



June 7, 2021

PHILIPPINE STOCK EXCHANGE

9th Floor, Philippine Stock Exchange Tower
28th Street corner 5th Avenue, BGC Taguig City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Subject: Vistamalls, Inc.: **Definitive Information Statement**

Gentlemen:

Please see attached copy of the SEC Form 20-IS, Revised Definitive Information Statement, filed today for the Company's Annual Stockholders' Meeting on June 28, 2021.

Very truly yours,

A handwritten signature in black ink, appearing to read "B. Edang", is written over the printed name and title.

Brian N. Edang
Officer-in-Charge

COVER SHEET

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S.E.C. Registration Number

[illegible]

(Company's Full Name)

L	O	W	E	R		G	R	O	U	N	D		F	L	O	O	R	,							
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(Business Address : No. Street/City/Province)

Brian N. Edang

Contact Person

8571-5948

Registrant Telephone Number

1	2	3	1
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Month Day

Calendar Year

20-IS
Definitive
Information
Statement

FORM TYPE

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Month Day

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of
Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier



CERTIFICATION

VISTAMALLS, INC. (the "Company") hereby certifies that except for Ms. Camille A. Villar, none of the directors and officers of the Company named in the Information Statement for the Annual Meeting of its shareholders for the year 2021 works in the government as of the date hereof.

Ms. Villar is currently a duly elected Congresswoman, representing Las Piñas City. She is not disqualified from being, and does not require any consent or approval to serve as, a director of the Company on account of her said position.

Issued this 14th day of May 2021.

VISTAMALLS, INC.

By:


MA. NALEN S.J. ROSERO

Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTOR

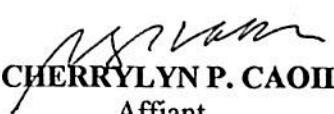
I, **Cherrylyn P. Caoile**, Filipino, of legal age and a resident of **U12 Verde de Pasadena Townhomes, 209 Pasadena Drive, San Juan City, Metro Manila**, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Vistamalls, Inc.** and have been its independent director since May 2021.
2. I am affiliated with the following companies or organizations:

Company/ Organization	Position/ Relationship	Period of Service
Taipan Security Services, Inc.	Chairman of the Board	2015 - Present


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Vistamalls, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
6. I shall inform the corporate secretary of **Vistamalls, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done, this 18 May 2021 at MANDALUYONG CITY.


CHERRYLYN P. CAOILE
Affiant

SUBSCRIBED AND SWORN to before me this MAY 20 2021 at _____, affiant personally appeared before me and exhibited to me her SSS ID 33-6280876-9.

Doc. No. 338
Page No. 69
Book No. X
Series of 2021.


ATTY. FERDINAND B. SABILLO
NOTARY PUBLIC
UNTIL JULY 10, 2021
ROLL NO. 53511
IBP Lifetime Member No. 018338
PTR No. 4574501 / 04 Jan. 2021 / Mandaluyong City
MCLP Compliance No. 21-0926080 issued dated 23 May 2019
Notarial Commission Appointment No. 0314-19
Vista Corporate Center, Upper Ground Floor,
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Raul Juan N. Esteban**, Filipino, of legal age and a resident of **223B Alexandra Condominium, 29 Meralco Avenue, Ortigas Center, Pasig City**, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Vistamalls, Inc.** and have been its independent director since June 30, 2014.
2. I am affiliated with the following companies or organizations:

Company/ Organization	Position/ Relationship	Period of Service
Philippine Survey and Research Center	Managing Director	1989-Present

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of **Vistamalls, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
6. I shall inform the corporate secretary of **Vistamalls, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 20 2021 at MANDALUYONG CITY.


RAUL JUAN N. ESTEBAN
Affiant

SUBSCRIBED AND SWORN to before me this _____ at _____, affiant personally appeared before me and exhibited to me his TIN 133-076-677.

Doc. No. 337
Page No. 69
Book No. X
Series of 2021.


ATTY. FERDINAND B. SABILLO
NOTARY PUBLIC
UNTIL JULY 30, 2021
ROLL No. 52111
IBP Lifetime Member No. 018538
PTR No. 4574501 / 04 Jan. 2021 / Mandaluyong City
MCLE Compliance No. 01-0026080 issued dated 23 May 2019
Notarial Commission Appointment No. 0314-19
Vista Corporate Center, Upper Ground Floor,
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City



NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the annual meeting of stockholders of **VISTAMALLS, INC.** (the "Company" or "STR") for the year 2021 will be held online on **June 28, 2021, Monday at 10:00 a.m.** with the proceedings livestreamed and voting conducted in absentia through the Company's secure voting online facility which may be accessed through the following URL address: <https://www.starmalls.com.ph/documents/asm2021.php>.

The following shall be the agenda of the meeting:

1. Call to order
2. Certification of service of notice and presence of quorum
3. Approval of the minutes of the last Annual Meeting of Stockholders held on August 03, 2020
4. Presentation of the President's Report, Management Report and Audited Financial Statements for the year 2020
5. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last annual stockholders' meeting until the date of this meeting.
6. Election of the members of the Board of Directors, including the Independent Directors, for the year 2021
7. Appointment of External Auditors
8. Adjournment

Minutes of the 2020 Annual Meeting of Stockholders is available at the website of the Company (www.starmall.com.ph/documents).

The Board of Directors has fixed the close of 18 May 2021 as the record date for the determination of stockholders entitled to notice of, and to vote at, said Annual Stockholders' Meeting.

In light of the current circumstances, and to ensure the safety and welfare of the Company's stockholders, the Company will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication, and voting only *in absentia* or by appointing the Chairman of the meeting as their proxy.

Stockholders who intend to participate in the meeting via remote communication and to exercise their vote *in absentia* must notify the Corporate Secretary by registering at <https://www.starmalls.com.ph/documents/asm2021.php> on or before June 18, 2021. All information submitted will be subject to verification and validation by the Corporate Secretary.

Stockholders who intend to appoint the Chairman of the Meeting as their proxy should submit duly accomplished proxy forms on or before June 18, 2021 at the Office of the Corporate Secretary at UGF Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City and/or by email to ir@vistamalls.com.ph.

The procedures for participating in the meeting through remote communication and for casting of votes *in absentia* are set forth in the Information Statement.


MA. NALEN S. ROSERO
Corporate Secretary

AGENDA DETAILS AND RATIONALE

1. Certification of Notice and Quorum

The Corporate Secretary, Atty. Nalen S.J. Rosero, will certify that copies of the Notice of Meeting were duly published in the business section of two (2) newspapers of general circulation, and will certify the number of shares represented in the meeting, for the purpose of determining the existence of quorum to validly transact business.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 6, Series of 2020, the Corporation has set up a designated web address which may be accessed by the stockholders to participate and vote in absentia on the agenda items presented for resolution at the meeting. A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum.

The following are the rules and procedures for the conduct of the meeting:

- (i) Stockholders may attend the meeting remotely through <https://www.starmalls.com.ph/documents/asm2021.php> (the "Website"). Stockholders may send their questions or comments prior to the meeting by e-mail at ir@vistamalls.com.ph. The Website shall include a mechanism by which questions may be posted live during the meeting. The Company will endeavor to answer all questions submitted prior to and in the course of the meeting, or separately through the Company's Investor Relations Office within a reasonable period after the meeting.
- (ii) Each of the Agenda items which will be presented for resolution will be shown on the screen during the live streaming as the same is taken up at the meeting.
- (iii) Stockholders must notify the Company of their intention to participate in the meeting by remote communication to be included in determining quorum, together with the stockholders who voted in absentia and by proxy.
- (iv) Voting shall only be allowed for stockholders registered in the Company's Electronic Voting in Absentia System provided in the Company's website for the 2021 or through the Chairman of the meeting as proxy.
- (v) All the items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock represented at the meeting.
- (vi) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes.
- (vii) The Company's stock transfer agent and Corporate Secretary will tabulate and validate all votes received.

2. Approval of the minutes of the last Annual Meeting of Stockholders held on August 03, 2020

The minutes of the last Annual Meeting of Stockholders held on August 03, 2020 will be presented for approval by the stockholders, in keeping with Section 49(a) of the Revised Corporation Code.

A copy of such minutes has been uploaded on the Company's website immediately after the 2020 Annual Meeting of Stockholders.

3. **President's Report, Management Report and Audited Consolidated Financial Statements as of and for the year ended December 31, 2020**

The audited financial statements ("AFS") of the Company as of and for the year ended December 31, 2020 (as audited by SyCip, Gorres, Velayo & Co.), a copy of which is incorporated in the Definitive Information Statement for this meeting, will be presented for approval by the stockholders. The President of the Company, Mr. Manuel Paolo A. Villar, will deliver a report to the stockholders on the Company's performance for the year 2020 (which will include highlights from the AFS) and the outlook for 2021.

The Board and Management of the Company believe it is in keeping with the Company's thrust to at all times observe best corporate governance practices, that the results of operations and financial condition of the Company be presented and explained to the shareholders. Any comment from the shareholders, and their approval or disapproval of these reports, will provide guidance to the Board and Management in their running of the business and affairs of the Company.

4. **Ratification of all acts and resolution of the Board of Directors and Management from the date of the last annual stockholders' meeting until the date of this meeting**

Ratification by the stockholders will be sought for all the acts and resolutions of the Board of Directors and all the acts of Management taken or adopted from the date of the last annual stockholders' meeting until the date of this meeting. A brief summary of these resolutions and actions is set forth in the Definitive Information Statement for this meeting. Copies of the minutes of the meetings of the Board of Directors are available for inspection by any shareholder at the offices of the Company during business hours.

The Board and Management of the Company believe it is in keeping with the Company's thrust to at all times observe best corporate governance practices, that ratification of their acts and resolutions be requested from the shareholders in this annual meeting. Such ratification will be a confirmation that the shareholders approve the manner that the Board and Management run the business and affairs of the Company.

5. **Election of the members of the Board of Directors, including the Independent Directors, for the year 2021**

The Corporate Secretary will present the names of the persons who have been duly nominated for election as directors of the Company in accordance with the Amended By-Laws and Revised Manual on Corporate Governance of the Company and applicable laws and regulations. The voting procedure is set forth in the Definitive Information Statement for this meeting.

6. **Appointment of External Auditors**

The Audit Committee is endorsing to the stockholders the re-appointment of SyCip Gorres Velayo & Co. as external auditor of the Company for the fiscal year 2021.

PROXY

[NOTE: Stockholders who would like to be represented thereat by a proxy may choose to execute and send a proxy form to the Office of the Corporate Secretary (Atty. Nalen S.J. Rosero) at UGF Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City, on or before 18 June 2021. A sample proxy form is provided below. Stockholders may likewise email a copy of the accomplished proxy form to ir@vistamalls.com.ph.]

The undersigned stockholder of VISTAMALLS, INC. (the “Company”) hereby appoints _____ or in his absence, the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Stockholders’ Meeting of the Company on 28 June 2021 at 10:00 a.m. and at any of the adjournments thereof for the purpose of acting on the following matters:

- | | |
|---|--|
| 1. Approval of the minutes of the last Annual Meeting of Stockholders held on August 03, 2020 | 5. Re-appointment of SGV & Company as external auditor |
|---|--|

<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Abstain	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Abstain
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2. Approval of the Audited Financial Statements for the year 2020

☐ Yes ☐ No ☐ Abstain

3. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last annual stockholders’ meeting until the date of this meeting

☐ Yes ☐ No ☐ Abstain

Printed name of Stockholder

4. Election of the members of the Board of Directors, including the Independent Directors for the year 2021

Name	No. of votes
Manuel B. Villar Jr.	_____
Manuel Paolo A. Villar	_____
Cynthia J. Javarez	_____
Camille A. Villar	_____
Adisorn Thananan-Narapool	_____
Cherrylyn P. Caoile	_____
Raul Juan N. Esteban	_____

Signature of Stockholder /
Authorized representative

Date

This proxy should be received by the Corporate Secretary on or before 18 June 2021, the deadline for submission of proxies.

This proxy when properly executed will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the Information Statement.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised.

Notarization of this proxy is not required.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter: **VISTAMALLS, INC.**
3. **Philippines**
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **39587**
5. BIR Tax Identification Code **000-806-396-000**
6. **Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City,**
Daanghari, Almanza II, Las Piñas City **1747**
Address of principal office Postal Code
7. Registrant's telephone number, including area code **(632) 8571-5948**
8. Date, time and place of the meeting of security holders
28 June 2021, 10:00 a.m. (via Remote Communication)
9. Approximate date on which the Information Statement is first to be sent or given to security holders
May 27, 2021
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA:

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common stock	8,425,981,156 shares
Preferred stock	2,350,000,000 shares

11. Are any or all of registrant's securities listed in a Stock Exchange?

Yes ☒ No ☐

Name of Stock Exchange: **Philippine Stock Exchange**
Class of securities listed: **Common Stocks**

PART I

INFORMATION STATEMENT

GENERAL INFORMATION

Date, time and place of meeting of security holders.

Date: June 28, 2021

Time: 10:00 a.m.

Place: N/A (via remote communication)

The corporate mailing address of the principal office of the Registrant is Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City, Philippines.

This Information Statement may be accessed by the Company's stockholders beginning May 27, 2021 at the Company's website, www.starmalls.com.ph/documents.

Dissenters' Right of Appraisal

Under Sections 41 and 80, Title X, of the Revised Corporation Code of the Philippines ("**Corporation Code**"), any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided by the Corporation Code:

- (1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
- (3) In case of merger or consolidation; and
- (4) In case of investments in another corporation, business or purpose.

The appraisal right, when available, may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares; Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by

the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, Further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

None of the matters that are proposed to be taken up during the meeting gives a dissenter a right of appraisal.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the officers or directors or any of their associates has any substantial interest, direct or indirect, in any of the matters to be acted upon in the stockholders' meeting.

No director has informed the Registrant in writing that he intends to oppose any action to be taken at the meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

(a) Number of shares outstanding as of 30 April 2021

Common:	8,425,981,156
Preferred:	2,350,000,000

(b) Record Date: 18 May 2021

Each common share of stock of the Registrant is entitled to one (1) vote. Pursuant to Article III, Section 3 of the Registrant's Amended By-Laws, every holder of voting stock may vote during all meetings, including the Annual Stockholders' Meeting, either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact.

Stockholders entitled to vote are also entitled to cumulative voting in the election of directors. Section 23 of the Corporation Code provides, in part, that: "...in stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit...."

For this year's meeting, the Board of Directors had adopted a resolution to allow stockholders entitled to notice of, and to attend the meeting, to exercise their right to vote in absentia.

Equity Ownership of Foreign and Local Shareholders

Foreign and local security ownership as of April 30, 2021:

Class	Filipino		Foreign		Total Shares Outstanding
	Shares	Percent of Class	Shares	Percent of Class	
Common	7,614,366,829	90.37%	811,614,327	9.63%	8,425,981,156
Preferred	2,350,000,000	100.00%	-	-	2,350,000,000
Total	9,964,366,829		811,614,327		10,775,981,156

Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain record and beneficial owners of more than 5.0% of the Registrant's voting securities as of April 30, 2021:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Us	Name of Beneficial Owner /Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership¹
Common	Vista Land & Lifescapes, Inc. ("VLL") ² LGF Bldg B, Evia Lifestyle Center, Vista City, Daang Hari, Almanza II, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	7,443,192,641	69.0721%
Common	Land & Houses Public Company Limited ³ Q. House, Convent Building, 4th & 5th Floors, No. 38 Convent Road, Silom, Bangkok, Thailand Shareholder	Record Owner is also beneficial Owner	Thai	808,431,465	7.5022%
Preferred	Fine Properties, Inc. ⁴ LGF Bldg B, Evia Lifestyle Center, Vista City, Daang Hari, Almanza II, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	2,350,000,000	21.8078%

¹ Based on the total issued and outstanding shares (common and preferred) of 10,775,981,156 as of April 30, 2021.

² VLL, through a resolution passed by the Board of Directors, usually designate its President, Manuel Paolo A. Villar, to be its authorized representative with the power to vote its shares of stock in VLL's subsidiaries

³ Land & Houses Public Company Limited (L&H) is a foreign corporation duly organized and existing by virtue of the laws of Thailand with office address at Reg. No. 57 Q. House Convent Bldg., 3rd to 5th Floor, 38 Convent Road, Silom, Bangkok 10500 Thailand. L&H usually acts through Mr. Anant Asavabhokhin or Mr. Adisorn Thananun-Narapool in matters relating to its shares of stock in the Company.

⁴ Fine Properties, Inc. through a resolution passed by the Board of Directors, usually designate its President, Cynthia J. Javarez, to be its authorized representative with the power to vote its shares of stock in Vistamalls, Inc.

Security ownership of management as of April 30, 2021:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares	Manuel B. Villar Jr. ⁵ C. Masibay Street, BF Resort Village, Las Piñas City	1,000 - Direct	Filipino	.00001%
Preferred Shares	Manuel B. Villar Jr. ⁵ C. Masibay Street, BF Resort Village, Las Piñas City	2,350,000,000 - Indirect	Filipino	21.80776%
Common Shares	Manuel Paolo A. Villar ⁶ C. Masibay Street, BF Resort Village, Las Piñas City	1,000 - Direct	Filipino	.00001%
Common Shares	Cynthia J. Javarez B3A/L2 Vetta di Citta Italia Imus, Cavite	1,000 - Direct	Filipino	.00001%
Common Shares	Camille A. Villar C. Masibay Street, BF Resort Village, Las Piñas City	100 - Indirect	Filipino	.00001%
Common Shares	Adisorn Thananan-Narapool 1 Q. House, Lumpini 38 th Floor, South Saturn Road, Silom, Bangkok, Thailand	1,000 - Indirect	Thai	.00001%
Common Shares	Raul Juan N. Esteban 223B Alexandra Condo. 29 Meralco Avenue, Ortigas Center, Pasig City	1,000 – Indirect	Filipino	.00001%
-	Brian N. Edang B11 L16 Pacita 2, San Pedro, Laguna	-	Filipino	-
-	Ma. Nalen SJ. Rosero Block 5 Lot 2A New Victorianne Row La Posada Subdivision, Sucat, Muntinlupa City	-	Filipino	-
-	Jo Marie Lazaro-Lim Block 3 Lot 13 Maia Alta Courtyards Subdivision, Antipolo City	-	Filipino	-
AGGREGATE SHAREHOLDINGS		2,350,005,100		21.80782%

⁵ Mr. Manuel B. Villar Jr. holds legal title to 1,000 common shares in Vistamalls, Inc. by virtue of, and pursuant to, a Deed of Assignment and Declaration of Trust with VLL

⁶ Mr. Manuel Paolo A. Villar holds legal title to 1,000 common shares in Vistamalls, Inc. by virtue of, and pursuant to, a Deed of Assignment and Declaration of Trust with VLL

Except as indicated in the above table, none of the above-listed officers and management indirectly own shares of the Registrant. Except as aforementioned, no other officers of the Registrant hold, directly or indirectly, shares in the Registrant.

Voting Trust Holders of 5.0% or More

As of April 30, 2021, there were no persons holding more than 5.0% of a class of shares under a voting trust or similar agreement.

Changes in Control

The Registrant is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Registrant. No change in control of the Registrant has occurred since the beginning of its last fiscal year.

Directors and Executive Officers of the Registrant

Term of Office

Each director holds office until the annual meeting of stockholders held next after his election and his successor shall have been elected and qualified, except in case of death, resignation, disqualification or removal from office. The term of office of the officers is coterminous with that of directors that elected or appointed them.

Background Information

The following are the names, ages and citizenship of the incumbent directors/independent directors and officers of the Registrant:

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>	<u>CITIZENSHIP</u>
Manuel B. Villar Jr.	71	Chairman	Filipino
Manuel Paolo A. Villar	44	Director & President	Filipino
Cynthia J. Javarez	57	Director & Treasurer	Filipino
Camille A. Villar	36	Director	Filipino
Adisorn Thananun-Narapool	66	Director	Thai
Cherrylyn P. Caoile ⁷	46	Independent Director	Filipino
Raul Juan N. Esteban	58	Independent Director	Filipino
Brian N. Edang	42	Chief Financial Officer & Head, Investor Relations	Filipino
Ma. Nalen S.J. Rosero	50	Chief Information Officer & Corporate Secretary	Filipino
Jo Marie Lazaro-Lim	42	Compliance Officer & Assistant Corporate Secretary	Filipino

⁷ Elected on May 3, 2021

The following states the business experience of the incumbent directors and officers of the Registrant for the last five (5) years:

MANUEL B. VILLAR, JR. *Chairman of the Board.* Mr. Villar, 70, was Senator of the Philippines from 2001 to June 2013. He served as Senate President from 2006 to 2008. He also served as a Congressman from 1992 to 2001 and as Speaker of the House of Representatives from 1998 to 2000. A Certified Public Accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. He founded Camella Homes in the early 1970s and successfully managed said company over the years, to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar is also Chairman of the Board of Vistamalls, Inc. (formerly Starmalls, Inc.), AllHome Corp., AllValue Holdings Corp. and Golden Bria Holdings, Inc. He is a member of the following organizations: Makati Business Club, Manila Golf Club, Management Association of the Philippines, Financial Executive Institute of the Philippines (FINEX), Philippine Institute of Certified Public Accountants, and the Villar Social Institute for Poverty Alleviation and Governance (SIPAG).

MANUEL PAOLO A. VILLAR, *Director and President.* Mr. Villar, graduated from the Wharton School of the University of Pennsylvania, Philadelphia, USA with a Bachelor of Science in Economics and Bachelor of Applied Science in 1999. He was an Analyst for McKinsey & Co. in the United States from 1999 to 2001. He joined the Vista Land Group in 2001 as Head of Corporate Planning then became the Chief Financial Officer of the Company in 2008. He was elected President and Chief Executive Officer of the Company in July 2011 and President of Vistamalls, Inc. (formerly Starmalls, Inc.) in June 2019. In addition, he is the CEO and Chairman of St. Augustine Gold and Copper Limited and Chairman of TVI Resources Development Philippines, Inc., Camella Homes, Inc., Communities Philippines, Inc., Crown Asia Properties, Inc., Brittany Corporation, Vista Residences, Inc. and Powersource Phils Development Corp. Mr. Villar is also the majority shareholder of Prime Asset Ventures, Inc., and director of Fine Properties, Inc. and AllHome Corp.

