

COVER SHEET

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S.E.C. Registration Number

H A U S T A L K I N C .

(Company's Full Name)

U N I T 7 0 1 O R I E N T S Q U A R E

B L D G ., F . O R T I G A S J R . R D .

S A N A N T O N I O

P A S I G C I T Y

(Business Address: No. Street City / Town / Province)

Maria Agnes M. Siapno

Contact Person

(632) 8634 8712

Company Telephone Number

1 2

Month Fiscal Year

3 1

Day

SEC FORM 17-Q

FORM TYPE

0 5

Month

24

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/ Section

Total No. of stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks: Pls. use black ink for scanning purposes

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

HAUS TALK, INC. AND ITS SUBSIDIARIES
(formerly Haus Talk Project Managers, Inc. and its Subsidiary)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
For the period ended March 31, 2023 & 2022 (Unaudited) & December 31, 2022 (Audited)
(In Philippine Peso)

ASSETS	March 31 2023	March 31 2022	December 31 2022
CURRENT ASSETS			
Cash	49,124,140	366,453,372	51,715,470
Receivables	653,496,261	474,247,771	585,481,783
Real estate inventories	2,388,975,033	3,107,993,335	2,507,805,799
Prepayments and other current assets	20,848,594	5,361,807	14,259,178
Total Current Assets	<u>3,112,444,028</u>	<u>3,954,056,285</u>	<u>3,159,262,230</u>
NON-CURRENT ASSETS			
Receivables, net of current portion	108,373,837	65,649,652	92,185,581
Advances to related parties	-	-	-
Property and equipment, net	1,025,629,530	13,079,263	1,026,234,330
Other non-current asset	18,025,195	15,513,705	17,969,195
Total Non-Current Assets	<u>1,152,028,561</u>	<u>94,242,620</u>	<u>1,136,389,106</u>
TOTAL ASSETS	<u>4,264,472,589</u>	<u>4,048,298,905</u>	<u>4,295,651,336</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts and other payables	258,469,321	275,833,387	304,677,031
Income tax payable	8,474,418	8,016,342	6,003,815
Loans and borrowings - current portion	188,969,696	147,989,922	202,951,034
Total Current Liabilities	<u>455,913,434</u>	<u>431,839,651</u>	<u>513,631,880</u>
NON-CURRENT LIABILITIES			
Loans and borrowings, net of current portion	222,138,120	173,428,844	223,072,781
Advances from related parties	238,426,469	223,016,033	244,671,814
Defined benefit obligation	15,396,582	12,994,911	15,396,582
Total Non-Current Liabilities	<u>475,961,171</u>	<u>409,439,788</u>	<u>483,141,177</u>

EQUITY			
Share capital	2,500,000,000	2,500,000,000	2,500,000,000
Additional paid-in capital	218,849,628	219,305,559	218,849,628
Retained earnings	610,412,538	484,378,089	576,692,833
Actuarial gain (loss) on defined benefit obligation	3,335,818	3,335,818	3,335,818
	<u>3,332,597,984</u>	<u>3,207,019,466</u>	<u>3,298,878,279</u>
TOTAL LIABILITIES AND EQUITY	<u>4,264,472,589</u>	<u>4,048,298,905</u>	<u>4,295,651,336</u>

HAUS TALK, INC. AND ITS SUBSIDIARIES
(formerly Haus Talk Project Managers, Inc. and its Subsidiary)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the period ended March 31, 2023 & 2022 (Unaudited) & December 31, 2022 (Audited)
(In Philippine Peso)

	March 31 2023	2022	December 31 2022
REVENUE			
Real estate sales	151,577,640	188,863,600	619,524,508
Other operating income	5,625,534	3,222,438	16,006,157
Total Revenue	157,203,174	192,086,038	635,530,665
COST OF REAL ESTATE SALES	73,053,498	107,300,938	335,812,879
GROSS PROFIT	84,149,676	84,785,100	299,717,786
OPERATING EXPENSES			
Selling expenses	12,452,232	8,380,609	23,602,826
General and administrative expenses	24,746,608	15,327,334	86,402,450
Total Operating Expenses	37,198,840	23,707,943	110,005,276
NET OPERATING INCOME	46,950,835	61,077,157	189,712,510
FINANCE COST, NET	1,991,231	2,753,338	10,311,189
INCOME BEFORE TAX	44,959,604	58,323,819	179,401,321
INCOME TAX EXPENSE	(11,239,898)	(12,491,059)	(41,253,817)
NET INCOME	33,719,706	45,832,760	138,147,504
OTHER COMPREHENSIVE INCOME			
Actuarial gain (loss) on retirement plan	-	4,253,260	-
TOTAL COMPREHENSIVE INCOME (LOSS)	33,719,706	50,086,020	138,147,504
BASIC EARNINGS PER SHARE	0.013	0.018	0.055

HAUS TALK, INC. AND ITS SUBSIDIARIES
(formerly Haus Talk Project Managers, Inc. and its Subsidiary)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Interim for the three-month period ending March 31, 2023 & 2022 (Unaudited)
and for the year ended December 31, 2022 (Audited)
(In Philippine Peso)

	Share Capital	Additional paid-in capital	Retained Earnings	Actuarial gain (loss) on defined benefit obligation	Total
BALANCE AT DECEMBER 31, 2021	2,000,000,000	-	438,545,329	3,335,818	2,441,881,147
Share capital	500,000,000				500,000,000
Additional paid-in capital		219,305,559			219,305,559
Net income			45,832,760		45,832,760
Other comprehensive income				-	-
BALANCE AT MARCH 31, 2022	2,500,000,000	219,305,559	484,378,089	3,335,818	3,207,019,466
Share capital	-				-
Additional paid-in capital		(455,931)			(455,931)
Net income			92,314,744		92,314,744
Other comprehensive income				-	-
BALANCE AT DECEMBER 31, 2022	2,500,000,000	218,849,628	576,692,833	3,335,818	3,298,878,279
Share capital	-				-
Additional paid-in capital		-			-
Net income			33,719,706		33,719,706
Other comprehensive income				-	-
BALANCE AT MARCH 31, 2023	2,500,000,000	218,849,628	610,412,538	3,335,818	3,332,597,984

HAUS TALK, INC. AND ITS SUBSIDIARIES
(formerly Haus Talk Project Managers, Inc. and its Subsidiary)

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period ended March 31, 2023 and 2022 (Unaudited) & December 31, 2022 (Audited)
(In Philippine Peso)

