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the use of property, plant and equipment.

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits, the Group shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The Group shall account for the change prospectively as a change in an accounting estimate.

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

Transfers are made to investment property 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 property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property, Plant and Equipment

Property, plant and equipment, except for land and construction in progress, are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost, less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price including legal and brokerage fees, import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put into operation, such as maintenance, repairs and costs of day-to-day servicing, are recognized in profit or loss in the period the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

The Group classifies ROU assets as part of property, plant and equipment. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstance indicate that the carrying values may not be recoverable.

Depreciation or amortization of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the item is derecognized.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives, except for leasehold improvements and right-of-use assets, which are amortized over their estimated lives or term of the lease, whichever is shorter, and bearer plants, which are depreciated using units-of-production (UOP) method.

	Years
Refined bleached deodorized (RBD) and fractionation machineries	21
Building and improvements	10 – 30
Leasehold improvements	2 - 5 or lease term, whichever is shorter
Machineries and equipment	2 – 10
Right-of-use assets	17 or lease term, whichever is shorter
Other equipment	2 – 10

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the use of property, plant and equipment.

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits, the Group shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The Group shall account for the change prospectively as a change in an accounting estimate.

Fully depreciated assets are retained in the accounts until these are no longer in use.

Construction in progress represents property, plant and equipment under construction or development and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time the relevant assets are completed and is available for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognized. When assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts while any resulting gain or loss is included in the consolidated statement of comprehensive income.

Bearer plants
Bearer plants pertain to the Group's palm oil trees used in the production or supply of fresh fruit bunches (FFB) as its agricultural produce and are expected to bear produce for more than twelve months and have a remote likelihood of being sold as a plant or harvested as agricultural produce, (except for incidental scrap sales).

Bearer plants are measured at cost less accumulated depreciation and any impairment in value. Bearer plants are presented as part of property, plant and equipment. Costs to grow include purchase cost of various chemicals and fertilizers, land preparation expenses and other direct costs necessary to cultivate such plants before they are brought into the location and condition necessary to be capable of operating in the manner intended by management.

UOP method is used for depreciating the bearer plants. Depreciation is charged according to units of FFB harvested over the estimated units of FFB to be harvested during the life of the bearer plants or remaining contract period, whichever is shorter. The Group estimates its total units of FFB to be harvested based on the average yield over which the bearer plants are expected to be available for use. In addition, the estimate is based on collective assessment of internal technical evaluation and experience. Changes in the estimated total units of FFB to be harvested may impact the depreciation of bearer plants.

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Group's investments in associates, investment properties, property plant, and equipment and other assets excluding refundable deposits (see Notes 8, 10, 11 and 12).

The Group assesses at each reporting date whether there is an indication that an asset may be impaired when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's estimated recoverable amount is the higher of the asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their estimated recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are directly charged or credited to operations in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its estimated recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is directly charged or credited to operations.

Equity

Capital stock and additional paid-in capital
Capital stock consists of common shares and preferred shares which are measured at par value for all common and preferred shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid-in capital' account.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

The retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Retained earnings

Retained earnings include all current and prior period results of operations, net of dividends declared and the effects of retrospective application of changes in accounting policies or restatements, if any. Dividends on common stock are recognized as a liability and deducted from equity when declared and approved by the BOD or shareholders of the Parent Company. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

Other comprehensive income (loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of comprehensive income for the year in accordance with PFRSs. Other comprehensive income (loss) of the Group includes fair value reserve of EIFVOCI, remeasurement gains (losses) on retirement obligation, remeasurement gains (losses) on defined benefit plan of an associate, and cumulative translation adjustment.

Revenue and Cost Recognition

Revenue from contracts with customers
The Group is primarily engaged in real estate development, production and sale of agricultural goods, and water services. Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The Group has generally concluded that it is the principal in its revenue arrangements since it is the primary obligor in these revenue arrangements.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Real estate sales. The Group derives its real estate revenue from sale of lots and developed residential house and lots. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using physical proportion of work done. This is based on the bi-monthly project accomplishment report prepared by the Group's in-house technical team approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the Group itself.

Buyer's equity represents a certain percentage of buyer's payments of total selling price that the buyer has paid the Group and it is at this collection level that the Group assesses that it is probable that the economic benefits will flow to the Group because of certainty of collection of the remaining balance of the selling price. This gives the buyer, a stake in the property, the level of which is sufficient enough to mitigate the risks of loss through default which would motivate the buyer to honor its obligations to the Group. Management regularly evaluates the historical cancellations and back-outs if it would still support its current collection threshold before commencing revenue recognition.Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized under 'Contract assets' in the assets section of the consolidated statement of financial position.

Any excess of collections over the total of recognized ICR and contract assets are recognized under 'Contract liabilities' account in the liabilities section of the consolidated statement of financial position.

Sales cancellation is accounted for as a modification of the contract (from non-cancelable to being cancelable) resulting to the reversal of the previously recognized real estate sales and cost of real estate sales and reinstating the real estate inventories at cost.

Cost of real estate sales. The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

In addition, the Group recognizes cost as an asset that gives rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Sale of agricultural goods. Revenue from sale of agricultural goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and acceptance by the buyer. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, noncash consideration, and consideration payable to the customer, if any.

Variable consideration - rights of return
Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in PFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognizes a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Cost of agricultural goods sold. Costs of sales include direct material costs, manufacturing expenses and monetary value of inventory adjustments. This is recognized upon delivery of the goods or when the control of the asset is transferred and when the cost is incurred, or the expense arises.

Water service, tapping fees, transfer fees and other water charges. Revenue is recognized over time as the customer receives and consumes the benefit from the performance of the related water services. Water services are billed every month. The Group recognizes revenue in the amount to which the Company has a right to invoice since the Group bills a fixed amount for every cubic meter of water delivered.

Income from forfeited deposits. Income from forfeited collections recorded under 'Other income' in the consolidated statement of comprehensive income is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Rental income. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the respective lease terms.

Interest income. Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Other income. Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract.

<u>Contract Balances</u>

ICR. An ICR represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

For the Group's real estate sales, contract assets are initially recognized for revenue earned from development of real estate projects as receipt of consideration is conditional on successful completion of development. The amounts recognized as contract assets are reclassified to ICR when the monthly amortization of the customer is due for collection. It is recognized under 'Receivables' in the consolidated statement of financial position.

A receivable (e.g., ICR), represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of consideration is due).

Costs to obtain contract. The incremental costs of obtaining a contract with a customer are recognized under 'Other current assets' in the consolidated statement of financial position if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized over time using the POC method. Commission expense is included in the 'General, administrative expenses and selling expenses' account in the consolidated statement of comprehensive income.

Costs incurred prior to obtaining a contract with customer are not capitalized but are expensed as incurred.

Amortization, derecognition and impairment of capitalized costs to obtain a contract. The Group amortizes capitalized costs to obtain a contract as marketing expense under 'General, administrative expenses and selling expenses' account in the consolidated statement of comprehensive income over the expected construction period using the POC following the pattern of real estate revenue recognition.

Capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that costs to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Contract liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the services are used, or the expense arises while interest expenses are accrued in the appropriate period.

This consist of general administrative expenses which constitute costs of administering the business and selling expenses which constitute commission on real estate sales and advertising expenses. General administrative and selling expenses (excluding amortization of capitalized costs to obtain contracts) are recognized as incurred.

Post-employment Benefits

Pension benefits are provided to employees through a defined benefit plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

The following comprise the defined benefit costs:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs, which include current service costs, past service costs, and gains or losses on non-routine settlements are recognized as expense in consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised, or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or,
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

As Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Right-of-use assets. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

Right-of-use assets are presented under 'Property, plant and equipment' in the consolidated statement of financial position and are subject to impairment.

Short-term leases. The Group applies the short-term lease recognition exemption to its short-term leases of office spaces and transportation equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Taxes

Current income tax. Current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax. Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Creditable withholding taxes (CWT). CWT pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future period. The balance as of end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

Value-added tax (VAT). Revenues, expenses and assets are recognized net of amount of VAT, if applicable.

When VAT from provision of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as output VAT under 'Accounts and other payables' in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from provision of services (output VAT), the excess is recognized as input taxes under 'Other current assets' in the consolidated statement of financial position up to the extent of the recoverable amount.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Deferred input VAT. Deferred input VAT represents portion of input VAT incurred and paid in connection from the purchase of a capital good whose acquisition cost exceeds of ₱1.0 million per month. Section 110(A) (1) of the NIRC so provides that the input tax on capital goods purchased or imported in a calendar month for use in trade or business shall be spread evenly over the month of acquisition and the 59 succeeding months, unless the expected useful life of the capital good is less than five years, in which case the input tax is amortized over such a shorter period. Pursuant to the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law, this provision is applicable only until December 31, 2021. Deferred input VAT is stated at its realizable value.

<u>Foreign Currencies</u>
The Group's consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies. The functional currency of BCL is the US Dollar. On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso (₱) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized under 'Cumulative translation adjustment' in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing net income attributable to common stockholders of the Parent Company by the weighted average number of common stocks issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing net income attributable to common stockholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an anti-dilutive effect on earnings per share.

As of December 31, 2022, and 2021, the Group has no potentially dilutive common shares.

Segment Reporting
The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 25 to the consolidated financial statements.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the consolidated financial statements are authorized for issue. Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. **Significant Accounting Judgments and Estimates**

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ for such estimates.

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

Revenue from contracts with customers
The Group is primarily engaged in real estate sales and development, sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels, and water services. The Group accounts for all of the goods and services in each contract with customer as a single performance obligation capable of being distinct.

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Real estate revenue recognition. Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (b) assessment of the probability that the entity will collect the consideration from the buyer; and (c) determination of the actual costs incurred as cost of goods sold.

- Identifying performance obligations. The Group has various CTS covering subdivision land and residential houses and lots. The Group concluded that the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for the sale of property under development mainly include design work, procurement of materials and development of the property. Generally, the Group is responsible for all of these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, Group accounts for them as a single performance obligation because they are not distinct in the context contract. The Group uses those goods and services as inputs and provides a significant service of integrating them into a combined output. Included also in this performance obligation is the Group's service to transfer the title of the real estate unit to the buyer.

- *Existence of a contract.* The Group's primary document for a contract with a customer for real estate sales is a signed CTS supported by other signed documentations such as reservation agreement, official receipts, buyers' amortization schedule and invoices and it met all the criteria to qualify as contract with a customer under PFRS 15.

  In addition, part of the assessment process of the Group before revenue recognition is to assess 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, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age of receivables, and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyers' equity before commencing revenue recognition.

- *Revenue recognition method and measure of progress.* The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

  The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project engineers).

  The Group requires a collection threshold of 10% of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group.

Revenue recognition - sales of agricultural goods and water services. Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint. (d) recognition of revenue as the Group satisfies the performance obligation.

- *Identifying performance obligations.* The Group accounts for all of the goods or services in each contract with customer as a single performance obligation capable of being distinct.

- *Recognition of revenue as the Group satisfies the performance obligation of sale of agricultural goods and water services.* The Company concluded that the revenue for sale of palm oil and other palm products to be recognized at a point in time when the goods are delivered and water services to be recognized over time as the customer receives and consumes the benefit from the performance of the related water services and it has a present right to payment for the services rendered.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods sold or services rendered.

- *Method to estimate variable consideration and assess constraint for agricultural goods*. The Group uses historical experience from the past 12 months to determine the expected value of rights to return and constrain the consideration accordingly. The Group updates its assessment of expected returns and refund liability. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future. As at December 31, 2022 and 2021, no refund liability was recognized in the consolidated statements of financial position.

Definition of default and credit-impaired financial assets and contract assets. The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*

  The customer is more than 90 days past due on its contractual payments, i.e. principal and/or interest, which is consistent with the regulatory definition of default.

- *Qualitative criteria*

  The customer meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

  - The borrower is experiencing financial difficulty or is insolvent;
  - The borrower is in breach of financial covenant(s);
  - An active market for that financial assets has disappeared because of financial difficulties;
  - Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty; or,
  - It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months as it has exhibited a satisfactory track record. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Incorporation of forward-looking information. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Distinction between real estate inventories, investment properties and owner-occupied properties. The Group determines whether a property will be classified as real estate inventories, investment properties or owner-occupied properties. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories) and whether the property generates cash flow largely independent of the other assets held by an entity.

Real estate inventories comprise of property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction. Investment property comprises 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 for capital appreciation. Owner-occupied properties classified and presented as property, plant and equipment, generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Determination of acquisition of group of assets as a business in accordance with PFRS 3. Management uses judgment in assessing if the group of assets and liabilities acquired would constitute a business. In accordance with PFRS 3, business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

On June 18, 2020, the Parent Company signed a share purchase agreement to acquire 99.995% ownership interest in VEC. The Group assessed that the acquired group of assets and liabilities constitute a business since VEC has existing inputs and substantive processes which together have the ability to contribute to the creation of outputs.

Significant influence on Palm Concepcion Power Corporation (PCPC), Peakpower Energy, Inc. (PEI) and East West Rail Transit Corporation (EWRTC). In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20% to 50% of the voting rights of an investee is presumed to give the Group a significant influence. The Group considers that it has significant influence over its investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies.

Evaluation and reassessment of control in MCPI. The Group refers to the guidance in PFRS 10, *Consolidated Financial Statements*, when determining whether the Group controls an investee. Particularly, the Group controls an investee when it 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. The Group considers the purpose and design of the investee, its relevant activities and how decisions about those activities are made and whether the rights give it the current ability to direct the relevant activities.

The Group controls an investee if and only if it has all the following:

a. power over the investee;
b. exposure, or rights, to variable returns from its involvement with the investee; and,
c. the ability to use its power over the investee to affect the amount of the investor's returns.

Ownership interest in MCPI represent 49%. The Group has assessed that it has control over MCPI considering that the critical decision making position in deciding over the strategic policies and relevant activities of MCPI are occupied by the representatives of the Group.

Impairment of nonfinancial assets, excluding property, plant and equipment. The Group assesses impairment on investments in associates, investment properties, and other assets excluding refundable deposits and considers the following important indicators:

- Significant or prolonged decline in the fair value of the asset;
- Increase in market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value-in-use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business;
- Significant negative industry or economic trends; or,
- Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Group operates.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the remaining contract period or useful lives, if practicable, and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In 2022 and 2021, management has not identified any impairment indicators on the nonfinancial assets, except for its bearer plants, included inproperty, plant and equipment. The carrying values of the nonfinancial assets excluding property, plant and equipment follow:

	2022	2021
Investments in associates (Note 10)	**₱1,738,605,677**	₱1,551,999,914
Other noncurrent assets* (Note 8)	**625,829,466**	236,481,527
Other current assets* (Note 8)	**464,719,677**	340,143,954
Investment properties (Note 11)	**455,420,654**	449,402,314

** Excluding refundable deposits*

Management's Use of Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition on real estate projects. The Group's revenue recognition policy require management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Group's revenue from real estate sales are recognized based on the POC which is measured principally on the basis of the estimated completion of a physical proportion of the contract work which requires technical determination by management's specialists (project engineers) and involves significant judgment and estimation.

The Group also includes land in the calculation of POC since the Group availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry.

For the years ended December 31, 2022, 2021 and 2020, the real estate sales recognized over time amounted to ₱1,378.7 million, ₱628.5 million and ₱761.5 million, respectively (see Note 27).

Provision for expected credit losses of receivables and contract assets. The Group uses a provision matrix to calculate ECLs for trade receivables other than ICRs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group uses vintage analysis approach to calculate ECLs for ICRs and contract assets. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The Group considers an ICR and contract asset in default when the Group forfeits and repossesses the property from the customer through cancellation. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The PD is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating LGD, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Republic Act 6552, *Realty Installment Buyer Act*, and cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the reporting date using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

The resulting recovery rate coming from the above process, resulted to zero LGD, thus resulting to no recognized impairment loss.

Estimating NRV of real estate inventories. The Group reviews the NRV of real estate inventories and compares it with the cost. Real estate inventories are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in light of recent market transactions. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell.

The carrying values of real estate inventories amounted to ₱2,961.4 million and ₱2,090.0 million as of December 31, 2022 and 2021, respectively (see Note 6).

Estimating fair values of financial assets and liabilities. When the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

As at December 31, 2022 and 2021, the aggregate fair values of the financial assets amounted to ₱935.9 million and ₱2,180.1 million, respectively, and of the financial liabilities amounted to ₱2,923.3 million and ₱2,307.5 million, respectively (see Note 24).

Impairment of property, plant and equipment. The Group performs annual impairment review of property, plant and equipment. Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of the assets in order to determine the value of these assets. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. In addition, adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Group.

In 2022 and 2021, the Group has assessed that its bearer plants has indications of impairment due to the palm oil plantation's bearer plants not reaching their optimal fruiting stages. In 2022 and 2021, the Group recognized impairment loss of ₱20.7 million and ₱15.1 million, respectively, to account for the estimated fruit loss due to some trees not reaching the optimal fruiting stages in accordance with the industry standard yield (see Note 12).

No additional impairment was recognized by the Group for the remaining bearer plants since management estimated that the recoverable amount exceeds the carrying value of the bearer plants excluding the specific impairment as of December 31, 2022 and 2021. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions such as future FFB production, FFB prices, direct costs, and discount rate.

The Group recognized an allowance for impairment loss on property, plant and equipment amounting to ₱104.1 million and ₱78.8 million as of December 31, 2022 and 2021, respectively (see Note 12). As at December 31, 2022 and 2021, the carrying value of the property, plant and equipment amounted to ₱1,139.6 million and ₱921.1 million (see Note 12).

Post-employment defined benefit plan. The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As of December 31, 2022 and 2021, the Group's retirement obligation amounted to ₱68.2 million and ₱69.2 million, respectively (see Note 19).