CYNTHIA J. JAVAREZ, *Director and Treasurer.* Ms. Javarez graduated from the University of the East with a degree in Bachelor of Science in Business Administration major in Accounting. She is a Certified Public Accountant. She completed a Management Development Program at the Asian Institute of Management in 2006. Ms. Javarez was previously the Chief Financial Officer of Polar Property Holdings Corp. until 2011 and the Tax & Audit Head in the MB Villar Group of Companies until 2007. She was the Controller and Chief Financial Officer of Vista Land since 2013 until she was elected as Chief Operating Officer in November 2018. She is also the current President of Fine Properties, Inc., Camella Homes, Inc., Communities Philippines, Inc., Crown Asia Properties, Inc., Brittany Corporation and Vista Residences, Inc.

CAMILLE A. VILLAR, *Managing Director, Vista Land Commercial Division.* Ms. Villar, graduated from Ateneo de Manila University with a degree in Bachelor of Science in Management. She took Management in Business Administration, Global Executive MBA Program in Instituto de Estudios Superiores de la Eprese (IESE) Business School, Barcelona, Spain. She joined the Corporate Communications Group of Brittany in 2007 until she assumed the position of Managing Director of Vista Land Commercial. She is a Director of Vistamalls, Inc. (formerly Starmalls, Inc.) and Golden Bria Holdings, Inc. She is also the Concurrent President of All Value Holdings Corp., and the Vice Chairman of AllHome Corp. Ms. Villar is currently a Congresswoman, representing Las Pinas City.

ADISORN THANANUN-NARAPOOL, *Director*, holds a Bachelor of Accounting from Thammasat University and M.B.A. from Thammasat University. Mr. Thananun-Narapool has been Managing Director of Land and Houses Public Company Limited since May 1, 2013 and serves as its Member of Executive Board. Mr. Thananun-Narapool served as Senior Executive Vice President of Support at Land and Houses Public Company Limited from 2002 to April 2013 and served as its Chief Financial Officer. Mr. Thananun-Narapool served as an Executive Vice President -Land and Houses Public Co., Ltd. from 1992 to 2001. He has been a Director of Land and Houses North Co Ltd., and Land and Houses Northeast Co Ltd., since 1995. Mr. Thananun-Narapool has been a Director of Siam Tanee Property Co., Ltd. since 1991, Siam Tanee Real Estate Co., Ltd. since 1993, Safety Insurance Public Co., Ltd. since 1994, Cameron Global Limited since 1999, LH Muang Mai Co., Ltd. since 2001. Mr. Thananun-Narapool serves as a Director of Secondary Mortgage Corporation, Asset Plus Securities Public Co., Ltd., Land and Houses Property Fund. He has been a Director of Land and Houses Public Company Ltd. since 2002 and of the Company since June 24, 2013.

CHERRYLYN P. CAOILE, *Independent Director*, obtained her Bachelor of Science in Legal Management from the De La Salle University and earned the degree of Juris Doctor in Ateneo de Manila School of Law. She worked in Picazo Buyco Tan Fider & Santos in 1998, where she became a partner in 2009 until 2019. She served as an Assistant Professor in Commercial Law Department for De La Salle University – College of Business & Economics from 2003 to 2005. Ms. Caoile was recently the legal consultant of House of Representatives, Committee on Economic Affairs. She is currently the chairman of the board of Taipan Security Services, Inc. She was the former Director of MJC Investment Corporation, Narra Wellness Resorts, Inc., and PALI Investments, Inc. She was appointed as the Corporate Secretary of MetroPac Water Investments, Inc. and was the Assistant Corporate Secretary of Smart Communications, Inc., Paymaya Philippines, Inc., MPCALA Holdings, Inc., and Vista Land & Lifescapes, Inc. Ms. Caoile possesses all the qualifications and none of the disqualifications of an Independent Director under SRC Rule 38 since his election as such.

RAUL JUAN N. ESTEBAN, *Independent Director*, graduated from the Ateneo de Manila University with a degree of Bachelor of Science in Management Engineering. He became a brand manager of Unilever Philippine from 1983 to 1986. He was the Country Representative of PPF (A Subsidiary of Unilever) from 1986 to 1988. He was Founding Partner of AGB-Nielsen Philippines and was Chairman until 2012. He held various positions in the Advertising Board of the Philippines, Advertising Congress, MORES (Marketing & Opinion Research Society of the Philippines) and ESOMAR (World Association of Marketing, Social, and Opinion Research) from 2000 to present. Currently, he is the Managing Director of Philippine Survey and Research Center Inc. Mr. Esteban has been a Director of the Company since June 30, 2014. Mr. Esteban possesses all the qualifications and none of the disqualifications of an Independent Director under SRC Rule 38 since his election as such.

BRIAN N. EDANG, *Chief Financial Officer and Head Investor Relations*. Mr. Edang is a Certified Public Accountant. He graduated cum laude with a Bachelor of Science in Accountancy from the University of St. La Salle - Bacolod. He is currently the Treasurer and Director of the following companies: Vista Residences, Inc., Brittany Corporation, Crown Asia Properties, Crown Asia Properties, Inc., Communities Philippines, Inc., and Camella Homes, Inc. Prior to joining the group, he was with SGV & Co. (EY Philippines) as an external auditor from 1999 to 2004. He is the Head Investor Relations of Vista Land from 2007 up to present and the Chief Financial Officer of the Company since November 2018. Mr. Edang is a member of the Philippine Institute of Certified Public Accountants (PICPA) and the Financial Executives Institute of the Philippines (FINEX).

MA. NALEN SJ. ROSERO, *Chief Information Officer and Corporate Secretary*, graduated salutatorian from the San Beda College of Law. She has been with the group since 2001. She was an associate of the Angara Abello Concepcion Regala & Cruz (ACCRA) Law Offices for three years. She has been a director of Masterpiece Asia Properties, Inc. from 2005 to 2013 and of Manuela Corporation from 2011 to 2013. She is also the Corporate Secretary of the subsidiaries of Vista Land.

JO MARIE LAZARO-LIM, *Compliance Officer and Assistant Corporate Secretary*, graduated from University of Sto. Tomas with a degree in Bachelor of Arts in Legal Management and she earned her law degree from San Beda College of Law. She joined Manuela Corporation in 2003. She is currently the Corporate Secretary of AllHome Corp., and its subsidiaries, and Manuela Corporation and Masterpiece Asia Properties, Inc., as well as the other affiliate companies of the group.

All of the incumbent Directors named above have a one year term of office and all have been nominated for re-election to the Board of Directors.

The Amended By-Laws of the Registrant conforms with SRC Rule 38, as amended, with regard to the nomination of independent directors of the Registrant. Article IV, Sections 1-A and 2 of the Registrant's By-Laws provide as follows:

Section 1A. Independent Directors – The corporation shall have at least two (2) independent directors or at least twenty (20%) of the entire Board membership, whichever is lesser.

The independent directors shall have all the qualifications and none of the disqualifications set forth in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations, as the same may be amended from time to time.
(As amended on 04 October 2010)

Section 2. Election and term – The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

A Nomination Committee is hereby created which may be organized from time to time upon determination of the Board of Directors. The Nomination Committee shall be composed of at least three (3) members, one of whom shall be an independent director. The Nomination Committee shall have the following functions: (A) formulate screening policies to enable the committee to effectively review the qualification of the nominees for independent directors; and (B) conduct nominations for independent directors prior to the stockholders' meeting in accordance with the procedures set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, as the same may be amended from time to time.
(As amended on 04 October 2010)

On the other hand, SRC Rule 38, as amended, provide in part as follows:

“8. Nomination and Election of Independent Director/s

The following rules shall be applicable to all covered companies:

- A. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the Registrant's information or proxy statement or such other reports required to be submitted to the Commission.
- B. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
- C. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.
- D. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Registrant is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.
- E. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.”

The Registrant has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code. The nominated independent directors, namely, Mr. Raul Juan N. Esteban and Ms. Cherrylyn P. Caoile were duly nominated by Ms. Editha Dolon, a registered shareholder of the Registrant who is not a director, officer or substantial shareholder of the Registrant and who is not related to either of the said nominees. The Nominations Committee of the Registrant is composed of Mr. Manuel B. Villar Jr., Chairman, and Mr. Raul Juan N. Esteban and Ms. Cherrylyn P. Caoile, members.

Attendance in Board Meetings

Attendance of each director of the Corporation in Board meetings held during the year 2020 as follows:

	<i>Jun 04</i>	<i>Jul 08</i>	<i>Jul 10</i>	<i>Jul 14</i>	<i>Aug 03</i>	<i>Aug 13</i>	<i>Sep 30</i>	<i>Nov 13</i>
Manuel B. Villar Jr.	P	P	P	P	P	P	P	P
Manuel Paolo A. Villar	P	P	P	P	P	P	P	P
Cynthia J. Javarez	P	P	P	P	P	P	P	P
Camille A. Villar	P	P	P	P	P	P	P	P
Adisorn Thananan-Narapool	-	-	-	-	-	-	-	-
Joel L. Bodegon	P	P	P	P	P	P	P	P
Raul Juan N. Esteban	P	P	P	P	P	P	P	P

Legend: (A) Absent, (P) Present, (-) Not Applicable

Term of Office

Directors elected during the annual meeting of stockholders will hold office for one year until their successors are duly elected and qualified. A director who was elected to fill any vacancy holds office only for the unexpired term of his predecessor.

Resignations/Declined Nominations

Due to the death of Mr. Joel L. Bodegon in April 2021, Ms. Cherrylyn P. Caoile was elected in his place.

To date, no Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting due to disagreement with the Registrant on any matter relating to the Registrant's operations, policies or practices.

Significant Employees

The Registrant has no other significant employee other than its Executive Officers.

Family Relationships

Mr. Manuel Paolo A. Villar and Ms. Camille A. Villar, who are both directors of the Company, are siblings, and children of Mr. Manuel B. Villar, Jr., the Chairman of the Board. Except for the aforesaid relationship, none of the Company's Director or Executive Officer is related to the others by consanguinity or affinity within the fourth civil degree.

Certain Relationships and Related Transactions

Except as disclosed in the Annual Report of the Registrant (SEC Form 17-A) for the year ended December 31, 2020, the Registrant has not had any transaction during the last two (2) years in which any Director or Executive Officer or any of their immediate family members had a direct or indirect interest.

Involvement in Certain Legal Proceedings

None of the aforementioned Directors or Executive Officers is, or has been, involved in any criminal or bankruptcy proceeding, or is, or has been, subject to any judgment of a competent

court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

Compensation of Directors and Executive Officers

A. Executive Compensation

The executive officers of the Registrant are currently receiving and will continue to receive fixed salaries on a monthly basis from the respective subsidiaries or businesses of the Registrant that they manage. The compensation for its executive officers for the year 2019 and 2020 (actual) and 2021 (projected) are as shown below:

Names	Position	Year	Salary	Bonus
Manuel Paolo A. Villar	President			
Brian N. Edang	Chief Financial Officer & Head, Investor Relations			
Ma. Nalen SJ. Rosero	Corporate Secretary & Chief Information Officer			
Rowena B. Bandigan	Chief Accountant			
Florence R. Bernardo	Mall operations			
Aggregate executive compensation for above named officers		Actual 2019	₱ 9.7 M	₱ 0.6 M
		Actual 2020	₱ 10.2 M	₱ 0.6 M
		Projected 2021	₱ 10.8 M	₱ 0.7 M
Aggregate executive compensation for all other officers and directors, unnamed		Actual 2019	₱ 5.4 M	₱ 0.4 M
		Actual 2020	₱ 5.6 M	₱ 0.4 M
		Projected 2021	₱ 5.9 M	₱ 0.4 M

The total annual compensation paid to the above-named officers and directors was paid in cash. The annual compensation includes the basic salary, the mid-year and 13th month bonus.

B. Compensation of Directors

Standard arrangements

Other than payment of reasonable per diem of ₱50,000 per non-executive director for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly by the Company's subsidiaries, for any services provided as a director for 2019 and 2020.

In 2020, the directors of the Company received remuneration as follows:

<u>Director</u>	<u>Total Remuneration in 2020</u>
Manuel B. Villar Jr.	n/a
Manuel Paolo A. Villar	n/a
Cynthia J. Javarez	n/a
Camille A. Villar	n/a
Adisorn Thananun-Narapool	n/a
Joel L. Bodegon	₱ 250,000.00
Raul Juan N. Esteban	₱ 250,000.00

Other arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly by the Company's subsidiaries, during 2019 or 2020 for any service provided as a director.

Employment contract between the company and executive officers

There are no special employment contracts between the Company and the named executive officers.

Warrants and options held by the executive officers and directors

There are no outstanding warrants or options held by the Company's named executive officers, and all officers and directors as a group.

Significant employee

While the Company values the contribution of each of its executive and non-executive employees, the Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

Independent Public Accountants

The auditing firm of Sycip Gorres Velayo & Company ("SGV & Company") is being recommended for election as external auditor for the current year.

Representatives of the said firm are expected to be present at the annual stockholders' meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions. In 2020, the Registrant's auditors did not perform any substantial non-audit services for the Registrant.

Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

The Group has adopted some revisions and annual improvements to the PFRS (Philippine Financial Reporting Standards) that are relevant to the Group and effective for the financial statements beginning on or after January 1, 2018 as discussed in Note 3 of the Notes to Consolidated Financial Statements for the years ended December 31, 2020, 2019 and 2018.

As such, the comparative amounts contained in the audited financial statements may differ from those previously presented in the consolidated financial statements for the year ended December 31, 2020, 2019 and 2018.

There are no disagreements with auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

Audit Committee's Approval Policies and Procedures

In relation to the audit of the Registrant's annual financial statements, the Registrant's Corporate Governance Manual provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Registrant; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Registrant with acceptable auditing and accounting standards and regulations.

The Audit Committee of the Registrant is composed of Mr. Raul Juan N. Esteban, Chairman, and Ms. Cynthia J. Javarez and Ms. Cherrylyn P. Caoile, members.

Audit and Audit-Related Fees

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by SGV & Company.

	<u>2020</u>	<u>2019</u>
	<i>(In ₱ Millions with VAT)</i>	
Audit and Audit-Related Fees:		
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱ 4.24	₱ 3.59
All other fees	—	—
Total	₱ 4.24	₱ 3.59

SGV & Company does not have any direct or indirect interest in the Company.

Tax Fees

Except as provided above, the Registrant did not pay any tax fees and other fees to its external auditors.

OTHER MATTERS

Action with Respect to Reports

The following reports will be submitted for approval by the stockholders:

1. Minutes of the last Annual Meeting of Stockholders held on August 03, 2020, covering the following matters: (i) noting of the President's Report and the Annual Report for the year 2019; (ii) approval and adoption of the Audited Financial Statements for the year ended 31 December 2019; (iii) ratification of all acts of the Board of Directors and Management since the annual stockholders' meeting held in August 2020; (iv) election of the directors and independent directors of the Company for the ensuing fiscal year; and (v) appointment of the external auditor of the Company for the fiscal year 2020
2. The President's Report; and
3. Audited Financial Statements for the year 2020.

Other Proposed Actions

1. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last annual stockholders' meeting until the date of this meeting as set forth in the minutes of the meetings of the Board of Directors held during the same period and in the disclosures that have been duly filed with the SEC and the PSE. These minutes cover various resolutions of the Board, including declaration of cash dividends, approval of 2019 and 2020 Audited Financial Statements, appointment of officers, opening of bank accounts and appointment of authorized signatories for various transactions in the normal course of business of the Company.
2. Appointment of External Auditors

Voting Procedures

Manner of voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one vote.

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them in the same principle among as many candidates as he shall see fit.

For this year's meeting, the Board of Directors had adopted a resolution to allow stockholders entitled to notice of, and to attend the meeting, to exercise their right to vote in absentia.

Stockholders as of Record Date who have successfully registered their intention to participate in the annual meeting via remote communication and to vote in absentia, duly verified and validated by the Company shall be provided with unique log-in credentials to securely access

the voting portal. A stockholder voting electronically in absentia shall be deemed present for purposes of quorum.

Stockholders and proxy holders can cast their votes on specific matters for approval, including the election of directors.

Voting requirements

- (a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.
- (b) With respect to the adoption of the Audited Financial Statements for the year ended 31 December 2020, as well as the approval or ratification of the other actions set forth under the heading “Other Proposed Actions” above, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method of counting votes

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are participating in the meeting by remote communication and are voting in absentia or represented by proxies.

All votes received shall be tabulated by the Office of the Corporate Secretary with the assistance of the Company’s stock transfer agent. The Corporate Secretary shall report the results of voting during the meeting.

The detailed instructions for participation through remote communication are set forth in Annex “A” to the Notice of Meeting (Agenda Details and Rationale) hereof.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE REGISTRANT UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:

**Vistamalls, Inc.
Lower Ground Floor, Building B, EVIA
Lifestyle Center, Vista City, Daanghari,
Almanza II, Las Piñas City**

Attention: Brian N. Edang

PART II

MANAGEMENT REPORT

I. FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company as of and for the year ended December 31, 2020 and the Consolidated Interim Financial Statements of the Company as of and for the period ended March 31, 2021 are incorporated herein in the accompanying Index to Financial Statements and Supplementary Schedules.

II. INFORMATION ON INDEPENDENT ACCOUNTANT

SGV & Company, independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2018, 2019 and 2020, included in this report. Cyril Jasmin B. Valencia is the current audit partner for the Company and its subsidiaries.

The Company has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. SGV & Co. will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by SGV & Company.

	<u>2020</u>	<u>2019</u>
	<i>(In ₱ Millions with VAT)</i>	
Audit and Audit-Related Fees:		
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱ 4.24	₱ 3.59
All other fees	—	—
Total	₱ 4.24	₱ 3.59

SGV and Company does not have any direct or indirect interest in the Company.

III. AUDIT COMMITTEE'S APPROVAL AND PROCEDURES FOR THE SERVICES OF THE EXTERNAL AUDITOR

The scope, extent and nature of the services to be referred to, and/or rendered by the appointed external auditor of the Company has been unanimously approved by the audit committee in a meeting duly called for the purpose, including the fees to be paid for the services thus rendered and/or referred. In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual provides that the audit committee shall, among other

activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

IV. MANAGEMENT'S DISCUSSION AND ANALYSIS

REVIEW OF YEAR END 2020 VS YEAR END 2019

RESULTS OF OPERATIONS

Revenues

Operating revenue

Operating revenue decreased from ₱7,475 million for the year ended December 31, 2019 to ₱7,273 million for the year ended December 31, 2020. The 3% decrease in the account was primarily attributable to the following:

- Rental income increased from ₱6,730 million for the year ended December 31, 2019 to ₱6,843 million for the year ended December 31, 2020. The 2% increase was maintained by the tenant mix of the malls being majority essential. In addition, the group provided concession to tenants on a case by case rather than an across the board concessions.
- Parking fee revenue decreased from ₱185 million for the year ended December 31, 2019 to ₱115 million for the year ended December 31, 2020. The 38% decrease was due to lower number of vehicles using the mall parking space due to the lockdown.
- Other operating income decreased from ₱559 million for the year ended December 31, 2019 to ₱314 million for the year ended December 31, 2020. The 44% decrease was due to the decrease in administrative fees and other fees charged to tenants such as billboards and other collaterals classified as other operating income due to the lockdown.

Costs and Expenses

Operating Expenses

Cost and expenses decreased from ₱3,445 million for the year ended December 31, 2019 to ₱2,936 million for the year ended December 31, 2020. The 15% decrease in the account was primarily attributable to the following:

- Decrease in light and power by 55% from ₱522 million for the year ended December 31, 2019 to ₱233 million for the year ended December 31, 2020 due to the decrease in the consumption in light and power as a result of shorter mall operating hours implemented as part of the lockdown.
- Decrease in outside services by 31% from ₱403 million for the year ended December 31, 2019 to ₱280 million for the year ended December 31, 2020 due to the decrease in manpower and agency fees for the operations of the malls and office buildings as a result of the lockdown implemented.

- Increase in taxes and licenses by 7% from ₱230 million for the year ended December 31, 2019 to ₱246 million for the year ended December 31, 2020 due to higher taxes paid during the year.
- Decrease in repairs and maintenance by 31% from ₱173 million for the year ended December 31, 2019 to ₱119 million for the year ended December 31, 2020 due to the cost-cutting measures implemented and the closure of some parts of the malls during the lockdown.
- Decrease in advertising and promotions by 60% from ₱82 million for the year ended December 31, 2019 to ₱32 million for the year ended December 31, 2020 due to the pandemic and shift to digital marketing.
- Increase in insurance by 44% from ₱34 million for the year ended December 31, 2019 to ₱49 million for the year ended December 31, 2020 due to the additional insurance obtained by the Company for its malls and office buildings.
- Increase in professional fees by 42% from ₱19 million for the year ended December 31, 2019 to ₱27 million for the year ended December 31, 2020 as a result of higher professional fees paid in 2020.
- Decrease in rentals by 60% from ₱11 million for the year ended December 31, 2019 to ₱4 million for the year ended December 31, 2020 due to rental concessions from a 3rd party land lease and non-renewal of short term leases.
- Decrease in other operating expenses by 38% from ₱104 million for the year ended December 31, 2019 to ₱64 million for the year ended December 31, 2020 due to decrease in representation and entertainment, training, registration fees and miscellaneous for the year.

Interest Income

Interest income increase from ₱26 million for the year ended December 31, 2019 to ₱45 million for the year ended December 31, 2020. The 73% increase resulted from the higher interest earned from in cash in banks, investments and receivables of the company for the year.

Interest Expense

Interest expense increase by 119% from ₱238 million in the year ended December 31, 2019 to ₱522 million in the year ended December 31, 2020. This is due primarily to the interest pertaining to the of lease liabilities recognized due to the adoption of the PFRS 16 during the year.