	2023	March 31 2022	December 31 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax	44,959,604	58,323,819	179,401,321
Adjustments for:			
Prior period adjustment	-	-	-
Interest expense – bank loans	1,991,231	2,753,758	9,669,347
Interest expense – defined benefit obligation	-	-	655,255
Retirement expense	-	1,187,540	4,398,382
Interest income earned	-	(421)	(13,413)
Depreciation	1,808,005	(217,995)	5,255,054
Operating income before changes in working capital	48,758,840	62,046,701	199,365,946
Changes in assets and liabilities:			
Increase in receivables	(84,202,734)	(109,176,313)	(246,946,254)
Decrease (Increase) in real estate inventories	118,830,766	(1,199,475,366)	(599,287,830)
Decrease (Increase) in prepayments and other current assets	(6,589,416)	(3,872,285)	(12,769,656)
Decrease in other non-current assets	(56,000)	(32,844)	(10,182,616)
Increase (Decrease) in accounts and other payables	(46,207,710)	98,220,901	127,064,545
Defined benefit obligation	-	-	(2,651,966)
Cash generated from operations	30,533,746	(1,152,289,206)	(545,407,831)
Benefits paid	-	(1,187,540)	-
Interest received	-	421	13,413
Income taxes paid	(8,769,296)	(18,649,498)	(51,138,501)
Net Cash from Operating Activities	21,764,450	(1,172,125,823)	(596,532,919)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	(1,203,204)	851,408,352	(167,219,764)
Acquisition of intangible assets	-	(9,408,000)	-
Collections of (additional) advances to related parties	-	-	-
Net Cash from Investing Activities	(1,203,204)	842,000,352	(167,219,764)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans and borrowings	(14,916,000)	(54,486,608)	50,118,441
Advances from related parties	(6,245,345)	6,531,738	28,187,519
Interest paid	(1,991,231)	(2,753,758)	(9,669,347)
Issuance of shares	-	719,305,559	718,849,628

Net Cash from Financing Activities	(23,152,575)	668,596,931	787,486,241
NET INCREASE (DECREASE) IN CASH	(2,591,330)	338,471,460	23,733,558
CASH, BEGINNING	51,715,470	27,981,912	27,981,912
CASH, ENDING	49,124,140	366,453,372	51,715,470

HAUS TALK, INC. AND ITS SUBSIDIARIES
For the period ended March 31, 2023 & 2022 (Unaudited) and December 31, 2022 (Audited)
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS REQUIRED BY REVISED SRC RULE 68 ANNEX 68-E

Ratio	Formula	As of Mar 31, 2023	As of Mar 31, 2022	As of Dec 31, 2022
Current Ratio	Total current assets	3,112,444,028	3,954,056,285	3,159,262,230
	Divided by: Total current liabilities	<u>455,913,434</u>	<u>431,839,651</u>	<u>513,631,880</u>
	Current ratio	6.83	9.16	6.15
Acid test ratio	Total current assets	3,112,444,028	3,954,056,285	3,159,262,230
	Less: Other current assets	<u>2,409,823,627</u>	<u>3,113,355,142</u>	<u>2,522,064,977</u>
	Quick assets	702,620,401	840,701,143	637,197,253
	Divide by: Total current liabilities	<u>455,913,434</u>	<u>431,839,651</u>	<u>513,631,880</u>
Acid test ratio	1.54	1.95	1.24	
Solvency Ratio	Net income	33,719,706	45,832,758	138,147,504
	Add: Depreciation	<u>1,808,005</u>	<u>(217,995)</u>	<u>5,255,054</u>
	Total	35,527,711	45,614,763	143,402,558
	Divide by: Total liabilities	<u>931,874,605</u>	<u>841,279,439</u>	<u>996,773,057</u>
Solvency ratio	0.04	0.05	0.14	
Debt-to-Equity Ratio	Total liabilities	931,874,605	841,279,439	996,773,057
	Divided by: Total Equity	<u>3,332,597,984</u>	<u>3,207,019,466</u>	<u>3,298,878,279</u>
	Debt-to-equity ratio	0.28	0.26	0.30
Asset-to-equity ratio	Total assets	4,264,472,589	4,048,298,905	4,295,651,336
	Divided by: Total equity	<u>3,332,597,984</u>	<u>3,207,019,466</u>	<u>3,298,878,279</u>
	Asset-to-equity ratio	1.28	1.26	1.30
Interest rate coverage ratio	Income before income tax	44,959,604	58,323,819	179,401,321
	Add: Interest expense	<u>1,991,231</u>	<u>2,753,758</u>	<u>10,324,602</u>
	Total	46,950,835	61,077,577	189,725,923
	Divided by: Interest expense	<u>1,991,231</u>	<u>2,753,758</u>	<u>10,324,602</u>
	Interest rate coverage ratio	23.58	22.18	18.38
Return on average equity	Net income	33,719,706	45,832,758	138,147,504
	Divided by: Average total capital accounts	<u>3,315,738,131</u>	<u>2,778,993,839</u>	<u>2,870,379,713</u>
	Return on equity	0.01	0.02	0.05

Return on average assets	Net income	33,719,706	45,832,758	138,147,504
	Divided by: Average total assets	<u>4,280,061,963</u>	<u>3,600,909,052</u>	<u>3,767,352,165</u>
	Return on average assets	0.01	0.01	0.04
Net profit margin	Net income	33,719,706	45,832,758	138,147,504
	Net sales	<u>151,577,640</u>	<u>188,863,600</u>	<u>619,524,508</u>
	Net profit margin	0.22	0.24	0.22

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

HAUS TALK, INC. AND ITS SUBSIDIARIES
(formerly Haus Talk Project Managers, Inc. and its Subsidiary)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
For the period ended March 31, 2023 (Unaudited) and December 31, 2022 (Audited)
(In Philippine Peso)

ASSETS	Interim Mar ‘23	Y.E Dec ‘22	Horizontal Analysis- Mar ‘23 vs. Dec ‘22		Vertical Analysis- Mar ‘23 vs. Dec ‘22	
			Amount	%	%	%
CURRENT ASSETS						
Cash	49,124,140	51,715,470	(2,591,330)	-5.01%	1.15%	1.20%
Receivables	653,496,261	585,481,783	68,014,478	11.62%	15.32%	13.63%
Real estate inventories	2,388,975,033	2,507,805,799	(118,830,766)	-4.74%	56.02%	58.38%
Prepayments and other current assets	20,848,594	14,259,178	6,589,416	46.21%	0.49%	0.33%
Total Current Assets	<u>3,112,444,028</u>	<u>3,159,262,230</u>	<u>(46,818,202)</u>	<u>-1.48%</u>	<u>72.99%</u>	<u>73.55%</u>
NON-CURRENT ASSETS						
Receivables, net of current portion	108,373,837	92,185,581	16,188,256	17.56%	2.54%	2.15%
Advances to related parties	-	-	-	-	-	-
Property and equipment, net	1,025,629,530	1,026,234,330	(604,800)	-0.06%	24.05%	23.89%
Other non-current asset	18,025,195	17,969,195	56,000	0.31%	0.42%	0.42%
Total Non-Current Assets	<u>1,152,028,561</u>	<u>1,136,389,106</u>	<u>15,639,455</u>	<u>1.38%</u>	<u>27.01%</u>	<u>26.45%</u>
TOTAL ASSETS	<u>4,264,472,589</u>	<u>4,295,651,336</u>	<u>(31,178,747)</u>	<u>-0.73%</u>	<u>100.00%</u>	<u>100.00%</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Accounts and other payables	258,469,321	304,677,031	(46,207,710)	-15.17%	6.06%	7.09%
Income tax payable	8,474,418	6,003,815	2,470,603	41.15%	0.20%	0.14%
Loans and borrowings - current portion	188,969,696	202,951,034	(13,981,338)	-6.89%	4.43%	4.72%