Estimating realizability of deferred tax assets. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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 assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Group. This forecast is based on the Group's past results and future expectations on revenue and expenses.

As at December 31, 2022 and 2021, deferred tax assets amounting to ₱32.2 million and ₱34.6 million, respectively, were not recognized in the consolidated statements of financial position since it is not probable that sufficient taxable income may be available in the future against which the deferred tax assets can be utilized. As at December 31, 2022 and 2021, the carrying values of deferred tax assets amounted to ₱72.8 million and ₱83.8 million, respectively (see Note 20).

4. Cash

	2022	2021
Cash on hand	**₱13,867,018**	₱7,623,550
Cash in banks	**195,980,138**	1,270,363,094
	₱209,847,156	₱1,277,986,644

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates. The Group earned interest from cash in banks amounting to ₱1.0 million and ₱0.4 million in 2022 and 2021, respectively.

5. Receivables

	2022	2021
ICR	**₱161,658,616**	₱330,518,474
Dividend receivable (Note 10)	**20,000,000**	80,000,000
Trade receivables	**16,707,537**	23,439,474
Advances to officers and employees	**8,224,199**	3,196,438
Other receivables	**69,105,684**	55,325,327
	275,696,036	492,479,713
Less allowance for credit losses	**7,805,537**	6,094,110
	267,890,499	486,385,603
Less noncurrent portion	**–**	46,999,426
	₱267,890,499	₱439,386,177

ICR consists of accounts collectible in equal monthly installments with over a period of 2 to 10 years. Some of the ICRs bear interest ranging from 14% to 18% in 2022 and 2021, depending on the projects and units. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers. Interest earned from contract assets and ICR amounted to ₱1.3 million and ₱1.8 million in 2022 and 2021, respectively (see Note 23).

Trade receivables include receivables from water service and sale of palm oil and other palm products which are noninterest-bearing and are normally collected within seven (7) to sixty (60) days.

Dividend receivable pertains to the cash dividends declared by the associate, PCPC, which is due and demandable.

Advances to officers and employees pertain to salary and other loans granted to the Group's employees that are collectible through salary deduction. These are noninterest-bearing and are due within one year.

Other receivables mainly pertain to advances made to homeowners' association of one of the projects and nontrade receivables. These receivables are noninterest-bearing and are due within one (1) year.

Movement in the allowance for impairment is as follows:

	2022	2021
Balances at beginning of year	**₱6,094,110**	₱4,260,860
Provision for expected credit losses (Note 18)	**1,711,427**	1,833,250
Balances at end of year	**₱7,805,537**	₱6,094,110

6. **Real Estate Inventories**

	2022	2021
Land for sale and development	**₱807,287,382**	₱519,645,964
Construction and development costs	**2,154,078,876**	1,570,369,490
	₱2,961,366,258	₱2,090,015,454

The rollforward of this account follows:

	2022	2021
Balance at beginning of the year	**₱2,090,015,454**	₱1,573,049,067
Construction and development costs incurred	**803,472,006**	477,483,328
Transfers from deposits for land acquisition (Note 8)	**394,235,788**	299,980,155
Borrowing costs capitalized (Note 16)	**75,270,157**	61,716,946
Purchase of land	**67,640,630**	34,588,513
Depreciation expense capitalized (Note 12)	**8,454,484**	12,425,583
Transfers to investment properties (Note 11)	**–**	(149,537,684)
Cost of real estate sales	**(477,722,261)**	(219,690,454)
	₱2,961,366,258	₱2,090,015,454

The real estate inventories are carried at cost. No inventories are recorded at amounts lower than cost in 2022 and 2021.

Land for sale and development represents real estate subdivision projects in which the Group has been granted License to Sell (LTS) by the Department of Human Settlements and Urban Development. It also includes raw land inventories that are under development and those that are about to undergo development.

Construction and development costs incurred pertain to amounts paid to contractors and development costs in relation to the development of land and construction of housing units, and other costs directly attributable to bringing the real estate inventories to its intended condition.

Borrowing costs capitalized to inventories in 2022 and 2021 amounted to ₱75.3 million and ₱61.7 million, respectively (Note 16). The capitalization rate used to determine the borrowing costs eligible for capitalization in 2022 and 2021 is 6.89% and 6.55%, respectively.

Collateralized properties
Pursuant to the loan agreement, certain real estate inventories were collateralized in favor of the bank to secure the Group's short-term and long-term debts (see Note 16). As at December 31, 2022 and 2021, the carrying values of the collateralized real estate inventories amounted to ₱329.1 million and ₱474.2 million, respectively.

7. **Other Inventories -** at cost

	2022	2021
Finished agricultural goods	**₱89,849,239**	₱88,261,898
Construction materials	**109,257,514**	86,267,235
Agricultural materials and other supplies	**1,177,565**	1,627,435
	₱200,284,318	₱176,156,568

The cost of inventories recognized under cost of agricultural goods sold in the consolidated statements of comprehensive income are as follows:

	2022	2021	2020
Purchase and harvest of FFB	**₱45,970,076**	₱39,474,747	₱36,885,423
Crude palm oil purchased during the year	**17,562,630**	–	–
FFB used in production	**63,532,706**	39,474,747	36,885,423
Direct labor	**11,945,998**	2,444,025	3,831,991
Manufacturing overhead	**13,838,956**	6,352,816	9,960,592
Total manufacturing cost	**89,317,660**	48,271,588	50,678,006
Finished goods at beginning of year	**88,261,898**	82,007,278	91,464,783
Finished goods at end of year	**(89,849,239)**	(88,261,898)	(82,007,278)
Total cost of agricultural goods sold	**₱87,730,319**	₱42,016,968	₱60,135,511

Depreciation from property, plant and equipment capitalized to other inventories amounted to ₱2.0 million, ₱1.1 million and ₱1.9 million in 2022, 2021 and 2020, respectively (see Note 12).

Construction materials pertain to supplies used in the construction and development of the real estate projects.

Agricultural materials and other supplies pertain to fertilizers, fuel and oil and other consumables.

The Group recognized impairment loss of ₱50.2 million, nil and ₱2.0 million in 2022, 2021 and 2020, respectively, in the consolidated statement of comprehensive income to account for the identified obsolete and damaged inventories recognized under "Provision for inventory losses" (see Note 18).

8. **Other Assets**

	2022	2021
Current:		
Deposits for land acquisition	**₱256,818,694**	₱158,739,048
Creditable withholding taxes	**122,676,007**	97,573,712
Prepaid expenses	**69,650,459**	61,749,311
Input VAT	**9,005,833**	8,634,966
Costs to obtain contracts (Note 27)	**2,383,406**	12,725,634
Refundable deposits	**827,263**	7,462,263
Miscellaneous	**4,185,278**	721,283
	₱465,546,940	₱347,606,217
Noncurrent:		
Deposits for land acquisition - net of current portion	**₱347,339,831**	₱–
Advances to third party	**215,311,840**	202,719,000
Input VAT - net of current portion	**63,134,788**	33,719,522
Refundable deposits - net of current portion	**48,874,728**	41,297,650
Goodwill	**43,007**	43,007
	₱674,704,194	₱277,779,179

Deposits for purchased land pertain to installment payments made by the Group to the sellers of lands based on the sales contracts. The lands are intended to be held for sale, for development in the future and for land banking. The Group made transfers of land from deposits to real estate inventory amounting to ₱394.2 million and ₱300.0 million in 2022 and 2021 respectively (see Note 6). The Group also made transfers of land from deposits for land acquistion to investment properties upon transfer of control of the land to the Group amounting to ₱8.8 million and nil in 2022 and 2021, respectively.

Creditable withholding taxes pertain to carry over of unapplied income tax credits and are recoverable and can be applied against the income tax payable in future periods.

Prepaid expenses consist mainly of prepaid supplies, employee benefits, rent, insurance and taxes and licenses, which are applicable in the future period.

Costs to obtain contracts pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units. These capitalized costs are amortized as marketing expense under "General, administrative and selling expenses" in the consolidated statements of comprehensive income over the expected construction period using the POC following the pattern of real estate revenue recognition (see Note 18).

Advances to third party pertain to advances made by the Parent Company to potential joint venture partners for acceptable business projects. The advances are to be applied to the cost of the business project.

Input VAT pertains to the 12% indirect taxes passed on to the Company by its supplier and contractors in the course of its business on its acquisition of goods and services under Philippine taxation laws and regulations. Input tax is applied against output VAT.

In 2022 and 2021, input VAT and refundable deposits written-off amounting to ₱6.8 million and ₱1.8 million, respectively, were recognized under "Impairment loss" in the consolidated statements of comprehensive income (see Note 18).

Miscellaneous pertains to advances to suppliers and contractors.

9. Investments in Equity Instruments

Quoted and unquoted equity securities

The Group's EIFVOCI include unquoted golf club shares and unlisted shares of stock. The fair values of the golf club shares are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input). The Group's unlisted shares of stock are measured at cost. Financial assets are measured at cost when insufficient more recent information is available to measure its fair value, or if a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range under Level 3 of the fair value hierarchy. The changes in the fair value of these unquoted equity instruments are recognized under "Net change in fair value of EIFVOCI" in other comprehensive income.

As of December 31, 2022 and 2021, the carrying value of unquoted golf club shares amounted to ₱288.3 million and ₱226.7 million, respectively; and unlisted shares of stock amounted to ₱12.7 million for 2022 and 2021.

The rollforward analysis of investments in EIFVOCI in 2022 and 2021 follows:

	2022	2021
Cost:		
At January 1 and December 31	**₱434,070,793**	₱434,070,793
Cumulative unrealized loss:		
At January 1	**(194,659,340)**	(258,483,688)
Fair value adjustment	**61,618,982**	63,824,348
At December 31	**(133,040,358)**	(194,659,340)
Carrying values	**₱301,030,435**	₱239,411,453

The Group's dividend income from EIFVOCI amounted to ₱10,618 and ₱7,442 in 2022 and 2021, respectively (see Note 23).

Changes in fair value of the unquated investments at FVOCI resulted to a gain of ₱61.6 million, ₱63.8 million, and ₱8.0 million in 2022, 2021, and 2020,respectively. This is the "Net change in fair value of EIFVOCI" in the statement of comprehensive income".

In 2020, the Group sold its 64,125,698 shares of EIFVPL for ₱76.0 million resulting in a gain of ₱12.5 million. This includes the transfer of the Parent Company's EIFVPL for ₱50.2 million as part of the consideration paid for the acquisition of VEC (see Note 21).

10. **Investments in Associates**

	2022	2021
PCPC	**₱1,266,109,455**	₱1,130,305,211
PEI	**419,080,852**	368,181,859
EWRTC	**53,415,370**	53,512,844
	₱1,738,605,677	₱1,551,999,914

	2022	2021
Acquisition cost, beginning and end of year	**₱1,105,595,917**	₱1,105,595,917
Accumulated equity in net earnings:		
Balances at beginning of year	**446,403,997**	324,963,478
Equity in net earnings	**316,397,960**	273,498,337
Dividends	**(130,000,000)**	(152,442,000)
Equity in other comprehensive income	**207,803**	384,182
	633,009,760	446,403,997
	₱1,738,605,677	₱1,551,999,914

In 2022 and 2021, PEI declared cash dividend to the Group amounting to ₱80.0 million and ₱72.4 million, respectively, while PCPC in 2022 and 2021 declared cash dividend to the Group amounting to ₱50.0 million and ₱80.0 million, respectively.

The Group's share in net income (loss) of its associates are shown below:

	2022	2021	2020
PCPC	**₱185,596,441**	₱146,957,116	₱61,811,399
PEI	**130,898,993**	126,697,063	114,158,501
EWRTC	**(97,474)**	(155,842)	(80,960)
	₱316,397,960	₱273,498,337	₱175,888,940

Investment in PCPC

The Group has 20% investment in PCPC. PCPC was registered with the SEC on December 18, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants. The Group accounts its investment in PCPC as investment in associate as it exercises significant influence over PCPC. The following table sets out the summarized financial information of PCPC as of December 31, 2022 and 2021:

	2022	2021
Assets		
Current assets	**₱3,779,595,880**	₱3,183,042,154
Noncurrent assets	**8,204,610,014**	8,911,628,206
Less liabilities		
Current liabilities	**2,351,887,255**	1,942,607,687
Noncurrent liabilities	**3,583,282,754**	4,781,706,684
Equity	**₱6,049,035,885**	₱5,370,355,989
Group's carrying amount of the investment	**₱1,266,109,455**	₱1,130,305,211

As of December 31, 2022 and 2021, the Group's share in PCPC's net assets amounted to ₱1,209.8 million and ₱1,074.1 million, respectively. As of December 31, 2022 and 2021, the excess of the carrying value over the Group's share in PCPC's net assets is attributable to the notional goodwill.

	2022	2021	2020
Revenue	**₱9,531,241,773**	₱5,190,714,173	₱4,050,924,027
Costs and expenses	**8,603,259,570**	4,455,928,593	3,741,867,033
Net income	**927,982,203**	734,785,580	309,056,994
Other comprehensive income (loss)	**1,039,017**	1,920,909	(3,657,625)
Total comprehensive income	**₱929,021,220**	₱736,706,489	₱305,399,369

Investment in PEI

The Group has 20% investment in PEI. PEI was incorporated and registered with the SEC on February 19, 2013 primarily to purchase, acquire, own and hold shares of stock, equity, and property of energy companies. Through its subsidiaries, PEI's focus is to develop, construct, and operate diesel power plants in Mindanao to address the ongoing power shortages in the region.

The following table sets out the summarized financial information of PEI as of December 31, 2022 and 2021:

	2022	2021
Assets		
Current assets	**₱508,221,440**	₱476,704,629
Noncurrent assets	**2,160,678,487**	2,244,115,776
Less liabilities		
Current liabilities	**511,946,078**	686,811,523
Noncurrent liabilities	**116,252,017**	247,808,068
Equity	**₱2,040,701,832**	₱1,786,200,814
Group's carrying amount of the investment	**₱419,080,852**	₱368,181,859

As of December 31, 2022 and 2021, the Group's share in PEI's net assets amounted to ₱408.1 million and ₱357.2 million, respectively. As of December 31, 2022 and 2021, the excess of the carrying value over the Group's share in PEI's net assets is attributable to the notional goodwill.

	2022	2021	2020
Revenue	**₱1,057,097,713**	₱962,703,434	₱981,405,568
Costs and expenses	**402,602,749**	329,218,117	410,613,063
Net income	**₱654,494,964**	₱633,485,317	₱570,792,505

Investment in EWRTC
The Group has 33.33% investment in EWRTC. The Consortium composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.) has submitted an unsolicited proposal to the Philippine National Railways (PNR) to build and then operate and maintain the East-West Rail Project. The East-West Rail Project is an integrated light rail mass transportation system and is intended to help alleviate the gap in the transportation infrastructure in the metropolis. This project is in line with the objective of the government to increase the ratio of rail transport systems to the rocketing ridership demand in Metro Manila and other major urban cities. The Project will involve the development, design, construction, supply, completion, testing, commissioning, and operation & maintenance of the East-West Rail Project.

In 2020, the PNR has re-granted the Original Proponent Status (OPS) to the Consortium. The Project was endorsed again to the National Economic and Development Authority (NEDA) for evaluation and approval by the Investment Coordination Committee (ICC). The Revised 2022 Implementing Rules and Regulations (IRR) of the Build-Operate-Transfer (BOT) Law took into effect on October 2022. The IRR amended key provisions that addressed concerns over the financial viability and bankability of public-private partnership (PPP) projects as well as clarify ambiguous provisions that might have caused delays in the PPP process. The Consortium is in continuous coordination with PNR as the implementing agency and preparing a resubmission of project related documents for approval of the PPP project to be in line with new BOT IRR provisions.

The following table sets out the summarized financial information of EWRTC as of December 31, 2022 and 2021:

	2022	2021
Assets		
Current assets	**₱42,926,856**	₱39,006,517
Noncurrent assets	**12,777,322**	11,611,380
Less liabilities		
Current liabilities	**507,365,786**	460,708,044
Capital deficiency	**(₱451,661,608)**	(₱410,090,147)
Group's carrying amount of the investment	**₱53,415,370**	₱53,512,844

As of December 31, 2022 and 2021, the Group's share in EWRTC's capital deficiency amounted to ₱150.6 million and ₱136.7 million, respectively. As of December 31, 2022 and 2021, the excess of the carrying value over the Group's share in EWRTC's net assets is attributable to the notional goodwill and translation adjustment.

	2022	2021	2020
Revenue	**₱–**	₱–	₱–
Costs and expenses	**292,451**	467,574	242,903
Net loss	**₱292,451**	₱467,574	₱242,903

11. Investment Properties

The Group's investment properties as at December 31 are classified as follows:

	2022	2021
Land held for capital appreciation	**₱309,990,532**	₱301,162,532
Land and building held for lease	**145,430,122**	148,239,782
	₱455,420,654	₱449,402,314

The fair values of investment properties as of December 31, 2022 and 2021 amounted to ₱758.8 million and ₱752.8 million, respectively.

The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. This valuation approach are categorized as Level 3 in the fair value hierarchy as at December 31, 2022 and 2021. The significant unobservable input to the valuation is the price per square meter.

For land, significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

The fair value of the building was arrived using the Cost Approach. This is a comparative approach that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. This valuation approach is categorized as Level 3 in the fair value hierarchy as at December 31, 2022 and 2021. The significant unobservable input to the valuation is the price per square meter.

For buildings, significant increases or decreases in the replacement and reproduction costs, in isolation, would result in a significantly higher or lower fair value of the properties.