Provision for Income Tax

Tax expense for the year ended December 31, 2020 is ₱1,132 million a decrease of 4% from ₱1,182 million for the year ended December 31, 2019. This is due primarily to the lower taxable income recorded for the year.

Net Income

As a result of the foregoing, the Company's net income increased by 3% from ₱2,636 million in the year ended December 31, 2019 to ₱2,721 million in the year ended December 31, 2020.

For the year ended December 31, 2020, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues. Except as discussed in the notes to financial statements Events after the report date on the potential impact of the COVID-19 pandemic.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of December 31, 2020 vs. December 31, 2019

Total assets as of December 31, 2019 were ₱70,626 million compared to ₱73,692 million as of December 31, 2020, or a 4% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments decreased by 74% from ₱652 million as of December 31, 2019 to ₱172 million as of December 31, 2020 due to cash usage for the period.
- Investments at fair value through profit/loss and other comprehensive income including non-current portion decreased by 39% from ₱5,844 million as of December 31, 2019 to ₱3,543 million as of December 31, 2019 due to the decrease in fair value of quoted equity securities for the year.
- Receivables, including non-current portion increased by 46% from ₱9,334 million as of December 31, 2019 to ₱13,635 million as of December 31, 2020 due to the lower collection for the period as a result of the pandemic and the implementation of the Bayanihan Act and the increase in accrued rent due to PAS 17.
- Property and equipment decreased by 18% from ₱80 million as of December 31, 2019 to ₱65 million as of December 31, 2020 due to depreciation recognized for the year.
- Investment properties increased by 3% from ₱47,855 million as of December 31, 2019 to ₱49,475 million as of December 31, 2020 due primarily to the additions to commercial developments, acquisition of land for commercial development during the year.

Total liabilities as of December 31, 2019 were ₱44,484 million compared to ₱47,261 million as of December 31, 2020, or a 6% increase. This was due to the following:

- Accounts and other payables increased by 73% from ₱2,358 million as of December 31, 2019 to ₱4,081 million as of December 31, 2020 due to the increase in accounts payable to contractors and suppliers, and retention payable for the year.
- Security deposits and advance rent increased by 5% from ₱703 million as of December 31, 2019 to ₱734 million as of December 31, 2020 due to the additional deposits from new

lessees for malls and offices as well as top up of security deposits and advance rent based on escalation.

- Payable to parent company increased by 6% from ₱27,854 million as of December 31, 2019 to ₱29,461 million as of December 31, 2020 due to advances from parent company made during the year.
- Income tax payable decreased by 15% from ₱41 million as of December 31, 2019 to ₱35 million as of December 31, 2020 due to the settlements made during the year.
- Bank Loans, including non-current portion decreased by 31% from ₱4,298 million as of December 31, 2019 to ₱2,972 million as of December 31, 2020 due to payments made during the year.
- Lease liabilities decreased by 7% from ₱4,016 as of December 31, 2019 to ₱3,737 million as of December 31, 2020 due to termination of two land lease contracts for the year.
- Pension liabilities increased by 37% from ₱52 million as of December 31, 2019 to ₱71 million as of December 31, 2020 due to actuarial adjustments.
- Deferred tax liabilities – net posted an increase of 29% from ₱3,140 million as of December 31, 2019 to ₱4,056 million as of December 31, 2020 due to the increase in temporary differences for the period that will eventually result to future tax liability.
- Other non-current liabilities increased by 4% from ₱2,024 million as of December 31, 2019 to ₱2,113 million as of December 31, 2020 due to the increase in the noncurrent portion of payables to contractors.

Total stockholder's equity increased by 1% from ₱26,143 million as of December 31, 2019 to ₱26,431 million as of December 31, 2020 due to the earnings recorded for the year.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2020	12/31/2019
Current ratio ^(a)	0.33:1	0.28:1
Liability-to-equity ratio ^(b)	1.79:1	1.70:1
Interest coverage ^(c)	32.68	17.82
Return on assets ^(d)	3.7%	3.7%
Return on equity ^(e)	10.3%	10.1%

Notes:

- (a) *Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*
- (b) *Liability-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.*
- (c) *Interest coverage: This ratio is obtained by dividing earnings before interest, taxes depreciation and amortization (EBITDA) by the total interest paid. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably.*
- (d) *Return on assets: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.*
- (e) *Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2020 increased from that of December 31, 2019 due to the increase in current asset from receivables classified as current.

The increase in liability-to-equity ratio was due to the increase in payable to related parties and the recognition of lease liabilities under PFRS 16.

Interest coverage for the year ended December 31, 2020 increased because of the lower interest paid for the year.

Return on asset flat as of December 31, 2020 compared to that as of December 31, 2019 due to same increase of growth in total assets and net income for the year.

Return on equity slightly increased due to the higher increase in net income for the year compared to the growth in total equity.

Material Changes to the Company's Balance Sheet as of December 31, 2020 compared to December 31, 2019 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments decreased by 74% from ₱652 million as of December 31, 2019 to ₱172 million as of December 31, 2020 due to cash usage for the period.

Investments at fair value through profit/loss and other comprehensive income including non-current portion decreased by 39% from ₱5,844 million as of December 31, 2019 to ₱3,543 million as of December 31, 2019 due to the decrease in fair value of quoted equity securities for the year.

Receivables, including non-current portion increased by 46% from ₱9,334 million as of December 31, 2019 to ₱13,635 million as of December 31, 2020 due to the lower collection

for the period as a result of the pandemic and the implementation of the Bayanihan Act and the increase in accrued rent due to PAS 17.

Property and equipment decreased by 18% from ₱80 million as of December 31, 2019 to ₱65 million as of December 31, 2020 due to depreciation recognized for the year.

Accounts and other payables increased by 73% from ₱2,358 million as of December 31, 2019 to ₱4,081 million as of December 31, 2020 due to the increase in accounts payable to contractors and suppliers, and retention payable for the year.

Security deposits and advance rent increased by 5% from ₱703 million as of December 31, 2019 to ₱734 million as of December 31, 2020 due to the additional deposits from new lessees for malls and offices as well as top up of security deposits and advance rent based on escalation.

Payable to parent company increased by 6% from ₱27,854 million as of December 31, 2019 to ₱29,461 million as of December 31, 2020 due to advances from parent company made during the year.

Income tax payable decreased by 15% from ₱41 million as of December 31, 2019 to ₱35 million as of December 31, 2020 due to the settlements made during the year.

Bank Loans, including non-current portion decreased by 31% from ₱4,298 million as of December 31, 2019 to ₱2,972 million as of December 31, 2020 due to payments made during the year.

Lease liabilities decreased by 7% from ₱4,016 as of December 31, 2019 to ₱3,737 million as of December 31, 2020 due to termination of two land lease contracts for the year.

Pension liabilities increased by 37% from ₱52 million as of December 31, 2019 to ₱71 million as of December 31, 2020 due to actuarial adjustments.

Deferred tax liabilities – net posted an increase of 29% from ₱3,140 million as of December 31, 2019 to ₱4,056 million as of December 31, 2020 due to the increase in temporary differences for the period that will eventually result to future tax liability.

Material Changes to the Company's Statement of income for the year ended December 31, 2020 compared to the year ended December 31, 2019 (increase/decrease of 5% or more)

Parking fee revenue decreased from ₱185 million for the year ended December 31, 2019 to ₱115 million for the year ended December 31, 2020. The 38% decrease was due to lower number of vehicles using the mall parking space due to the lockdown.

Other operating income decreased from ₱559 million for the year ended December 31, 2019 to ₱314 million for the year ended December 31, 2020. The 44% decrease was due to the decrease in administrative fees and other fees charged to tenants such as billboards and other collaterals classified as other operating income due to the lockdown.

Decrease in light and power by 55% from ₱522 million for the year ended December 31, 2019 to ₱233 million for the year ended December 31, 2020 due to the decrease in the consumption in light and power as a result of shorter mall operating hours implemented as part of the lockdown.

Decrease in outside services by 31% from ₱403 million for the year ended December 31, 2019 to ₱280 million for the year ended December 31, 2020 due to the decrease in manpower and agency fees for the operations of the malls and office buildings as a result of the lockdown implemented.

Increase in taxes and licenses by 7% from ₱230 million for the year ended December 31, 2019 to ₱246 million for the year ended December 31, 2020 due to higher taxes paid during the year.

Decrease in repairs and maintenance by 31% from ₱173 million for the year ended December 31, 2019 to ₱119 million for the year ended December 31, 2020 due to the cost-cutting measures implemented and the closure of some parts of the malls during the lockdown.

Decrease in advertising and promotions by 60% from ₱82 million for the year ended December 31, 2019 to ₱32 million for the year ended December 31, 2020 due to the pandemic and shift to digital marketing.

Increase in insurance by 44% from ₱34 million for the year ended December 31, 2019 to ₱49 million for the year ended December 31, 2020 due to the additional insurance obtained by the Company for its malls and office buildings.

Increase in professional fees by 42% from ₱19 million for the year ended December 31, 2019 to ₱27 million for the year ended December 31, 2020 as a result of higher professional fees paid in 2020.

Decrease in rentals by 60% from ₱11 million for the year ended December 31, 2019 to ₱4 million for the year ended December 31, 2020 due to rental concessions from a 3rd party land lease and non-renewal of short term leases.

Decrease in other operating expenses by 38% from ₱104 million for the year ended December 31, 2019 to ₱64 million for the year ended December 31, 2020 due to decrease in representation and entertainment, training, registration fees and miscellaneous for the year.

Interest income increase from ₱26 million for the year ended December 31, 2019 to ₱45 million for the year ended December 31, 2020. The 73% increase resulted from the higher interest earned from in cash in banks, investments and receivables of the company for the year.

Interest expense increase by 119% from ₱238 million in the year ended December 31, 2019 to ₱522 million in the year ended December 31, 2020. This is due primarily to the interest pertaining to the of lease liabilities recognized due to the adoption of the PFRS 16 during the year.

For the year ended December 31, 2020, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues. Except as discussed in the notes to financial statements Events after the report date on the potential impact of the COVID-19 pandemic.

REVIEW OF YEAR END 2019 VS YEAR END 2018

RESULTS OF OPERATIONS

Revenues

Operating revenue

Operating revenue increased from ₱6,286 million for the year ended December 31, 2018 to ₱7,475 million for the year ended December 31, 2019. The 19% increase in the account was primarily attributable to the following:

- Rental income increased from ₱5,674 million for the year ended December 31, 2018 to ₱6,730 million for the year ended December 31, 2019. The 19% increase was due to the primarily to the additional leasable space for the year, increase in occupancy of the existing malls and increase in the rental rate.
- Parking fee revenue increased from ₱159 million for the year ended December 31, 2018 to ₱185 million for the year ended December 31, 2019. The 17% increase was due to higher number of vehicles using the mall parking space and additional parking space from new malls opened during the year.
- Other operating income increased from ₱453 million for the year ended December 31, 2018 to ₱559 million for the year ended December 31, 2019. The 23% increase was due to increase in other fees charged to tenants such as billboards and other collaterals classified as other operating income.

Costs and Expenses

Operating Expenses

Cost and expenses increased from ₱2,809 million for the year ended December 31, 2018 to ₱3,445 million for the year ended December 31, 2019. The 23% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 56% from ₱998 million for the year ended December 31, 2018 to ₱1,559 million for the year ended December 31, 2019 due to additional depreciation from the newly opened malls and corporate building.
- Increase in light and power by 28% from ₱409 million for the year ended December 31, 2018 to ₱522 million for the year ended December 31, 2019 due to the increase in the consumption in light and power as a result of the additional mall openings during the year as well as increase the rate of utilities charged during the period.
- Increase in outside services by 16% from ₱347 million for the year ended December 31, 2018 to ₱403 million for the year ended December 31, 2019 due to the increase in manpower and agency fees for the operations of the malls and office buildings as a result of the new openings for the year.
- Increase in salaries and employee benefits by 5% from ₱244 million for the year ended December 31, 2018 to ₱256 million for the year ended December 31, 2019 due to the

increase in manpower for the operations and management of the new and existing malls and office buildings.

- Increase in taxes and licenses by 32% from ₱174 million for the year ended December 31, 2018 to ₱230 million for the year ended December 31, 2019 due to higher taxes paid during the year.
- Increase in repairs and maintenance by 17% from ₱148 million for the year ended December 31, 2018 to ₱173 million for the year ended December 31, 2019 due to the various refurbishments of the company's older malls and office building.
- Increase in advertising and promotions by 8% from ₱76 million for the year ended December 31, 2018 to ₱82 million for the year ended December 31, 2019 due to increase in advertorials for the marketing and promotion of the malls especially the newly opened ones.
- Increase in insurance by 11% from ₱30 million for the year ended December 31, 2018 to ₱34 million for the year ended December 31, 2019 due to the additional insurance obtained by the Company for its new malls and office buildings.
- Increase in professional fees by 16% from ₱17 million for the year ended December 31, 2018 to ₱19 million for the year ended December 31, 2019 as a result of lower professional fees paid in 2018.
- Decrease in rentals by 96% from ₱299 million for the year ended December 31, 2018 to ₱11 million for the year ended December 31, 2019 due to the adoption of PFRS 16 which recognized the amortization of right-of-use asset against the previously recognized rent expense.
- Increase in other operating expenses by 133% from ₱67 million for the year ended December 31, 2018 to ₱156 million for the year ended December 31, 2019 due to increase in representation and entertainment, training, registration fees and miscellaneous for the year.

Interest Income

Interest income decrease from ₱42 million for the year ended December 31, 2018 to ₱26 million for the year ended December 31, 2019. The 39% decrease resulted from the lower interest earned from in cash in banks, investments and receivables of the company for the year.

Interest Expense

Interest expense increase by 343% from ₱54 million in the year ended December 31, 2018 to ₱238 million in the year ended December 31, 2019. This is due primarily to the interest pertaining to the of lease liabilities recognized due to the adoption of the PFRS 16 during the year.

Provision for Income Tax

Tax expense for the year ended December 31, 2019 is ₱1,182 million an increase of 14% from ₱1,038 million for the year ended December 31, 2018. This is due primarily to the higher taxable income recorded for the year.

Net Income

As a result of the foregoing, the Company's net income increased by 9% from ₱2,423 million in the year ended December 31, 2018 to ₱2,636 million in the year ended December 31, 2019.

For the year ended December 31, 2019, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues. Except as discussed in the notes to financial statements Events after the report date on the potential impact of the COVID-19 pandemic.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of December 31, 2019 vs. December 31, 2018

Total assets as of December 31, 2018 were ₱52,917 million compared to ₱70,626 million as of December 31, 2019, or a 33% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments increased by 56% from ₱418 million as of December 31, 2018 to ₱652 million as of December 31, 2019 due to the higher cash generated from operations.
- Investments at fair value through profit/loss and other comprehensive income including non-current portion increased by 44% from ₱4,098 million as of December 31, 2018 to ₱5,907 million as of December 31, 2019 due to the recognition of the unrealized fair value gain during the year.
- Receivables, including non-current portion increased by 36% from ₱6,858 million as of December 31, 2018 to ₱9,334 million as of December 31, 2019 due to an increase in the various receivables of the company such as accounts receivable from tenants, advances to contractors and accrued rental receivables as part of the PAS 17 adjustments.
- Real estate properties for sale decreased by 6% from ₱322 million as of December 31, 2018 to ₱302 million as of December 31, 2019 due to the sale in lot inventory for the year.
- Other current assets increased by 42% from ₱2,135 million as of December 31, 2018 to ₱3,034 million as of December 31, 2019 due primarily to the increase in input value-added tax and refundable deposits.
- Property and equipment increased by 19% from ₱67 million as of December 31, 2018 to ₱80 million as of December 31, 2019 due primarily to the acquisitions of property and equipment made during the year.

- Investment properties increased by 36% from ₦35,316 million as of December 31, 2018 to ₦47,855 million as of December 31, 2019. The increase was due primarily to the additions to commercial developments, acquisition of land for commercial development during the year and the recognition of the Right of use asset in accordance with the adoption of PFRS 16.
- Other non-current assets decreased by 21% from ₦852 million as of December 31, 2018 to ₦674 million as of December 31, 2019 due to the decrease in cash restricted for use.

Total liabilities as of December 31, 2018 were ₦30,675 million compared to ₦44,484 million as of December 31, 2019, or a 45% increase. This was due to the following:

- Security deposits and advance rent increased by 29% from ₦545 million as of December 31, 2018 to ₦703 million as of December 31, 2019 due to the additional deposits from lessees for new malls and offices.
- Payable to parent company increased by 52% from ₦18,377 million as of December 31, 2018 to ₦27,854 million as of December 31, 2019 due to advances from parent company made during the year.
- Income tax payable decreased by 36% from ₦64 million as of December 31, 2018 to ₦41 million as of December 31, 2019 due to the settlements made during the year.
- Bank Loans, including non-current portion decreased by 27% from ₦5,856 million as of December 31, 2018 to ₦4,298 million as of December 31, 2019 due to payments made during the year.
- Lease liabilities increased by 100% from nil as of December 31, 2018 to ₦3,964 million as of December 31, 2019 due to the adoption of PFRS 16.
- Pension liabilities increased by 7% from ₦49 million as of December 31, 2018 to ₦52 million as of December 31, 2019 due to actuarial adjustments.
- Deferred tax liabilities – net posted an increase of 36% from ₦2,307 million as of December 31, 2018 to ₦3,140 million as of December 31, 2019 due to the increase in temporary differences for the period that will eventually result to future tax liability.
- Other non-current liabilities increased by 99% from ₦1,015 million as of December 31, 2018 to ₦2,024 million as of December 31, 2019 due to the increase retentions payable, advance rent and payable to contractors.

Total stockholder's equity increased by 18% from ₦22,241 million as of December 31, 2018 to ₦26,143 million as of December 31, 2019 due to the earnings recorded for the year.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2019	12/31/2018
Current ratio ^(a)	0.28:1	0.41:1
Liability-to-equity ratio ^(b)	1.70:1	1.38:1
Interest coverage ^(c)	17.82	10.60
Return on assets ^(d)	3.7%	4.6%
Return on equity ^(e)	10.1%	10.9%

Notes:

- (f) *Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*
- (g) *Liability-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.*
- (h) *Interest coverage: This ratio is obtained by dividing earnings before interest, taxes depreciation and amortization (EBITDA) by the total interest paid. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably.*
- (i) *Return on assets: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.*
- (j) *Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2019 decreased from that of December 31, 2018 due increase in current liability from security deposits and advance rent and payable to related parties company classified as current.

The increase in liability-to-equity ratio was due to the increase in payable to related parties and the recognition of lease liabilities under PFRS 16.

Interest coverage for the year ended December 31, 2019 increased because of the higher EBITDA and lower interest paid for the year.

Return on asset decreased as of December 31, 2019 compared to that as of December 31, 2018 due to higher increase in total assets for the year compared to the growth in net income.

Return on equity slightly decreased due to the higher increase in total equity for the year compared to the growth in net income.

Material Changes to the Company's Balance Sheet as of December 31, 2019 compared to December 31, 2018 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments increased by 56% from ₱418 million as of December 31, 2018 to ₱652 million as of December 31, 2019 due to the higher cash generated from operations.

Investments at fair value through profit/loss and other comprehensive income including non-current portion increased by 44% from ₱4,098 million as of December 31, 2018 to ₱5,907 million as of December 31, 2019 due to the recognition of the unrealized fair value gain during the year.

Receivables, including non-current portion increased by 36% from ₱6,858 million as of December 31, 2018 to ₱9,334 million as of December 31, 2019 due to an increase in the various receivables of the company such as accounts receivable from tenants, advances to contractors and accrued rental receivables as part of the PAS 17 adjustments.

Real estate properties for sale decreased by 6% from ₱322 million as of December 31, 2018 to ₱302 million as of December 31, 2019 due to the sale in lot inventory for the year.

Other current assets increased by 42% from ₱2,135 million as of December 31, 2018 to ₱3,034 million as of December 31, 2019 due primarily to the increase in input value-added tax and refundable deposits.

Property and equipment increased by 19% from ₱67 million as of December 31, 2018 to ₱80 million as of December 31, 2019 due primarily to the acquisitions of property and equipment made during the year.

Investment properties increased by 36% from ₱35,316 million as of December 31, 2018 to ₱47,855 million as of December 31, 2019. The increase was due primarily to the additions to commercial developments, acquisition of land for commercial development during the year and the recognition of the Right of use asset in accordance with the adoption of PFRS 16.

Other non-current assets decreased by 21% from ₱852 million as of December 31, 2018 to ₱674 million as of December 31, 2019 due to the decrease in cash restricted for use.

Security deposits and advance rent increased by 29% from ₱545 million as of December 31, 2018 to ₱703 million as of December 31, 2019 due to the additional deposits from lessees for new malls and offices.

Payable to parent company increased by 52% from ₱18,377 million as of December 31, 2018 to ₱27,854 million as of December 31, 2019 due to advances from parent company made during the year.

Income tax payable decreased by 36% from ₱64 million as of December 31, 2018 to ₱41 million as of December 31, 2019 due to the settlements made during the year.

Bank Loans, including non-current portion decreased by 27% from ₱5,856 million as of December 31, 2018 to ₱4,298 million as of December 31, 2019 due to payments made during the year.

Lease liabilities increased by 100% from nil as of December 31, 2018 to ₱3,964 million as of December 31, 2019 due to the adoption of PFRS 16.

Pension liabilities increased by 7% from ₱49 million as of December 31, 2018 to ₱52 million as of December 31, 2019 due to actuarial adjustments

Deferred tax liabilities – net posted an increase of 36% from ₱2,307 million as of December 31, 2018 to ₱3,140 million as of December 31, 2019 due to the increase in temporary differences for the period that will eventually result to future tax liability.

Other non-current liabilities increased by 99% from ₱1,015 million as of December 31, 2018 to ₱2,024 million as of December 31, 2019 due to the increase retentions payable, advance rent and payable to contractors.