Total Current Liabilities	<u>455,913,434</u>	<u>513,631,880</u>	<u>(57,718,446)</u>	<u>-11.24%</u>	<u>10.69%</u>	<u>11.96%</u>
NON-CURRENT LIABILITIES						
Loans and borrowings, net of current portion	222,138,120	223,072,781	(934,661)	-0.42%	5.21%	5.19%
Advances from related parties	238,426,469	244,671,814	(6,245,345)	-2.55%	5.59%	5.70%
Defined benefit obligation	<u>15,396,582</u>	<u>15,396,582</u>	<u>-</u>	<u>-</u>	<u>0.36%</u>	<u>0.36%</u>
Total Non-Current Liabilities	<u>475,961,171</u>	<u>483,141,177</u>	<u>(7,180,006)</u>	<u>-1.49%</u>	<u>11.16%</u>	<u>11.25%</u>
EQUITY						
Share capital	2,500,000,000	2,500,000,000	-	-	58.62%	58.20%
Additional paid-in capital	218,849,628	218,849,628	-	-	5.13%	5.09%
Retained earnings	610,412,538	576,692,833	33,719,705	5.85%	14.31%	13.43%
Actuarial gain (loss) on defined benefit obligation	<u>3,335,818</u>	<u>3,335,818</u>	<u>-</u>	<u>-</u>	<u>0.08%</u>	<u>0.08%</u>
Total Equity	<u>3,332,597,984</u>	<u>3,298,878,279</u>	<u>33,719,705</u>	<u>1.02%</u>	<u>78.15%</u>	<u>76.80%</u>
TOTAL LIABILITIES AND EQUITY						
	<u>4,264,472,589</u>	<u>4,295,651,336</u>	<u>(31,178,747)</u>	<u>-0.73%</u>	<u>100.00%</u>	<u>100.00%</u>

Financial position as of March 31, 2023 (Unaudited) vis-à-vis Full Year (FY) of 2022 (Audited)

Cash decreased by 5.01% or Php2.59M which was mainly driven by the loan principal and interest payments.

Receivables-current portion increased by 11.62% or Php68.01M driven by the installment sales posted during the period.

Real estate inventories decreased by 4.74% or Php118.83M which was mainly due to the installment sales posted during the 1st quarter.

Prepayments and other current assets increased by 46.21% or Php6.59M related to the acquisition of the Biñan property and other prepayments.

Receivables, net of current portion went up by 17.56% or Php16.19M driven by the installment sales.

Property and equipment declined by 0.06% or Php0.60M due to the depreciation expense.

Other non-current assets increased by 0.31% or Php0.06M due to refundable deposits made.

Accounts and other payables decreased by 15.17% or Php46.21M due to payments of trade payables.

Income tax payable registered an upward trend of 41.15% or Php2.47M since the income tax holiday of Southview Homes Sta. Rosa already expired, which resulted to higher income tax due.

Loans and borrowings - current posted a decrease by 6.89% or Php13.98M due to the maturity of some of the loans.

Loans and borrowings-net of current portion posted a balance lower by 0.42% or Php0.934M due to the net effect of new loan drawdowns, and the reclassification of some loan amortizations from noncurrent to current liabilities.

Advances from related parties decreased by 2.55% or Php6.25M relative to the settlement of accounts with subsidiaries.

Retained earnings grew by 5.85% or Php33.72M due to the year-to-date net income.

HAUS TALK, INC. AND ITS SUBSIDIARIES
(formerly Haus Talk Project Managers, Inc. and its Subsidiary)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the period ended March 31, 2023 & 2022 (Unaudited)
(In Philippine Peso)

	3 mos. Interim		Horizontal Analysis-		Vertical Analysis-	
	March 31, 2023	2022	Mar 2023 vs. 2022 Amount	%	Mar 2023 vs. 2022 %	%
REVENUE						
Real estate sales	151,577,640	188,863,600	(37,285,960)	-19.74%	100.00%	100.00%
Other operating income	5,625,534	3,222,438	2,403,096	74.57%	3.71%	1.71%
Total Revenue	157,203,174	192,086,038	(34,882,864)	-18.16%	103.71%	101.71%
COST OF REAL ESTATE SALES	73,053,498	107,300,938	(34,247,440)	-31.92%	48.20%	56.81%
GROSS PROFIT	84,149,676	84,785,100	(635,424)	-0.75%	55.52%	44.89%
OPERATING EXPENSES						
Selling expenses	12,452,232	8,380,609	4,071,623	48.58%	8.22%	4.44%
General and administrative expenses	24,746,608	15,327,334	9,419,274	61.45%	16.33%	8.12%
Total Operating Expenses	37,198,840	23,707,943	13,490,897	56.90%	24.54%	12.55%
NET OPERATING INCOME	46,950,835	61,077,157	(14,126,322)	-23.13%	30.97%	32.34%
FINANCE COST, NET	1,991,231	2,753,338	(762,107)	-27.68%	1.31%	1.46%
INCOME BEFORE TAX	44,959,604	58,323,819	(13,364,215)	-22.91%	29.66%	30.88%
INCOME TAX EXPENSE	(11,239,898)	(12,491,059)	(1,251,161)	-10.02%	7.42%	6.61%
NET INCOME	33,719,706	45,832,760	(12,113,054)	-26.43%	22.25%	24.27%
OTHER COMPREHENSIVE INCOME						
Actuarial gain (loss) on retirement plan	-	4,253,260	(4,253,260)	-100.00%	-	2.25%
TOTAL COMPREHENSIVE INCOME (LOSS)	33,719,706	50,086,020	(16,366,314)	-32.68%	22.25%	26.52%
BASIC EARNINGS PER SHARE	0.013	0.018				

Financial Operation for the period ended March 31, 2023 (Unaudited) vs. March 31, 2022

Real estate sales were lower by 19.74% or Php37.28M as less units were sold/taken out compared to the same period last year. This was also attributable to the delays in The Granary project in Biñan, Laguna, the revenues of which are projected to be realized later this year.