The details of land held for capital appreciation are as follows:

	2022	2021
Cost:		
Balances at beginning of year	**₱301,162,532**	₱95,523,877
Additions	**–**	205,638,655
Reclassification from deposits for purchased land (Note 8)	**8,828,000**	–
Net carrying value	**₱309,990,532**	₱301,162,532

Land and building held for lease for 2022 and 2021 are as follows:

	2022			
	Land	**Building**	**Land Improvements**	**Total**
Cost:				
Balances at beginning of year	**₱63,908,760**	**₱7,142,747**	**₱87,238,988**	**₱158,290,495**
Additions	**–**	**–**	**101,136**	**101,136**
Balances at end of year	**63,908,760**	**7,142,747**	**87,340,124**	**158,391,631**
Accumulated depreciation:				
Balances at beginning of year	**–**	**7,142,747**	**2,907,966**	**10,050,713**
Depreciation (Note 18)	**–**	**–**	**2,910,796**	**2,910,796**
Balances at end of year	**–**	**7,142,747**	**5,818,762**	**12,961,509**
	₱63,908,760	**₱–**	**₱81,521,362**	**₱145,430,122**

	2021			
	Land	Building	Land Improvements	Total
Cost:				
Balances at beginning of year	₱1,610,064	₱7,142,747	₱–	₱8,752,811
Transfers from real estate inventories (Note 6)	62,298,696	–	87,238,988	149,537,684
Balances at end of year	63,908,760	7,142,747	87,238,988	158,290,495
Accumulated depreciation:				
Balances at beginning of year	–	7,142,747	–	7,142,747
Depreciation (Note 18)	–	–	2,907,966	2,907,966
Balances at end of year	–	7,142,747	2,907,966	10,050,713
	₱63,908,760	₱–	₱84,331,022	₱148,239,782

Rental income generated from land held under lease included under “Other income” in the consolidated statements of comprehensive income amounted to ₱3.2 million and ₱0.1 million in 2022 and 2021, respectively (see Note 23). Direct operating expense related to land held for lease included under “General, administrative and selling expenses” in the consolidated statements of comprehensive income amounted to ₱2.9 million in 2022 and 2021.

12. Property, Plant and Equipment

	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machineries and Equipment	Other Equipment	Right of Use Assets	Construction in Progress	Total
Cost										
At January 1	₱12,967,297	₱65,501,304	₱365,877,108	₱253,060,820	₱56,581,732	₱275,799,358	₱233,829,033	₱30,535,735	₱164,110,122	₱1,458,262,509
Additions	–	–	636,748	–	411,566	29,614,287	54,425,693	–	200,670,251	285,758,545
Disposals	–	–	–	–	–	–	(375,017)	–	–	(375,017)
At December 31	12,967,297	65,501,304	366,513,856	253,060,820	56,993,298	305,413,645	287,879,709	30,535,735	364,780,373	1,743,646,037
Accumulated depreciation										
At January 1	–	23,065,853	11,784,606	34,803,721	48,699,373	188,631,477	148,781,973	2,535,977	–	458,302,980
Depreciation	–	6,530,983	205,333	10,131,831	838,927	6,736,584	17,440,011	135,337	–	42,019,006
Disposals	–	–	–	–	–	–	(375,017)	–	–	(375,017)
At December 31	–	29,596,836	11,989,939	44,935,552	49,538,300	195,368,061	165,846,967	2,671,314	–	499,946,969
Allowance for impairment										
At January 1	–	–	64,729,932	–	–	–	–	–	14,095,856	78,825,788
Addition	–	–	20,710,128	–	–	–	–	–	4,553,386	25,263,514
At December 31	–	–	85,440,060	–	–	–	–	–	18,649,242	104,089,302
Net Book Value	₱12,967,297	₱35,904,468	₱269,083,857	₱208,125,268	₱7,454,998	₱110,045,584	₱122,032,742	₱27,864,421	₱346,131,131	₱1,139,609,766

2021	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machineries and Equipment	Other Equipment	Right of Use Assets	Construction in Progress	Total
Cost										
At January 1	₱12,967,297	₱65,501,304	₱365,240,359	₱253,060,820	₱56,581,732	₱295,385,277	₱195,226,066	₱30,535,735	₱115,836,909	₱1,390,335,499
Additions	–	–	636,749	–	–	3,007,975	17,446,503	–	48,273,213	69,364,440
Disposals	–	–	–	–	–	–	(1,437,430)	–	–	(1,437,430)
Reclassifications	–	–	–	–	–	(22,593,894)	22,593,894	–	–	–
At December 31	12,967,297	65,501,304	365,877,108	253,060,820	56,581,732	275,799,358	233,829,033	30,535,735	164,110,122	1,458,262,509
Accumulated depreciation										
At January 1	–	16,534,870	11,667,740	24,277,451	47,873,665	181,214,743	130,081,298	2,475,390	–	414,125,157
Depreciation	–	6,530,983	116,866	10,526,270	825,708	7,416,734	18,969,398	60,587	–	44,446,546
Disposals	–	–	–	–	–	–	(268,723)	–	–	(268,723)
At December 31	–	23,065,853	11,784,606	34,803,721	48,699,373	188,631,477	148,781,973	2,535,977	–	458,302,980
Allowance for impairment										
At January 1	–	–	49,603,598	–	–	–	–	–	14,095,856	63,699,454
Addition	–	–	15,126,334	–	–	–	–	–	–	15,126,334
At December 31	–	–	64,729,932	–	–	–	–	–	14,095,856	78,825,788
Net Book Value	₱12,967,297	₱42,435,451	₱289,362,570	₱218,257,099	₱7,882,359	₱87,167,881	₱85,047,060	₱27,999,758	₱150,014,266	₱921,133,741

There are no contractual commitments to purchase property and equipment.

The depreciation from property, plant and equipment in 2022 and 2021 are recognized as:

	2022	2021
General, administrative and selling expense (Note 18)	**₱30,879,360**	₱30,277,137
Real estate inventories (Note 6)	**8,454,484**	12,425,583
Other inventories (Note 7)	**2,048,413**	1,107,077
Bearer plants	**636,749**	636,749
	₱42,019,006	₱44,446,546

In 2022 and 2021, the Group has assessed that its bearer plants have indications of impairment due to the palm oil plantation's bearer plants not reaching their optimal fruiting stages. In 2022 and 2021, the Group recognized impairment loss amounting to ₱20.7 million and ₱15.1 million, respectively, to account for the estimated fruit loss due to some trees not reaching the optimal fruiting stages in accordance with the industry standard yield.

Other than the impairment loss due to the bearer plans inability to reach optimal fruiting stagest, no additional impairment was recognized by the Group for the remaining bearer plants since management estimated that the recoverable amount exceeds the carrying value of the bearer plants excluding the specific impairment as of December 31, 2022 and 2021. The recoverable amount was computed using discounted cash flows approach.

The calculation of value in use of the bearer plants are most sensitive to the following assumptions:

- Revenue - Projected revenue is derived by multiplying the forecasted selling price of FFB per metric ton (MT) to total projected FFB production considering management's best estimates on the future FFB prices and FFB production level considering factors such as the annual growth rate based on average values achieved in the three years preceding the beginning of the budget period, palm oil yields adjusted to the Philippine climate and setting, historical experiences and other economic and agricultural factors.

  Projected FFB yield per hectare (ha.) used was 7.9 MT per ha. and 9.0 MT per ha. in 2022 and 2021, respectively. Forecasted FFB selling price per MT used was ₱6,637.6 per MT and ₱4,000.0 per MT with annual growth rate of 5.0% in 2022 and 2021, respectively.

- Direct costs and price inflation - Projected costs are based on the Group's historical experience of the plantation costs incurred (fertilizers, labor and other plantation supplies) per hectare adjusted for inflation based on projected increase in prices with reference to the Philippine market. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movement. Management has considered the possibility of greater-than-forecast increases in price inflation. This may occur if anticipated regulatory changes result in an increase in demand that cannot be met by suppliers.

  Projected direct costs related to the plantation in terms of revenue is 38.49% and 39.19% in 2022 and 2021, respectively.

- Discount rate - Discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and risk of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

After-tax discount rate used rangs from 9.67% - 11.14% and 8.27% in 2022 and 2021, respectively.

Management have reflected future economic uncertainty in the risk-adjusted cash flows, giving a more accurate representation of the risks specific to the CGU.

In 2022 and 2021, the Group sold property and equipment for ₱0.1 million and ₱1.5 million, respectively, resulting in a gain of ₱0.1 million and ₱0.3 million, respectively, recognized under “Other income” in the consolidated statements of comprehensive income (see Note 23).

13. **Accounts and Other Payables**

	2022	2021
Trade payables	**₱768,765,412**	₱474,740,424
Accrued expenses	**211,629,588**	197,008,429
Statutory payables	**53,269,810**	27,076,973
Retention payable	**43,881,497**	38,407,226
Accrued interest payable (Notes 16 and 26)	**6,514,943**	2,883,267
	₱1,084,061,250	₱740,116,319

Trade payables are noninterest-bearing and are generally on a 30 to 60-day credit terms.

Accrued expenses pertain to contractual services, professional fees, rentals and other recurring expenses incurred by the Group.

Retention payable are noninterest-bearing and pertains to the amount withheld by the Group on contractor’s billings to be settled upon completion of the relevant contracts within the year. The retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

Statutory payables pertain to dues from remittance to Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, and withholding taxes. These are noninterest-bearing and are normally settled within one year.

Accrued interest payable is normally settled within 30 days.

14. **Contract Assets and Liabilities**

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as ICR. This is reclassified as ICR when the monthly amortization of the customer is already due for collection. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in POC, less reclassification to ICR.

The Group requires buyers of real estate units to pay a minimum percentage of the total contract price as reservation fee before the parties enter into a sale transaction. Payments from buyers which have not yet reached the buyer's equity to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on POC are presented as "Contract liabilities" in the consolidated statements of financial position.

When the Group's current collection threshold is reached by the buyer, revenue is recognized, and these deposits and down payments are recorded as either ICR or contract asset depending on the right to demand collection. The excess of collections over the recognized revenue is applied against the receivables or contract assets in the succeeding years. The movement in contract liabilities is mainly due to the reservation sales and advance payments of buyers less real estate sales recognized upon reaching the collection threshold and from increase in POC.

The Group's contract assets and liabilities as at December 31, 2022 and 2021 are as follows:

	2022	2021
Current portion of contract assets	**₱684,156,555**	₱185,102,035
Noncurrent portion of contract assets	**784,993,918**	484,925,421
Contract assets	**₱1,469,150,473**	₱670,027,456
Contract liabilities	**₱219,826,473**	₱169,402,619

The amount of revenue recognized in 2022 and 2021 from amounts included in contract liabilities at the beginning of the year amounted to ₱153.3 million and ₱140.8 million, respectively.

15. **Related Party Transactions**

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control or common significant influence which include affiliates. In considering each possible related party relationship, attention is directed to the substance of relationship and not merely the legal form. Related parties may be individuals or corporate entities.

Material related party transactions refer to any related party transactions, either individually, or in aggregate, amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements.

The Group, in the normal course of business has significant transactions with related parties, which principally consist of the following:

- Loans by the Group from shareholders (see Note 16).

  Shareholder Loan - A
  As of December 31, 2022 and 2021, the Group has outstanding loan from shareholder, which is classified under "Long term debt" in the consolidated statements of financial position amounting to ₱184.1 million and ₱240.4 million, respectively.

On January 13, 2019, the Group signed into an agreement with the shareholder to restructure the remaining balance of its original short-term loan amounting to ₱369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. The loan bears a fixed annual interest rate of 6.00%.

Shareholder Loan - B
As of December 31, 2022, the outstanding loan of ABERDI from shareholder, which was classified under "Short-term debt" in the consolidated statement of financial position amounting to ₱8.0 million in December 31, 2021, has been paid and settled.

- Noninterest-bearing cash advances to the Group's associates, PEI and EWRTC.
- Interest-bearing loan from Brown Resources Corporation (BRC), an affiliate of the Group.

The consolidated statements of financial position include the following amounts resulting from the above transactions with related parties:

		2022		
Category	**Amount**	**Receivable (Payable)**	**Terms**	**Conditions**
Shareholders				
Short-term debt (see Note 16):				
Shareholder Loan - B	**₱8,000,000**	**₱–**	**On demand; non-interest bearing**	**Unsecured; no collateral**
Long-term debt (see Note 16):				
Shareholder Loan - A				
Principal and interest payments	**(56,312,400)**	**–**	**12-year, 6.00% interest-bearing**	**Unsecured; no collateral**
Current	**–**	**(59,785,625)**		
Noncurrent	**–**	**(124,306,039)**		
		(₱184,091,664)		
Associates				
Receivable from related parties:				
PEI	**(₱23,757,204)**	**₱56,885,761**	**On demand; non-interest bearing**	**Unsecured; no impairment**
EWRTC	**4,258,776**	**49,926,086**		
		₱106,811,847		

		2021		
Category	Amount	Receivable (Payable)	Terms	Conditions
Shareholders				
Short-term debt (see Note 16):				
Shareholder Loan - B	₱–	(₱8,000,000)	On demand; non-interest bearing	Unsecured; no collateral
Long-term debt (see Note 16):				
Shareholder Loan - A				
Principal and interest payments	(53,040,950)	–	12-year, 6.00% interest-bearing	Unsecured; no collateral
Current	–	(56,312,400)		
Noncurrent	–	(184,091,664)		
BRC				
Principal payments	(947,277)	–	2-year, 6.00% interest-bearing	Unsecured; no collateral
Interest payments	(31,066)	–		
		(₱240,404,064)		
Associates				
Receivable from related parties:				
PEI	₱–	₱80,642,964	On demand; non-interest bearing	Unsecured; no impairment
EWRTC	8,619,349	45,667,310		
		₱126,310,274		

Terms and Conditions of Transactions with Related Parties
The outstanding accounts with related parties, except for the advances to key management personnel, shall be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. These accounts are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. The Group has approval process and established limits when entering into material related party transactions.

The compensation of the key management personnel, included as part of salaries, wages and employee benefits under "General and administrative expenses" in the consolidated statements of comprehensive income follows:

	2022	2021	2020
Short-term employee benefits	**₱33,073,565**	₱31,379,838	₱25,912,552
Other employee benefits	**3,657,175**	−	1,200,000
	₱36,730,740	₱31,379,838	₱27,112,552

Key management personnel of the Group include all directors and senior management.

16. Loans Payable

Loans payable represents various secured and unsecured loans obtained from local financial institutions and shareholder to finance the Group's real estate development projects, working capital requirements and for general corporate purposes.

The Parent Company entered into loan agreements with the following banks: Union Bank of the Philippines (UBP), Development Bank of the Philippines (DBP), United Coconut Planters Bank (UCPB), China Bank Corporation (CBC), BPI Family Savings Bank (BPIF) and Philippine Bank of Communication (PBCOM). The Parent Company also entered into loan agreements from a financial services company, Caterpillar Financial Services Phils. Inc. (CFSPI), and from a shareholder.

Short-term debt
Short-term debt represents peso loans obtained from local banks and shareholder for working capital and financing requirements. These loans, except loan from shareholder, bear annual interest rates ranging from 5.5% to 8.25% and 5.5% to 8.5% in 2022 and 2021, respectively, subject to semi-annual and quarterly repricing and are due at various dates within the following year from the reporting date. Loan from shareholder is on demand and noninterest-bearing.

	2022	**2021**
DBP	**₱189,159,000**	₱174,936,500
CBC	**150,000,000**	95,000,000
UBP	**90,000,000**	100,000,000
UCPB	**29,660,208**	25,924,520
PBCOM	**13,200,000**	39,600,000
Shareholder Loan - B (Note 15)	−	8,000,000
	₱472,019,208	₱443,461,020

Interest expense arising from these loans amounts to ₱25.0 million and ₱26.4 million in 2022 and 2021, respectively.

Long-term debt
The long-term debt represents various loans obtained from local financial institutions and shareholder to finance the Parent Company's real estate projects and for general corporate purposes.

	2022	2021
UBP	**₱749,181,355**	₱468,500,000
DBP	**246,294,000**	260,000,000
Shareholder Loan - A (Note 15)	**184,091,664**	240,404,064
CBC	**76,069,100**	26,863,833
UCPB	**22,783,200**	46,976,000
CFSPI	**1,580,235**	3,295,684
BPIF	**–**	6,415,428
	1,279,999,554	1,052,455,009
Less unamortized debt issue cost	**3,122,766**	–
	1,276,876,788	1,052,455,009
Less current portion	**317,602,384**	201,643,018
	₱959,274,404	₱850,811,991

Loans from UBP
Loans from UBP are comprised of loans subject to fixed interest rates which are payable in monthly installments and secured by real estate mortgage. Fixed-rate loans have annual interest rates ranging from 6.5% to 9.8% payable for 5 years.

On December 15, 2021, the Parent Company entered into a loan agreement with UBP for a term loan that grants a maximum aggregate principal of ₱220.0 million available for drawing within 6 months from the date of approval. Interest rate is fixed at BVAL plus 2% spread and floor rate of 6.5%, whichever is higher, payable monthly. On January 28, 2022, ₱124.0 million was availed with this agreement carrying a nominal interest rate of 6.50% and effective interest of 7.06%, payable in monthly installments for 5 years.

On October 28, 2022, the Parent Company entered into a loan agreement with UBP for a term loan that grants a maximum aggregate principal of ₱330.0 million available for drawing within 1 year from the date of approval. Interest rate is fixed at BVAL plus 2% spread and floor rate of 8%, whichever is higher, payable monthly. On November 3, 2022, ₱300.0 million was availed with this agreement carrying a nomonal interest rate of 9.8% and effective interest of 11%, payable in monthly installments for 5 years.