Material Changes to the Company's Statement of income for the year ended December 31, 2019 compared to the year ended December 31, 2018 (increase/decrease of 5% or more)

Rental income increased from ₱5,674 million for the year ended December 31, 2018 to ₱6,730 million for the year ended December 31, 2019. The 19% increase was due to the primarily to the additional leasable space for the year, increase in occupancy of the existing malls and increase in the rental rate.

Parking fee revenue increased from ₱159 million for the year ended December 31, 2018 to ₱185 million for the year ended December 31, 2019. The 17% increase was due to higher number of vehicles using the mall parking space and additional parking space from new malls opened during the year.

Other operating income increased from ₱453 million for the year ended December 31, 2018 to ₱559 million for the year ended December 31, 2019. The 23% increase was due to increase in other fees charged to tenants such as billboards and other collaterals classified as other operating income.

Increase in depreciation and amortization by 56% from ₱998 million for the year ended December 31, 2018 to ₱1,559 million for the year ended December 31, 2019 due to additional depreciation from the newly opened malls and corporate building.

Increase in light and power by 28% from ₱409 million for the year ended December 31, 2018 to ₱522 million for the year ended December 31, 2019 due to the increase in the consumption in light and power as a result of the additional mall openings during the year as well as increase the rate of utilities charged during the period.

Increase in outside services by 16% from ₱347 million for the year ended December 31, 2018 to ₱403 million for the year ended December 31, 2019 due to the increase in manpower and agency fees for the operations of the malls and office buildings as a result of the new openings for the year.

Increase in salaries and employee benefits by 5% from ₱244 million for the year ended December 31, 2018 to ₱256 million for the year ended December 31, 2019 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

Increase in taxes and licenses by 32% from ₱174 million for the year ended December 31, 2018 to ₱230 million for the year ended December 31, 2019 due to higher taxes paid during the year.

Increase in repairs and maintenance by 17% from ₱148 million for the year ended December 31, 2018 to ₱173 million for the year ended December 31, 2019 due to the various refurbishments of the company's older malls and office building.

Increase in advertising and promotions by 8% from ₱76 million for the year ended December 31, 2018 to ₱82 million for the year ended December 31, 2019 due to increase in advertorials for the marketing and promotion of the malls especially the newly opened ones.

Increase in insurance by 11% from ₱30 million for the year ended December 31, 2018 to ₱34 million for the year ended December 31, 2019 due to the additional insurance obtained by the Company for its new malls and office buildings.

Increase in professional fees by 16% from ₱17 million for the year ended December 31, 2018 to ₱19 million for the year ended December 31, 2019 as a result of lower professional fees paid in 2018.

Decrease in rentals by 96% from ₱299 million for the year ended December 31, 2018 to ₱11 million for the year ended December 31, 2019 due to the adoption of PFRS 16 which recognized the amortization of right-of-use asset against the previously recognized rent expense.

Increase in other operating expenses by 133% from ₱67 million for the year ended December 31, 2018 to ₱156 million for the year ended December 31, 2019 due to increase in representation and entertainment, training, registration fees and miscellaneous for the year.

Interest income decrease from ₱42 million for the year ended December 31, 2018 to ₱26 million for the year ended December 31, 2019. The 39% decrease resulted from the lower interest earned from in cash in banks, investments and receivables of the company for the year.

Interest expense increase by 343% from ₱54 million in the year ended December 31, 2018 to ₱238 million in the year ended December 31, 2019. This is due primarily to the interest pertaining to the of lease liabilities recognized due to the adoption of the PFRS 16 during the year.

Tax expense for the year ended December 31, 2019 is ₱1,182 million an increase of 14% from ₱1,038 million for the year ended December 31, 2018. This is due primarily to the higher taxable income recorded for the year.

Net income increased by 9% from ₱2,423 million in the year ended December 31, 2018 to ₱2,636 million in the year ended December 31, 2019.

For the year ended December 31, 2019, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues. Except as discussed in the notes to financial statements Events after the report date on the potential impact of the COVID-19 pandemic.

REVIEW OF YEAR END 2018 VS YEAR END 2017

RESULTS OF OPERATIONS

Revenues

Operating revenue

Operating revenue increased from ₱5,297 million in the year ended December 31, 2017 to ₱6,286 million in the year ended December 31, 2018. The 19% increase in the account was primarily attributable to the following:

- Rental income increased from ₱4,799 million for the year ended December 31, 2017 to ₱5,674 million for the year ended December 31, 2018. The 18% increase was due to the primarily to the additional leasable space for the year, increase in occupancy of the existing malls and increase in the rental rate.
- Parking fee revenue decreased from ₱117 million in the year ended December 31, 2017 to ₱159 million for the year ended December 31, 2018. The 36% increase was due to higher number of vehicles using the mall parking space and additional parking space from new malls opened during the year.
- Other operating income increased from ₱381 million for the year ended December 31, 2017 to ₱453 million for the year ended December 31, 2018. The 19% increase was due to increase in other fees charged to tenants such as billboards and other collaterals classified as other operating income.

Costs and Expenses

Operating Expenses

Cost and expenses increased from ₱2,332 million for the year ended December 31, 2017 to ₱2,809 million for the year ended December 31, 2018. The 20% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 5% from ₱950 million for the year ended December 31, 2017 to ₱998 million for the year ended December 31, 2018 due to additional depreciation from the newly opened malls and corporate building.
- Increase in light and power by 6% from ₱387 million for the year ended December 31, 2017 to ₱409 million for the year ended December 31, 2018 due to the increase in the consumption in light and power as a result of the additional mall openings during the year as well as increase the rate of utilities charged during the period.
- Increase in outside services by 24% from ₱279 million for the year ended December 31, 2017 to ₱347 million for the year ended December 31, 2018 due to the increase in manpower and agency fees for the operations of the malls and office buildings as a result of the new openings for the year.
- Increase in salaries and employee benefits by 31% from ₱186 million for the year ended December 31, 2017 to ₱244 million for the year ended December 31, 2018 due to the

increase in manpower for the operations and management of the new and existing malls and office buildings.

- Increase in rentals by 123% from ₱134 million for the year ended December 31, 2017 to ₱299 million for the year ended December 31, 2018 due primarily to the new malls opened on leased properties and to the annual escalations of the rental rates of existing leased properties.
- Increase in taxes and licenses by 33% from ₱131 million for the year ended December 31, 2017 to ₱174 million for the year ended December 31, 2018 due to higher taxes paid during the year.
- Increase in repairs and maintenance by 54% from ₱96 million for the year ended December 31, 2017 to ₱148 million for the year ended December 31, 2018 due to the various refurbishments of the company's older malls and office building.
- Increase in advertising and promotions by 55% from ₱49 million for the year ended December 31, 2017 to ₱76 million for the year ended December 31, 2018 due to increase in advertorials for the marketing and promotion of the malls especially the newly opened ones.
- Increase in insurance by 7% from ₱28 million for the year ended December 31, 2017 to ₱30 million for the year ended December 31, 2018 due to the additional insurance obtained by the Company for its new malls and office buildings.
- Decrease in professional fees by 23% from ₱22 million for the year ended December 31, 2017 to ₱17 million for the year ended December 31, 2018 as a result of lower professional fees paid in 2018.
- Decrease in other operating expenses by 6% from ₱71 million for the year ended December 31, 2017 to ₱67 million for the year ended December 31, 2018 due to decrease in representation and entertainment, training, registration fees and miscellaneous for the year.

Interest Income

Interest income increase from ₱25 million for the year ended December 31, 2017 to ₱42 million for the year ended December 31, 2018. The 68% increase resulted from the higher interest earned from in cash in banks, investments and receivables of the company for the year.

Interest Expense

Interest expense increase by 20% from ₱45 million in the year ended December 31, 2017 to ₱54 million in the year ended December 31, 2018. This is due primarily to the lower capitalization for the year as some of the malls are already operating.

Provision for Income Tax

Tax expense for the year ended December 31, 2018 is ₱1,038 million an increase of 17% from ₱884 million for the year ended December 31, 2017. This is due primarily to the higher taxable income recorded for the year.

Net Income

As a result of the foregoing, the Company's net income increased by 18% from ₱2,061 million in the year ended December 31, 2017 to ₱2,422 million in the year ended December 31, 2018.

For the year ended December 31, 2018, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

As of December 31, 2018 vs. December 31, 2017

Total assets as of December 31, 2017 were ₱45,330 million compared to ₱52,917 million as of December 31, 2018, or a 17% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments decreased by 27% from ₱572 million as of December 31, 2017 to ₱418 million as of December 31, 2018 due to the higher disbursements made for the construction of new malls.
- Available for sale financial assets in December 31, 2017, now classified as Investments at fair value through profit/loss and other comprehensive income including non-current portion decreased by 10% from ₱4,544 million as of December 31, 2017 to ₱4,098 million as of December 31, 2018 due to lower market value of the AFS held by the Group.
- Receivable from related parties, including non-current portion increased by 27% from ₱16,670 million as of December 31, 2017 to ₱21,228 million as of December 31, 2018 due to advances received during the year.
- Prepayments and other current assets increased by 45% from ₱1,473 million as of December 31, 2017 to ₱2,135 million as of December 31, 2018 due to the increase in prepayments and creditable withholding taxes.
- Property and equipment increased by 29% from ₱52 million as of December 31, 2017 to ₱67 million as of December 31, 2018 due primarily to the acquisitions of property and equipment made during the year.
- Investment properties increased by 38% from ₱25,581 million as of December 31, 2017 to ₱35,316 million as of December 31, 2018. The increase was due to the construction and development of new malls for the year.
- Other non-current assets decreased by 18% from ₱1,039 million as of December 31, 2017 to ₱852 million as of December 31, 2018 due to the decrease in cash restricted for use.

Total liabilities as of December 31, 2017 were ₱24,710 million compared to ₱30,675 million as of December 31, 2018, or a 24% increase. This was due to the following:

- Trade and other payables increased by 26% from ₱1,917 million as of December 31, 2017 to ₱2,424 million as of December 31, 2018 due to increase in accrued expenses, retention payable, deferred output VAT and payable to contractors for the construction and development of new projects.
- Payable to related parties increased by 54% from ₱11,915 million as of December 31, 2017 to ₱18,377 million as of December 31, 2018 due to advances from parent company made during the year.
- Interest bearing loans and borrowings, including non-current portion decreased by 22% from ₱7,530 million as of December 31, 2017 to ₱5,857 million as of December 31, 2018 due to payments made during the year.
- Deferred tax liabilities – net posted an increase of 51% from ₱1,530 million as of December 31, 2017 to ₱2,307 million as of December 31, 2018 due to the increase in temporary differences for the period that will eventually result to future tax liability.
- Other non-current liabilities decreased by 12% from ₱907 million as of December 31, 2017 to ₱802 million as of December 31, 2018 due to the settlements for the period.

Total stockholder's equity increased by 8% from ₱20,620 million as of December 31, 2017 to ₱22,242 million as of December 31, 2018 due to the earnings for the year.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2018	12/31/2017
Current ratio ^(a)	0.41:1	0.77:1
Liability-to-equity ratio ^(b)	1.38:1	1.20:1
Interest coverage ^(c)	10.60	8.91
Return on assets ^(d)	4.6%	4.6%
Return on equity ^(e)	10.9%	10.0%

Notes:

(a) Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.

(b) Liability-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.

(c) Interest coverage: This ratio is obtained by dividing earnings before interest, taxes depreciation and amortization (EBITDA) by the total interest paid. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably.

(d) Return on assets: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.

(e) Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2018 decreased from that of December 31, 2017 due increase in current liability from trade and other payables and payable to related parties company classified as current.

The increase in liability-to-equity ratio was due to the increase in payable to related parties.

Interest coverage for the year ended December 31, 2018 increased because of the higher EBITDA and lower interest paid for the year.

Return on asset increased as of December 31, 2018 compared to that as of December 31, 2017 due to higher income in 2018.

Return on equity is increased as a result of higher income made in 2018.

Material Changes to the Company's Balance Sheet as of December 31, 2018 compared to December 31, 2017 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments decreased by 27% from ₱572 million as of December 31, 2017 to ₱418 million as of December 31, 2018 due to the higher disbursements made for the construction of new malls.

Available for sale financial assets in December 31, 2017, now classified as Investments at fair value through profit/loss and other comprehensive income including non-current portion decreased by 10% from ₱4,544 million as of December 31, 2017 to ₱4,098 million as of December 31, 2018 due to lower market value of the AFS held by the Group.

Receivable from related parties, including non-current portion increased by 27% from ₱16,670 million as of December 31, 2017 to ₱21,228 million as of December 31, 2018 due to advances made during the year.

Prepayments and other current assets increased by 45% from ₱1,473 million as of December 31, 2017 to ₱2,135 million as of December 31, 2018 due to the increase in prepayments and creditable withholding taxes.

Property and equipment increased by 29% from ₱52 million as of December 31, 2017 to ₱67 million as of December 31, 2018 due primarily to the acquisitions of equipments made during the year.

Investment properties increased by 38% from ₱25,581 million as of December 31, 2017 to ₱35,316 million as of December 31, 2018. The increase was due to the construction and development of new malls for rent for the year.

Other non-current assets decreased by 18% from ₱1,039 million as of December 31, 2017 to ₱852 million as of December 31, 2018 due to the decrease in cash restricted for use.

Trade and other payables increased by 26% from ₱1,917 million as of December 31, 2017 to ₱2,424 million as of December 31, 2018 due to increase in accrued expenses, retention payable, deferred output VAT and payable to contractors for the construction and development of new projects.

Payable to related parties increased by 54% from ₱11,915 million as of December 31, 2017 to ₱18,377 million as of December 31, 2018 due to advances from parent company made during the year.

Interest bearing loans and borrowings, including non-current portion decreased by 22% from ₱7,530 million as of December 31, 2017 to ₱5,857 million as of December 31, 2018 due to payments made during the year.

Deferred tax liabilities – net posted an increase of 51% from ₱1,530 million as of December 31, 2017 to ₱2,307 million as of December 31, 2018 due to the increase in temporary differences for the period that will eventually result to future tax liability

Other non-current liabilities decreased by 12% from ₱907 million as of December 31, 2017 to ₱802 million as of December 31, 2018 due to the settlements for the period.

Material Changes to the Company's Statement of income for the year ended December 31, 2018 compared to the year ended December 31, 2017 (increase/decrease of 5% or more)

Rental income increased from ₱4,799 million for the year ended December 31, 2017 to ₱5,674 million for the year ended December 31, 2018. The 18% increase was due to the primarily to the additional leasable space for the year, increase in occupancy of the existing malls and increase in the rental rate.

Parking fee revenue increased from ₱117 million for the year ended December 31, 2017 to ₱159 million for the year ended December 31, 2018. The 36% increase was due to higher number of vehicles using the mall parking space and additional parking space from new malls opened during the year.

Other operating income increased from ₱381 million for the year ended December 31, 2017 to ₱453 million for the year ended December 31, 2018. The 19% increase was due to increase in other fees charged to tenants such as billboards and other collaterals classified as other operating income.

Increase in depreciation and amortization by 5% from ₱950 million for the year ended December 31, 2017 to ₱998 million for the year ended December 31, 2018 due to additional depreciation from the newly opened malls and corporate building.

Increase in light and power by 6% from ₱387 million for the year ended December 31, 2017 to ₱409 million for the year ended December 31, 2018 due to the increase in the consumption in light and power as a result of the additional mall openings during the year as well as increase the rate of utilities charged during the period.

Increase in outside services by 24% from ₱279 million for the year ended December 31, 2017 to ₱347 million for the year ended December 31, 2018 due to the increase in manpower and agency fees for the operations of the malls and office buildings as a result of the new openings for the year.

Increase in salaries and employee benefits by 31% from ₱186 million for the year ended December 31, 2017 to ₱244 million for the year ended December 31, 2018 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

Increase in rentals by 123% from ₱134 million for the year ended December 31, 2017 to ₱299 million for the year ended December 31, 2018 due primarily to the new malls opened on leased properties and to the annual escalations of the rental rates of existing leased properties.

Increase in taxes and licenses by 33% from ₱131 million for the year ended December 31, 2017 to ₱174 million for the year ended December 31, 2018 due to higher taxes paid during the year.

Increase in repairs and maintenance by 54% from ₱96 million for the year ended December 31, 2017 to ₱148 million for the year ended December 31, 2018 due to the various refurbishments of the company's older malls and office building.

Increase in advertising and promotions by 55% from ₱49 million for the year ended December 31, 2017 to ₱76 million for the year ended December 31, 2018 due to increase in advertorials for the marketing and promotion of the malls especially the newly opened ones.

Increase in insurance by 7% from ₱28 million for the year ended December 31, 2017 to ₱30 million for the year ended December 31, 2018 due to the additional insurance obtained by the Company for its new malls and office buildings.

Decrease in professional fees by 23% from ₱22 million for the year ended December 31, 2017 to ₱17 million for the year ended December 31, 2018 as a result of lower professional fees paid in 2018.

Decrease in other operating expenses by 6% from ₱71 million for the year ended December 31, 2017 to ₱67 million for the year ended December 31, 2018 due to decrease in representation and entertainment, training, registration fees and miscellaneous for the year.

Interest income increase from ₱25 million for the year ended December 31, 2017 to ₱42 million for the year ended December 31, 2018. The 68% increase resulted from the higher interest earned from cash in banks of the company for the year.

Interest expense increase by 20% from ₱45 million in the year ended December 31, 2017 to ₱54 million in the year ended December 31, 2018. This is due primarily to the lower capitalization for the year.

Tax expense for the year ended December 31, 2018 is ₱1,038 million an increase of 17% from ₱884 million for the year ended December 31, 2017. This is due primarily to the higher taxable income recorded for the year.

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

COMMITMENTS AND CONTINGENCIES

The Parent Company's subsidiaries are contingently liable for guarantees arising in the ordinary course of business, including surety bonds, letters of guarantee for performance and bonds for its entire real estate project.

The Company is contingently liable with respect to certain lawsuits and other claims which are being contested by the subsidiaries and their legal counsels. Management and their legal counsels believe that the final resolution of these claims will not have a material effect on the consolidated financial statements.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The Company sourced its capital requirements through a mix of internally generated cash, sale of liquid assets like installment contracts receivables, pre-selling and joint venture undertakings. The Company does not expect any material cash requirements beyond the normal course of the business. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation except for those items disclosed in the Audited Consolidated Financial Statements as of and for the years ended December 31, 2018, 2019 and 2020.

There are no material off-balance sheet transactions, arrangements, obligation (including contingent obligations), or other relationships of the Company with unconsolidated entities or other persons created during the reporting period except those disclosed in the Audited Consolidated Financial Statements as of and for the years ended December 31, 2018, 2019 and 2020.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Company.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. There are no explanatory comments on the seasonality of the operations. There are no material events subsequent to the end of the fiscal period that have not been reflected in the financial statements.

There are no material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature; neither are there changes in estimates of amounts reported in a prior period of the current financial year.

IV. NATURE AND SCOPE OF BUSINESS

Vistamalls Inc. (the "Company"), formerly Starmalls, Inc., was incorporated in Metro Manila, Philippines, on October 16, 1969 originally to pursue mineral exploration. After obtaining SEC approval in 2004, the Company changed its primary business and is now presently engaged in investment and real estate business.

On May 3, 2016, by a majority vote of the BOD and on June 27, 2016, as approved by the Stockholders, the Company shall exist for another period of fifty (50) years from October 25, 2019. On the same dates, the BOD and Stockholders approved that the place where the principal office of the Company is to be established at the Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daang Hari, Almanza II, Las Piñas City. The SEC approved the Company's application for the following amendments on September 30, 2016.

On May 02, 2019, the Company's BOD authorized the change in name of the Company from Starmalls, Inc. to Vistamalls, Inc. The SEC approved the Company's application for the change in name on September 17, 2019.

The Company's subsidiaries include the following:

- **Masterpiece Asia Properties Inc. (MAPI).** MAPI is currently in the operations and development of commercial properties for lease.
- **Manuela Corporation (MC).** MC is currently in the operations and development of commercial properties for lease.

The Company and its subsidiaries are hereinafter collectively referred to as the Group. All subsidiaries were incorporated in the Philippines.

The Company's principal place of business is at the Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City.

V. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Market Information

The Company's common shares are listed with the Philippine Stock Exchange. The high and low sales prices for each quarter within the last three fiscal years as traded on the Philippine Stock Exchange are as follows:

Quarter	2021			2020			2019			2018		
	High	Low	Close	High	Low	Close	High	Low	Close	High	Low	Close
1 st	4.34	3.70	3.80	5.93	3.12	3.61	7.20	5.36	6.74	25.85	8.10	15.88
2 nd				4.10	3.50	3.78	7.12	6.10	6.40	17.40	6.95	6.95
3 rd				4.09	3.60	3.68	6.45	5.58	5.84	7.84	6.27	6.57
4 th				5.09	3.56	4.24	5.82	4.96	5.66	7.98	3.94	5.40

The market capitalization of STR as of December 31, 2020, based on the closing price of ₱4.24 per share, was approximately ₱35.73 billion.

As of March 31, 2021, STR's market capitalization stood at ₱32.02 billion based on the ₱3.80 per share closing price.