Cost of Sales registered a decrease of 31.92% or Php34.25M relative to the decline in sales.

Selling expenses increased by 48.58% or Php4.07M attributed to the strengthened marketing activities during the current period, specifically for the 10 hectare The Granary project in Biñan, Laguna.

General and administrative expenses rose by 61.45% or Php9.42M as a result of the hiring of additional talents and the alignment of the salary structure of the existing personnel, and other additional overhead expenses incurred to support the company's growth due to the new projects.

Finance cost went down by 27.68% or Php0.76M due to loan repayments made.

Income before tax decreased by 22.91% or Php13.36M driven by the decline in sales.

Income tax expense decreased by 10.02% or Php1.25M, which was the impact of lower sales offset by the expiry of the income tax holiday of Southview Homes Sta. Rosa.

Net income declined by 26.43% or Php12.11M attributed to lower revenues.

PART II--OTHER INFORMATION

On February 9, 2023, the Parent Company secured a total of Php 40M 6-month term loan from various lenders to finance its working capital requirement.

In March 2023, the Parent Company acquired a 2.6-hectare property in Biñan, Laguna, adjacent to the Parent Company's ongoing 10-hectare residential development "The Granary". The total cost of the property is Php 110.62M, and the Parent Company already made an advance payment of Php 3.12M. This acquisition will serve as an extension to the ongoing project.


SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized in
Pasig City on MAY 19 2023.

Haus Talk, Inc.

Issuer

By:


MARIA RACHEL D. MADLAMBAYAN
President


GLORIA JUDITH D. MADLAMBAYAN
Treasurer


MARIA AGNES M. SIAPNO
Chief Finance Officer

HAUS TALK, INC. AND ITS SUBSIDIARIES
(Formerly Haus Talk Project Managers, Inc. and its Subsidiaries)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - INTERIM
For the 3 Month Period ended March 31, 2023 (Unaudited), March 31, 2022 (Unaudited) and
December 31, 2022 (Audited)

NOTE 1 – GENERAL INFORMATION

HAUS TALK, INC. (the “Parent Company”) was organized under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) per Registration no. CS200409462 on June 21, 2004 under the name of Haus Talk Project Managers, Inc., which was amended on March 15, 2017 under the name of Haus Talk, Inc. Its primary purpose is to invest in real estate, more specifically to acquire land, engage in land and housing development and participate in the government’s mass housing program.

On November 18, 2021 and December 2, 2021, the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE), respectively, approved the application of the Company for the listing of up to 2,500,000,000 common shares of the Company, which includes the 500,000,000 common shares subject of the Company’s Initial Public Offering (IPO), under the Small, Medium and Emerging Board (SME Board) of the PSE.

On January 17, 2022, the Company completed its IPO and was listed in the PSE under the stock symbol “HTP”. As a public company, it is covered by the Revised Securities Regulation Code (SRC) Rule 68.1.

The Parent Company’s current registered address is at Unit 701 Orient Square Building, F. Ortigas Avenue, Ortigas Center, Pasig City.

The Parent Company’s Eastview Homes 3 Project was registered with the Board of Investments (BOI) under Certificate of Registration 2014-056. The enterprise shall enjoy Income Tax Holiday effective June 2014 until after four (4) years ending May 2018. The project consists of three hundred seventy-nine (379) housing units.

The Parent Company and its subsidiary are collectively known herein as the “Group”.

Tradition Homes, Inc. (referred to as the “Subsidiary or THI”), formerly known as Tradition Homes Project Managers, Inc. before it was amended on December 11, 2017 as Tradition Homes, Inc., was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) per SEC Registration No. CS200700454 on January 16, 2007. The Subsidiary’s primary purpose is to invest in real estate, more specifically to acquire land, engage in land and housing development and participate in the government’s mass housing program.

The Subsidiary’s current registered address is at Unit 701 Orient Square Building, F. Ortigas Avenue, Ortigas Center, Pasig City.

On January 18, 2018, the Parent Company acquired 100% ownership and control of Tradition Homes, Inc. for an acquisition cost of ₱30,000,000.

THI was approved by the Board of Investments (BOI) as a New Developer of Economic and Low-Cost Housing Project for its Southview Homes – Sta. Rosa, located at Sta. Rosa, Laguna. The Income Tax Holiday (ITH) certification bearing the number of 2019-041 valid from March 6, 2019, and four (4) years thereafter provides exemption from income taxes on revenue generated from the said project.

THI's WINN residences project, a residential condominium project located at Sitio Veterans, Barangay Bagong Silangan, Quezon City, was approved as a Socialized Housing Project by the Housing and Land Regulatory Board (HLURB) and thereby granting the Company exemption from Income Tax, Capital Gains Tax and Value-Added Tax. The certification issued by the HLURB bears the reference number 15-06-038.

Lifestyle Development Corporation (referred to as the "Subsidiary or LDC") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) per SEC Registration No. A199918322 on February 23, 2019. The Subsidiary's primary purpose is to invest in real estate, more specifically to acquire land, engage in land and housing development and participate in the government's mass housing program.

The Subsidiary's current registered address is at 1802 Jollibee Plaza Emerald Avenue, Ortigas Center, Pasig City.

On May 26, 2021, the Parent Company acquired 100% ownership and control of Lifestyle Development Corporation for an acquisition cost of ₱105,737,000.

Cash

Cash includes cash on hand and in banks which are measured at face value.

Cash funds are set aside for current purposes such as petty cash fund. Cash in banks include demand deposits which are unrestricted as to withdrawal.

The account consists of:

Particulars	March 31, 2023	March 31, 2022	December 31, 2022
Petty cash fund	₱ 503,000	₱ 229,980	₱ 503,000
Cash in bank	<u>48,621,140</u>	<u>366,223,392</u>	<u>51,212,470</u>
Total	<u>₱ 49,124,140</u>	<u>₱ 366,453,372</u>	<u>₱ 51,715,470</u>

Receivables

Receivables are amounts due from clients for services performed in the ordinary course of business, if collection is expected in one year or less (or in the normal operating cycle of the business longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Receivables are measured at the transaction price determined under PFRS 15 (*refer to the accounting policies for Revenue from contract with customers*). Accounts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate (EIR) method, less provision for impairment.