Loan from DBP
This loan is payable in quarterly installments for 6 years secured by real estate mortgage which is subject to a fixed annual interest rate of 6.0%.

Shareholder Loan - A
On January 13, 2019, the Parent Company signed into an agreement with the shareholder to restructure the remaining balance of its original short-term loan amounting to ₱369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. This loan is now payable in monthly installments for 12 years, unsecured and subject to a fixed annual interest rate of 6.0% (see Note 15).

Loans from UCPB
These loans are payable in quarterly installments for 5 years secured by real estate mortgage which are subject to fixed interest rate of 7.00%.

Loans from CBC
These loans are payable in monthly installments for 2 to 5 years pertaining to secured car loans subject to fixed annual interest rates ranging from 8.25% to 10.51%.

On September 30, 2022, ISI was granted a 10-year ₱400.0 million credit facility by CBC of various drawdown depending on the percentage of completion of it's E-Beam and Cold Storage Facility project, with interest rate of 8% payable quarterly. On December 19, 2022, ₱50.0 million was granted carrying a nominal interest rate of 8% and effective interest of 8.5%. Principal is payable in 26 quarterly amortization starting after the grace period of 13 quarters and will mature on December 17, 2032.

Loans from BPIF
These loans are payable in quarterly installments and secured by real estate mortgage. Fixed-rate loan has annual interest rates of 5.5% payable for 7 years. Variable-rate loans are subject to variable interest rates ranging from 5.23% to 7.75% payable for 7 to 10 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loan from CFSPI
This loan is payable in monthly installments for 3 years, unsecured, and subject to a fixed annual interest rate of 11%.

Borrowing Cost
Total interest expense arising from long-term loans and from those due to related parties amounted to ₱74.2 million and ₱62.0 million in 2022 and 2021, respectively. In 2022 and 2021, borrowing costs amounting to ₱75.3 million and ₱61.7 million, respectively, are capitalized as part of real estate inventories (see Note 6). The capitalization rate used to determine the borrowing costs eligible for capitalization is 6.89% and 6.55% for 2022 and 2021, respectively.

Interest expense (excluding capitalized borrowing costs) recognized in the consolidated statements of comprehensive income amounts to ₱24.4 million and ₱26.7 million in 2022 and 2021, respectively.

The movement of the unamortized debt issue cost follows:

	2022	2021
At January 1	**₱–**	₱–
Additions	**3,555,000**	–
Amortization	**(432,234)**	–
At December 31	**₱3,122,766**	₱–

Repayment Schedule
The repayment schedule of the long-term debt follows:

Year	**2022**	2021
2022	**₱–**	₱201,643,018
2023	**318,604,203**	230,109,616
2024-2030	**961,395,352**	620,702,375
	₱1,279,999,555	₱1,052,455,009

Security and Debt Covenants
Real estate inventories with carrying amounts of ₱329.1 million and ₱474.2 million as of December 31, 2022 and 2021, respectively, are collateralized for its loans payable (see Note 6).

The Group is not subject to any financial covenants from its short-term and long-term debts.

17. Equity

Common Stock
As of December 31, 2022 and 2021, the Group's common stock consists of:

	2022	2021
Common		
Authorized shares	**3,250,000,000**	3,250,000,000
Par value per share	**₱1.00**	₱1.00
Issued shares	**2,477,668,925**	2,477,668,925
Outstanding shares	**2,372,367,911**	2,398,912,911
Value of shares issued	**₱2,477,668,925**	₱2,477,668,925

Preferred Stock
On April 12, 2021, the BOD approved the amendment of the Articles of Incorporation (AOI) of the Parent Company to reclassify and divide the authorized capital stock into: (i) 3,250.0 million common shares with a par value of ₱1.00 per share; and (ii) 50.0 million preferred shares with a par value of ₱1.00 per share. The amendment of AOI was approved by the shareholders representing at least 2/3 of the outstanding capital stock during the Annual Stockholders' Meeting on June 24, 2021.

On May 25, 2021, the BOD authorized the shelf registration of 50 million preferred shares, and the offer and sale of up to 15.0 million preferred shares at an offer price of ₱100.00 per share.

On October 5, 2021, the SEC approved the Parent Company's proposal to create preferred shares by reclassifying its authorized capital stock from the current 3,300.0 million common shares to 3,250.0 million common shares and 50.0 million preferred shares.

On November 10, 2021, the Parent Company secured the approval from PSE for the shelf-listing of up to 50.0 million preferred shares and the follow-on public offer of up to 15.0 million preferred shares.

On November 12, 2021, the Parent Company secured the approval from SEC for the offer and sale of 15.0 million cumulative, non-voting, non-participating, non-convertible, redeemable "Series A" preferred shares at the option of the Parent Company. The "Series A" preference shares are entitled to fixed rate cash dividends at 7% per annum, payable quarterly in arrears on March 1, May 29, August 29 and November 29 each year. The offering allowed the Parent Company to raise ₱1,326.5 million as new capital.

The details of the Parent Company's preferred stock as at December 31, 2022 and 2021 follow:

Authorized shares	50,000,000
Par value per share	₱1.00
Issued shares	13,264,900
Outstanding shares	13,264,900
Value of shares issued	₱13,264,900

Record of Registration of Securities with the SEC

Common Stock

The Securities and Exchange Commission (SEC) issued the following orders related to the Group's registration of its securities which are offered to the public: SEC-BED Order No. 1179 issued on December 17, 1993 of 200.0 million shares at an issue price of ₱4.50 per share; SEC-BED Order No. 847 issued on August 15, 1994 of 230.0 million shares; and, SEC-CFD Order No. 64 issued on March 12, 1996 of 530.0 million shares.

There were 2,088 and 2,089 common stockholders as of December 29, 2022 and December 31, 2021, respectively in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱0.73 and ₱0.79 on December 29, 2022 and December 31, 2021, respectively.

Preferred Stock

The SEC issued the following orders related to the Group's registration and issuance of its "Series A" preferred shares securities which are offered to the public: (1) SEC MSRD Order No. 76 s. 2021 ("Order of Registration") for the shelf registration of up to 50.0 million cumulative, non-voting, non-participating, non-convertible, and redeemable perpetual preferred shares; and (2) Permit to Offer Securities for Sale ("Permit to Sell") covering the Initial Offer Shares dated November 12, 2021.

On November 29, 2021, there were 13,264,900 "Series A" preferred shares that were issued and listed in the PSE with "BRNP" as its ticker symbol.

As of December 31, 2022 and December 31, 2021, there were three (3) registered "Series A" preferred stockholders in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱100.00 and ₱105.00 on December 28, 2022 and December 31, 2021 respectively.

Additional Paid-In Capital (APIC)

APIC pertains to the excess proceeds over the par value of the issued shares. APIC for common shares amounted to ₱638.0 million as of December 31, 2022 and 2021.

In 2021, the Group has recognized APIC for preferred shares for the excess proceeds of subscriptions over the par value amounting to ₱1,313.2 million in relation to the issuance of preferred shares by the Parent Company. Incremental costs directly attributable to the issue of new shares such as underwriter fees, legal fees, and other professional fees are presented in equity as a deduction from APIC amounting to ₱20.0 million, net of income tax benefit.

As of December 31, 2022 and 2021, APIC on preferred shares amounted to ₱1,293.2 million.

Treasury Shares

In 2016, the Group has acquired all of the unissued fractional common shares arising from the stock dividend declaration in 2013, constituting an aggregate of 1,014 shares. These 1,014 shares were reflected as subscribed and issued shares and recognized as treasury shares at cost equal to par value of ₱1.00.

On August 17, 2020, the BOD of the Parent Company has approved the implementation of a share buyback program of up to ₱50.0 million worth of the Parent Company's common shares. On May 25, 2021, the initial approved budget of the program has been extended from ₱50.0 million to ₱100.0 million as recommended and approved by the BOD.

As of December 31, 2022 and December 31, 2021, the Parent Company has bought back from the market a total of 105,301,014 common shares or ₱94.9 million and 78,756,014 common shares or ₱70.6 million, respectively. These treasury shares are recorded at cost and are not entitled for dividends.

The movement in the Parent Company's treasury shares follows:

	2022		2021	
	Common Shares	**Amount**	Common Shares	Amount
At January 1	**78,756,014**	**₱70,618,247**	25,664,014	₱21,236,419
Additions	**26,545,000**	**24,314,028**	53,092,000	49,381,828
At December 31	**105,301,014**	**₱94,932,275**	78,756,014	₱70,618,247

Retained Earnings
Retained earnings amounting to ₱2,381.0 million and ₱1,834.8 million as of December 31, 2022 and December 31, 2021, respectively, include the accumulated equity in undistributed net earnings of consolidated subsidiaries. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

Declaration of Dividends
On February 2, 2022, the BOD declared a cash dividend for its preferred share amounting to ₱1.75 per share out of the Group's unrestricted retained earnings as of December 31, 2021 to all preferred stockholders of record as of February 16, 2022, paid in arrears on March 1, 2022.

On April 29, 2022, the BOD declared a cash dividend for its preferred share amounting to ₱1.75 per share out of the Group's unrestricted retained earnings as of December 31, 2021 to all preferred stockholders of record as of May 17, 2022 payable on May 30, 2022, all preferred stockholders of record August 3, 2022 payable on August 30, 2022 and all preferred stockholders of record as of November 3, 2022 payable on November 29, 2022.

Noncontrolling Interest
The Group's noncontrolling interest recognized is the proportionate interests of the Parent Company in MCPI. Noncontrolling interest amounted to (₱0.2 million) and ₱3.3 million as of December 31, 2022 and 2021, respectively.

The summarized audited financial information of MCPI are provided below.

	2022	2021	2020
Assets	**₱41,704**	₱6,786,904	₱6,788,403
Liabilities	**210,210**	160,291	108,653
Equity	**168,505**	6,626,613	6,679,750
Net loss	**6,795,119**	53,136	100,617

The accumulated balances of and net income attributable to noncontrolling interests follow:

	2022	2021	2020
Accumulated balances:			
Noncontrolling interest share in equity	**₱181,205**	₱3,286,953	₱3,316,303
Net loss attributable to NCI	**₱3,468,158**	29,350	26,368

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains strong and healthy consolidated statements of financial position to support its current business operations and drive its expansion and growth in the future.

The Group undertakes to establish the appropriate capital structure for each business line, to allow it sufficient financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group attempts to continually lengthen the maturity profile of its debt portfolio and makes it a goal to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital in 2022 and 2021.

The table below pertains to the account balances the Group considers as its core economic capital:

	2022	2021
Short-term debt	**₱472,019,208**	₱443,461,020
Long-term debt	**1,276,876,788**	1,052,455,009
Common stock	**2,477,668,925**	2,477,668,925
Preferred stock	**13,264,900**	13,264,900
Additional paid-in capital	**1,931,178,758**	1,931,178,758
Treasury shares	**(94,932,275)**	(70,618,247)
Retained earnings	**2,380,947,983**	1,834,803,085
	₱8,457,024,287	₱7,682,213,450

Earnings Per Share

Earnings per share amounts attributable to equity holders of the Parent Company are as follows:

	2022	2021	2020
Net income attributable to the common shareholders of the Parent Company*	**₱631,267,640**	₱389,841,923	₱294,130,474
Weighted average number of outstanding common shares**	**2,377,280,455**	2,418,299,636	2,468,708,146
Basic and diluted earnings per share	**₱0.27**	₱0.16	₱0.12

**Adjusted to the cumulative preferred dividends amounting to 7.7 million in 2022 and 2021*

***Weighted average common shares considering the effect of treasury shares*

Earnings per share are calculated using the consolidated net income attributable to the common shareholders of the Parent Company divided by the weighted average number of outstanding common shares.

18. General, Administrative and Selling Expenses

	2022	**2021**	2020
Personnel cost	**₱101,055,056**	₱67,941,544	₱74,696,992
Marketing (Note 27)	**76,838,008**	51,041,808	39,966,109
Provision for inventory losses (Note 7)	**50,241,232**	–	1,983,704
Transportation and travel	**43,233,406**	19,726,274	1,671,949
Depreciation (Notes 11 and 12)	**33,790,156**	33,185,103	27,774,186
Impairment loss (Notes 8 and 12)	**32,068,874**	16,889,227	29,410,454
Outside services	**26,127,585**	14,825,061	14,952,302
Taxes and licenses	**20,235,932**	24,442,769	26,230,240
Utilities and supplies	**16,214,613**	6,628,994	8,517,710
Professional fees	**13,556,796**	11,437,891	6,908,507
Retirement benefits (Note 19)	**10,630,252**	7,773,386	7,348,507
Repairs and maintenance	**9,541,551**	4,144,863	3,532,932
Rental (Note 22)	**7,636,596**	8,283,589	8,598,659
Insurance	**2,190,367**	844,381	320,468
Provision for expected credit loss (Note 5)	**1,711,427**	1,833,250	3,786,480
Directors' fee	**958,600**	818,000	1,519,000
Others	**26,251,767**	14,721,786	16,167,477
	₱472,282,218	₱284,537,926	₱273,385,676

Marketing expenses significantly include amortization of the costs to obtain contracts on real estate sales and advertising expenses incurred by the Group.

Others includes notarization, insurance, bank charges, and expenses arising from business and research development and software maintenance.

19. Retirement Benefit Obligation

The Group has a funded non-contributory retirement plan covering all regular and full-time employees effective July 1, 2002 (anniversary date was amended to take effect every January 1, retroactive 2003). Benefits are dependent on the years of service and the respective employee's compensation.

The defined benefit obligation is determined using the Projected Unit Credit method. There was no plan of termination, curtailment or settlement for the years ended December 31, 2022 and 2021.

<u>Responsibilities of Trustee</u>
The retirement fund is being administered and managed through a Multi-Employer Retirement Plan (the "Plan") by a trustee bank. The Retirement Plan Trustee, as appointed by the Group in the Trust Agreement executed between the Group and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Plan and the management of the retirement fund.

The Retirement Plan Trustee may seek the advice of counsel and appoint an investment manager or managers to manage the retirement fund, an independent accountant to audit the fund, and an actuary to value the retirement fund.

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statements of financial position.

The components of retirement benefit expense recognized as retirement benefits under "General, administrative and selling expenses" in the consolidated statements of comprehensive income are as follows (see Note 18):

	2022	2021	2020
Current service cost	**₱7,893,633**	₱5,327,848	₱4,551,380
Interest expense on defined benefit obligation	**2,845,181**	2,570,218	2,985,814
Interest income on plan assets	**(108,562)**	(124,680)	(188,687)
Total retirement benefit expense	**₱10,630,252**	₱7,773,386	₱7,348,507

The components of remeasurements loss (gain) on defined benefit plan recognized in OCI are as follows:

	2022	2021	2020
Remeasurement loss (gain) on defined benefit obligation	**(₱6,849,675)**	₱248,976	₱7,372,807
Remeasurement loss (gain) on plan assets	**(873,184)**	6,116	69,890
Income tax effect	**1,930,714**	1,701,640	(2,232,808)
Remeasurement loss (gain) at end of year	**(₱5,792,145)**	₱1,956,732	₱5,209,889

Remeasurement loss on defined benefit obligation recognized in the consolidated statements of financial position are as follows:

	2022	2021
At January 1	**₱27,250,541**	₱25,293,809
Remeasurement loss (gain) on defined benefit obligation	**(6,849,675)**	248,976
Remeasurement loss (gain) on fair value of plan assets	**(873,184)**	6,116
Income tax effect	**1,930,714**	1,701,640
At December 31	**₱21,458,396**	₱27,250,541

The breakdown of the retirement benefit obligation recognized in the consolidated statements of financial position follow:

	2022	2021
Present value of defined benefit obligation	**₱72,316,882**	₱72,109,434
Fair value of plan assets	**(4,161,311)**	(2,911,000)
Retirement benefit obligation	**₱68,155,571**	₱69,198,434

Changes in the present value of the defined benefit obligation follow:

	2022	2021
Balance at beginning of year	**₱72,109,434**	₱64,512,392
Current service cost	**7,893,633**	5,327,848
Interest cost	**2,845,181**	2,570,218
Benefits paid from retirement fund	**(3,657,175)**	(550,000)
Benefits paid from company operating fund	**(24,516)**	–
Remeasurement loss (gain)	**(6,849,675)**	248,976
Balance at end of year	**₱72,316,882**	₱72,109,434

Changes in the fair value of plan assets follow:

	2022	2021
Balance at beginning of year	**₱2,911,000**	₱3,342,436
Contributions to the retirement fund	**3,925,740**	–
Interest income	**108,562**	124,680
Remeasurement gain (loss)	**873,184**	(6,116)
Benefits paid from retirement fund	**(3,657,175)**	(550,000)
Balance at end of year	**₱4,161,311**	₱2,911,000

The fair values of plan assets by each class as of December 31 are as follows:

	2022	2021
Equity investments	**₱2,950,507**	₱2,470,676
Deposits in banks	**2,254**	426,098
Debt instruments	**1,197,427**	20,646
Others	**11,123**	(6,420)
Balance at end of year	**₱4,161,311**	₱2,911,000

For determination of the retirement benefit obligation, the following actuarial assumptions were used:

	2022	2021
Discount rates used	**7.20%**	3.92%
Expected rate of salary increases	**3.50%**	4.00%

Assumptions regarding future mortality and disability are based on the 2001 CSO table-Generational and The Disability Study, Period 2, Benefit 5, respectively.

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2022, assuming all other assumptions were held constant.

	Increase	Effect	
	(Decrease)	2022	2021
Discount rate	+1.00%	**(₱3,859,849)**	(₱1,798,784)
	-1.00%	**4,364,061**	1,972,338
Salary increase rate	+1.00%	**4,721,387**	1,982,962
	-1.00%	**(4,240,785)**	(1,841,132)

The average duration of the defined benefit obligation is 7.92 to 12.29 years and 13.2 years in December 31, 2022 and 2021, respectively. The Group expects to contribute to the plan assets amounting to ₱17.4 million in 2023.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2022 and 2021.