Price Information as of the Latest Practicable Trading Date

<u>Trading Date</u>	<u>High</u>	<u>Low</u>	<u>Close</u>
28 May 2021	3.78	3.70	3.78

Stockholders

Common Shares

There are approximately 436 holders of common equity security of the Company as of April 30, 2021 (based on the number of accounts registered with the Stock Transfer Agent). As of April 30, 2021, the following are the top 20 holders of the common securities of the Company:

	Stockholders Name	No. of Common Shares	Percentage (of Common Shares) ⁸
1.	VISTA LAND & LIFESCAPES, INC. ⁹	7,443,192,641	88.34%
2.	LAND AND HOUSES PUBLIC COMPANY LIMITED	808,431,465	9.59%
3.	FINE PROPERTIES, INC. ⁷	114,877,955	1.36%
4.	PCD NOMINEE CORPORATION (FILIPINO)	50,828,692	0.60%
5.	PCD NOMINEE CORPORATION (FOREIGN)	3,096,304	0.04%
6.	PETER O. TAN	1,798,000	0.02%
7.	PETER TAN &/OR MARILOU TAN	1,524,000	0.02%
8.	ORION-SQUIRE CAPITAL, INC.	82,000	0.00%
9.	ORION-SQUIRE SEC., INC.	77,900	0.00%
10.	CUA, ANG & CHUA SECURITIES INC.	66,000	0.00%
11.	DEES SECURITIES CORP.	60,715	0.00%
12.	PAIC SECURITIES CORPORATION	60,400	0.00%
13.	TANSENGCO & CO., INC.	56,000	0.00%
14.	ANSALDO, GODINEZ & CO., INC.	54,286	0.00%
15.	FINVEST SEC. CO., INC.	50,000	0.00%
16.	MARIO OSMENA JR.	50,000	0.00%
17.	BENITO PENALOSA	50,000	0.00%
18.	GILBERT M. TIU	40,000	0.00%
19.	OH SIONG YU	39,942	0.00%
20.	BABES OJALES	39,000	0.00%
	Total	8,424,475,300	99.98%
	Others	1,505,856	0.02%
	Total issued and outstanding common shares as of April 30, 2021	8,425,981,156	100.00%

⁸ based on the total shares issued of 8,425,981,156

⁹ Lodged under PCD Nominee Corporation (Filipino)

Preferred Shares

As of April 30, 2021, there is only one (1) holder of the preferred shares of the Company:

	Stockholders Name	No. of Preferred Shares	Percentage (of Preferred Shares)
1.	Fine Properties, Inc.	2,350,000,000	100.00%
	Total issued and outstanding preferred shares as of April 30, 2021	2,350,000,000	100.00%

Dividends

₱0.0156 per share Regular Cash Dividend

Declaration Date: September 30, 2020

Record date: October 15, 2020

Payment date: October 30, 2020

₱0.0571 per share Regular Cash Dividend

Declaration Date: September 30, 2019

Record date: October 15, 2019

Payment date: October 30, 2019

₱0.0489 per share Regular Cash Dividend

Declaration Date: September 26, 2018

Record date: October 11, 2018

Payment date: October 25, 2018

₱0.0368 per share Regular Cash Dividend

Declaration Date: September 27, 2017

Record date: October 12, 2017

Payment date: October 26, 2017

₱0.0215 per share Regular Cash Dividend

Declaration Date: September 26, 2016

Record date: October 11, 2016

Payment date: October 26, 2016

Dividend Policy

The Registrant's Board is authorized to declare dividends. A cash dividend declaration does not require any further approval from the Registrant's shareholders. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Registrant's outstanding capital stock. Dividends may be declared only from unrestricted retained earnings.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the Banko Sentral ng Pilipinas.

The Registrant is allowed under Philippine laws to declare property and stock dividends, subject to certain requirements.

Record Date

Pursuant to existing Philippine SEC rules, cash dividends declared by a company must have a record date not less than 10 nor more than 30 days from the date the cash dividends are declared. With respect to stock dividends, the record date is to be not less than 10 or more than 30 days from the date of shareholder approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

Recent Sale of Unregistered Securities

There have been no sales of unregistered securities in the past three years.

Stock Options

None.

VI. COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The Company's Board has adopted a Revised Manual on Corporate Governance. The Company's Revised Manual on Corporate Governance describes the terms and conditions by which the Company intends to conduct sound corporate governance practices that are consistent with the relevant laws and regulations of the Republic of the Philippines, and which seek to enhance business transparency and build shareholder value.

Ultimate responsibility and oversight of the Company's adherence to superior corporate governance practices rests with the Board of Directors. As a policy matter, the Board will hold monthly meetings, at which any number of relevant corporate governance issues may be raised for discussion.

Practical oversight of the Company's corporate governance standards is exercised through the Board's Corporate Governance Committee.

The Company is committed to building a solid reputation for sound corporate governance practices, including a clear understanding by its Directors of the Company's strategic objectives, structures to ensure that such objectives are realized, systems to ensure the effective management of risks and the systems to ensure the Company's obligations are identified and discharged in all aspects of its business.

As of the date of this report, there are no known material deviations from the Company's Manual of Corporate governance. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth on this Report is true, complete and correct. This Report is signed in Mandaluyong City on 14th May 2021.

By:

MA. NALEN S.J. ROSERO
Corporate Secretary





STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Vistamalls, Inc. and Subsidiaries (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached herein, for the years ended December 31, 2020, 2019, and 2018 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 the financial statements that are free from material misstatement, whether 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 or members.

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 or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed this APR 21 2021 day of _____, 2021.


MANUEL B. VILLAR, JR.
Chairman of the Board


MANUEL PAOLO A. VILLAR
President


BRIAN N. EDANG
Chief Financial Officer and Head Investor Relations

SUBSCRIBED AND SWORN, to before me this APR 21 2021 at _____, affiants exhibiting to me their respective Passports, to wit:

MANDALUYONG CITY

<u>Name</u>	<u>Passport No.</u>	<u>Date and Place of Issue</u>
Manuel B Villar, Jr.	P2529752B	12 JUL 2019 / DFA MANILA
Manuel Paolo A. Villar	P3900440A	02 AUG 2017 / DFA MANILA
Brian N. Edang	P9937644A	14 DEC 2018 / DFA NCR EAST

who has satisfactory proven to me their identities through their valid identification cards, and that they are the same persons who personally signed before me the foregoing and acknowledges that they executed the same.

Doc No. 254
Page No. 52
Book No. XLII
Series of 2021.


ATTY. ARBIN OMAR P. CARIÑO
NOTARY PUBLIC

UNTIL JUNE 30, 2021

ROLL No. 57146

IBP Lifetime Member No. 018537

PTR No. 4574502 / 04 Jan. 2021 / Mandaluyong City

MCLE Compliance No. VI-0025341 issued dated 11 April 2019

Notarial Commission Appointment No. 0388-19

Vista Corporate Center, Upper Ground Floor,

Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	0	0	0	0	3	9	5	8	7
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COMPANY NAME

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I	E	S																											

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

L	G	F	,		B	U	I	L	D	I	N	G		B	,		E	V	I	A		L	I	F	E	S	T	Y	L
E		C	E	N	T	E	R	,		V	I	S	T	A		C	I	T	Y	,		D	A	A	N	G	H	A	R
I	,		A	L	M	A	N	Z	A		I	I	,		L	A	S		P	I	Ñ	A	S		C	I	T	Y	

Form Type

A	A	C	F	S
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Department requiring the report

S	E	C	
---	---	---	--

Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

www.starmalls.com.ph

Company's Telephone Number

8571-5948

Mobile Number

N/A

No. of Stockholders

436

Annual Meeting (Month / Day)

08/03

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Brian N. Edang

Email Address

brian_edang@
vistaland.com.ph

Telephone Number/s

3226-3552/
8874-5758

Mobile Number

0917-857-6513

CONTACT PERSON'S ADDRESS

LGF, Building B, EVIA Lifestyle Center, Vista City,
Daanghari, Almanza II, Las Piñas 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



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Vistamalls, Inc. and Subsidiaries
LGF, Building B, Evia Lifestyle Center
Vista City, Daanghari, Almanza II
Las Piñas City

Opinion

We have audited the consolidated financial statements of Vistamalls, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, 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, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

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.

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.

Provision for Expected Credit Losses

The Group applies general approach in calculating expected credit loss (ECL). Allowance for credit losses and the provision for credit losses as of and for the year ended December 31, 2020 amounted to ₱124.87 million and ₱72.45 million, respectively. The determination of provision for credit losses for receivables from tenants is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the calculation; and incorporating forward-looking information (called overlays), including the impact of coronavirus pandemic, in calculating the ECL. The determination of provision for credit losses for receivables from tenants, specifically, the exposure at default includes consideration of the security deposits and advance rent, and financial support and credit enhancements extended by any related party of the tenants.

The disclosure in relation to provision for credit losses on receivables from tenants are included in Note 5 of the consolidated financial statements.

Audit Response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on credit risk characteristics, (b) checked the methodology used in applying the ECL model by evaluating the key inputs, assumption and formula used, (c) compared the definition of default against historical analysis of accounts and the credit risk management policies and practices in place and management's assessment of the impact of coronavirus pandemic on the counterparties, (d) compared the security deposits and advance rent made by tenants against outstanding receivables to determine the exposure at default, (e) checked the impact of any financial support and credit enhancements extended by any related party of the tenants; and (f) checked the forward-looking information used for overlay through using publicly available information and our understanding of the Group's receivable portfolios and the related industry of tenants, including the impact of the coronavirus pandemic.

Further, we checked the data used in ECL models, such as the historical aging analysis and default and recovery data, by reconciling data from source system reports to the tenant database and from the tenant database to the loss allowance analysis/models and financing reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated the impairment provisions on a sample basis and evaluated the disclosures made in the consolidated financial statements on allowance for credit losses using the ECL model.



Accounting for Lease Concessions

In 2020, the Group granted various lease concessions such as lease payment holidays or lease reduction to the lessees of its commercial and office spaces as a response to the laws and regulations issued by the government mandating the granting of certain lease concession during the coronavirus pandemic. The Group evaluated that the lease concessions do not qualify as lease modification and accounted for these in the form of negative variable rent which the Group recorded when the concession is granted regardless of the period to which the concession pertains. The Group's accounting of lease concession under PFRS 16 is significant to our audit because the Group has high volume and different types of lease concessions granted during the period; the recorded amounts are material to the consolidated financial statements; and accounting for lease concession involves application of significant judgment in determining whether the lease concession will be accounted for as lease modification.

The disclosures related to the lease concession granted by the Group are included in Note 25 to the consolidated financial statements.

Audit Response

We obtained an understanding of the type, extent and periods covered of the various lease concessions granted by the Group, including the determination of the population of the lease contracts covered by the lease concession granted by the Group during the period.

We tested the population of lease agreements by comparing the number of locations per operations report against lease contract master list used by the Group.

On a test basis, we inspected the communications of the Group in connection with the lease concessions granted to the lessees and traced these contractual terms and conditions to the calculation of the financial impact of lease concession prepared by the management. We test computed the lease concession impact prepared by management on a sample basis.

We obtained management assessment, and a legal opinion from the Group's internal legal counsel supporting the assessment that the lease concession granted does not qualify as a lease modification. We involved our internal specialist in evaluating the legal basis supporting the management assessment and legal position.

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, 2020 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, 2020 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 audits, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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 in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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.

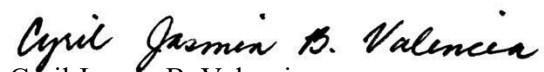
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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
Cyril Jasmin B. Valencia.

SYCIP GORRES VELAYO & CO.



Cyril Jasmin B. Valencia

Partner

CPA Certificate No. 90787

SEC Accreditation No. 1737-A (Group A),

January 24, 2019, valid until January 23, 2022

Tax Identification No. 162-410-623

BIR Accreditation No. 08-001998-074-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534376, January 4, 2021, Makati City

April 21, 2021



VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash (Notes 7, 23 and 24)	₱164,362,000	₱589,007,023
Short term cash investment (Notes 8, 23 and 24)	7,496,416	62,810,499
Investment at fair value through profit or loss (Notes 8, 23 and 24)	22,264,152	29,669,110
Receivables (Notes 9, 23 and 24)	5,165,573,169	2,277,558,749
Receivable from ultimate parent company (Notes 20, 23 and 24)	2,779,557,596	2,850,849,682
Real estate properties for sale	301,837,616	301,837,616
Other current assets (Note 11)	3,061,658,496	3,034,402,589
Total Current Assets	11,502,749,445	9,146,135,268
Noncurrent Assets		
Investments at fair value through other comprehensive income (Notes 8, 20, 23 and 24)	3,520,334,446	5,814,569,502
Receivables - net of current portion (Note 9, 23 and 24)	8,469,328,408	7,056,775,568
Property and equipment	65,400,126	79,967,321
Investment properties (Note 10)	49,474,575,417	47,854,803,898
Other noncurrent assets (Note 11)	659,388,323	673,941,969
Total Noncurrent Assets	62,189,026,720	61,480,058,258
	₱73,691,776,165	₱70,626,193,526
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12, 23 and 24)	₱4,081,305,823	₱2,357,578,112
Security deposits and advance rent (Note 13)	734,355,854	702,690,342
Payable to parent company (Notes 20, 23 and 24)	29,460,856,744	27,853,559,896
Income tax payable	34,615,793	40,586,397
Dividends payable (Note 16, 20, 23, and 24)	275,118	275,118
Current portion of:		
Bank loans (Notes 14, 23 and 24)	645,937,390	1,328,366,778
Lease liabilities (Notes 23, 24 and 25)	62,694,367	51,674,182
Total Current Liabilities	35,020,041,089	32,334,730,825
Noncurrent Liabilities		
Bank loans - net of current portion (Notes 14, 23 and 24)	2,326,228,927	2,969,306,548
Lease liabilities - net of current portion (Notes 23, 24 and 25)	3,673,984,320	3,964,204,541
Pension liabilities	71,163,876	52,046,913
Deferred tax liabilities - net (Note 19)	4,056,325,060	3,139,728,492
Other noncurrent liabilities (Note 15)	2,113,316,998	2,023,601,848
Total Noncurrent Liabilities	12,241,019,181	12,148,888,342
Total Liabilities	₱47,261,060,270	₱44,483,619,167

(Forward)



	December 31	
	2020	2019
Equity (Note 16)		
Equity attributable to equity holders of the Parent Company:		
Capital stock	₱8,449,481,156	₱8,449,481,156
Additional paid-in capital	6,389,314,354	6,389,314,354
Retained earnings	13,204,169,450	10,615,328,399
Other comprehensive income (loss)	(1,768,543,981)	529,093,822
	26,274,420,979	25,983,217,731
Non-controlling interest (Note 21)	156,294,916	159,356,628
Total Equity	26,430,715,895	26,142,574,359
	₱73,691,776,165	₱70,626,193,526

See accompanying Notes to Consolidated Financial Statements.



VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE			
Rental income (Note 10)	₱6,843,497,958	₱6,730,451,620	₱5,673,918,632
Parking fees	115,135,700	185,407,579	158,815,457
Other operating income (Note 17)	314,436,157	559,118,182	452,977,105
	7,273,069,815	7,474,977,381	6,285,711,194
COSTS AND EXPENSES			
Depreciation (Note 10)	1,545,571,648	1,558,860,209	997,625,087
Light and power	232,755,142	521,869,915	408,684,886
Outside services	280,211,064	403,393,741	346,688,494
Salaries and employee benefits	252,821,902	256,135,605	244,416,504
Taxes, licenses and other fees	246,475,713	230,210,230	173,938,477
Repairs and maintenance	118,735,867	172,885,009	148,392,501
Provision for impairment losses (Note 9)	82,161,649	52,421,517	—
Insurance	48,706,014	33,737,626	30,397,083
Advertising and promotions	32,414,982	81,847,580	75,612,740
Professional fees	27,194,419	19,149,233	16,504,988
Rentals	4,392,981	10,910,231	299,079,524
Other operating expenses	64,240,120	103,814,532	67,015,536
	2,935,681,501	3,445,235,428	2,808,355,820
OTHER INCOME (EXPENSE)			
Interest income (Notes 7, 8, 11 and 18)	45,007,271	25,984,618	42,449,780
Fair value gain (loss) on investment at fair value through profit or loss (Note 8)	(7,404,958)	797,421	(5,679,378)
Interest expense and other financing charges (Notes 18 and 25)	(521,987,212)	(237,977,586)	(53,745,417)
	(484,384,899)	(211,195,547)	(16,975,015)
INCOME BEFORE INCOME TAX	3,853,003,415	3,818,546,406	3,460,380,359
PROVISION FOR INCOME TAX (Note 19)	1,132,323,551	1,182,112,958	1,037,698,461
NET INCOME	₱2,720,679,864	₱2,636,433,448	₱2,422,681,898
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	₱2,720,306,780	₱2,626,326,397	₱2,407,017,260
Non-controlling interest (Note 21)	373,084	10,107,051	15,664,638
NET INCOME	₱2,720,679,864	₱2,636,433,448	₱2,422,681,898
BASIC/DILUTED EARNINGS PER SHARE (Note 21)	₱0.323	₱0.312	₱0.286

(Forward)



	Years Ended December 31		
	2020	2019	2018
NET INCOME	₱2,720,679,864	₱2,636,433,448	₱2,422,681,898
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Unrealized fair value gain (loss) on equity investment at fair value through other comprehensive income (Note 8)	(2,294,235,056)	1,745,123,059	(436,585,760)
Remeasurement (loss) gain on pension liabilities, net of tax	(6,837,543)	(394,933)	8,962,670
	(2,301,072,599)	1,744,728,126	(427,623,090)
TOTAL COMPREHENSIVE INCOME	₱419,607,265	₱4,381,161,574	₱1,995,058,808
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	₱422,668,977	₱4,342,446,538	₱1,986,487,421
Non-controlling interest (Note 21)	(3,061,712)	38,715,036	8,571,387
	₱419,607,265	₱4,381,161,574	₱1,995,058,808

See accompanying Notes to Consolidated Financial Statements.



VISTAMALLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)		Additional Paid-in Capital (Note 16)	Retained Earnings (Note 16)	Other Comprehensive Income (Loss)	Non-Controlling Interest (Note 21)	Total
	Preferred Stock	Common Stock					
Balances as at January 1, 2020	₱23,500,000	₱8,425,981,156	₱6,389,314,354	₱10,615,328,399	₱529,093,822	₱159,356,628	₱26,142,574,359
Net income	—	—	—	2,720,306,780	—	373,084	2,720,679,864
Other comprehensive loss	—	—	—	—	(2,297,637,803)	(3,434,796)	(2,301,072,599)
Total comprehensive income (loss) for the year	—	—	—	2,720,306,780	(2,297,637,803)	(3,061,712)	419,607,265
Cash dividend declared	—	—	—	(131,465,729)	—	—	(131,465,729)
Balances as at December 31, 2020	₱23,500,000	₱8,425,981,156	₱6,389,314,354	₱13,204,169,450	(₱1,768,543,981)	₱156,294,916	₱26,430,715,895
Balances as at January 1, 2019	₱23,500,000	₱8,425,981,156	₱6,389,314,354	₱8,471,471,436	(₱1,188,937,019)	₱120,641,592	₱22,241,971,519
Net income	—	—	—	2,626,326,397	—	10,107,051	2,636,433,448
Other comprehensive income	—	—	—	—	1,716,120,141	28,607,985	1,744,728,126
Total comprehensive income for the year	—	—	—	2,626,326,397	1,716,120,141	38,715,036	4,381,161,574
Transfer out of pension liability	—	—	—	(1,345,909)	1,910,700	—	564,791
Cash dividend declared	—	—	—	(481,123,525)	—	—	(481,123,525)
Balances as at December 31, 2019	₱23,500,000	₱8,425,981,156	₱6,389,314,354	₱10,615,328,399	₱529,093,822	₱159,356,628	₱26,142,574,359
Balances as at January 1, 2018, as previously presented	₱23,500,000	₱8,425,981,156	₱6,389,314,354	₱6,433,402,872	(₱763,856,172)	₱112,070,205	₱20,620,412,415
Effect of adoption of PFRS 9 and 15	—	—	—	43,237,713	(4,551,008)	—	38,686,705
Balances as at January 1, 2018, as restated	23,500,000	8,425,981,156	6,389,314,354	6,476,640,585	(768,407,180)	112,070,205	20,659,099,120
Net income	—	—	—	2,407,017,260	—	15,664,638	2,422,681,898
Other comprehensive loss	—	—	—	—	(420,529,839)	(7,093,251)	(427,623,090)
Total comprehensive income (loss) for the year	—	—	—	2,407,017,260	(420,529,839)	8,571,387	1,995,058,808
Cash dividend declared	—	—	—	(412,186,409)	—	—	(412,186,409)
Balances as at December 31, 2018	₱23,500,000	₱8,425,981,156	₱6,389,314,354	₱8,471,471,436	(₱1,188,937,019)	₱120,641,592	₱22,241,971,519



VISTAMALLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱3,853,003,415	₱3,818,546,406	₱3,460,380,359
Adjustments for:			
Depreciation (Note 10)	1,545,571,648	1,558,860,209	997,625,087
Interest expense and other financing charges (Note 18)	521,987,212	237,977,586	53,745,417
Impairment losses	82,161,649	52,421,517	3,204,170
Pension expense	9,349,045	8,648,931	10,802,440
Fair value loss on investment at fair value through profit or loss (Note 8)	7,404,958	(797,421)	5,679,378
Interest income (Note 18)	(45,007,271)	(25,984,618)	(42,449,780)
Operating income before working capital changes	5,974,470,656	5,649,672,610	4,488,987,071
Decrease (increase) in:			
Receivables	(4,382,728,909)	(2,528,921,252)	(1,987,863,728)
Real estate properties for sale	—	20,342,957	(90,140)
Other current assets	(136,773,254)	(1,097,271,086)	(473,943,647)
Increase (decrease) in:			
Accounts and other payables	1,222,943,706	(501,886,941)	242,232,513
Security deposits and advance rent	129,641,133	526,068,030	225,945,630
Other noncurrent liabilities	(8,260,471)	708,182,560	(104,674,467)
Net cash flows generated from operations	2,799,292,861	2,776,186,878	2,390,593,232
Income taxes paid	(122,155,181)	(203,310,360)	(253,384,836)
Net cash flows provided by operating activities	2,677,137,680	2,572,876,518	2,137,208,396
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in receivables from related parties (Notes 20 and 26)	69,499,990	—	2,071,799,483
Interest received	45,007,271	25,984,618	42,449,780
Acquisitions of:			
Property and equipment	(18,093,955)	(36,849,291)	(41,485,261)
Investment property (Notes 10 and 26)	(2,911,196,724)	(8,569,670,969)	(8,280,314,854)
Deductions from (Additions to):			
Restricted cash	376,484,957	(4,205,561)	—
Short-term cash investments	55,314,083	(62,810,499)	—
Other noncurrent assets	(361,931,311)	181,891,556	—
(Payments of) additions to liabilities for purchased land (Notes 12, and 15)	(1,913,585)	(794,700,185)	(27,711,689)
Net cash flows used in investing activities	(2,746,829,274)	(9,260,360,331)	(6,235,262,541)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Lease liabilities (Note 25)	(328,751,973)	(256,373,492)	—
Interest and other financing charges (including capitalized borrowing cost) (Notes 10 and 18)	(175,457,893)	(315,190,240)	(425,787,386)
Dividends declared (Note 26)	(13,559,828)	(481,123,525)	(412,186,409)
Bank loans (Notes 14 and 26)	(1,328,366,778)	(1,565,803,985)	(1,680,540,472)
Increase in payables to related parties (Notes 20 and 26)	1,491,183,043	9,476,547,065	6,462,641,706
Net cash flows provided by (used in) financing activities (Note 26)	(354,953,429)	6,858,055,823	3,944,127,439
NET INCREASE (DECREASE) IN CASH	(424,645,023)	170,572,010	(153,926,706)
CASH AT BEGINNING OF YEAR	589,007,023	418,435,013	572,361,719
CASH AT END OF YEAR (Note 7)	₱164,362,000	₱589,007,023	₱418,435,013

See accompanying Notes to Consolidated Financial Statements.