The account consists of:

Particulars	March 31, 2023	March 31, 2022	December 31, 2022
Installment contracts receivables at amortized cost	₱ 717,027,769	₱ 509,326,684	₱ 638,738,808
Receivables at amortized cost from:			
Contractors	4,533,451	3,675,206	6,097,959
Officers and employees	4,536,986	2,184,829	3,127,755
Suppliers	3,426,775	238,203	509,628
Broker	3,748,602	3,209,702	3,748,602
Buyer	2,265,404	5,157,896	2,316,110
Others	26,331,111	16,104,903	23,128,502
Total	761,870,098	539,897,423	677,667,364
Less: Noncurrent portion of installment contract receivables	108,373,837	65,649,652	92,185,581
Receivables, current portion	₱ 653,496,261	₱ 474,247,771	₱ 585,481,783

Aging Schedule of Receivables

This account as of March 31, 2023 consists of the following:

	Total	Neither past due nor impaired	1-30 days	31-60 days	61-90 days	over 90 days
Receivables	761,870,098.00	760,193,807.00	842,466.00	510,104.00	255,276.00	68,445.00
Current	653,496,261.00	651,819,970.00	842,466.00	510,104.00	255,276.00	68,445.00
Noncurrent	108,373,837.00	108,373,837.00	-	-	-	-

This account as of March 31, 2022 consists of the following:

	Total	Neither past due nor impaired	1-30 days	31-60 days	61-90 days	over 90 days
Receivables	539,897,423.00	538,968,369.00	391,767.00	57,523.00	479,765.00	-
Current	474,247,771.00	473,318,716.00	391,767.00	57,523.00	479,765.00	-
Noncurrent	65,649,652.00	65,649,652.00	-	-	-	-

Installment contract receivables at amortized cost

Installment contracts receivable consist of accounts collectible in equal monthly installments with various terms up to a maximum of ten (10) years. These are carried at amortized cost. The corresponding titles to the subdivision units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. The installment contracts receivables are interest-bearing. Annual interest rates on installment contracts receivables range from 12.00% to 18.00%.

Receivables from contractors, suppliers, brokers and buyers

These receivables at amortized cost are non-interest bearing and collectible within one year from the reporting date.

Receivables from officers and employees

These are non-interest bearing and to be liquidated within one year from the reporting date.

Others

Receivable others pertain to advances to other projects and housing overhead, HDMF and home guaranty. These are non-interest bearing and are generally collectible within one year from the reporting date.

None of the receivables were assigned or pledged to secure any of the Company's loans.

In case of default, the Group may cancel the contract with customers and find another buyer of the real estate thus, no allowance for expected credit losses was recognized in 2023 and 2022.

The account consists of:

Particulars	March 31, 2023	March 31, 2022	December 31, 2022
Land for sale and development	₱ 2,087,896,616	₱ 2,695,437,261	₱ 2,090,320,927
Residential units and development	289,905,189	404,598,494	406,550,003
Model units	11,173,228	7,957,581	10,934,869
Total	₱ <u>2,388,975,033</u>	₱ <u>3,107,993,336</u>	₱ <u>2,507,805,799</u>

Prepayments and other current assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are expensed to profit or loss as they are consumed in the operations or expire with the passage of time.

Prepayments are classified in the company statements of financial position as current assets when they are expected to be expensed within one year. Otherwise, prepayments are classified as non-current.

Prepaid expenses and other current assets include input value-added tax (VAT), deferred input tax and prepaid taxes and licenses.

The account consists of:

Particulars	March 31, 2023	March 31, 2022	December 31, 2022
Input VAT	₱ 12,406,011	₱ 3,828,600	₱ 11,691,224
Prepaid taxes and licenses	1,316,833	145,510	585,309
Prepaid interest	5,320,000	4,666	
Prepaid maintenance	1,050,000		1,050,000
Prepaid insurance	101,804	6,104	64,584
Prepaid rent	147,368		798,500
Creditable withholding tax		361,967	
Others	506,578	1,014,959	69,561
Total	₱ 20,848,594	₱ 5,361,806	₱ 14,259,178

Input VAT is a tax imposed on purchases of goods and services. These are available for offset against output VAT in future periods.

Prepaid taxes and licenses represent prepayment for taxes as well as local business real property taxes. This also includes excess tax payments and credits over tax liabilities of the immediately preceding taxable period which may be refunded, converted to tax credit certificates, or carried over to the next taxable year.

Others consist of Maxicare health benefit premiums of employees, billboard rent, design, architectural and planning and miscellaneous supplies.

Advances to related parties

These includes transfer of resources, services or obligations to affiliates, regardless of whether a price is charged. The amount is presented as current assets if collection is expected in one year or less, otherwise, they are presented as non-current assets.

Advances to parties are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate (EIR) method, less provision for impairment.

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are considered related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives then significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment in value. Historical cost includes expenditure that is directly attributable to the

acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property and equipment.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which 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 and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation on other assets is charged to allocate the cost of assets less their fair value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Particulars	No. of Years
Office improvement	5
Construction equipment	5
Transportation equipment	5
Furniture and fixture	5
Office equipment	3
Computer software	3
Construction tools	2

Depreciation of property 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 the management. Depreciation and depletion ceases at the earlier of the date that the item is classified as held for sale in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated recoverable reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, residual values, periods and methods of depreciation and depletion are consistent with the expected pattern of economic benefits from items of property and equipment. The residual values, if any, are reviewed and adjusted, if appropriate, at each end of reporting period. If there is an indication that there has been a significant change in depreciation and depletion rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

When properties are retired or otherwise disposed of, the cost and related accumulated depreciation and depletion and any allowance for impairment loss are eliminated from the accounts and any resulting gain or loss is credited or charged to the consolidated statements of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the items) is included in the consolidated statements of comprehensive income in the year the asset is derecognized.

Fully depreciated assets are retained as property and equipment until these are no longer in use.

The movements of property and equipment are as follows:

March 31, 2023

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Land	₱ 1,004,946,700	₱ -	₱ -	₱ 1,004,946,700
Office improvement	3,375,885			3,375,885
Office equipment	3,957,158	367,641		4,324,799
Construction equipment	24,481,194	238,830		24,720,025
Transportation equipment	6,565,575	0		6,565,575
Furniture and fixture	223,861	18,000		241,861
Construction tools	3,305,256	138,133		3,443,389
Warehouse equipment	139,268	0		139,268
Temporary facilities		440,600		440,600
Total	₱ 1,046,994,898	₱ 1,203,204	₱ -	₱ 1,048,198,102
Accumulated depreciation:				
Office improvement	₱ 3,255,494	₱ 73,664	₱ -	₱ 3,329,158
Office equipment	2,186,572	215,139		2,401,711
Construction equipment	7,919,852	1,160,207		9,080,060
Transportation equipment	4,379,472	239,105		4,618,577
Furniture and fixture	142,133	9,449		151,582
Construction tools	2,835,804	79,959		2,915,763
Warehouse equipment	41,241	8,451		49,692
Temporary facilities		22,030		22,030
Total	₱ 20,760,568	₱ 1,808,005	₱ -	₱ 22,568,572