	2022	2021
Less than 1 year	**₱35,549,670**	₱31,036,162
1 to less than 5 years	**26,678,255**	10,988,506
5 to less than 10 years	**40,538,432**	31,505,673
10 to less than 15 years	**52,053,617**	22,604,991
15 to less than 20 years	**42,821,108**	37,717,802
20 years and above	**80,832,476**	57,346,459

20. Income Taxes

Provision for current income tax pertains to regular corporate income tax (RCIT) and minimum corporate income tax (MCIT) as follows:

	2022	2021	2020
RCIT	**₱279,580**	(₱2,463,465)	₱48,574,958
MCIT	**5,052,298**	54,874	379,098
	₱5,331,878	(₱2,408,591)	₱48,954,056

The reconciliation of provision for income tax computed at the statutory tax rate to provision for income tax reported in the consolidated statements of comprehensive income follows:

	2022	2021	2020
Provision for income tax computed at 25% in 2022 and 2021 and 30% in 2020	**₱197,137,932**	₱105,206,999	₱103,777,343
Adjustments for:			
Equity in net earnings of associates	**(79,115,026)**	(68,374,584)	(52,766,682)
Nondeductible expenses	**21,127,109**	11,168,733	3,145,489
Change in unrecognized deferred tax assets	**14,046,067**	8,199,620	1,442,146
Interest income already subjected to final tax	**(243,839)**	(88,492)	(34,492)
CREATE impact	**–**	(32,834,710)	–
Realized gain on sale of EIFVPL already subjected to final tax	**–**	–	(3,743,433)
	₱152,952,243	₱23,277,566	₱51,820,371

The components of net deferred tax liabilities as of December 31, 2022 and 2021 follow:

	2022	2021
Deferred tax liabilities on:		
Excess of real estate sales based on POC over real estate sales based on tax rules	**(₱380,324,441)**	(₱244,414,568)
Unamortized debt issue cost	**(780,692)**	–
Prepaid commission	**(595,851)**	(3,182,930)
Unrealized foreign exchange gain	**(158,934)**	(7,517)
	(381,859,918)	(247,605,015)
Deferred tax assets on:		
Fair value adjustment arising from business combination	**13,301,338**	13,301,338
NOLCO	**13,062,224**	32,996,584
Retirement benefit liability	**10,202,221**	8,782,346
MCIT	**6,087,308**	1,386,523
Allowance for impairment on receivables	**698,549**	698,549
	43,351,640	57,165,340
In equity:		
Preferred share issue costs recognized in APIC	**7,047,465**	6,671,734
Remeasurement loss on retirement benefit plan	**6,671,734**	8,384,100
Cumulative translation adjustment	**(256,164)**	(1,901,848)
	13,463,035	13,153,986
Deferred tax liabilities - net	**(₱325,045,243)**	(₱177,285,689)

The components of net deferred tax assets as of December 31, 2022 and 2021 follow:

	2022	2021
Deferred tax assets on:		
Allowance for impairment loss on property, plant and equipment	**₱11,925,547**	₱7,981,508
ROU asset	**1,560,476**	1,539,537
Allowance for impairment on receivables	**1,252,835**	824,979
Retirement benefit obligation	**989,131**	676,928
	15,727,989	11,022,952
In equity:		
Remeasurement loss on retirement benefit plan	**(149,414)**	506,745
Deferred tax assets - net	**₱15,578,575**	₱11,529,697

Unrecognized deferred tax assets

The Group has NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized amounting to ₱32.2 million and ₱34.6 million as of December 31, 2022 and 2021, respectively. These come from the following subsidiaries: ABERDI, BAC, PTCHC, ABBWCI, HLPC, SHDI, MCPI, VEC and ISI.

The details of unrecognized deferred tax assets as at December 31, 2022 and 2021 are as follows:

	2022		2021	
	Temporary Difference	**Tax Effect**	Temporary Difference	Tax Effect
NOLCO	**₱125,377,766**	**₱31,334,442**	₱135,201,740	₱33,800,435
Excess MCIT	**887,279**	**887,279**	840,645	840,645
	₱126,265,045	**₱32,221,721**	₱136,042,385	₱34,641,080

NOLCO.
The details of NOLCO are as follow:

Year Incurred	Expiry Date	At December 31, 2021	Addition (Application)	Expired	At December 31, 2022
2019	December 31, 2022	₱55,285,830	₱–	(₱55,285,830)	₱–
2020	December 31, 2025	41,586,606	–	–	41,586,606
2021	December 31, 2026	197,089,044	(79,737,444)	–	117,351,600
2022	December 31, 2025	–	45,461,857	–	45,461,857
		₱293,961,480	(₱34,275,587)	(₱55,285,830)	₱204,400,063

MCIT.
The details of excess MCIT are as follow:

Year Incurred	Expiry Date	At December 31, 2021	Addition	Expired	At December 31, 2022
2019	December 31, 2022	₱304,879	₱–	(₱304,879)	₱–
2020	December 31, 2023	386,117	–	–	386,117
2021	December 31, 2024	1,536,172	–	–	1,536,172
2022	December 31, 2025	–	5,052,298	–	5,052,298
		₱2,227,168	₱5,052,298	(₱304,879)	₱6,974,587

Bayanihan to Recover as One Act (Bayanihan 2)
On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 of Bayanihan 2 which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" On March 26, 2021, Republic Act (RA) 11534 or the CREATE Act introduced reforms to the corporate income tax and incentives systems which took effect on April 11, 2021. As a result of the CREATE law, the regular corporate income tax (RCIT) rate decreased from 30% to 25% effective July 1, 2020.The approval of the CREATE Act into law on March 26, 2021 is considered a substantive enactment of the Act into law that requires adjustments for financial reporting purposes. Applying the provisions of the CREATE Act to the Philippine-based entities, the applicable new income tax rates (i.e., 25% RCIT / 1% MCIT) were used to calculate for the current and deferred income taxes as at and for the year ended December 31, 2022.

Likewise, the impact on the December 31, 2020 balances had the CREATE Act been substantively enacted as of then, that were adjusted in 2021, are as follows:

Consolidated Statement of Financial Position

	Increase/ (Decrease)
Deferred tax liabilities - net	
Attributable to profit and loss	(₱28,710,548)
Attributable to OCI	1,765,415
Creditable withholding tax	₱4,124,162

Consolidated Statement of Comprehensive Income

	Increase/ (Decrease)
Provision for income tax - current	(₱4,124,162)
Provision for income tax - deferred	(28,710,548)
Net income	32,834,710
Other comprehensive income	(1,765,415)
Total comprehensive income	₱31,069,295

21. Business Combination

Acquisition of VEC

On June 18, 2020, the Parent Company signed a share purchase agreement with Argo Group Pte. Ltd., to acquire Argo Group Pte. Ltd.'s 99.995% ownership interest in VEC for a total consideration of ₱50.2 million pertaining to the transfer of the Parent Company's EIFVPL through a deed of assignment of shares.

The following are the fair values of the identifiable assets and liabilities assumed:

Assets:	
Cash	₱51,507
Receivables	1,674,693
Other current assets	1,537,086
Property and equipment (Note 12)	78,575,418
	81,838,704
Liabilities:	
Trade and other payables	29,009,627
Total net assets acquired	52,829,077
Acquisition cost	(50,170,000)
Gain on bargain purchase	₱2,659,077
Cash flow on acquisition:	
Cash acquired with the subsidiary	₱51,507

The purchase price allocation resulted in gain on bargain purchase of ₱2.7 million which is presented under "Gain on bargain purchase" in the 2020 consolidated statement of comprehensive income. VEC was sold at a discount since Argo Group Pte. Ltd. is no longer interested in pursuing its liquified natural gas projects and was keen to divest its investment related to such.

The accounting for business combination was determined provisionally in 2020 as allowed by PFRS 3. On June 18, 2021, the Group determined that the provisional amounts are final and that no adjustments shall be made in the consolidated financial statements.

22. Lease Agreements

Group as a Lessor
The Group leased its various properties under operating leases. The term of the lease agreements is for one year and is renewable upon mutual agreement of both parties. The agreements provide that the lessees shall pay for all major and minor repairs, business taxes, and charges for water, light, telephone and other utilities expense. There is no escalation clause and the leases are classified as operating leases.

Rental income from third parties under these operating leases amounted to ₱3.2 million in 2022, ₱0.1 million in 2021 and nil in 2020, respectively (see Note 23).

Group as a Lessee
In 2022 and 2021, the Group entered into lease agreements with related and non-related parties for its office spaces in Cagayan de Oro City and Metro Manila which have lease terms of 12 months or less and are renewable upon the agreement of both parties. The Group applies the 'short-term lease' recognition exemption for these leases.

There are no other significant restrictions imposed by lease agreements such as those concerning dividends, additional debt and further leasing.

In 2022, 2021 and 2020, rent expense amounted to ₱7.6 million, ₱8.3 million and ₱8.6 million, respectively (see Note 18).

The Group paid advance rentals for the rights to use parcels of land in Impasugong, Kalabugao, Salawaga Tingalan, Opol, Misamis Oriental and Tignapoloan, Cagayan de Oro City and to develop them as palm oil commercial plantations under the Group's development contracts (DC) with KASAMAKA and KMBT identified as contracts containing leases scoped in under PFRS 16. There are no future lease payments related to these lease contracts.

In 2022 and 2021, the movements in the Group's right-of-use asset follows (see Note 12):

	2022	2021
Cost		
Balance at beginning and end of year	**₱30,535,735**	₱30,535,735
Accumulated depreciation		
At January 1	**2,535,977**	2,475,390
Depreciation	**135,337**	60,587
At December 31	**2,671,314**	2,535,977
Net book value	**₱27,864,421**	₱27,999,758

23. Other Income - net

	2022	2021	2020
Income from forfeited deposits	**₱18,401,162**	₱12,117,875	₱2,373,565
Tapping fees, transfer fees and other water charges	**4,095,755**	4,862,628	4,349,008
Rental income (Notes 11 and 22)	**3,245,353**	105,000	–
Interest income (Notes 4 and 5)	**2,331,406**	2,183,947	2,045,174
Gain (loss) on sale of property and equipment (Note 12)	**99,685**	288,867	(184,474)
Dividend income (Note 9)	**10,618**	7,442	201,219
	₱28,183,979	₱19,565,759	₱8,784,492

Income from forfeited deposits pertains to collections from potential buyers deemed nonrefundable due to prescription of the period for entering into a contracted sale and/or payment from defaulting buyers upon prescription of the period for payment of the required amortizations subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*.

24. Financial Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities in relation to its financial instruments which include financial assets comprising cash, receivables (excluding advances to officers and employees), receivables from related parties, EIFVOCI and refundable deposits included under “Other assets”. This also includes financial liabilities comprising accounts and other payables (excluding statutory payables), short-term and long-term debts. The main types of risks are market risk (mainly interest rate and equity price risks), credit risk and liquidity risk which arise in the normal course of the Group’s business activities.

The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group’s results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle. The management takes charge of the Group’s overall risk management strategies and for approval of risk strategies and policies under the direction of the Group’s BOD.

The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.

There were no changes in the Group’s financial risk management objectives and policies in 2022 and 2021.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and interest rate risk. The Group’s BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group trades only with recognized, creditworthy third parties. The Group’s receivables are monitored on an ongoing basis to manage exposure to bad debts and to ensure timely execution of necessary intervention efforts. The Group’s debt financial assets are not subject to collateral and other credit enhancement except for ICRs. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

In addition, the credit risk for ICRs is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject real estate property in case of refusal by the buyer to pay on time the due ICR. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%).

With respect to credit risk arising from the other debt financial assets of the Group, which comprise cash and due to a related party, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks which have demonstrated financial soundness for the past 5 years.

The Group's maximum exposure to credit risk is equal to the carrying values of its debt financial assets and contract assets except for ICRs as discussed above. The table below shows the credit quality and aging analysis of the Group's financial assets and contract assets:

	2022	2021
Financial assets:		
Cash in banks (Note 4)	**₱195,980,138**	₱1,270,363,094
Receivables (Note 5)	**267,890,499**	486,385,603
Receivables from related parties (Note 15)	**106,811,847**	126,310,274
Refundable deposits (Note 8)	**49,701,991**	48,759,913
	₱620,384,475	₱1,931,818,884

The aging analysis per class of financial assets as at December 31 is as follows:

	2022						
		Neither Past	**Past Due But not Impaired**				
	Total	**Due nor Impaired**	**Less than 30 Days**	**30-60 Days**	**61-90 Days**	**More than 90 Days**	**Impaired**
Financial assets:							
Cash in banks	**₱195,980,138**	**₱195,980,138**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Receivables	**267,890,499**	**256,807,837**	**1,602,840**	**535,176**	**569,554**	**569,554**	**7,805,537**
Receivables from related parties	**106,811,847**	**106,811,847**	–	–	–	–	–
Refundable deposits	**49,701,991**	**49,701,991**	–	–	–	–	–
	₱620,384,475	**₱609,301,813**	**₱1,602,840**	**₱535,176**	**₱569,554**	**₱569,554**	**₱7,805,537**

	2021						
		Neither Past	Past Due But not Impaired				
	Total	Due nor Impaired	Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	Impaired
Financial assets:							
Cash in banks	₱1,270,363,094	₱1,270,363,094	₱–	₱–	₱–	₱–	₱–
Receivables	492,479,713	405,134,428	2,780,662	2,313,202	1,339,901	74,817,410	6,094,110
Receivables from related parties	126,310,275	126,310,275	–	–	–	–	–
Refundable deposits	48,759,913	48,759,913	–	–	–	–	–
	₱1,937,912,995	₱1,850,567,710	₱2,780,662	₱2,313,202	₱1,339,901	₱74,817,410	₱6,094,110

The following are the details of the Group's assessment of credit quality and the related ECLs as at December 31, 2022 and 2021.

Low credit risk simplification approach

- *Cash* - These are of high quality as the amounts are deposited in reputable banks which have good bank standing and is considered to have a low credit risk. Accordingly, management assessed that no ECL relating to the cash of the Group is recognized.

General approach

- *Receivables (except ICR and trade receivables), receivables from related parties and refundable deposits* - These are high grade since these pertain to counterparties who have a very remote likelihood of default and have consistently exhibited good paying habits. Accordingly, management assessed that no ECL relating to these receivables and deposits of the Group is recognized. This assessment is undertaken each financial year through examining the financial position of the counterparties and the markets in which they operate.

Simplified approach

- *ICR and contract assets* - These are high grade since these pertain to counterparties who have a very remote likelihood of default and have consistently exhibited good paying habits. Accordingly, management assessed that no ECL relating to these receivables of the Group is recognized. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers. This assessment is undertaken each financial year through examining the financial position of the counterparties and the markets in which they operate.

- *Trade receivables* - These are high grade since these pertain to receivables from customers who have established good credit standing with the Company. The Group applied the simplified approach under PFRS 9, using a 'provision matrix'. Accordingly, management assessed and recognized ECL relating to trade receivables amounting to ₱1.7 million and ₱1.8 million in 2022 and 2021, respectively. Trade receivables are regarded as short-term and while there are certain accounts that are past-due, the Group evaluates the credit risk with respect to trade receivables as low as there were no history of default payments.

	2022				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Lifetime ECL Simplified Approach**	**Total**
Gross carrying amount	**₱449,823,859**	**₱–**	**₱–**	**₱178,366,153**	**₱628,190,012**
Loss allowance	–	–	–	**(7,805,537)**	**(7,805,537)**
Carrying amount	**₱449,823,859**	**₱–**	**₱–**	**₱170,560,616**	**₱620,384,475**

	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱1,583,955,047	₱–	₱–	₱353,957,948	₱1,937,912,995
Loss allowance	–	–	–	(6,094,110)	(6,094,110)
Carrying amount	₱1,583,955,047	₱–	₱–	₱347,863,838	₱1,931,818,885

For financial assets recognized on the consolidated satements of financial position, the gross exposure to credit risk equals their carrying amount except for ICR and contract assets where exposure to credit risk is not significant given that title of the real estate property is only transferred to the customer if the consideration had been fully paid.

Applying the expected credit risk model resulted to recognition of impairment loss of ₱1.7 million and ₱1.8 million from receivables in 2022 and 2021, respectively.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed adequate by management to finance its operations and capital requirements and to mitigate the effects of fluctuations in cash flows. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt. As part of its liquidity risk management, it regularly evaluates its projected and actual cash flows.