VISTAMALLS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Vistamalls, Inc. (the Parent Company, or VMI) was incorporated in the Republic of the Philippines and duly registered with the Philippine Securities and Exchange Commission (SEC) on October 16, 1969, originally to pursue mineral exploration. After obtaining Philippine SEC approval, the Parent Company later changed its primary business and is now presently engaged in holding investments in shares of stock and real estate business. In 2019, the Parent Company filed its amended articles of incorporation with the Philippine SEC that includes the Parent Company shall exist for another 50 years from October 15, 2019.

The Parent Company is the holding company of Vistamalls Group (the Group or VMI Group) which is engaged in leasing of retail malls and Business Process Outsourcing (“BPO”) commercial center. The Group has a wholly owned subsidiary, Masterpiece Asia Properties, Inc. (MAPI) and a 99.85% owned subsidiary, Manuela Corporation (MC).

The Parent Company is 88.34% owned by Vista Land & Lifescapes, Inc. (VLLI) and the rest by the public. VLLI is a publicly-listed investment holding company which is 65.00% owned by Fine Properties, Inc. (the Ultimate Parent Company), 35.00% owned by the public. The Parent Company’s shares of stock are listed at the Philippine Stock Exchange (PSE).

The Parent Company’s accounting and administrative functions are handled by its subsidiaries, MC and MAPI (Note 10).

The Parent Company’s registered office and principal place of business is located at LGF, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City.

2. Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for the financial assets measured at fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso unless otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020.



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
- 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. 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.

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	Percentage of Ownership		
	2020	2019	2018
Manuela Corporation	99.85%	99.85%	98.36%
Masterpiece Asia Properties, Inc.	100.00%	100.00%	100.00%

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests 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. Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the NCI, even if this results in 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 noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.



As at December 31, 2020 and 2019, percentage of non-controlling interests pertaining to Manuela Corporation is 0.15%. The voting rights held by the non-controlling interest are in proportion of their ownership interest.

The Parent Company and the subsidiaries are all domiciled and incorporated in the Philippines and are in the business of leasing commercial spaces and buildings.

3. Changes in Accounting Policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2019, except for the following amendments which the Group adopted starting January 1, 2020.

Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.



- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Group adopted the amendments to PFRS 16 using practical expedients beginning January 1, 2020 and recognized rent concession as variable lease payments. These rent concessions were presented in the consolidated statements of income as reduction in amortization expense under 'Operating expenses' amounting to ₱15.25 million in 2020.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships



- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after 1 January 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- 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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- Amendments to PAS 16, *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.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- 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.



The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *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 by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- 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.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.



Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- 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, 2023 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.

- 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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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.

4. Summary of Significant Accounting Policies

Current and Noncurrent Classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification.

An asset is current when:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

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 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

Deferred liabilities are classified as noncurrent liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants 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 by the Group.

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

A fair value measurement of a non-financial 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 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 at fair value on a recurring basis, the Group determines whether 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.

Cash

Cash includes cash on hand and in banks. Cash in banks earn interest at the prevailing interest rate.

Short-term Cash Investments

Short-term cash investments consist of money market placements made for varying periods of more than three (3) months and up to twelve (12) months. These investments earn interest at the respective short-term rates.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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. For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.



Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

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
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash, short-term cash investments, receivables (except for advances to contractors), receivables from related parties and restricted cash. Restricted cash is presented in 'Other current assets' and 'Other noncurrent assets'.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income 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 fair value through OCI are not subject to impairment assessment.

The Group's equity instrument classified as financial assets designated at FVOCI includes investment in VLLI (Note 8).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as



described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The Group's investment at FVTPL comprises of investment in mutual funds (Note 8).

Impairment of Financial Assets

The Group recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired

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 recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.



Loss Allowance

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stage 2 and 3 due to the financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and lifetime ECL.
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- Impact on the measurement of ECL due to changes in PDs, LGDs and EADs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk 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.

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 significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

General Approach

Under the general approach, at each reporting date, the Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. This approach was applied to the ECL calculation of cash in banks, short-term cash investments, receivables (except for advances to contractors), receivables from ultimate parent company and restricted cash presented in ‘Other assets’.



Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, 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.

The Group's financial liabilities include accounts and other payables (except for deferred output VAT and other statutory payables), dividends payable, income tax payable, payable to related parties, liabilities for purchased land, retention payable, bank loans and lease liabilities.

Subsequent measurement

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using 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 finance costs in the consolidated statements of comprehensive income.

This category generally applies to accounts and other payables (except for deferred output VAT and other statutory payables), dividends payable, income tax payable, payable to related parties, liabilities for purchased land, retention payable, bank loans and lease liabilities presented in the consolidated statements of financial position.

Derecognition of Financial Assets and Financial Liabilities

Financial asset

A financial asset (or, where applicable, a part of a group of financial assets) is derecognized when, and only when: (a) the right to receive cash flows from the assets expires; (b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or (c) the Group has transferred its right to receive cash flows from the asset and either: (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. 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.

Modification of financial assets

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in the consolidated profit or loss, to the extent that an impairment loss has not already been recorded.



When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the profit or loss.

Financial liability

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Advances to contractors

Advances to contractors are advance payments in relation to the Group's construction activities and are recouped through reduction against progress billings as the construction progresses. Recoupment occur within one to five years from the date the advances were made.

Value-Added Tax

Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the BIR for output VAT on sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Group upon approval of the BIR and/or Bureau of Customs. Input tax is stated at its estimated net realizable values. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax is recorded under current assets in the consolidated statements of financial position.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Restricted cash

Cash restricted for use are bank deposits restricted solely for payment of the principal amortization and interest of certain bank loans. These deposits bear prevailing interest rates and will be retained as deposits until the bank loans are fully paid.



Refundable Deposits

Refundable deposits are measured at amortized cost. These pertain to deposits on utility subscriptions, rental deposits and security deposits which shall be applied against unpaid utility expenses and rent expenses upon termination of the contracts.

Prepaid expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise of prepayments for marketing fees, taxes and licenses, rentals and insurance.

Investment Properties

Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or for capital appreciation or both. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of investment properties consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Investment properties also include right-of-use assets involving real properties.

Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of investment properties. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. 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 initial cost of right-of-use 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.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject for impairment.

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time as the relevant assets are completed and put into operational use. Construction-in-progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Depreciation and amortization commence once the investment properties are available for use and computed using the straight-line method over the estimated useful lives (EUL) of the assets, regardless of utilization. The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

	Years
Buildings and building improvements	10 to 40 years or lease term, whichever is shorter
Right-of-use assets	2 to 25 years



Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property 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, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of the property for measurement or for disclosure purposes.

Impairment of Nonfinancial Assets

The Group assesses as at reporting date whether there is an indication that nonfinancial assets may be impaired. 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 recoverable amount is calculated as the higher of the asset's or cash-generating unit's 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 assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its 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 assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is an 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 recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase in OCI. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Security Deposits

Security deposits represent deposits required by lease agreements. These can be recovered upon termination of the lease agreement through refund or application to unpaid rent and/or other charges.

Advance Rent

Advance rent includes three-month advance rental paid by lessee as required under lease contract. These will be applied to the first or last three months rental depending on the contract terms of the related lease contract. These also include overpayments made by lessee against its monthly billings which will be applied to future billings.

Equity

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the shares are sold at premium, the difference between the proceeds at the par value is credited to



“Additional paid-in capital” account. Direct costs incurred related to equity issuance are chargeable to “Additional paid-in capital” account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings of the Group less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by the subsidiaries.

Revenue Recognition

Revenue from contracts with customers is recognized 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 those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water and electricity services in its mall retail spaces and office leasing activities, wherein it is acting as agent.

Rental income

The Groups earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in the revenue in the consolidated statement of comprehensive income due to its operating nature, except for contingent rental income which is recognized when it arises.

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognized as a reduction of rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise the option. For more information on the judgment involved, refer to Note 5.

The tenant lease incentives are considered in the calculation of ‘Accrued rental receivables’ under ‘Receivables’ in the consolidated statement of financial position.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the statement of comprehensive income when the right to received them arises.

For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of PFRS 16. These agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning and security of common areas). The consideration charged to tenants for these services includes fees charged based on a fixed rate and reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

The consideration charged to tenants for these services is based on a fixed amount as agreed with the tenants.



The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the provision of administrative services, maintenance, security and advertising services, before transferring them to the customer and recognizes revenues as the services are rendered. Therefore, the Group records revenue on a gross basis. For more information, please refer to Note 5.

Interest income

Interest is recognized using the effective interest method, i.e, the rate, that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Cost and expenses

Cost and expenses pertain to expenses incurred in relation to rental of investment properties and administering the business. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen than can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The Group periodically evaluates the income tax positions taken in situations where the applicable tax regulations are subject to interpretation and considers these positions separately from other uncertainties. The Group assesses whether or not it is probable that those income tax positions will be accepted by the tax authorities, where if not, the Group recognizes additional income tax expense and liability relating to those positions.

Deferred tax

Deferred tax is provided using the liability method on temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax liabilities shall be recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures when the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in foreseeable future. Otherwise, no deferred tax liability is set up.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

Deferred tax assets shall be recognized for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures 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 financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period 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 in the consolidated statement of comprehensive income. Deferred tax items recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

Borrowing Costs

Borrowing costs 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 are capitalized as part of the cost of the respective assets (included in "Investment properties" account in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Leases Effective January 1, 2019

Lease Liabilities

At the commencement date of the lease, the Group recognizes the liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.



After the commencement date, the amount of lease liabilities increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group applies the low-value assets recognition exemption to leases of underlying assets with a value of ₱0.25 million and below when new. Lease payments on short-term leases and low-value assets are recognized as expense on a straight-line basis over the lease term.

Lease Modification

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessee recognizes the right-of-use assets and lease liability as a separate new lease after assessing that the consideration for the lease increases by an amount commensurate with the stand-alone price and any adjustments to that stand-alone price reflects the circumstances of the particular contract. The Group recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use assets, without affecting profit or loss. For lease termination, the difference between the right-of-use assets and lease liability is recognized in the profit or loss.

Lease concessions

The Group accounted for Covid-19 related lease concessions received in 2020 as negative variable lease payments which is offset against the depreciation expense of ROU asset, in accordance with the provisions of the amendment to PFRS 16. Lease liability and right-of-use assets are not remeasured using a revised discount rate.

Leases Prior to January 1, 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. 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; a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (b) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (c) there is a 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 any of the scenarios above, and at the date of renewal or extension period for the second scenario.

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease



payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

Group as a Lessor under PFRS 16 and PAS 17

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. In the case of an operating lease, a lessor recognizes the effect of the rent concession by recognizing lower income from leases.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income attributable to equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income attributable to the equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of December 31, 2020, 2019 and 2018, the Group has no potential dilutive common shares (Note 21).

Segment Reporting

The Group's business is primarily leasing of retail malls and BPO commercial centers which are all located in the Philippines and treated as one segment. The segmentation is the basis of the chief operating decision maker's internal reports allocation resources, and the evaluation of performance.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of comprehensive income net of any reimbursement.



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. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Financial Reporting Date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

5. **Significant Accounting Judgments and Estimates**

The preparation of accompanying consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

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.

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:

Principal versus agent considerations

The contract for the commercial spaces leased out by the Group to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility company, and not the real estate developer, is primary responsible for the provisioning of the utilities while the Group, administers the leased spaces and coordinates with the utility companies to ensure that tenants have access to these utilities. The Group does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

For the connection to air conditioning system and services in the CUSA, the Group acts as a principal. This is because it is the Group who retains the right to direct the service provider of CUSA as it chooses and the party responsible to provide proper ventilation and air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air conditioning charges.



Property lease classification – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases

Assessment on whether lease concessions granted constitute a lease modification

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16. Consequently, this is treated as a variable lease.

The rent concessions granted by the Group for the year ended December 31, 2020 amounted to ₱1,478.44 million. (Note 25)

Operating Lease Commitments - as Lessee (Before January 1, 2019)

The Group has entered into various lease agreements as a lessee. Management has determined that all the significant risks and benefits of ownership of these properties, which the Group leases under operating lease arrangements, remain with the lessor. Accordingly, the leases were accounted for as operating leases. Rent expense amounted to ₱299.08 million in 2018.

Determination of the lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

As a lessor, the Group enters into lease agreements that contain options to terminate or to extend the lease. At commencement date, the Group determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Group takes into account any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease and the importance of the underlying asset to the lessee's operations. In many cases, the Group does not identify sufficient evidence to meet the required level of certainty.

As a lessee, the Group has a lease contract for the land where investment properties are situated that includes an extension and a termination option. The Group applies judgement in evaluating whether or not it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to



exercise, or not to exercise, the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Incorporation of forward-looking information

The Group incorporates forward-looking information, including the impact of the COVID-19 pandemic 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.

Significant increase in credit risk

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors. The Group's cash and cash equivalents, short term cash investments, investments at amortized cost, and restricted cash cost are graded in the top investment category by globally recognized credit rating agencies such as S&P, Moody's and Fitch and, therefore, are considered to be low credit risk investments. For the Group's accounts receivable and receivables from ultimate parent company, the Group performs an assessment, at the end of each reporting period, of whether the receivables' credit risk has increased significantly, considering the impact of COVID-19 pandemic, since initial recognition, by considering the change in the risk of default occurring over the remaining life of the receivables. It is the Group'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 Group uses the ratings from these credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs. Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

Management's Use of Estimates

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.

Provision for expected credit losses of financial assets

Cash, short term cash investments, accounts receivable, accrued rent receivable, receivables from related parties and restricted cash:



The Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. The Group uses external credit rating approach to calculate ECL for cash in banks, short-term cash investments, accounts receivable from tenants, accrued rent receivable and receivables from related parties and restricted cash. This approach leverages on available market data (i.e., S&P and Moody's and Fitch credit ratings for default rates). S&P, Moody's, Fitch and Reuters are reliable market data sources that provide default and recovery rate data. These information are widely used by investors and stakeholders in decision-making in terms of investment, credit activities, etc.

Further details are provided in Note 24.

The assessment of the relationship between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group has determined that the COVID-19 pandemic has impacted the current operations of the Group and is expected to impact its future business activities.

Tenants which belong to micro, small and medium enterprise and those operating under entertainment, non-essentials and food industries are also adversely affected due to temporary closure of mall operations. This increases the risk of non-collection of the remaining receivables.

Considering the above, the Group revisited the expected credit loss exercise as at December 31, 2020 for its receivables.

For the receivables from tenants, certain tenants were moved from stage 1 to stage 2, hence, lifetime PD, instead of 12-months PD, was used in the calculation of ECL. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk.

As a result of the loss estimation, management recognized an additional impairment loss for receivable from tenants amounting to ₱72.45 million for the year ended December 31, 2020.

Further details are provided in Note 24.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are 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, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

Further details about the fair value of financial instruments are provided in Note 24.



Evaluation of impairment of nonfinancial assets

The Group reviews investment properties and other nonfinancial assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends, considering the impact of COVID-19 pandemic.

The Group estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. Fair value less costs to sell pertain to quoted prices and for fair values determined using discounted cash flows (DCF) or other valuation technique such as multiples. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect property and equipment, investment properties and other nonfinancial assets.

Further details are provided in Note 10.

Determining the fair value of investment properties

The Group discloses the fair values of its investment properties. The Group engaged independent valuation specialists to assess fair value as at reporting date. The Group's investment properties consist of land and land developments and building and building improvements. These were valued by reference to market-based evidence using income approach, and comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Further details are provided in Note 10.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Useful lives of investment properties

The Group estimated the useful lives of its investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. For investment properties located in parcels of land that the Group leases, the Group also considers the non-cancellable term of the lease in determining the useful lives of the leasehold improvements.

Recognition of deferred tax assets

The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

Further details are provided in Note 19.



6. Segment Information

The Group's shopping malls and commercial centers are all located in the Philippines and are treated as one operating segment. The real estate development of MC is very minimal to the overall operations and financial position of the Group as of December 31, 2020 and 2019. These were not treated as a separate segment by the chief operating decision maker for its review, evaluation and allocation of resources.

Rent income amounting ₱5,506.18 million or 80.46%, ₱4,015.66 million or 59.66%, and ₱2,469.72 million or 43.53% of the commercial segment of the Group was generated from anchor tenants as defined in Note 20 for the years ended December 31, 2020, 2019 and 2018, respectively. There is no cyclicity in the Group's operations.

7. Cash

This account consists of:

	2020	2019
Cash on hand	₱530,500	₱821,800
Cash in banks (Notes 23 and 24)	163,831,500	588,185,223
	₱164,362,000	₱589,007,023

Cash in banks earns interest at the prevailing bank deposit rates. Interest rate ranges from 0.10% to 1.25%, 0.10% to 1.25% and 0.03% to 0.49% in 2020, 2019 and 2018, respectively.

Interest earned from cash in banks for the years ended December 31, 2020, 2019 and 2018 amounted to ₱3.37 million, ₱5.91 million and ₱14.93 million, respectively (Note 18).

8. Investments

Short-term cash investments

Short-term cash investments consist of money market placements with maturities of more than three months up to one year and earn annual interest at the respective short-term investment rates, as follows:

As at December 31, 2020, and 2019, short-term cash investments amounted to ₱7.50 million and ₱62.81 million, respectively. Interest rate ranges from 3.00% to 3.25% in 2020 and 2019.

Interest earned from short-term cash investments for the years ended December 31, 2020, 2019 and 2018 amounted to ₱0.40 million, ₱1.42 million and ₱7.64 million, respectively (Note 18).

Investment at fair value through FVTPL

The investment at fair value through FVTPL of the Group comprises of investment in mutual funds.



The movement of the accounts follow:

	December 31, 2020	December 31, 2019
Balances at beginning of year	₱29,669,110	₱28,871,689
Unrealized fair value (loss) gain during the year	(7,404,958)	797,421
Balances at end of year	₱22,264,152	₱29,669,110

Investment at fair value through OCI

The investment at fair value through FVOCI consists of VLLI shares carried at fair value which the Group irrevocably elected to measure at FVOCI.

The movement of the accounts follow:

	December 31, 2020	December 31, 2019
Balances at beginning of year	₱5,814,569,502	₱4,069,446,443
Unrealized fair value gain (loss) during the year	(2,294,235,056)	1,745,123,059
Balances at end of year	₱3,520,334,446	₱5,814,569,502

9. Receivables

This account consists of:

	2020	2019
Accounts receivable from tenants (Note 20)	₱3,511,708,988	₱1,672,978,351
Advances to contractors	3,407,279,844	3,870,810,327
Accrued rent receivable (Note 20)	6,783,889,238	3,729,533,628
Other receivables	66,606,673	113,433,528
	13,769,484,743	9,386,755,834
Less allowance for impairment losses	(135,455,697)	(52,421,517)
	13,634,901,577	9,334,334,317
Less noncurrent portion	(8,469,328,408)	(7,056,775,568)
	₱5,165,573,169	₱2,277,558,749

Accounts receivable from tenants

Accounts receivables from tenants represent the outstanding receivables arising from the lease of commercial centers relating to the Group's mall and offices and are collectible within 30 days from billing date. These are covered by security deposit of tenants' equivalent to three-month rental and three-month advance rental paid by the lessees. This includes both the fixed and contingent portion of lease.

Advances to contractors

Advances to contractors are advance payments in relation to the Group's construction activities and are recouped through reduction against progress billings as the construction progresses. Recoupment occur within one to five years from the date the advances were made.

Accrued rental receivable

Accrued rental receivable pertains to the effect of straight-line calculation of rental income.



Provision for expected credit losses

The following is the rollforward analysis of impaired receivables:

	2020	2019
Balances at beginning of year	₱52,421,517	₱—
Provision on impairment losses:		
Accounts receivable from tenants	72,448,156	52,421,517
Advances to contractors	10,586,024	—
	₱135,455,697	₱52,421,517

No receivables are used to secure the obligations of the Group (Note 14).

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act (“Bayanihan 1 Act”) was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act (“Bayanihan 2 Act”), was enacted. Under Bayanihan 2 Act, provides a provision of a minimum of thirty (30)-day grace period on residential rents and commercial rents of lessees, and MSMEs and cooperatives ordered to temporarily cease operations, falling due within the period of the CQ, without incurring interest, penalties, fees, and other charges: Provided, That all amounts due within the period of CQ shall be amortized in equal monthly installments until December 31, 2020 without any interest, penalties and other charges: Provided, further, That no increase in rent shall be imposed during the same period: Provided, furthermore, that the minimum thirty (30)-day grace period shall be reckoned from the date of the lifting of the ECQ or MECQ.