Net Book Value	₱ 1,026,234,330	₱ 1,025,629,530
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March 31, 2022

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Office improvement	3,375,885			3,375,885
Office equipment	2,367,256	1,093,865		3,461,122
Construction equipment	12,787,297	166,210		12,953,507
Transportation equipment	4,608,396	1,957,179		6,565,575
Furniture and fixture	223,058			223,058
Construction tools	2,831,116	19,401		2,850,517
Warehouse equipment	44,625	94,643		139,268
Total	₱ 26,237,633	₱ 3,331,297	₱ 0	₱ 29,568,932
Accumulated depreciation:				
Office improvement	2,956,619	₱ 76,029.48	₱	₱ 3,032,648
Office equipment	1,540,111	90,361.27		1,630,472
Construction equipment	4,715,374	572,950.55		5,288,325
Transportation equipment	3,458,503	203,655.22		3,662,158
Furniture and fixture	99,670	12,988.51		112,659
Construction tools	2,727,799	19,718.72		2,747,517
Warehouse equipment	7,437	8,450.88		15,888
Total	15,505,514	₱ 984,154.62	₱ 0	16,489,668
Net Book Value	₱ 10,732,120			₱ 13,079,263

December 31, 2022

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Land	₱ 853,537,499	₱ 151,409,200	₱ -	₱ 1,004,946,699
Office improvement	3,375,886	-	-	3,375,886

Office equipment	2,368,255	1,589,902	-	3,958,157
Construction equipment	12,787,297	11,693,897	-	24,481,194
Transportation equipment	4,608,396	1,957,179	-	6,565,575
Furniture and fixture	223,058	803	-	223,861
Construction tools	2,831,117	474,140	-	3,305,257
Warehouse equipment	44,625	94,643	-	139,268
Total	879,776,133	167,219,764	-	1,046,995,897
Accumulated depreciation:				
Office improvement	2,956,620	298,874	-	3,255,494
Office equipment	1,541,110	646,461	-	2,187,571
Construction equipment	4,715,373	3,204,480	-	7,919,853
Transportation equipment	3,458,505	920,968	-	4,379,473
Furniture and fixture	99,670	42,462	-	142,132
Construction tools	2,727,798	108,005	-	2,835,803
Warehouse equipment	7,437	33,804	-	41,241
Total	15,506,513	5,255,054	-	20,761,567
Net Book Value	864,269,620			1,026,234,330

Other non-current assets

The account consists of:

Particulars	March 31, 2023	March 31, 2022	December 31, 2022
Refundable deposits	4,658,469	3,860,697	4,602,469
Deferred tax assets	3,958,726	2,245,008	3,958,726
Other deposit	9,408,000	9,408,000	9,408,000
Total	18,025,195	15,513,705	17,969,195

Refundable deposits pertain to utilities and security deposits which are measured at cost and will be

recovered against future billings.

Other deposit pertains to computer software that is still under implementation.

Accounts and other payables

The account consists of:

Particulars	March 31, 2023	March 31, 2022	December 31, 2022
Trade payables	₱ 153,937,200	₱ 93,220,910	₱ 197,624,118
Accrued expenses	348,510		
Retention payable	12,771,127	5,830,507	10,163,958
Customer deposits	74,219,866	16,755,925	74,270,200
Government liabilities	6,221,810	849,400	5,426,138
Other liabilities	<u>10,970,808</u>	<u>159,176,645</u>	<u>17,192,617</u>
 Total	 ₱ <u>258,469,321</u>	 ₱ <u>275,833,387</u>	 ₱ <u>304,677,031</u>

Trade payables

Trade payables represents payable to suppliers for the purchase of construction materials, marketing collaterals, office supplies and property and equipment ordered and delivered but not due. These are expected to be settled within a year after the financial reporting date.

Retention payable

Retention payable pertains to contract payments is being withheld from the third party as guaranty for any claims against them. These are settled and paid once period has expired.

Customer deposits

Customer deposits consist mainly of collections from real estate customers which will be applied the contract price.

Government liabilities

Government liabilities include statutory contributions and withholding taxes and are normally settled within one year after the reporting date.

Other liabilities

Other liabilities include payment to buyer for refund of construction bond, Meralco services and installment payment made by the buyer subject to the provision of Republic Act 6552 (Realty Instalment Buyer Protection Act), various non-trade dues from utilities, professional fees and other services.

Income taxes

On March 26, 2021, the Republic Act (RA) 11534, known as “The Corporate Recovery or Tax incentives for Enterprises Act” (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Company are as follow:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000, excluding land on which the particular business entity’s office, plant, and equipment

are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;

2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 20, 2023;
3. Percentage tax reduced from 3% to 1% effective July 1, 2020, to June 30, 2023; and
4. The imposition of improperly accumulated earnings is repealed.

Loans and Borrowings

Bank of the Philippine Islands

Loan Facility

In December 2019, the Parent Company obtained a loan facility with BPI amounting to ₱60,000,000 to refinance their existing outstanding loan with the same bank. The loan is imposed with an interest rate based on the prevailing bank rate, payable monthly and subject to annual review, at which the maturity date is December 22, 2022.

A Real Estate Mortgage for the loan was registered with the following titles:

Area (in sqm.)	TCT/CCT No.	Registered Owner
250.00	004- 2019008548	Maria Rachel D. Madlambayan
250.00	004- 2019008549	Terrence Restituto D. Madlambayan
250.00	004- 2019008550	Joselito D. Madlambayan
250.00	004- 2019008551	Ma. Leah D. Madlambayan
250.00	004- 2019008552	Noemi D. Madlambayan
250.00	004- 2019008553	Luis Pio D. Madlambayan
250.00	004- 2019008554	Rufino Albert D. Madlambayan
250.00	004- 2019008555	Edward D. Madlambayan
20.80	004- 2019008556	Ma. Leah D. Madlambayan

Revolving Promissory Note

On May 31, 2017, the Subsidiary Company obtained a Revolving Promissory Note Line from BPI Family Savings Bank amounting to a line limit of ₱20,000,000 with an expiration on November 30, 2018. The line's interest is payable monthly in arrears, meanwhile the principal at maturity which does not exceed 360 days. The loan line is secured through continuing Suretyship of Allied Community Builders & Development, Inc., Edward D. Madlambayan and Ma. Rachel D. Madlambayan.