The tables below summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of its financial liabilities as of December 31, 2022 and 2021 based on contractual undiscounted payments:

	2022			
	On Demand	**One Year and Below**	**More than One Year**	**Total**
Financial Assets				
Cash	**₱209,847,156**	**₱–**	**₱–**	**₱209,847,156**
Receivables	**4,388,926**	**255,696,036**		**260,084,962**
EIFVOCI	**–**	**–**	**301,030,435**	**301,030,435**
Receivables from related parties	**106,811,847**	**–**	**–**	**106,811,847**
Refundable deposits	**–**	**827,263**	**48,874,728**	**49,701,991**
Total financial assets	**321,047,929**	**256,523,299**	**349,905,163**	**927,476,391**
Contract assets	**–**	**684,156,555**	**784,993,918**	**1,469,150,473**
	321,047,929	**940,679,854**	**1,134,899,081**	**2,396,626,864**
Financial Liabilities				
Accounts and other payables*	**627,179,052**	**403,587,873**	**–**	**1,030,766,925**
Short-term debt				
Principal	**–**	**472,019,208**	**–**	**472,019,208**
Interest	**–**	**29,900,724**	**–**	**29,900,724**
Long-term debt				
Principal	**–**	**318,604,203**	**961,396,777**	**1,280,000,980**
Interest	**–**	**12,174,163**	**36,735,864**	**48,910,027**
	627,179,052	**1,236,286,171**	**998,132,641**	**2,861,597,864**
Net Inflow (Outflow)	**(₱306,131,123)**	**(₱295,606,317)**	**₱136,766,441**	**(₱464,970,999)**

** Excluding statutory payables amounting to ₱32,630,307.*

	2021			
	On Demand	One Year and Below	More than One Year	Total
Financial Assets				
Cash	₱1,277,986,644	₱–	₱–	₱1,277,986,644
Receivables	78,389,003	360,997,174	46,999,426	486,385,603
EIFVOCI	–	–	239,411,453	239,411,453
Receivables from related parties	126,310,274	–	–	126,310,274
Refundable deposits	–	7,462,263	41,297,650	48,759,913
Total financial assets	1,482,685,921	368,459,437	327,708,529	2,178,853,887
Contract assets	–	185,102,035	484,925,421	670,027,456
	1,482,685,921	553,561,472	812,633,950	2,848,881,343
Financial Liabilities				
Accounts and other payables*	309,451,474	403,587,873	–	713,039,347
Short-term debt				
Principal	8,000,000	435,461,020	–	443,461,020
Interest	–	28,091,666	–	28,091,666
Long-term debt				
Principal	–	201,643,018	850,811,991	1,052,455,009
Interest	–	7,704,967	32,510,317	40,215,284
	317,451,474	1,076,488,544	883,322,308	2,277,262,326
Net Inflow (Outflow)	₱1,165,234,447	(₱522,927,072)	(₱70,688,358)	₱571,619,017

** Excluding statutory payables amounting to ₱27,076,973.*

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes.

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax and equity, through the impact on floating rate borrowings:

2022		2021	
Increase (decrease) in basis points	**Effect on profit before tax**	Increase (decrease) in basis points	Effect on profit before tax
300	**(₱29,964,875)**	300	(₱22,726,558)
200	**(19,976,583)**	200	(15,151,039)
100	**(9,988,292)**	100	(7,575,519)
(100)	**9,988,292**	(100)	7,575,519
(200)	**19,976,583**	(200)	15,151,039
(300)	**29,964,875**	(300)	22,726,558

Equity Price Risk. The Group's equity investments in golf and club shares are susceptible to market price risk arising from uncertainties about future values of the investment securities.

As of December 31, 2022, the Group's exposure to equity price risk with respect to EIFVOCI is minimal.

Fair Value of Financial Assets and Liabilities

The following table presents a comparison by category of carrying values and estimated fair values of the Group's financial instruments as at December 31:

	2022		2021	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Cash	**₱209,847,156**	**₱209,847,156**	₱1,277,986,644	₱1,277,986,644
Receivables	**259,666,304**	**260,312,735**	486,385,603	487,588,480
Receivables from related parties	**115,036,046**	**115,036,046**	126,310,274	126,310,274
EIFVOCI	**301,030,435**	**301,030,435**	239,411,453	239,411,453
Refundable deposits	**49,701,991**	**49,701,991**	48,759,913	48,759,913
	₱935,281,932	**₱935,928,363**	₱2,178,853,887	₱2,180,056,764
Financial Liabilities				
Accounts and other payables*	**₱1,051,406,424**	**₱1,051,406,424**	₱713,039,347	₱713,039,347
Short-term debt	**472,019,208**	**472,019,208**	443,461,020	443,461,020
Long-term debt	**1,279,999,555**	**1,399,827,840**	1,052,455,009	1,150,981,511
	₱2,803,425,187	**₱2,923,253,472**	₱2,208,955,376	₱2,307,481,878

** Excluding statutory payables amounting to ₱168,272,419 and ₱27,076,973 in 2022 and 2021, respectively.*

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash, receivables (except ICR), accounts and other payables and short term-debt.* The fair values approximate their carrying amounts as of reporting dates due to the short-term maturity of these financial instruments.

- *ICR.* The fair value of ICR due within one year approximates its carrying amount. Noncurrent portion of ICR are discounted using the applicable discount rates (Level 3 input).

  Receivables from related parties. Carrying amounts of receivables from related parties which are collectible on demand approximate their fair values. Receivables from related parties are unsecured and have no foreseeable terms of repayments.

- *EIFVOCI.* For unquoted equity securities, the fair value is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input).

- *Refundable deposits.* The fair values of refundable deposits are not determinable since the timing of each refund is not reasonably predictable, hence presented at cost.

- *Long-term debt.* The fair value of borrowings with fixed interest rate is based on the discounted net present value of cash flows using the PH BVAL. Discount rates used range from 5.9% to 8.4% and 5.4% to 7.5% in 2022 and 2021, respectively. The Group classifies the fair value of its long-term debt under Level 3.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and,

- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

25. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the segment information is reported based on the nature of service the Group is providing.

The segments where the Group operate follow:

- Real estate development - Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales;
- Agricultural - Development of land for palm oil production and sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.
- Power and utilities - Operating of power plants and/or purchase, generation, production supply and sale of power. However, there was no commercial operations yet as of December 31, 2022. The results of oeprations of the associates operating in the power and utilities industry are presented in this segment.
- Holding - Holding of properties of every kind and description.
- Services - Provide irradiation services for all types of goods. However, there was no commercial operations yet as of December 31, 2022. However, there was no commercial operations yet as of December 31, 2022.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

For the years ended December 31, 2022, 2021 and 2020, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

The financial information about the operations of these operating segments is summarized below (in thousands):

	For the Year Ended December 31, 2022						
	Real Estate Development	**Agricultural**	**Power and Utilities**	**Holding**	**Services**	**Eliminations**	**Consolidated**
Revenue	**₱1,404,063**	**₱116,143**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,520,206**
Costs and expenses	**491,935**	**87,730**	**–**	**–**	**–**	**–**	**579,665**
Gross profit	**912,128**	**28,413**	**–**	**–**	**–**	**–**	**940,541**
General, administrative and selling expenses	**(311,379)**	**(153,611)**	**(16,047)**	**(488)**	**(2,401)**	**11,645**	**(472,281)**
Other income (expenses)	**3,841**	**2,860**	**506,510**	**49,990**	**17**	**(242,926)**	**320,292**
Income (loss) before income tax	**604,590**	**(122,338)**	**490,463**	**49,502**	**(2,384)**	**(231,281)**	**788,552**
Provision for (benefit from) income tax	**151,463**	**(2,478)**	**2**	**–**	**80**	**3,885**	**152,952**
Net income (loss)	**₱453,127**	**(₱119,860)**	**₱490,461**	**₱49,502**	**(₱2,464)**	**(₱235,166)**	**₱635,600**
Net income attributable to:							
Owners of the Parent Company	**₱453,127**	**(₱119,860)**	**₱493,929**	**₱49,502**	**(₱2,464)**	**(₱235,166)**	**₱639,068**
Non-controlling interests	**–**	**–**	**(3,468)**	**–**	**–**	**–**	**(3,468)**
	₱453,127	**(₱119,860)**	**₱490,461**	**₱49,502**	**(₱2,464)**	**(₱235,166)**	**₱635,600**

	As of December 31, 2022						
	Real Estate Development	**Agricultural**	**Power and Utilities**	**Holding**	**Services**	**Eliminations**	**Consolidated**
Other information							
Segment assets	**₱9,780,302**	**₱1,181,316**	**₱1,704,753**	**₱1,065,751**	**₱241,398**	**(₱3,983,190)**	**₱9,990,330**
Deferred tax assets	**-**	**11,410**	**–**	**–**	**–**	**4,168**	**15,579**
Total Assets	**₱9,780,302**	**₱1,192,726**	**₱1,704,753**	**₱1,065,751**	**₱241,398**	**(₱3,979,022)**	**₱10,005,909**
Segment liabilities	**₱2,997,934**	**₱1,228,878**	**₱41,834**	**₱853,463**	**₱193,600**	**(₱2,194,689)**	**₱3,121,020**
Deferred tax liabilities	**336,783**	**–**	**2**	**–**	**–**	**(11,820)**	**324,965**
Total Liabilities	**₱3,334,717**	**₱1,228,878**	**₱41,836**	**₱853,463**	**₱193,600**	**(₱2,206,509)**	**₱3,445,985**

	For the Year Ended December 31, 2021						
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Revenue	₱653,289	₱56,980	₱–	₱–	₱–	₱–	₱710,269
Costs and expenses	(229,270)	(42,017)	–	–	–	–	(271,287)
Gross profit	424,019	14,963	–	–	–	–	438,982
General, administrative and selling expenses	(198,893)	(73,515)	(4,362)	(1,795)	(9,743)	3,770	(284,538)
Other income (expenses)	(5,824)	1,596	426,103	79,994	5	(235,490)	266,384
Income (loss) before income tax	219,302	(56,956)	421,741	78,199	(9,738)	(231,720)	420,828
Provision for (benefit from) income tax	22,119	(1,502)	–	–	–	2,661	23,278
Net income (loss)	₱197,183	(₱55,454)	₱421,741	₱78,199	(₱9,738)	(₱234,381)	₱397,550
Net income attributable to:							
Owners of the Parent Company	₱197,183	(₱55,454)	₱421,770	₱78,199	(₱9,738)	(₱234,381)	₱397,579
Non-controlling interests	–	–	(29)	–	–		(29)
	₱197,183	(₱55,454)	₱421,741	₱78,199	(₱9,738)	(₱234,381)	₱397,550

	As of December 31, 2021						
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Other information							
Segment assets	₱8,456,142	₱1,207,940	₱1,529,346	₱1,121,523	₱93,809	(₱3,794,546)	₱8,614,214
Deferred tax assets	-	8,957		14		2,559	11,530
Total Assets	₱8,456,142	₱1,216,897	₱1,529,346	₱1,121,537	₱93,809	(₱3,791,987)	₱8,625,744
Segment liabilities	₱2,413,454	₱1,137,237	₱41,679	₱845,257	₱78,546	(₱2,041,540)	₱2,474,633
Deferred tax liabilities	188,684	-	2	-	-	(11,400)	177,286
Total Liabilities	₱2,602,138	₱1,137,237	₱41,681	₱845,257	₱78,546	(₱2,052,940)	₱2,651,919

	For the Year Ended December 31, 2020					
	Real Estate Development	Agricultural	Power and Utilities	Holding	Eliminations	Consolidated
Revenue	₱784,956	₱79,089	₱–	₱–	₱–	₱864,045
Costs and expenses	(359,165)	(60,136)	–	–	–	(419,301)
Gross profit	425,791	18,953	–	–	–	444,744
General, administrative and selling expenses	(180,720)	(79,610)	(14,732)	(1,575)	3,251	(273,386)
Other income (expenses)	1,761	(2,701)	380,967	80,005	(285,466)	174,566
Income (loss) before income tax	246,832	(63,358)	366,235	78,430	(282,215)	345,924
Provision for income tax	70,594	(2,811)	(1)	-	(15,962)	51,820
Net income (loss)	₱176,238	(₱60,547)	₱366,236	₱78,430	(₱266,253)	₱294,104
Net income attributable to:						
Owners of the Parent Company	₱176,238	(₱60,547)	₱366,262	₱78,430	(₱266,253)	₱294,130
Non-controlling interests	–	–	(26)	–	–	(26)
	₱176,238	(₱60,547)	₱366,236	₱78,430	(₱266,253)	₱294,104

	As of December 31, 2020					
	Real Estate Development	Agricultural	Power and Utilities	Holdings	Eliminations	Consolidated
Other information						
Segment assets	₱6,348,797	₱1,242,680	₱1,408,608	₱1,112,873	(₱3,626,992)	₱6,485,966
Deferred tax assets	-	7,248	-	24	9,214	16,486
Total Assets	₱6,348,797	₱1,249,928	₱1,408,608	₱1,112,897	(₱3,617,778)	₱6,502,452
Segment liabilities	₱1,994,736	₱1,115,177	₱40,727	₱831,735	(₱1,888,594)	₱2,093,781
Deferred tax liabilities	168,919	-	2	-	(14,682)	154,239
Total Liabilities	₱2,163,655	₱1,115,177	₱40,729	₱831,735	(₱1,903,276)	₱2,248,020

26. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities

	2022					
	Beginning Balance	**Availments**	**Payments**	**Movement of Debt Issue Cost**	**Others**	**Ending Balance**
Short-term debt	**₱443,461,020**	**₱326,857,000**	**(₱298,298,812)**	**₱–**	**₱–**	**₱472,019,208**
Long-term debt	**1,052,455,009**	**484,720,800**	**(257,176,255)**	**(3,122,766)**	**–**	**1,276,876,788**
Interest payable	**2,883,267**	**–**	**(95,992,851)**	**–**	**99,624,527**	**6,514,943**
Preferred share dividends	**–**	**–**	**(92,860,600)**	**–**	**92,860,600**	**–**
	₱1,498,799,296	**₱811,577,800**	**(₱744,328,518)**	**(₱3,122,766)**	**₱192,485,127**	**₱1,755,410,939**

	2021					
	Beginning Balance	Availments	Payments	Movement of Debt Issue Cost	Others	Ending Balance
Short-term debt	₱414,177,400	₱157,065,000	(₱127,781,380)	₱–	₱–	₱443,461,020
Long-term debt	820,856,568	547,171,200	(315,572,759)	–	–	1,052,455,009
Interest payable	2,156,665	–	(87,669,100)	–	88,395,702	2,883,267
	₱1,237,190,633	₱704,236,200	(₱531,023,239)	₱–	₱88,395,702	₱1,498,799,296

Others include reclassification of interest expense and capitalized borrowing costs.

The Group's noncash investing and financing activities pertain to the following:

- Dividend receivable amounted to ₱20.0 million and ₱80.0 million as of December 31, 2022 and 2021, respectively.
- In 2022 and 2021, capitalized borrowing cost amounted to ₱75.3 million and ₱61.7 million, respectively.
- In 2022 and 2021, capitalized depreciation expense amounted to ₱0.6 million and nil, respectively.
- The Group transferred from real estate inventory to investment property amounting to ₱149.5 million in December 31, 2021.

27. **Revenue from Contracts with Customers**

Revenue Disaggregation

The Group derives revenue from the transfer of services and goods over time and at a point in time, respectively, in different product types. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

	2022	2021	2020
Type of product:			
Real estate sales			
Lot-only units	**₱892,937,107**	₱245,570,349	₱397,771,805
House and lot units	**485,802,048**	382,882,076	363,766,554
Sale of agricultural goods			
Crude palm oil	**102,474,075**	33,902,921	57,177,025
Palm olein	**4,422,098**	16,423,563	9,364,000
Palm acid oil	**3,873,180**	2,345,170	3,501,581
Palm stearin	**1,824,045**	1,762,946	3,327,197
Refined bleached deodorized oil	**1,751,240**	–	–
Palm kernel	**924,944**	368,602	–
Palm fatty acid distillate	**873,887**	1,890,880	5,382,220
Palm kernel nut	**–**	286,130	–
Palm kernel cake	**–**	–	336,763
Water service	**25,323,973**	24,836,284	23,417,340
	₱1,520,206,597	₱710,268,921	₱864,044,485

The real estate sales and water service revenue are revenue from contracts with customers that are recognized over time while revenue from sale of agricultural goods are recognized at a point in time.

Contract Balances

	2022	2021
ICR (Note 5)	**₱161,658,616**	₱330,518,474
Current portion of contract assets (Note 14)	**684,156,555**	185,102,035
Noncurrent portion of contract assets (Note 14)	**784,993,918**	484,925,421
Costs to obtain contracts (Note 8)	**2,383,406**	12,725,634
Contract liabilities (Note 14)	**219,826,473**	169,402,619

ICR consists of accounts collectible in equal monthly installments with over a period of 2 to 10 years. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers.

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as ICR. This is reclassified as ICR when the monthly amortization of the customer is already demandable for collection or when the remaining balance of the total contract price once the equity payments have been settled by the customer is already collectible for collection from the bank for real estate sales under bank financing. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in percentage of completion, less reclassification to ICR.

Cost to obtain contract are derecognized if sales are subsequently cancelled. The balances below pertain to the costs to obtain contracts:

	2022	2021
Balance at January 1	**₱12,725,634**	₱16,005,309
Additions	**38,477,515**	31,311,660
Amortization	**(48,819,743)**	(34,591,335)
Balance at December 31	**₱2,383,406**	₱12,725,634

The amortization of prepaid commissions which are expensed as the related revenue is recognized totaling ₱48.8 million, ₱34.6 million and ₱22.0 million in 2022, 2021 and 2020, respectively, are recognized as marketing expenses presented under "General, administrative and selling expenses" account in the consolidated statements of comprehensive income (see Note 18).

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred by the Group based on POC. Contract liabilities amounted to ₱219.8 million and ₱169.4 million in 2022 and 2021, respectively. The movement of this account is mainly due to sales reservations and advance payments of buyers less real estate sales recognized upon reaching the buyer's equity and from increase in POC amounting to ₱50.4 million and ₱0.4 million in 2022 and 2021, respectively.

The amount of revenue recognized in 2022 and 2021 from amounts included in contract liabilities at the beginning of the year amounted to ₱153.3 million and ₱140.8 million, respectively.

Performance obligation
Information about the Parent Company's significant performance obligation is summarized below:

Real estate sales
The Parent Company entered into contracts to sell with one identified performance obligation, which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration. The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii), and service lot and house and the Parent Company concluded that there is one performance obligation in each of these contracts. The Parent Company recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payments of 10% to 25% of the contract price spread over a certain period (e.g., three months to four years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The remaining performance obligation is expected to be recognized within one year which relate to the continuous development of the Group's real estate projects. The Group's real estate projects are completed within 6 months to 12 months, from start of construction.