In 2020, the Group, in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, has offered temporary financial reliefs (e.g., short-term extension of payment terms) to its tenants as a response to the effect of the COVID-19 pandemic.

10. Investment Properties

The rollforward analysis of this account follows:

	December 31, 2020				
	Land	Building and Building Improvements	Construction in Progress	Right-of-use Assets	Total
Cost					
Balances at beginning of year	₱12,104,637,444	₱25,296,862,605	₱13,821,522,448	₱3,604,709,243	₱54,827,731,740
Additions	148,914,179	255,254,812	2,983,624,247	193,923,157	3,581,716,395
Reclassification	—	78,477,521	(78,477,521)	—	—
Termination (Note 25)	—	—	—	(488,038,914)	(488,038,914)
Balances at end of year	12,253,551,623	25,630,594,938	16,726,669,174	3,310,593,486	57,921,409,221
Accumulated Depreciation					
Balances at beginning of year	—	6,779,156,034	—	193,771,808	6,972,927,842
Depreciation	—	1,333,270,451	—	200,001,046	1,533,271,497
Termination (Note 25)	—	(25,264,166)	—	(34,101,369)	(59,365,535)
Balances at end of year	—	8,087,162,319	—	359,671,485	8,446,833,804
Net Book Value	₱12,253,551,623	₱17,543,432,619	₱16,726,669,174	₱2,950,922,001	₱49,474,575,417



	December 31, 2019				
	Land	Building and Building Improvements	Construction in Progress	Right-of-use Assets	Total
Cost					
Balances at beginning of year, as previously reported	₱11,670,526,711	₱22,349,094,386	₱6,744,183,446	₱-	₱40,763,804,543
Impact of PFRS 16 adoption	-	-	-	2,867,331,420	2,867,331,420
Balances at beginning of year, as restated	11,670,526,711	22,349,094,386	6,744,183,446	2,867,331,420	43,631,135,963
Additions	433,923,233	11,081,551	10,014,213,170	737,377,823	11,196,595,777
Reclassification	187,500	2,936,686,668	(2,936,874,168)	-	-
Balances at end of year	12,104,637,444	25,296,862,605	13,821,522,448	3,604,709,243	54,827,731,740
Accumulated Depreciation					
Balances at beginning of year	-	5,448,157,153	-	-	5,448,157,153
Depreciation	-	1,330,998,881	-	193,771,808	1,524,770,689
Balances at end of year	-	6,779,156,034	-	193,771,808	6,972,927,842
Net Book Value	₱12,104,637,444	₱18,517,706,571	₱13,821,522,448	₱3,410,937,435	₱47,854,803,898

Investment properties consist mainly of land and commercial centers. These include properties, currently being leased out for future leasing. The commercial centers include retail malls, Vistamalls and Starmalls that are located in key cities and municipalities in the Philippines. These also include office space for lease.

As of December 31, 2020, the construction in progress represents capitalized costs arising from construction of commercial centers that are located in Cabanatuan, Sta. Maria, Bacolod, Davao, Sto. Tomas, Las Pinas, Pampanga, Mactan, Tacloban and Subic which are due to be completed in 2021 to 2022. The percentages of completion of various constructions in progress ranges from 6.50% to 98.78% as of December 31, 2020.

As of December 31, 2019, the construction in progress represents capitalized costs arising from a construction of commercial centers that are located in Las Piñas, Cavite, Bulacan, Naga, Davao, Bacolod, Tacloban, Butuan, Cabanatuan, Isabela, Laguna, Cebu, Ilocos Sur, Quezon and Zamboanga which are due to be completed in 2020 to 2021. The percentages of completion of various constructions in progress ranges from 1.81% to 99.69% in 2019.

The reclassification of ₱78.48 million from construction in progress to building and building improvements in 2020, represents completed retail malls in Naga, Cagayan De Oro, General Trias, Tanza and Talisay Cebu, with gross floor area of 95,575 sqm.

The reclassification of ₱2,936.69 million from construction in progress to building and building improvements in 2019, represents completed retail malls in Naga, Cagayan De Oro, General Trias, Tanza and Talisay Cebu, with gross floor area of 104,107.11 sqm.

Rental income earned from investment properties amounted to ₱6,843.50 million, ₱6,730.45 million and ₱5,673.92 million in 2020, 2019 and 2018, respectively. Repairs and maintenance costs incurred arising from the investment properties amounted to ₱118.73 million, ₱172.89 million and ₱148.39 million for the years ended December 31, 2020, 2019 and 2018, respectively. Cost of property operations amounted to ₱2,661.19 million, ₱3,114.64 million and ₱2,592.95 million for the years ended December 31, 2020, 2019 and 2018, respectively. For the terms and conditions on the lease, refer to Note 25.

As of December 31, 2020 and 2019, the aggregate fair values of investment properties amounted to ₱157,055.45 million, and ₱119,156.73 million, respectively, using Level 3 (significant unobservable inputs).



In 2020, the fair values of the investment properties held for leasing were determined by independent professionally qualified appraisers while that for land and land developments were determined by the appraiser and management. In 2019, all fair values of the investment properties were determined by management.

In the determination of fair values in 2020 and 2019, market value approach method was used for land, income approach method was used for completed and substantially completed malls and office buildings for rent and cost approach method was used for construction in progress under early stage of construction and right-of-use asset.

The key assumptions used to determine the fair value of the investment properties held for leasing are the estimated rental value per sqm per year, rental growth rate per annum, and discount rate. The discount rate used in the valuation are discount rates of 8.67% and 7.13% in 2020 and 2019, respectively. Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate, and an opposite change in the long-term vacancy rate.

The parcels of land are located in cities and municipalities like Mandaluyong, Las Piñas, Taguig, Naga, Bacoor, Imus, San Jose del Monte, Sta. Rosa, Alabang and Kawit. The market price per square meter of the land ranges between ₱1,258 to ₱173,017. The fair value measurement using unobservable data in active market is Level 3 of the fair value hierarchy.

The estimated useful life of the investment properties other than land is 10 to 40 years.

Investment properties with carrying value of ₱5,610.90 million and ₱6,608.78 million are used to secure the bank loans of the Group as of December 31, 2020 and 2019, respectively (Note 14). The fair value of the investment properties used as collateral amounted to ₱52,956.21 million and ₱25,087.84 million under income approach as of December 31, 2020 and 2019, respectively.

The Group's borrowing cost capitalized to investment properties amounted to ₱85.94 million and ₱459.25 million for the years ended December 31, 2020 and 2019, respectively (Note 18). Amortization expense related to right-of-use asset amounted to ₱205.08 million and ₱193.77 million for the years ended December 31, 2020 and 2019. Right-of-use asset is amortized over a period of 2 to 25 years.

The total contractual obligations to either purchase or construct or develop investment properties or for repairs, maintenance and enhances amounted to ₱3,169.65 million and ₱4,287.50 million as of December 31, 2020 and 2019, respectively.

11. Other Assets

This account consists of:

	2020	2019
Input value-added tax (VAT)	₱2,834,287,737	₱2,623,352,898
Restricted cash	289,185,058	665,670,015
Refundable deposits	461,075,694	263,239,299

(Forward)



	2020	2019
Prepaid expenses	₱114,527,160	₱133,175,598
Creditable withholding taxes	6,019,982	7,410,551
Others	15,951,188	15,496,197
	3,721,046,819	3,708,344,558
Less noncurrent portion:		
Restricted cash	(198,312,629)	(423,575,015)
Refundable deposits	(461,075,694)	(250,366,954)
	(659,388,323)	(673,941,969)
	₱3,061,658,496	₱3,034,402,589

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

Creditable withholding taxes pertain to taxes withheld by the customer and are recoverable and can be applied against income tax in future periods. For the years ended December 31, 2020, and 2019, creditable withholding taxes applied to income tax payable amounting to ₱104.95 million and ₱169.18 million, respectively.

Refundable deposits pertain to deposits on utility subscriptions, rental deposits and security deposits. These deposits shall be applied against unpaid utility expenses and rent expenses upon termination of the contracts. These deposits are necessary for the continuing construction and development of the Group's commercial centers.

Prepaid expenses mainly include advertising and marketing fees, taxes and licenses, rentals and insurance paid in advance. These are to be fully amortized within one year.

Restricted cash are deposits restricted solely for payment of the principal amortization and interest of certain bank loans. These deposits bear prevailing interest rates and will be retained as deposits until the bank loans are fully paid. Deposit balance should be equivalent to two quarters of debt amortization. Interest income from restricted cash amounted to ₱38.07 million, ₱11.36 million and ₱10.64 million in 2020, 2019 and 2018, respectively (Note 18). The current and noncurrent portion of the restricted cash pertain to the two quarters of debt amortization for the bank loans maturing on or before December 31, 2021 and bank loans maturing beyond December 31, 2021, respectively.

12. Accounts and Other Payables

This account consists of:

	2020	2019
Accounts payable:		
Contractors	₱1,400,806,535	₱661,202,109
Supplier	976,203,778	692,898,379
Deferred output VAT	664,505,385	512,808,580
Accrued expenses	154,257,478	159,723,554
Current portion of liabilities for purchased land	172,816,841	161,321,669
Current portion of retention payable	626,587,296	73,685,803
Other payables	86,128,510	95,938,018
	₱4,081,305,823	₱2,357,578,112



Accounts payable - contractors

Accounts payable - contractors pertain to contractors' billings for construction services related to the development of various projects of the Group. These are expected to be settled within the year.

Accounts payable - suppliers

Accounts payable - suppliers represent agency fees, construction materials, marketing collaterals, office supplies and property and equipment ordered and delivered but not yet due. These are expected to be settled within the year.

Deferred output VAT

Deferred output VAT pertains to the output VAT on receivables from the Group's leasing operations. This amount is presented as output VAT upon collection of the receivables.

Accrued expenses

Details of accrued expenses as follow:

	2020	2019
Interest (Note 25)	₱29,740,073	₱38,933,263
Security services	28,644,724	44,399,495
Repairs and maintenance	27,609,564	25,747,298
Real property tax	19,265,318	3,904,912
Advertising	15,908,894	10,627,397
Agency services	12,220,478	15,104,959
Utilities	6,982,643	7,655,904
Rental	6,277,848	224,572
Janitorial services	2,349,024	11,650,861
Others	5,258,912	1,474,893
	₱154,257,478	₱159,723,554

Current portion of liabilities for purchased land

Liabilities for purchased land are payables to various real estate property sellers. Under the terms of the agreements executed by the Group covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to the Group only upon full payment of the real estate payables. Liabilities for purchased land that are payable beyond one year from year end date are presented in 'Other noncurrent liabilities' (Note 15).

Current portion of retention payable

Retention payable pertains to 10.00% retention from the contractors' progress billings which will be released after the completion of contractors' project. 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. Retention payables that are payable beyond one year from year end date are presented in 'Other noncurrent liabilities' (Note 15).

Other payables

Other payables include dues from remittance to Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, withholding taxes and various payables. These are noninterest-bearing and are normally settled within one year.



13. Security Deposits and Advance Rent

This account consists of:

	2020	2019
Security deposits	₱792,948,224	₱736,803,307
Advance rent	737,829,721	664,333,506
	1,530,777,945	1,401,136,813
Less noncurrent portion:		
Security deposits (Note 15)	(323,129,545)	(318,376,715)
Advance rent (Note 15)	(473,292,546)	(380,069,756)
	(796,422,091)	(698,446,471)
	₱734,355,854	₱702,690,342

Security deposits

Security deposits represent deposits required by lease agreements. These can be recovered upon termination of the lease agreement through refund or application to unpaid rent and/or other charges. Current portion are those to be applied within one year from financial reporting date.

Advance rent

Advance rent includes three-month advance rental paid by lessee as required under lease contract. These will be applied to the first or last three months rental depending on the contract terms of the related lease contract. These also include overpayments made by lessee against its monthly billings which will applied to future billings. Current portion are those to be applied within one year from financial reporting date.

14. Bank Loans

Bank Loans

Bank loans pertain to the borrowings of the Group from various local financial institutions. These bank loans are obtained to finance capital expenditures and for general corporate purposes.

The rollforward analysis of this account follows:

	December 31, 2020	December 31, 2019
Principal		
Balance at the beginning of year	₱4,302,647,127	₱5,868,451,112
Payment	(1,328,366,778)	(1,565,803,985)
Balance at end of year	2,974,280,349	4,302,647,127
Debt issue cost		
Balance at the beginning of the year	4,973,801	12,041,758
Amortizations	(2,859,769)	(7,067,957)
Balance at end of the year	2,114,032	4,973,801
Carrying value	2,972,166,317	4,297,673,326
Less current portion	(645,937,390)	(1,328,366,778)
Noncurrent portion	₱2,326,228,927	₱2,969,306,548



Details of the bank loans as at December 31, 2020 and 2019 follow:

Loan Type	Date of Availment	2020	2019	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
<i>MAPI</i>							
Bank loan	Availed in various dates in 2013 and 2014	P—	₱356,964,140	August 2020	5.75% to 6.12%	Interest and principal payable quarterly	Current ratio of at least 1:25:1.00; Debt to Equity maximum of 3:00:1.00; with collateral
Bank loan	Availed in various dates in 2015	568,405,348	1,028,190,232	March 2022	5.46%	Interest and principal payable monthly	With collateral Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; with collateral
Bank loan	July 2017	421,875,000	484,375,000	June 2027	6.23%	Interest and principal payable monthly	
		990,280,348	1,869,529,372				
<i>MC</i>							
Bank loan	July 2015	1,981,885,969	2,428,143,954	July 2022	5.75%	Interest and principal payable quarterly	Current ratio of at least 1:00:1.00; Debt to Equity maximum of 3.00:1.00; with collateral
		1,981,885,969	2,428,143,954				
		2,972,166,317	4,297,673,326				
Less noncurrent portion		2,326,228,927	2,969,306,548				
		₱645,937,390	₱1,328,366,778				



Interest expense on bank loans and loans payable amounted to ₱217.07 million, ₱360.86 million, ₱373.97 million in 2020, 2019 and 2018, respectively (Note 18).

The Group has complied with the covenants required by the bank loans as at December 31, 2020 and 2019. The compliance of MAPI and MC to the covenants of their respective bank loans are based on their standalone financial statement balances.

As disclosed in Note 10, certain investment properties are used as collateral to bank loans.

15. Other Noncurrent Liabilities

This account consists of long-term portion of:

	2020	2019
Payable to Contractors - net of current portion (Note 12)	₱768,706,669	₱320,937,656
Advance rent - net of current portion (Note 13)	473,292,546	380,069,756
Retention payable - net of current portion (Note 12)	363,496,267	817,370,868
Security deposits - net of current portion (Note 13)	323,129,545	318,376,715
Liabilities for purchased land - net of current portion (Note 12)	135,103,646	144,685,233
Other payables (Note 12)	49,588,325	42,161,620
Total	₱2,113,316,998	₱2,023,601,848

16. Equity

Capital Stock

The details of the Parent Company's capital stock as at December 31 follow:

	2020	2019
<u><i>Preferred</i></u>		
Authorized shares	10,000,000,000	10,000,000,000
Par value per share	₱0.01	₱0.01
Issued and outstanding shares	2,350,000,000	2,350,000,000
Value of shares issued	₱23,500,000	₱23,500,000
<u><i>Common</i></u>		
Authorized shares	16,900,000,000	16,900,000,000
Par value per share	₱1.00	₱1.00
Issued and outstanding shares	8,425,981,156	8,425,981,156
Value of shares issued	₱8,425,981,156	₱8,425,981,156

Registration Track Record

On November 13, 1970, the SEC approved the listing of the Parent Company's common shares totaling 1,000,000,000 shares. The shares were initially issued at an offer price of ₱0.01 per share.

After listing in 1970, there had been subsequent issuances covering a total of 7,425,981,156 shares.



Below is the summary of the Parent Company's track record of registration of securities with the SEC as at December 31, 2020:

	Number of Shares Registered	Number of holders of securities as of year end
December 31, 2018	8,425,981,156	437
Add/(Deduct) Movement	—	(1)
December 31, 2019	8,425,981,156	436
Add/(Deduct) Movement	—	—
December 31, 2020	8,425,981,156	436

Retained Earnings

In accordance with Revised Securities Regulation Code Rule 68, the Parent Company's retained earnings available for dividend declaration as at December 31, 2020, after reconciling items, amounted to ₱5,562.68 million.

Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries of ₱7,618.41 million, and ₱8,112.62 million in 2020, and 2019, respectively. These are not available for dividends until declared by the subsidiaries.

The BOD approved the declaration of regular cash dividend amounting to ₱131.47 million or ₱0.0156 per share and ₱481.12 million or ₱0.0571 per share in September 30, 2020 and September 30, 2019, respectively. The dividend declarations are in favor of all stockholders of record as of October 15, 2020 and October 15, 2019 paid on October 29, 2020 and October 23, 2019, respectively. (Note 26)

As at December 31, 2020 and 2019, unpaid dividends amounted to ₱0.28 million for both years.

Capital Management

The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group may lengthen the maturity profile of its debt portfolio in order 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.

As at December 31, 2020, 2019 and 2018, the Group had the following ratios:

	2020	2019	2018
Current ratio	0.33	0.28	0.41
Debt-to-equity ratio	1.79	1.70	1.38
Net debt-to-equity ratio	0.11	0.14	0.24
Asset-to-equity ratio	2.79	2.70	2.38



As at December 31, 2020, 2019 and 2018, the Group had complied with all externally imposed capital requirements (Note 14). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020, 2019 and 2018.

The Group considers as capital the equity attributable to equity holders of the Parent Company.

The following table shows the component of the Group's equity which it manages as capital as at December 31, 2020, 2019 and 2018:

	2020	2019	2018
Total paid-up capital	₱14,838,795,510	₱14,838,795,510	₱14,838,795,510
Retained earnings	13,204,169,450	10,615,328,399	8,471,471,436
Other comprehensive income	(1,768,543,981)	529,093,822	(1,188,937,019)
	₱26,274,420,979	₱25,983,217,731	₱22,121,329,927

Financial Risk Assessment

The Group's financial condition and operating results would not be materially affected by the current changes in liquidity, credit, interest, currency and market conditions.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's counterparties remain diverse and the related parties are guaranteed by Fine Properties, Inc., ultimate parent company. As discussed in Note 6, out of the total rental income, 80.45% comes from anchor tenant of the Group which is a related party.

17. Other Operating Income

This account consists of:

	2020	2019	2018
Administrative fees	₱120,994,497	₱322,383,728	₱250,784,212
Gain on derecognition of liabilities	93,196,221	36,928,378	157,814
Mall maintenance and security fees	52,628,160	134,031,259	121,800,033
Advertising fees	30,974,531	39,784,881	37,611,420
Penalties and surcharges	1,021,318	2,311,118	2,660,568
Forfeited deposits and advances and reversals	474,782	2,596,374	31,566,268
Realized gross profit on real estate sales	306,301	11,398,705	2,232,254
Miscellaneous	14,840,347	9,683,739	6,164,536
	₱314,436,157	₱559,118,182	₱452,977,105

Gain on derecognition of liabilities includes gain from termination of lease contract wherein the Group is the lessee (see Note 25).



18. Interest Income and Expense

Interest income consist of:

	2020	2019	2018
Interest income from cash, short term investments and restricted cash (Note 7, 8 and 11)	₱41,837,589	₱18,687,178	₱33,210,648
Interest income from tenants	3,169,682	7,297,440	9,239,132
	₱45,007,271	₱25,984,618	₱42,449,780

Interest expense and other financing charges consist of:

	2020	2019	2018
Bank loans (Note 14)	₱217,067,736	₱360,863,050	₱373,966,083
Lease liabilities (Notes 25)	390,674,379	336,034,670	—
Bank charges	183,189	328,410	244,514
	607,925,304	697,226,130	374,210,597
Amounts capitalized (Note 10)	85,938,092	459,248,544	320,465,180
	₱521,987,212	₱237,977,586	₱53,745,417

19. Income Tax

Provision for income tax consists of:

	2020	2019	2018
Current:			
RCIT	₱213,049,598	₱363,167,092	₱274,241,918
MCIT	160,714	180,504	96,000
Final	7,919,915	2,663,434	4,579,621
Deferred	911,193,324	816,101,928	758,780,922
	₱1,132,323,551	₱1,182,112,958	₱1,037,698,461

The components of the Group's deferred tax assets (liabilities) are as follows:

	2020	2019
Deferred tax assets on:		
Lease liabilities	₱1,121,003,606	₱1,204,763,617
Allowance for impairment	40,636,709	15,726,455
Accrual of retirement costs	19,306,532	9,637,654
MCIT	—	8,333,619
	1,180,946,847	1,238,461,345
Deferred tax liabilities on:		
Capitalized interest and other expenses	(1,109,300,697)	(1,177,954,469)
Right-of-use assets	(885,276,601)	(1,023,281,231)
Straight lining of rent income	(3,238,760,820)	(2,176,954,137)
Accrual gain on pension liability	(3,933,789)	—
	(5,237,271,907)	(4,378,189,837)
	(₱4,056,325,060)	(₱3,139,728,492)



Out of the ₱19.08 million movement in net deferred tax liabilities, ₱2.05 million was booked as movement in OCI in 2020.

Out of the ₱15.73 million movement in net deferred tax liabilities, ₱0.02 million was booked as movement in OCI in 2019.

As at December 31, 2020 and 2019, the Group has deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income for which no deferred tax assets have been recognized as follows:

	2020	2019
NOLCO	₱2,483,495	₱13,303,812
MCIT	64,715	372,504

The related unrecognized deferred tax assets on these deductible temporary differences is coming from the Parent Company of the Group which is a holding company.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Group has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year incurred	Amount	Expired	Applied	Balance	Expiry Year
2017	₱8,278,314	₱7,268,833	₱1,009,483	₱–	2020
2018	5,025,498	–	–	5,025,498	2021
	₱13,303,812	₱7,268,833	₱1,009,483	₱5,025,498	

The Group did not incur NOLCO in taxable year 2020.