Promissory Note

In December 2019, the Subsidiary Company obtained a Promissory Note from BPI Family Savings Bank amounting to ₱42,000,000 with a maturity date on December 23, 2024 with loan balance amounting to ₱35,000,000 as of December 31, 2022. The loan is secured through continuing Suretyship of Allied Community Builders & Development, Inc., Edward D. Madlambayan and Ma. Rachel D. Madlambayan

China Banking Corporation

The following loan agreements are entered into by the Parent Company with China Banking Corporation:

Promissory Note

On April 27, 2018, the Company obtained a 32-day Promissory Note amounting to ₱10,000,000 with an interest rate of 5.13% payable monthly, the loan is non-secured.

Straight Loan

On December 23, 2020, the Company obtained a straight loan from China Bank amounting to ₱12,500,000 with maturity due on January 31, 2022.

Contract to Sell Purchase Facility

On July 27, 2018, the Company has been granted by China Banking Corporation of a Contract to Sell Purchase Facility (CTSPF) in the amount of ₱100,000,000 for the purpose of liquefying the accounts receivable arising from the installments still payable by the Company's buyers under their respective Contracts to Sell (CTS). Whereas in consideration for the bank, the Company has assigned in favor of the Bank all the buyers' rights, interests and participation in their CTS balances in which the assignment shall be with recourse against the Company.

The following loan agreements are entered into by the Subsidiary Company with China Banking Corporation:

Term Loan

On October 8, 2018, the Company obtained credit from Chinabank with the purpose of taking out the Company's existing loan in the same bank with the principal amount of ₱8.3 Million and ₱52.0 Million, and to finance the land development of their housing projects. The loans were drawn from a series of promissory notes amounting to ₱28,300,000, ₱20,000,000, and ₱21,700,000, respectively. The interest is re-priceable annually in arrears based on prevailing rate with one time option to fix the rate for the remaining term of the loan on an anniversary date. Fixed interest rate shall be based on the relevant PDST-R2 Rate on Interest Rate Selling Date plus a spread of 1.50%, exclusive of GRT. The term of the loan is three (3) years inclusive of one (1) year grace period on principal payment.

A Real Estate Mortgage for ₱55,000,000 on a 25,000 sq. parcel of land in Sta. Rosa, Laguna under Transfer Certificate of Title (TCT) No. 060-2016007926 registered in the name the Company had been agreed to as a collateral, and another as a Surety Agreement for ₱70,000,000 to be executed by the Company and Ma. Rachel D. Madlambayan, Ma. Leah D. Madlambayan, Edward D. Madlambayan, Gloria Judith D. Madlambayan, Noemi D. Madlambayan, the Board of Directors of the Company.

Contract to Sell Purchase Facility

On July 27, 2018, the Company has been granted by China Banking Corporation of a Contract to Sell Purchase Facility (CTSPF) in the amount of ₱100,000,000 for the purpose of liquefying the accounts receivable arising from the installments still payable by the Company's buyers under their respective Contracts to Sell (CTS). Whereas in consideration for the bank, the Company has assigned in favor of the Bank all the buyers' rights, interests and participation in their CTS balances in which the assignment shall be with recourse against the Company.

Sterling Bank of Asia

The following loan agreements are entered into by the Parent Company with Sterling Bank of Asia:

Contract-to-Sell (CTS) Financing Line

On March 12, 2019, the Company availed of the Contract-to-Sell Financing Line by Sterling Bank of Asia with one (1) year availability with renewability, for the financing sale of house and lots from the housing projects of Eastview Residences 1 and 2, and Eastview Premiere. Each sale of house and lots financed by Sterling Bank is secured with the Deed of Assignment of the Contract to Sell (CTS) which will cover the outstanding balance or the principal amount in the CTS, whichever is lower. Repayment shall be made in equal monthly amortization (principal and interest) payable in arrears to start one (1) month from the release date of loan.

The following loan agreements are entered into by the Subsidiary Company with Sterling Bank of Asia:

Term Loan

On February 6, 2020, the Company obtained a term loan from Sterling Bank of Asia amounting to ₱47,600,000 for the purpose of taking-out the Company's loan from China Banking Corporation. The loan's interest rate is based on the prevailing bank rates, which is payable monthly in arrears and subject to annual review. The loan is payable in Forty-eight (48) months inclusive of twelve (12) months of grace period on principal payments.

Also on February 6, 2020, another term loan with Sterling Bank of Asia was obtained by the Company, which amounted to ₱17,400,000, obtained for the purpose of development of Southview Homes – Calendola locate at Brgy. San Vicente, San Pedro Laguna. The loan's interest is based on the prevailing bank rates, which is payable monthly in arrears and subject to annual review. The loan is payable in Forty-eight (48) months inclusive of twelve (12) months of grace period on principal payments.

A Real Estate Mortgage for the amount of ₱65,000,000 was registered for the term loans from Sterling Bank with the following titles; TCT No. 060-2017013231 and TCT No. 060-2017013230 which are located at Brgy. San Vicente, San Pedro City, Laguna.

Contract-to-Sell Financing Line

On March 12, 2019, the Company availed of the Contract-to-Sell Financing Line by Sterling Bank of Asia with one (1) year availability with renewability, for the financing sale of house and lots from the housing projects of Southview Homes – Sta. Rosa and WINN Residences. Each sale of house and lots financed by Sterling Bank is secured with the Deed of Assignment of the Contract to Sell (CTS) which will cover the outstanding balance or the principal amount in the CTS, whichever is lower. Repayment shall be made in equal monthly amortization (principal and interest) payable in arrears to start one (1) month from the release date of loan.

There were no breaches of loan agreement terms such as any defaults of principal and interest of these loan borrowings during the period.

Defined benefit obligation

The Group does not maintain retirement fund but accrues and recognizes its actuarial estimate to conform with the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the final salary defined type and provides a retirement benefit equal to 22.5 days pay per every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. In accordance with the provisions of the Labor Code, the Group is required to pay eligible employees at least the minimum regulatory benefit upon retirement, subject to age and service requirements.

Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are considered related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Receivable from and payable to affiliates and stockholders

Receivable from and payable to affiliates represent trade receivables and payables in ordinary course of business. These are unsecured, non-interest bearing, cash settlement and are payable upon mutual agreement of both parties.

Share Capital

As of March 31, the account consists of:

Particulars	2023		2022	
	No. of shares	Amount	No. of shares	Amount
Authorized ₱1.00 par				
Balance at beginning and end of year	<u>2,500,000,000</u>	<u>2,500,000,000</u>	<u>2,500,000,000</u>	<u>2,500,000,000</u>
Issued and Outstanding				
Balance at beginning of year	<u>2,000,000,000</u>	<u>2,000,000,000</u>	2,000,000,000	2,000,000,000
Issuance of shares	<u>500,000,000</u>	<u>500,000,000</u>	-	-
Balance at end of year	<u>2,500,000,000</u>	<u>2,500,000,000</u>	<u>2,000,000,000</u>	<u>2,000,000,000</u>

Issuance of Capital Stock

On December 23, 2021, the SEC approved the Initial Public Offering of the Company of 500,000,000 common shares at an Offer Price of ₱1.50, with a par value of ₱1.00 per share. Offer shares were approved for listing on January 17, 2022.