28. **Other Matters**

Impasug-Ong and Kalabugao Plantations
The Group entered into a DC with KASAMAKA at the Municipality of Impasug-ong, Bukidnon concerning the development of palm oil commercial plantation on August 2006.

KASAMAKA had been granted with Community Based Forest Management Agreement (CBFMA) no. 55093, by the Department of Environment and National Resources (DENR) on December 22, 2000 covering an area of 2,510.80 hectares. Under the CBFMA, KASAMAKA is mandated to develop, manage and protect the allocated community forest project area. Moreover, it is allowed to enter into agreements or contracts with private or government entities for the development of the whole or portion of the CBFMA area.

The project's objectives are to establish approximately 894 hectares into a commercial palm plantation within 5 years (2006-2011). However, ABERDI may intercrop suitable agricultural crops in the plantation and raise livestock, the harvest and produce of which shall belong to ABERDI.

The responsibilities of KASAMAKA with regards to the project follow:

- To provide the land area of 894 hectares within CBFMA area for oil palm plantation; and,
- To provide manpower needs of the Group in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others.

On the other hand, the responsibility of ABERDI in regard to the project is to provide technical and financial resources to develop the 894 hectares into palm oil plantation for a period of 20 years up to 2026.

Opol Plantation
The Group entered into a DC for the establishment of palm oil commercial plantation in Tingalan, Opol, Misamis Oriental with KMBT.

KMBT has been granted CBFMA No. 56297 by DENR on December 31, 2000 covering a total area of 1,000 hectares of forest lands located in Tingalan, Opol, Misamis Oriental to develop, manage and protect the allocated Community Forest Project Area.

The roles and responsibilities of KMBT under the Development Contract are as follows:

- To provide the land area within the CBFMA for oil plantation; and,
- To provide manpower needs of NC in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others.

On the other hand, the responsibility of NC in regard to the project is to provide technical and financial resources to develop the covered area into palm oil plantation for a period of 25 years.

In 2019, the Group entered into a contract with the landowners' association in Tingalan, Opol, Misamis Oriental providing the landowners a royalty fee of ₱10.0 per metric ton of fresh fruit bunches harvested. The royalty fee is included as part of the costs of purchase of FFB recognized under "Other inventories - at cost" in the consolidated statements of financial position.

Subsequent Events

Dividend Declaration
Pursuant to the yearly cash dividends on "Series A" preferred shares (see Note 17), on February 3, 2023, the BOD approved the declaration of cash dividends in the amount of ₱1.75 per share out of the Parent Company's unrestricted retained earnings as of December 31, 2022 to all holders of "Series A" preferred shares on record as of February 17, 2023 amounting to ₱23.2 million payable on March 1, 2023.

Surigao Greens Agri Corp. (SGAC)
On January 17, 2023, the Parent Company's Board of Directors has authorized the investment to be made to Surigao Greens Agri Corp. (SGAC), a new subsidiary to be incorporated whose primary purpose is to is to engage in the business of processing, milling and refining palm oil to manufacture crude palm oil, refined beached deodorized palm oil, palm olein, and other products and to distribute such products on a wholesale or retail basis. The Parent Company will be subscribing to 12,500,000 common shares representing one hundred percent (100%) of SGAC's outstanding capital stock upon incorporation.

On March 6, 2023, the Parent Company's subsidiary, SGAC has executed an Asset Purchase Agreement consisting of several parcels of land with total land area of Seventy Thousand (70,000) square meters and a Palm Oil Milling Plant located in Tambis, Barobo, Surigao del Sur. The Palm Oil Milling Plant consists of a factory building and machineries with a rated capacity of 10 metric tons (MT) per hour. The purchase of the Palm Oil Milling Plant in Surigao del Sur will allow access to an existing and operational and cost-efficient crude palm oil milling plant that is able to source palm oil fresh fruit bunches from nearby plantation farms in the region (Surigao and Agusan). The acquisition will also provide operational and supply chain synergies with existing palm oil milling and refinery facilities in Impasug-ong, Bukidnon that are currently operated ABERDI.

ABC Electric Shuttle Service
On February 21, 2023 the Parent Company's Board of Directors has authorized the Parent Company to enter into a joint venture with GET Philippines, Inc. ("GET") to create, promote, operate and manage the ABC Electric Shuttle Service as a clean, efficient, modern and green mass transport system in Cagayan de Oro. GET will incorporate and set up a new company ("JV Co.") to be jointly owned with Parent Company for the purpose of initially owning ten (10) Community Optimized Managed Electric Transport (COMET) electric vehicles that will be deployed for the Project.

Shortening the Corporate Term of Masinloc Consolidated Power, Inc. (MCPI)
On March 22, 2023, the Parent Company's subsidiary, Masinloc Consolidated Power, Inc. (MCPI) has secured the approval of the Securities and Exchange Commission (SEC) on the shortening of its corporate term from fifty (50) years from and after the date of incorporation to seventeen years (17) years from and after the date of issuance of the Certificate of Incorporation, or on July 3, 2024. Masinloc Consolidated Power, Inc. was registered with the Securities and Exchange Commission (SEC) on July 4, 2007.

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors
A Brown Company, Inc. and Subsidiaries
Xavier Estates Uptown, Airport Road
Balulang, Cagayan de Oro City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A Brown Company, Inc. and its subsidiaries (the Group) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated April 28, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole, are prepared in all material respects, in accordance with Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.

Alvin M. Pinpin
Partner
CPA Certificate No. 94303
Tax Identification No. 198-819-157
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 94303-SEC (Group A)
Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-070-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564678, January 3, 2023, Makati City

April 28, 2023

A BROWN COMPANY, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

A BROWN COMPANY, INC. AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

A BROWN COMPANY, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2022

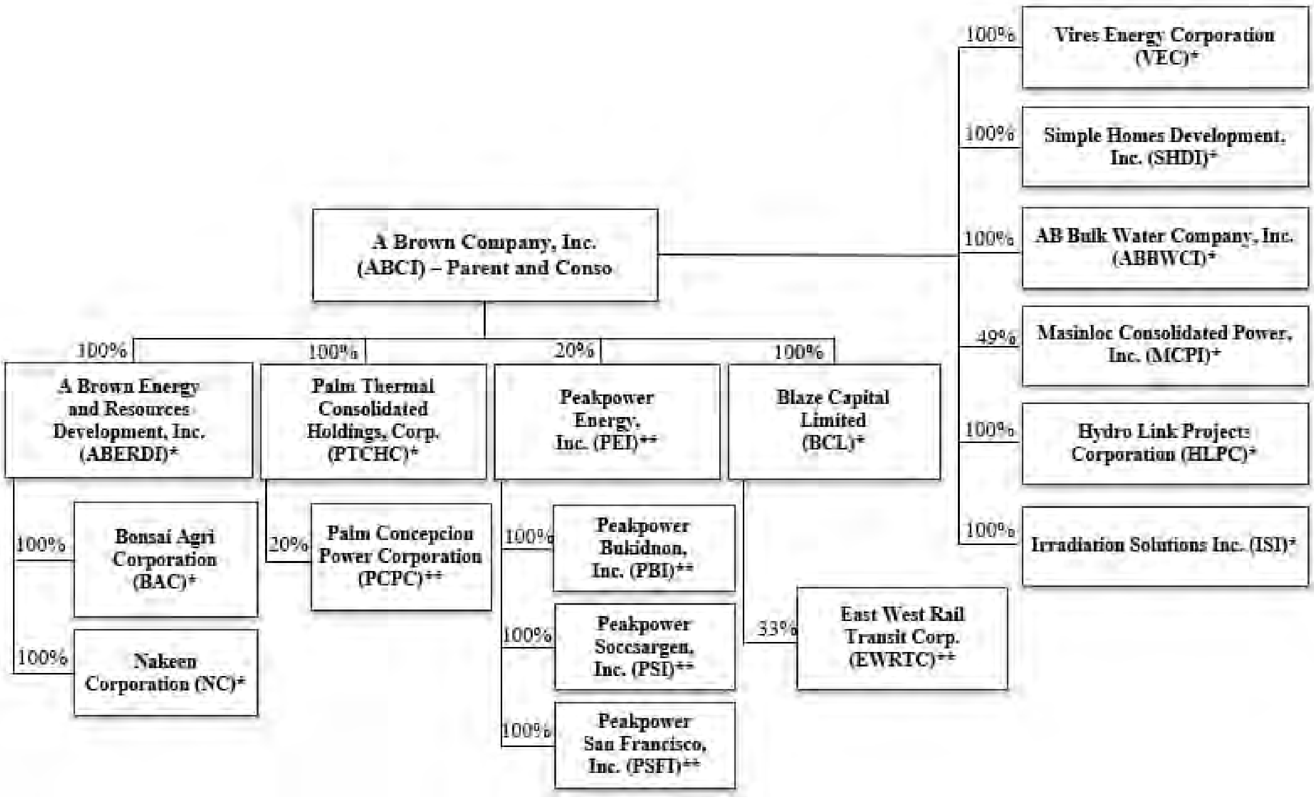
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱1,723,983,299
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	643,424,872
Less: Non-actual/unrealized income net of tax	–
Equity in net income of associate/joint venture	–
Less:	
Treasury shares	(94,932,275)
Preferred dividend declaration during the period	(92,860,600)
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND	₱2,179,615,296

SCHEDULE II

A BROWN COMPANY, INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES

DECEMBER 31, 2022



*Subsidiary

**Associate

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
DECEMBER 31, 2022

	Number of shares or principal amount of bonds and notes	Amount shown in the consolidated statement of financial position	Income received or accrued
Cash	–	₱209,847,156	₱898,330
Receivables			
Dividend receivable	–	20,000,000	–
Trade receivable	–	16,707,537	–
ICR	–	161,658,616	1,435,797
Other receivables	–	88,328,988	–
EIFVOCI	29,387,017	301,030,435	10,618
Receivables from related parties	–	106,811,847	–
Refundable deposits	–	49,701,991	–
	29,387,017	₱954,086,570	₱2,344,745

A BROWN COMPANY, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2022

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.						

A BROWN COMPANY, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2022

Intercompany receivable and payable

	Receivable Balance	**Payable Balance**	**Current Portion**
ABCI	₱73,682,566	(₱58,585,876)	₱15,096,690
ABERDI	30,799,318	(13,450,867)	17,348,451
ABBWCI	–	(15,333,390)	(15,333,390)
SHDI	–	(2,020,094)	(2,020,094)
BAC	–	(1,616,178)	(1,616,178)
NC	23,803,347	(4,161,527)	19,641,820
BCL	–	(27,904,140)	(27,904,140)
ISI	–	(394,110)	(394,110)
VEC	–	(4,819,049)	(4,819,049)
Total Eliminated Receivables/Payables	₱128,285,231	(₱128,285,231)	₱ –

Deposit for future stock subscription (DFFS) classified as liability

	Receivable Balance	**Payable Balance**	**Current Portion**
ABCI	₱1,934,483,276	₱–	₱1,934,483,276
ABERDI	248,047,978	(927,807,660)	(679,759,682)
NC	–	(248,037,603)	(248,037,603)
HLPC	–	(26,084,253)	(26,084,253)
PTCHC	–	(749,427,698)	(749,427,698)
BCL	–	(12,109,707)	(12,109,707)
ISI	–	(143,242,185)	(143,242,185)
VEC	–	(75,822,148)	(75,822,148)
Total Eliminated DFFS	₱2,182,531,254	(₱2,182,531,254)	₱–

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2022

Long-term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related consolidated statement of financial position	Amount shown under caption "long-term debt" in related consolidated statement of financial position
Term Loan	₱2,845,965,261	₱317,602,384	₱959,274,405

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2022

Indebtedness to related parties (Long-term loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
Shareholders	₱240,404,064	₱184,091,664

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2022

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
		Not applicable		

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
DECEMBER 31, 2022

	Number of shares			Number of shares held by		
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related consolidated statement of financial position caption	Number of shares reserved for options warrants, conversion and other rights	Affiliates	Directors, officers and employees	Others
Common stock	3,250,000,000	2,372,367,911	–	1,351,556,468	215,389,848	805,421,595
Preferred stock	50,000,000	13,264,900	–	–	30,000	13,234,900
Total	3,300,000,000	2,385,632,811	–	1,351,556,468	215,419,848	818,656,495

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
A Brown Company, Inc. and Subsidiaries
Xavier Estates Uptown, Airport Road
Balulang, Cagayan de Oro City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A Brown Company, Inc. and its 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 28, 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 Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the consolidated financial statements, 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 SEC, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements. 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.

SYCIP GORRES VELAYO & CO.

Alvin M. Pinpin
Partner
CPA Certificate No. 94303
Tax Identification No. 198-819-157
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 94303-SEC (Group A)
Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-070-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564678, January 3, 2023, Makati City

April 28, 2023

A BROWN COMPANY, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2022

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2022 and 2021.

Ratios	Formula	2022	2021
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	**2.34**	2.99
Acid test ratio	$\frac{\text{Quick assets}}{\text{Current liabilities}}$	**0.28**	1.19
Solvency ratio	$\frac{\text{Net income + Depreciation}}{\text{Total liabilities}}$	**0.19**	0.16
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	**0.53**	0.44
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	**1.53**	1.44
Interest rate coverage ratio	$\frac{\text{EBITDA}}{\text{Total interest paid}}$	**8.82**	5.48
Return on equity	$\frac{\text{Net income}}{\text{Average total equity}}$	**0.10**	0.08
Return on assets	$\frac{\text{Net income}}{\text{Average total assets}}$	**0.07**	0.05
Net profit margin	$\frac{\text{Net income}}{\text{Net revenue}}$	**0.42**	0.56

EXHIBIT VIII

A BROWN COMPANY, INC. AND SUBSIDIARIES
SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING SECURITIES TO THE PUBLIC
(SERIES A - PREFERRED SHARES OFFERING)
FOR THE YEAR ENDED DECEMBER 31, 2022

The information below is in connection with the preferred shares issued by A Brown Company, Inc. and listed on the Philippine Stock Exchange on November 29, 2021.

1. Gross and net proceeds as disclosed in the final prospectus

	Base Offer	Oversubscription Option	Total
Gross proceeds	₱ 1,000,000,000	₱ 500,000,000	₱ 1,500,000,000
Net proceeds	₱ 972,206,809	₱ 494,126,842	₱ 1,466,333,651

2. Actual gross and net proceeds

Gross proceeds	₱ 1,326,490,000
Net proceeds	₱ 1,305,873,507

3. Each expenditure item where the proceeds were used

	As of December 31, 2021	For the Year 2022	As of December 31, 2022
Development for Real Estate Projects	₱ -	₱ 600,000,000	₱ 600,000,000
Landbanking	74,021,844	325,978,156	400,000,000
Financing Future Funding Requirements for ISI	87,357,815	112,642,185	200,000,000
General Corporate Purposes	2,212,760	103,660,747	105,873,507
Total	**₱ 163,592,419**	**₱ 1,142,281,088**	**₱ 1,305,873,507**

4. Balance of the proceeds as of December 31, 2022 ₱ -

ANNEX A: LIST OF PROPERTIES

Location	Area in Square Meters	Transfer Certificate of Title No.	Owned By
Luzon			
Simlong, Batangas	22,302	Tax Dec Nos. 0085-01079, 0085-00288, 0085-00656, 0085-00377, 0085-01078, 0085-01077, 0085-00037, 0085-00405, 0085-00106	A Brown Company, Inc.
Tungkod Sta. Maria, Laguna	48,947	TCL-1637, TCL-2170, TCL-2172	Esteban B. Alviz, Mercedita A. Ildefonso, Zosimo B. Alvis *(Title pending transfer to A Brown Company, Inc.)*
Brgy. Toro & Culiat, Quezon City	2,949	N-259913	Bendeña Brown Pizarro Association *(Title under the former name of A Brown Company, Inc.)*
	2,601	368563 (T-124809)	Bendeña Brown Pizarro Association *(Title under the former name of A Brown Company, Inc.)*
Angono, Rizal	263	683785	A Brown Company, Inc.
Binangonan, Rizal	100,962	M-57817	A Brown Company, Inc.
	17,619	M-57815	A Brown Company, Inc.
	12,152	M-57818	A Brown Company, Inc.
	1,396	M-57816	A Brown Company, Inc.
	8,238	M-61843	A Brown Company, Inc.
	8,568	M-116204	A Brown Company, Inc.
Halang na Gubat, Plaza-Aldea, Tanay, Rizal	10,441	M-119613	A Brown Company, Inc.
Sampaloc, Tanay, Rizal	201,491	069-2010000935	A Brown Company, Inc.
	455	069-2010000938	A Brown Company, Inc.
	38,474	069-2011000172	A Brown Company, Inc.
	104,032	069-2011000173	A Brown Company, Inc.
	2,414	069-2011000170	A Brown Company, Inc.
	62,112	069-2011000174	A Brown Company, Inc.
	3,847	069-2011000168	A Brown Company, Inc.
	2,363	069-2011000169	A Brown Company, Inc.
Bayukan Sampaloc, Tanay, Rizal	248.60	069-2011000166	A Brown Company, Inc.
Cuyambay Tanay, Rizal	58,020	069-2010000910	A Brown Company, Inc.
	135,094	M-29489	A Brown Company, Inc.
	71,675	M-29486	A Brown Company, Inc.
	55,551	M-145741	A Brown Company, Inc.
	44,563	M-145742	A Brown Company, Inc.
	25,871	Tax Dec No. 18 TN 003 01436	A Brown Company, Inc.