Listing Under Small, Medium and Emerging Board (SME) of the PSE

On November 18, 2021 and December 2, 2021, the Securities and Exchange Commission (SEC) and Philippine Stock Exchange, Inc. (PSE), respectively, approved the application of the Company for the listing of up to 2,500,000,000 common shares of the Company, which includes the 500,000,000 common shares subject of the Company's Initial Public Offering (IPO), under the Small, Medium and Emerging Board (SME Board) of the PSE.

On January 17, 2022, the Company completed its IPO and was listed in the PSE under the stock symbol "HTI".

Share Premium

As of March 31, the movements of additional paid-in capital are as follows:

	<u>2023</u>	<u>2022</u>
At January 1	₱ -	₱ -
Share premium on common shares issued during the year		
Gross proceeds	750,000,000	750,000,000
Less: Directly attributable issuance costs	31,150,372	30,694,441
Par value of issued shares	<u>500,000,000</u>	<u>500,000,000</u>
Subtotal	<u>218,849,628</u>	<u>219,305,559</u>
End	₱ <u>218,849,628</u>	₱ <u>219,305,559</u>

Share premium arises when the amount subscribed is in excess of nominal value.

Issuance of Capital Stock

On December 23, 2021, the SEC approved the Initial Public Offering of the Company of 500,000,000 common shares at an Offer Price of ₱1.50, with a par value of ₱1.00 per share. Offer shares were approved for listing on January 17, 2022.

Retained earnings

Retained earnings represent the cumulative balance of periodic net income and losses of the Group, net of dividends declared.

Retained earnings represents the cumulative balance of periodic net income or loss, prior period adjustments, effect of changes in accounting policies in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and other capital adjustments, net of any dividend declaration.

When retained earnings account has a debit balance, it is called “deficit”, and presented as a deduction from equity.

Revenue recognition

Revenue from contract with customers

Revenue from contract with customers is recognized at a point in time when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods or services. The Group applies this standard with its revenue arrangements on the sale of land and residential house units with modified home improvements

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

1. identifying the contract with a customer;
2. identifying the performance obligation;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and,
5. recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following gating criteria must be present:

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

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

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

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

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

Real estate sales

The Group recognizes sales to the contracts with customer when the performance obligation has been fulfilled and the related contract revenue has been recognized as earned. These include sale of subdivision land and residential units.

Forfeitures and cancellation of real estate contracts

Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed non-refundable due to prescription of the period for entering into a contracted sale.

Other income

Other income is recognized in the statements of comprehensive income as they are earned.

Interest income

Interest income is recognized using effective interest accrues using effective interest method.

Contract balances

Receivable from customers

A receivable 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.

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.

Cost to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them.

Costs and expenses recognition

Cost 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 recognized in profit or loss in the consolidated statements of comprehensive income:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- immediately when expenditures produce no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Real estate sales

The account consists of the following:

Particulars	March 31, 2023	March 31, 2022	December 31, 2022
Residential house and lot	₱ 151,577,640	₱ 188,863,600	619,524,508
Total	₱ <u>151,577,640</u>	₱ <u>188,863,600</u>	<u>619,524,508</u>

Other operating income

The account consists of the following:

Particulars	March 31, 2023	March 31, 2022	December 31, 2022
Interest income – in house financing	₱ 4,356,158	₱ 3,001,189	₱ 13,245,688
Forfeiture income	450,000	30,000	1,510,000

Miscellaneous income	<u>819,375</u>	<u>191,249</u>	<u>1,250,469</u>
Total	₱ <u>5,625,534</u>	₱ <u>3,222,438</u>	₱ <u>16,006,157</u>

Cost of Real Estate Sales

The Group recognizes costs related to the contracts with customer when the performance obligation has been fulfilled and the related contract revenue has been recognized as earned. These include cost of land, land development costs, building cost, professional fees, depreciation, permits and licenses, and capitalized borrowing costs.

The account consists of the following:

Particulars	March 31, 2023	March 31, 2022	December 31, 2022
	₱	₱	₱
Land cost development	25,863,317	33,806,575	83,510,696
Construction cost	42,195,000	65,501,000	236,526,258
Other cost	<u>4,995,181</u>	<u>7,993,363</u>	<u>15,775,925</u>
Total	₱ <u>73,053,498</u>	₱ <u>107,300,938</u>	₱ <u>335,812,879</u>

Selling, administrative, and other operating expenses

Selling expenses are costs incurred to sell or distribute inventories. Administrative expenses normally include costs of administering the business as incurred by administrative departments. Other operating expenses are costs incurred other than for selling or administrative purposes.

The account consists of the following:

Particulars	March 31, 2023	March 31, 2022	December 31, 2022
	₱	₱	₱
Advertising and promotion	1,531,879	8,380,609	5,213,002
Commissions	10,920,354	-	18,389,824
	<u>12,452,232</u>	<u>8,380,609</u>	<u>23,602,826</u>

General and administrative expenses

The account consists of the following:

Particulars	March 31, 2023	March 31, 2022	December 31, 2022
	₱	₱	₱
Salaries, wages and allowances	11,723,484	6,889,571	34,698,824

Professional fees	1,821,343	1,155,737	8,973,788
Depreciation	1,808,005	740,818	5,255,054
Taxes and licenses	2,272,040	1,112,385	5,542,145
Utilities	401,466	1,042,120	1,535,227
Retirement expense	-	1,187,540	4,398,382
Dues, subscriptions and donations	294,742	330,819	607,317
Transportation and travel	126,775	232,182	1,094,092
Rent expense	105,689	323,377	536,694
Listing fee	836,437	1,513,310	2,483,667
Representation and entertainment	339,744	207,216	597,595
Stationery and office supplies	197,452	90,575	525,827
Insurance expense	458,075	67,223	240,583
Interest expense	4,178,003	-	-
Repairs and maintenance	135,117	186,221	1,020,105
Miscellaneous expenses	48,236	248,240	18,893,150
	<hr/>	<hr/>	<hr/>
Total	₱ 24,746,608	₱ 15,327,334	₱ 86,402,450
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Miscellaneous expenses consist of administrative expenses, processing, registration and certificate fees, notarization fees, bank charges, and other miscellaneous expenses.

Contingencies

The Group is a not party to any legal proceedings. There are no taxes, assessment and charges of whatsoever nature levied upon or against the Group, or against its properties, revenues, and assets.

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