	12,409	Tax Dec No. 18 TN 003 01434	A Brown Company, Inc.
Inasaran Cuyambay, Tanay, Rizal	71,203	M-120978	A Brown Company, Inc.
Tanay, Rizal	36,095	Tax Dec No. 18 TN 011 03007	A Brown Company, Inc.
	268,814	069-2017005788	A Brown Company, Inc.
	8,163	069-2017005789	A Brown Company, Inc.
Inasaran Tandang Kutyo, Tanay, Rizal	69,085	M-29491	A Brown Company, Inc.
Inasaran Cuyambay, Tanay, Rizal	12,962	M-84261	A Brown Company, Inc.
Bayukan Sampaloc Tanay, Rizal	16,601	Tax Dec No. 18 TN 003 01715	Jerry Baltazar *(Title pending transfer to A Brown Company, Inc.)*
	21,885.80	M-116205	A Brown Company, Inc.
Malapapaya Sampaloc Tanay (Goat Farm), Rizal	36,275	OCT# M-4728	Renato Sapico *(Title pending transfer to A Brown Company, Inc.)*
	9,000	069-2023010349	Roger Sapico *Title pending transfer to A Brown Company, Inc.)*
Napatir Sampaloc, Tanay, Rizal	28,327	069 2010000582	A Brown Company, Inc.
	9,375.63	069-2022007434	A Brown Company, Inc.
	10,716	069-2022003394	A Brown Company, Inc.
	8,765	069-202211955	A Brown Company, Inc.
	1,342	069-202211970	A Brown Company, Inc.
	18,489	069-202211954	A Brown Company, Inc.
	4,248	069-202211953	A Brown Company, Inc.
	12,841	069-202211957	A Brown Company, Inc.
	7,350	069-202211956	A Brown Company, Inc.
	1,133	069-2023005580	Ruben Roa *(Title pending transfer to A Brown Company, Inc.)*
Sampaloc, Tanay, Rizal	16,500	M-1238	Renee S.R. Indiongco *(Title pending transfer to A Brown Company, Inc.)*
	938	M-1205	Renee S.R. Indiongco *(Title pending transfer to A Brown Company, Inc.)*
	150,010	M-97624	A Brown Company, Inc.
Malapapaya Sampaloc Tanay	10,000	069-2022006363	A Brown Company, Inc.
	33,798	069-2022006363	A Brown Company, Inc.
Inasaran Cuyambay, Tanay	104,043.64	069-2023001676	Avelino Gana and Ines Recelis-Gana

			(Title pending transfer to A Brown Company, Inc.)
Sampaloc Road, Sampaloc, Tanay, Rizal	115,483	069-2021001076	A Brown Company, Inc.
	12,952	069-2021001073	A Brown Company, Inc.
	11,700	069-2021001075	A Brown Company, Inc.
	1,080	069-2021001074	A Brown Company, Inc.
	203	069-2012005944	A Brown Company, Inc.
	244	069-2012005946	A Brown Company, Inc.
	41,300	069-2021003854	A Brown Company, Inc.
	41,300	069-2022001044	A Brown Company, Inc.
	41300	069 2022012113	A Brown Company, Inc.
	27057	069 2022009675	A Brown Company, Inc.
	2200	069 2023000108	A Brown Company, Inc.
	2300	069 2023000109	A Brown Company, Inc.
	2300	069 2023000110	A Brown Company, Inc.
	2700	069 2023000111	A Brown Company, Inc.
	2700	069 2023000112	A Brown Company, Inc.
	2750	069 2023000113	A Brown Company, Inc.
	2800	069 2023000114	A Brown Company, Inc.
	3201	069 2023000118	A Brown Company, Inc.
	3006	069 2023000122	A Brown Company, Inc.
	6357	069 2023000123	A Brown Company, Inc.
Sampaloc Road, Sampaloc, Tanay, Rizal	2187	069 2023000116	A Brown Company, Inc.
	3054	069 2023000115	A Brown Company, Inc.
	2188	069 2023000119	A Brown Company, Inc.
	2187	069 2023000117	A Brown Company, Inc.
	2188	069 2023000120	A Brown Company, Inc.
	2188	069 2023000121	A Brown Company, Inc.
	2022	TCT# M-9935	Silvino Epistola, et. al. *(Title pending transfer to A Brown Company, Inc.)*
Banlic Sampaloc Tanay	42,563	069-2023003251	Teresita p. Catolos *(Title pending transfer to A Brown Company, Inc.)*
	42,565	069-2023003249	Avelino P. Catolos *(Title pending transfer to A Brown Company, Inc.)*
	42,565	069-2023003252	Avelino P. Catolos *(Title pending transfer to A Brown Company, Inc.)*
	42,564	069-2023003250	Teresita P. Catolos *(Title pending transfer to A Brown Company, Inc.)*

	40,785	069-2022011390	Sps. Miguel M. De Guia and Erlinda B. De Guia *(Title pending transfer to A Brown Company, Inc.)*
	40,785	069-2022011388	Sps. Miguel M. De Guia and Erlinda B. De Guia *(Title pending transfer to A Brown Company, Inc.)*
	40,785	069-2022011389	Sps. Miguel M. De Guia and Erlinda B. De Guia *(Title pending transfer to A Brown Company, Inc.)*

Properties owned by Subsidiaries:

Location	Area in Square Meters	Transfer Certificate of Title No.	
Pagahan, Initao, Misamis Oriental	7,840	T-2764	Bonsai Agri Corporation (*a subsidiary of A Brown Company, Inc.*)
Impasug-ong, Bukidnon	160,000	T-90115	50,000 sqm. each owned by A Brown Energy and Resources Development, Inc. and Nakeen Corporation; 40,000 sqm. owned by Bonsai Agri Corporation; and 20,000 sqm. owned by Brown Resources Corporation.
Libertad, Butuan City	20,000	RT-19966	Simple Homes Development, Inc. (*a subsidiary of A Brown Company, Inc.*)

ANNEX A: LIST OF PROPERTIES IN MINDANAO

Location	Area in Square Meters	Transfer Certificate of Title No.	Owned By
Balubal, Cagayan de Oro	19,054	OCT-2012000116	A Brown Company, Inc.
	30,914	T-190653	
	21,761	Various Lots 1. T-189737 2. T-189740 3. T-189742 4. T-189761 5. T-189765 6. T-189776 7. T-189779 8. T-189785 9. T-189786 10. T-189795 11. T-189796 12. T-189797 13. T-189801 14. T-189802 15. T-189803 16. T-189804 17. T-189809 18. T-189811 19. T-189817 20. T-189822 21. T-189823 22. T-189825 23. T-189826 24. T-189827 25. T-189832 26. T-189850 27. T-189859 28. T-189866 29. T-189867 30. T-189868 31. T-189869 32. T-189870 33. T-189871 34. T-189872 35. T-189873 36. T-189876 37. T-189877 38. T-189893 39. T-189894 40. T-189895 41. T-189896 42. T-189897 43. T-189898	A Brown Company, Inc.

		44. T-189899 45. T-189900 46. T-189901 47. T-190273 48. T-190274 49. T-190286 50. T-190287 51. T-190288 52. T-190289 53. T-190290 54. T-190291 55. T-190292 56. T-190293 57. T-190294 58. T-190295 59. T-190296 60. T-190297 61. T-190298 62. T-190299 63. T-190300 64. T-190301 65. T-190302 66. T-190303 67. T-190304 68. T-190305 69. T-190306 70. T-190307 71. T-190308 72. T-190309 73. T-190310 74. T-190311 75. T-190312 76. T-190313 77. T-190328 78. 137-2012007474 79. 137-2012007475 80. 137-2012007476 81. 137-2012007477 82. 137-2012007478 83. 137-2012007479 84. 137-2012007480 85. 137-2012007481 86. 137-2012007482 87. 137-2012007483 88. 137-2012007484 89. 137-2012007485 90. 137-2012007486 91. 137-2012007487 92. 137-2012007488 93. 137-2012007489 94. 137-2012007490	

		95. 137-2012007491 96. 137-2012007492 97. 137-2012007493 98. 137-2012007494 99. 137-2012007495 100. 137-2012007496 101. 137-2012007497 102. 137-2012007506 103. 137-2012007507 104. 137-2012007508 105. 137-2012007509 106. 137-2012007520 107. 137-2012007521 108. 137-2012007522 109. 137-2012007523 110. 137-2012007524 111. 137-2012007525 112. 137-2012007526 113. 137-2012007527 114. 137-2012007528 115. 137-2012007529 116. 137-2012007530 117. 137-2012007531 118. 137-2012007532 119. 137-2012007533 120. 137-2012007534 121. 137-2012007535 122. 137-2012007536 123. 137-2012007537 124. 137-2012007538 125. 137-2012007539 126. 137-2012007540 127. 137-2012007541 128. 137-2012007550 129. 137-2012007551 130. 137-2012007552 131. 137-2012007553 132. 137-2012007572 133. 137-2012007573 134. 137-2012007574 135. T-189891 136. T-189892 137. 137-2012007449 138. 137-2012007450 139. 137-2012007454 140. 137-2012007455 141. 137-2012007456 142. 137-2012007457 143. 137-2012007458 144. 137-2012007473 145. 137-2012007571	

		146. 137-2012007576 147. 137-2012007599	
	28,610	T-203935	Manuel Engwa
	13,355	137-2011004268	Brown Resources Corporation
	44,300	P-2124	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	32,300	P-2123	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	12,863	P-5273	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
Balulang, Cagayan de Oro	100	137-2019008753	A Brown Company, Inc.
	151	137-2019008769	A Brown Company, Inc.
	115	137-2019008855	A Brown Company, Inc.
	164	137-2019008938	A Brown Company, Inc.
	142	137-2019008957	A Brown Company, Inc.
	250	137-2019009000	A Brown Company, Inc.
	34,696	137-2019009006	A Brown Company, Inc.
	13,430	137-2019009008	A Brown Company, Inc.
	28,764	137-2022005832-92	A Brown Company, Inc.
	47,549	137-2011003402	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	59,388	137-2011003401	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	3,033	Various Lots 1. T-166075 2. T-181555 3. T-113584 4. T-113708 5. T-113828 6. T-148878 7. T-176854 8. 137-2014002455 9. 137-2014002456 10. 137-2014002457	A Brown Company, Inc.

		11. 137-2014002458	
	40,854	137-2022007121-212	A Brown Company, Inc.
	23,618	OCT-0502	A Brown Company, Inc.
	26,389	2022000119	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	18,887	2022000117	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	10,568	2022000118	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	10,569	2022000126	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
Macasandig, Cagayan de Oro	1,193	Lot 2771-D-6-A-2-A	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	39,582	137-2015000374	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
Mambuaya, Cagayan de oro	28,464	OCT P-3115	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
Bayanga Cagayan de Oro	10,795	TCT No 1192	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	21,468	TCT No 48646	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	39,691	T-116620	Deed of Absolute Sale executed in favor of A Brown Company, Inc.

			(Title to be transferred to A Brown Company, Inc.)
	30,000	T-617	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	30,000	T-618	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	30,000	T-619	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	30,000	T-620	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	30,000	T-621	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	37,500	T-173730	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	43,843	Tax Declaration No. G-214453	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
Dansolihon, Cagayan de Oro	77,825	OCT-68 *(portion only)*	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
Butuan, Agusan del Norte	300	RT-3023	A Brown Company, Inc.
	373	T-50346	A Brown Company, Inc.
	2,277	RT-50356	A Brown Company, Inc.
	1,237	T-50356	A Brown Company, Inc.
	5,671	T-50352	A Brown Company, Inc.
	5,671	T-50349	A Brown Company, Inc.
	2,903	157-2014000948	A Brown Company, Inc.

	30,771	157-2018001091	A Brown Company, Inc.
	92,933	157-2018001110	A Brown Company, Inc.
	2,813	157-2018001181	A Brown Company, Inc.
	42,922	157-2018001182	A Brown Company, Inc.
	6,276	157-2021000420	A Brown Company, Inc.
	5,091	157-2021004058	A Brown Company, Inc.
	9,694	157-2021004059	A Brown Company, Inc.
	49,746	157-2022003246	A Brown Company, Inc.
	49,817	157-2022003503	A Brown Company, Inc.
	36,698	157-2010000675	A Brown Company, Inc.
	53,694	08-07-0001-02183	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	4,938	Various Lots 1. 157-2018001079 2. 157-2018001083 3. 157-2018001086 4. 157-2018001087 5. 157-2018001095 6. 157-2018001096 7. 157-2018001097 8. T-33904 9. T-33908 10. T-34187 11. T-34192 12. T-34193 13. T-34196 14. T-33957 15. T-33958	A Brown Company, Inc.
	35,606	157-2021003474	A Brown Company, Inc.
Manapa, Buenavista, Agusan del Norte	32,012	RT-3883	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	50,000	OCT-2021000289	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	50,000	OCT-2021000290	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	39,908	OCT-2021000291	Deed of Absolute Sale executed in favor of A Brown Company, Inc.

			(Title to be transferred to A Brown Company, Inc.)
	6,224	OCT-2021000292	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	45,309	OCT-2021000293	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	42,031	Lot 42031*(portion only)*	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	2,624	Lot 2488	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	3,515	158-2017000299 *(portion only)*	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
Libertad, Agusan del Norte	7,490	35082	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	2,500	35081	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	46,874	157-2023001746	A Brown Company, Inc.
	20,000	157-2023002948	A Brown Company, Inc.
Casisang, Bukidnon	8,387	133-2023002347	A Brown Company, Inc.
	9,551	133-2023002348	A Brown Company, Inc.
	9,709	133-2023002349	A Brown Company, Inc.
	9,251	133-2023002350	A Brown Company, Inc.
Valencia, Bukidnon	35,606	157-2021003474	A Brown Company, Inc.
	76,478	T-59889	A Brown Company, Inc.
	37,787	T-59814	A Brown Company, Inc.
	2,979	T-59813	A Brown Company, Inc.
	42,151	T-61498	A Brown Company, Inc.
	47,865	T-61499	A Brown Company, Inc.

	61,036	T-62236	A Brown Company, Inc.
Damilag, Bukidnon	32,933	T22705	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
Kalugmanan, Manolo Fortich, Bukidnon	31,070	P-21787	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	11,653	T-122618	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	36,430	Untitled Property	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be issued to be issued in favor of A Brown Company, Inc.)*
	29,257	P-75403	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	27,290	P-21747	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	26,515	P-7053	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	38,522	P-75138	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
Initao, Misamis Oriental	214	Untitled Property	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be issued to be issued in favor of A Brown Company, Inc.)*
	2,204	21-0013-06953 (tax dec only)	Deed of Absolute Sale executed in favor of A Brown Company, Inc.

			(Title to be transferred to A Brown Company, Inc.)
	2,696	F-944	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	3,278	TCT No. 24134	A Brown Company, Inc.
	9,303	TCT No. 37641	A Brown Company, Inc.
	10,272	TCT No. 48473	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	21,368	OCT No. 0-884	A Brown Company, Inc.
	12,318	136-2013000765	A Brown Company, Inc.
	22,227	136-2013000766	A Brown Company, Inc.
	5,673	136-2013000767	A Brown Company, Inc.
	6,547	136-2013000768	A Brown Company, Inc.
	5,999	KOT CARP2014000977	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	6,409	21-0013-09029	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	5,447	21-0013-06944	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*
	10,422	P-35226	Deed of Absolute Sale executed in favor of A Brown Company, Inc. *(Title to be transferred to A Brown Company, Inc.)*

EXHIBIT Ia

Item 1. Business

LIST OF ACCREDITED SUPPLIERS (TOP 20) – ABCI
For the Year 2022

Name	Address
Ara Industrial Supply	Sacred Heart, Carmen, Cagayan de Oro City
BME Partners, Inc.	Dr 7 GSC/RA Bldg., Gusa, Cagayan de Oro City
Butuan Metro Hardware Incorporated	Mont. Boulevard cor. Burgos St.,Tandang Sora, Butuan City
Cagayan Nippon Hardware	Pres. Roxas-JT.Borja Sts., Cagayan de Oro City
Citi Hardware Bacolod, Inc. - Tablon	Nat'l Highway, Tablon, Cagayan de Oro City
Dataworld Computer Center	T. NeriI St., Cagayan de Oro City
FMV Drilling Industries Sales and Services	Dr 2 Raagas Cmpd, Zone 2 Kauswagan, Cagayan de Oro City
GSC-RAC Company, Inc.	Gusa Highway, Cagayan de Oro City
GTS Construction Supply & Dev't. Corp.	Corrales Ext., Cagayan de Oro City
JWL Sourcing Group, Inc.	J.C Aquino Ave. Lapu-lapu , Butuan City
L & B Concrete Products	Calaanan, Canitoan, Cagayan de Oro City
McKupler Inc.	Unit 2508 High Street South Corporation Plaza Tower 2 11th Ave cor 26th St., Fort Bonifacio, 1630 Taguig City, NCR, Philippines
MDS Aggregates and Trucking Services	Zone 9 Anhawon Bulua, Cagayan de Oro City
Neoboulder Resources & Development	1263 Garame St., Brgy 5, Cabadbaran City
NJJ General Merchandise	Dr 2 Dayandayan Apt.., Crossing Camaman-an, Cagayan de Oro City
Oro Mighty Enterprises	Lapasan, Cagayan de Oro City
S-So Corporation	T.Neri St., Baloy, Tablon, Cagayan de Oro City
UP Marketing	#11 Lapasan Hi-Way, Cagayan de Oro City
Wilcon Depot, Inc. - CDO	Zone 5 Cugman, Cagayan de Oro CIty (Capital) Mis. Or. Philipines 9000
R.Z Heavy Equipment Parts Supply	Burgos del Pilar St. Brgy 17, Cagayan de Oro City