As at December 31, 2020, the details of the Group’s MCIT which are available for offset against future taxable income follow:

MCIT

Year incurred	Amount	Expired	Applied	Balance	Expiry Year
2017	₱8,429,619	₱–	₱8,429,619	₱–	2020
2018	96,000	–	–	96,000	2021
2019	180,504	–	–	180,504	2022
2020	160,714	–	–	160,714	2023
	₱8,866,837	₱–	₱8,429,619	₱437,218	



The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in profit or loss follows:

	2020	2019	2018
Provision for income tax at statutory income tax rate	30.00%	30.00%	30.00%
Tax effects of:			
Expiration of NOLCO and MCIT	0.32	1.25	(0.22)
Nondeductible interest and other expenses	0.06	1.13	0.36
Transfer out of pension liability	—	0.42	—
Income already subjected to final tax	(0.23)	(0.12)	(0.07)
Change in unrecognized deferred tax assets	(0.09)	(1.70)	0.16
Others	(0.66)	(0.02)	—
Provision for income tax	29.40%	30.96%	30.23%

Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”

On March 26, 2021, President Rodrigo Duterte signed into law the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations.

Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 27.50% effective July 1, 2020.



This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which will be reflected in the Company's 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 financial statements. Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Group for CY2020 is 27.50%. This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, amounting to ₱195.44 million and ₱31.73 million, respectively, or a reduction of ₱17.77 million and ₱2.88 million, respectively. The reduced amounts will be reflected in the individual company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

This will result in decrease in deferred tax liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱3,899.06 million and ₱151.87 million, respectively. These reductions will be recognized in the 2021 financial statements.

20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Entities under common control are those entities outside the Group but are related parties of Fine Properties, Inc. Related parties may be individuals or corporate entities.

The Parent Company and its subsidiaries have Material Related Party Transactions Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirement under Revised Securities Regulation Code Rule 68 and SEC Memorandum Circular 10, series 2019.

The Parent Company has an approval requirement such that material related party transaction (RPT) shall be reviewed by the Risk Management Committee (the Committee) and endorsed to the BOD for approval. Material RPTs are those transactions that meet the threshold value as approved by the Committee amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements. The Group in their regular conduct of business has entered into transactions with related parties principally consisting of trade transactions from mall leasing, advances, reimbursement of expenses and purchase and sale of real estate properties. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

The Group in their regular conduct of business has entered into transactions with related parties principally consisting of trade transactions from mall leasing, advances, reimbursement of expenses and purchase and sale of real estate properties. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.



The consolidated statements of financial position include the following amounts resulting from the foregoing transactions which represent amounts receivable (payable) with related parties as of December 31, 2020 and 2019:

December 31, 2020

	Nature of Transaction	Volume	Amount	Terms	Conditions
<i>Receivables from tenants (Note 9)</i>					
Ultimate Parent Company	a) Rental of office spaces	(₱1,367,828)	₱758,727	Noninterest-bearing	Unsecured; no impairment
VLLI	a) Rental of office spaces	(1,694,817)	9,645,189	Noninterest-bearing	Unsecured; no impairment
Entities under common control	a) Rental of commercial spaces	(799,312,766)	2,475,532,742	Noninterest-bearing	With guarantee from Fine Properties Inc., no impairment
			₱2,485,936,658		
<i>Investments at fair value through OCI (Note 8)</i>					
VLLI	b) Investments in VLLI shares	(₱2,294,235,056)	₱3,520,334,446	Not held for trading; subject to fair value changes	Unsecured; no impairment
<i>Receivables from related parties</i>					
Ultimate Parent Company	c) Advances	(73,084,182)	819,486,034	Due and demandable; noninterest-bearing	Unsecured; no impairment
	d) Sale of VLLI shares	—	1,960,071,562	Due and demandable; noninterest-bearing	Unsecured; no impairment
	f) Dividend	(1,792,096)	—		
			₱2,779,557,596		
<i>Payables to parent company</i>					
VLLI	c) Advances	(₱1,491,183,043)	₱29,460,856,744	Due and demandable; noninterest-bearing	Unsecured
	f) Dividend	(116,113,805)	—	—	—
			₱29,460,856,744		
<i>Lease liabilities (Note 25)</i>					
Ultimate parent company	e) Rental of parcels of land	(₱11,738,253)	(₱245,635,931)	Scheduled lease payments	Unsecured
Entities under common control	e) Rental of parcels of land	(103,088,788)	(1,582,077,579)	Scheduled lease payments	Unsecured
			(₱1,827,713,510)		
<i>Dividends payable (Note 16)</i>					
Other stockholders	f) Dividend	(₱13,559,828)	(₱275,118)	Due and demandable; noninterest-bearing	Unsecured

December 31, 2019

	Nature of Transaction	Volume	Amount	Terms	Conditions
<i>Receivables from tenants (Note 9)</i>					
Ultimate Parent Company	a) Rental of office spaces	₱773,182	₱2,126,555	Noninterest-bearing	Unsecured; no impairment
VLLI	a) Rental of office spaces	9,136,574	11,340,006	Noninterest-bearing	Unsecured; no impairment
Entities under common control	a) Rental of commercial spaces	1,053,379,563	3,274,845,508	Noninterest-bearing	With guarantee from Fine Properties Inc., no impairment
			₱3,288,312,069		
<i>Investments at fair value through OCI (Note 8)</i>					
VLLI	b) Investments in VLLI shares	₱1,745,123,059	₱5,814,569,502	Not held for trading; subject to fair value changes	Unsecured; no impairment
<i>Receivables from related parties</i>					
Ultimate Parent Company	c) Advances	—	890,778,120	Due and demandable; noninterest-bearing	Unsecured; no impairment
	e) Sale of VLLI shares	—	1,960,071,562	Due and demandable; noninterest-bearing	Unsecured; no impairment
			₱2,850,849,682		

(Forward)



	Nature of Transaction	Volume	Amount	Terms	Conditions
<i>Payables to parent company</i>					
VLLI	c) Advances	₱9,476,547,065	(₱27,853,559,896)	Due and demandable; noninterest-bearing	Unsecured
	f) Dividends	425,024,522	—	—	—
			(₱27,853,559,896)		
<i>Lease liabilities (Note 25)</i>					
Ultimate parent company	e) Rental of parcels of land	₱233,897,678	(₱233,897,678)	Scheduled lease payments	Unsecured
Entities under common control	e) Rental of parcels of land	1,478,988,791	(1,478,988,791)	Scheduled lease payments	Unsecured
			(₱1,712,886,469)		
<i>Dividends payable (Note 16)</i>					
Other stockholders	f) Dividends	₱—	(₱275,118)	Due and demandable; noninterest-bearing	Unsecured

The significant transactions with related parties follow:

- a) The Group has operating lease agreements with All Value Group, anchor tenant, which is comprised of AllHome Corp., AllDay Marts, Inc., Family Shoppers Unlimited, Inc., and CM Star Management, Inc. for the leases of commercial centers. All Value Group is engaged in retail businesses covering supermarkets, retail of apparel, construction materials and home/building appliances and furnishings. The lease agreements are with renewal options and contains escalation clauses.

Rental income and receivables from All Value Group including the effect of future lease rate escalation amounted to ₱1,573 million and ₱9,690.37 million, respectively, as of December 31, 2020 and ₱4,015.66 million and ₱3,109.51 million, respectively, as of December 31, 2019. These receivables from All Value Group which are recognized as 'Accounts receivable from tenants' and 'Accrued rent receivable' under 'Receivables' are not impaired (Note 9).

Rental income and receivables from All Value Group without the effect of future escalation amounted to ₱3,250.15 million and ₱1,418.91 million, respectively, as of December 31, 2020 and ₱3,250.15 million and ₱1,418.91 million, respectively, as of December 31, 2019. These receivables from All Value Group are recognized as 'Accounts receivable from tenants' under 'Receivables' (Note 9). These receivables are due and demandable.

Outstanding rent receivables without the effect of future escalation amounting to ₱1,239.52 million and ₱625.16 million are guaranteed by Fine Properties, Inc. as of December 31, 2020 and 2019, respectively. The guaranteed amount in 2020 excludes those rent receivables pertaining to AllHome Corp.

Certain related party tenants who are entities under common control requested to terminate certain lease contracts in various malls in 2020. Accrued rent receivable from anchor tenants from straight-lining of rental income of ₱1,569.91 million was reversed against rental income for the year ended December 31, 2020.

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19 pandemic, the Group based on its scheme waived its right to collect rent and other charges as part of various lease concessions it granted to its related party lessees such as lease payment holidays or lease payment reductions. The rent concession granted by the Group for the year ended December 31, 2020 amounted to ₱975.17 million.

In May and November 2019, the Group amended certain lease contracts with All Value Group. The amendments of the lease contracts are as follow:

- a. Extension of the lease term by 10-15 years commencing from the lease modification date; and



- b. From annual fixed rent to variable rent based on agreed percentage on gross sales or agreed minimum guaranteed rent (MGR) with annual escalation, whichever is higher

In September 2018, Fine Properties, Inc. assumed certain liabilities of All Value Group from the Group in relation to its lease agreement amounting ₱2,010.00 million. The liabilities assumed were under accounts receivable from tenants.

The Ultimate Parent Company also has lease agreements with the Group for the lease of its office spaces. The rental due is based on prevailing market conditions.

- b) In 2016, MC invested in 752.21 million shares of VLLI at ₱7.15 per share amounting to ₱5,378.29 million. Investment in VLLI is recorded as investment in quoted equity securities carried at fair value through OCI by the Group.
- c) The Group in its regular conduct of business has entered into transactions with ultimate parent company, parent company and other related parties control principally consisting of noninterest bearing advances for working capital requirements and capital expenditures which are due and demandable. The Group's policy is to settle its intercompany receivables and payables on a net basis.
- d) In May 2013, the Group sold the remaining 399,397,000 shares of its investments in VLLI, with a carrying amount of ₱1,906.22 million, for a total consideration of ₱2,772.30 million to Fine Properties Inc. The outstanding receivables in relation to sale of VLLI shares as at December 31, 2019 and 2018 amounted to ₱1,960.07 million. This is noninterest bearing receivables that is due and demandable.
- e) The Group entered into lease agreements pertaining to parcels of land wherein the Group's commercial centers are situated with Fine Properties, Inc. and other related parties under common control of VLLI. These leases have terms ranging from 20 to 25 years, with rental escalation clauses and renewal options.
- f) Details of dividends declared to stockholders are discussed in Note 16.

On September 28, 2018, the Group acquired from Fine Properties parcels of land amounting to ₱4,525.94 million. The land is where the office spaces and commercial center of MAPI are currently situated. The consideration of ₱2,515.94 million was paid in cash while the remaining ₱2,010.00 million was offset against the receivables of the Group from Fine Properties Inc.

In addition, the Parent Company served as the guarantor for the following borrowings entered into by its related parties which the Parent Company unconditionally and irrevocably guaranteed. No fees are charged for these guarantee agreements. The Parent Company assessed that the expected credit loss from its guaranteed obligation of VLLI and VII. is nil. Therefore, the obligation related to the guarantee extended by the Parent Company is nil

A. Dollar Denominated Bonds

- a. US\$200.00 million Notes (Due July 2027)

On July 20, 2020, VLL International, Inc. (VII), a wholly-owned subsidiary of VLLI, issued US\$ 200.00 million notes ("Notes") which are due on July 10, 2027 for refinance existing debt and for general corporate purposes.



As of December 31, 2020, outstanding balance of the note amounted to US\$198.07 million (₱9,511.86 million).

b. US\$350.00 million Notes (Due November 2024)

On November 28, 2017, VII issued US\$350.00 million notes ("Notes") which are due on November 28, 2024 for general working capital purposes, refinancing and other general corporate purposes of the subsidiaries under VLLI.

As of December 31, 2020, and 2019, outstanding balance of the note amounted to US\$343.81 million (₱16,510.73 million) and US\$342.67 million (₱17,351.21 million), respectively.

c. US\$425.00 million Notes (Due June 2022)

On June 18, 2015, VII issued US\$300.00 million bonds which are due on June 22, 2022 for general working capital purposes, refinancing and other general corporate purposes of the subsidiaries under VLLI. As of December 31, 2020, and 2019, outstanding balance of note amounted to US\$240.47 million (₱11,547.94 million) and US\$237.57 million (₱12,029.30 million), respectively.

On February 2, 2016, VII issued additional USD\$125.00 million bonds with the same terms and conditions with the above note. On September 29, 2016, VII repurchased US\$54.54 million out of the US\$425.00 million notes outstanding balance prior to the repurchase date. As of December 31, 2020, and 2019, outstanding balance of note amounted to US\$124.87 million (₱5,996.60 million) and US\$124.87 million (₱6,322.58 million), respectively.

B. Corporate Note Facility

a. ₱15,000.00 million Corporate Notes

On July 15, 2019, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement for the issuance of a long-term corporate notes consisting of Five-Year Corporate Notes due 2024 amounting to ₱14,500.00 million at a fixed rate of 6.77% per annum, payable quarterly.

On October 17, 2019, an additional issuance of Corporate Notes was made in the amount of ₱500.00 million due 2024, at a fixed interest of 6.77% per annum, payable quarterly.

As of December 31, 2020, and 2019, the outstanding balance of the Corporate Notes is ₱13,973.50 million and ₱14,861.46 million, respectively.

b. ₱8,200.00 million Corporate Notes

On July 11, 2018, VLLI entered into a Corporate Notes Facility Agreement for the issuance of a long term corporate notes consisting of Seven-Year Corporate Notes due 2025 amounting to ₱1,700.00 million and Ten-Year Corporate Notes due 2028 amounting to ₱6,000.00 million at a fixed rate of 7.7083% per annum, payable quarterly.

On July 25, 2018, an additional issuance of Corporate Notes was made in the amount of ₱500.00 million due 2025, at a fixed interest of 7.4985% per annum.

As of December 31, 2020, and 2019, the outstanding balance of the Corporate Notes is ₱6,847.66 million and ₱7,863.84 million, respectively.



c. ₱10,000.00 million Corporate Notes

On December 28, 2016, VLLI entered into a Corporate Notes Facility Agreement for the issuance of a long-term corporate notes with a principal amount of up to ₱8,000.00 million. On April 21, 2017, a consent solicitation was made for amendments to include among others, increasing the Corporate Notes principal amount to up to ₱10,000.00 million in respect to the second drawdown. Such amendments were consented by Note Holders representing at least fifty one percent (51%) of the outstanding Corporate Notes.

On April 27, 2017, VLLI made such amendments to the Corporate Note Facility dated December 28, 2016. The first drawdown was at ₱5,150.00 million in 2016. On May 3, 2017, VLLI made its second drawdown at ₱4,850.00 million, payable quarterly.

As of December 31, 2020, and 2019, the outstanding balance of the Corporate Note is ₱9,148.55 million and ₱9,341.41 million, respectively.

C. Peso-denominated Loan

a. ₱5,000.00 million Loan

On March 2020, the Parent Company obtained a 5-year unsecured peso denominated loan amounting to ₱5,000.00 million which bears annual fixed interest of 4.89%, payable quarterly. The principal balance of the loan will be paid in 19 equal quarterly installments commencing September 2020. As of December 31, 2020, the outstanding balance of the peso denominated loan is ₱4,445.64 million.

b. ₱3,000.00 million Loan

On October 24, 2019, VLLI obtained an additional 5-year unsecured peso denominated loan from a local bank amounting to ₱3,000.00 million. As of December 31, 2020 and 2019, the outstanding balance of the peso denominated loan is ₱2,210.53 million and ₱2,842.11 million, respectively.

c. ₱2,000.00 million Loan

On May 6, 2019, VLLI obtained a 5-year unsecured peso denominated loan from a local bank amounting to ₱2,000.00 million. As of December 31, 2020 and 2019, the outstanding balance of the peso denominated loan is ₱1,388.14 million and ₱1,778.33 million, respectively.

d. ₱2,000.00 million Loan

On November 16, 2018, VLLI obtained a 5-year unsecured peso denominated loan from a local bank amounting to ₱2,000.00 million. As of December 31, 2020 and 2019, the outstanding balance of the peso denominated loan is ₱1,500.00 million and ₱2,000.00 million, respectively.

e. ₱2,000.00 million Loan

On October 3, 2018, VLLI obtained a 5-year unsecured peso denominated loan from a local bank amounting to ₱2,000.00 million. As of December 31, 2020 and 2019, the outstanding balance of the peso denominated loan is ₱1,490.80 million and ₱1,980.50 million.



Key Management Personnel Compensation

The compensation of key management personnel by benefit type follows:

	2020	2019	2018
Short-term employee benefits	₱18,553,354	₱21,393,009	₱36,163,446
Post-employment benefits	9,349,045	11,809,991	10,785,632
	₱27,902,399	₱33,203,000	₱46,949,078

21. Earnings Per Share and Noncontrolling Interest

The following table presents information necessary to compute the EPS:

	2020	2019	2018
Net profit attributable to equity holders of Parent Company	₱2,720,306,780	₱2,626,326,397	₱2,407,017,260
Weighted average common shares	8,425,981,156	8,425,981,156	8,425,981,156
Basic/Diluted EPS	₱0.323	₱0.312	₱0.286

The basic and dilutive earnings per share are the same due to the absence of potentially dilutive common shares for the years ended December 31, 2020, 2019 and 2018.

The summarized financial information of Manuela Corporation is provided below. The information is based on amounts before inter-company eliminations.

Manuela Corporation

	2020	2019	2018
Assets	₱18,511,080,448	₱20,725,441,937	₱17,814,755,781
Liabilities	5,704,297,717	5,868,775,933	5,138,762,719
Equity	12,806,782,731	14,856,666,004	12,495,993,062
Net income	248,722,989	616,283,597	955,160,854
Other comprehensive (loss) income	(2,298,606,263)	1,744,389,339	(432,515,305)

As of December 31, 2020, 2019 and 2018, the accumulated balances of and net income attributable to non-controlling interests follows:

	2020	2019	2018
Accumulated balances	₱156,294,916	₱159,356,628	₱120,641,592
Net income	373,084	10,107,051	15,664,638
Other comprehensive income (loss)	(3,061,712)	28,607,985	(7,093,251)

22. Contingencies

The Group is contingently liable with respect to lease contracts and other transactions arising in the ordinary course of business.

The Group has various contingent liabilities from legal cases arising from the ordinary course of business which are either pending decision by the courts or are currently being contested by the Group, the outcome of which are not presently determinable.



In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect in the Group's financial position and results of operations.

23. Fair Value Determination

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: Valuation techniques involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Other valuation techniques involving inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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, short-term cash investments, restricted cash, accounts receivable from tenants, other receivables, receivables from related parties, accounts and other payables (except for deferred output VAT and other statutory payables), dividends payable and payable to related parties: Due to the short-term nature of the accounts, the fair value approximate the carrying amounts in the consolidated statements of financial position except for the carrying value of the noncurrent portion of restricted cash which represents its fair value as it carries interest rate that are prevailing market rates for similar type of instrument.

Investments at FVTPL and FVOCI

Fair values of equity securities are based on quoted market prices.

Bank loans

Estimated fair values are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranges from 3.29% to 4.36% in 2020 and 4.69% to 5.97% in 2019 using the remaining terms to maturity.

Liabilities for purchased land and retention payable

Estimated fair value are based on the discounted value of future cash flows using the prevailing interest rates for similar types of instruments as of the reporting date using the remaining terms of maturity. The discount rate used is 5.41% in 2020 and 5.32% in 2019 using the remaining terms to maturity.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities recognized as at December 31, 2020 and 2019:

	Carrying Value	December 31, 2020			Total
		Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets					
Financial assets measured at fair value (Note 8):					
Investments at FVTPL	₱22,264,152	₱22,264,152	₱—	₱—	₱22,264,152
Investments at FVOCI	3,520,334,446	3,520,334,446	—	—	3,520,334,446

(Forward)



December 31, 2020					
	Carrying Value	Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Liabilities					
Financial liabilities for which fair values are disclosed:					
Bank loans (Note 14)	₱2,972,166,317	₱—	₱—	₱3,075,538,982	₱3,075,538,982
Lease liabilities (Note 25)	3,736,678,687	—	—	5,305,271,487	5,305,271,487
Liabilities for purchased land (Notes 12 and 15)	307,920,487	262,903,742	—	—	262,903,742
Retention payable (Notes 12 and 15)	990,083,563	945,948,522	—	—	945,948,522
December 31, 2019					
	Carrying Value	Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets					
Financial assets measured at fair value (Note 8):					
Investments at FVTPL	₱29,669,110	₱29,669,110	₱—	₱—	₱29,669,110
Investments at FVOCI	5,814,569,502	5,814,569,502	—	—	5,814,569,502
Liabilities					
Financial liabilities for which fair values are disclosed:					
Bank loans (Note 14)	4,297,673,326	—	—	4,307,594,684	4,307,594,684
Lease liabilities (Note 25)	4,015,878,723	—	—	5,473,160,518	5,473,160,518
Liabilities for purchased land (Notes 12 and 15)	306,006,902	—	—	275,885,219	275,885,219
Retention payable (Notes 12 and 15)	891,056,671	—	—	810,599,054	810,599,054

In 2020 and 2019, there were no transfers between Levels of fair value measurements.

Significant increases (decreases) in discount rate would result in significantly higher (lower) fair value of the restricted cash, bank loans, liabilities for purchased land and retention payable.

Description of significant unobservable inputs to valuation:

Account	Valuation Technique	Significant Unobservable Inputs
Bank loans	Discounted cash flow analysis	Discount rate
Lease liabilities	Discounted cash flow analysis	Discount rate
Liabilities for purchased land	Discounted cash flow analysis	Discount rate
Retention payable	Discounted cash flow analysis	Discount rate

24. Financial Assets and Liabilities

Financial Risk Management Objectives and Policies

Financial risk

The Group's principal financial liabilities comprise of accounts and other payables (except for deferred output VAT and other statutory payables), dividends payable, payable to related parties, liabilities for purchased land, retention payable and bank loans. The main purpose of the Group's financial liabilities is to raise financing for the Group's operations. The Group has various financial assets such as cash, short-term cash investments, receivables (except for advances to contractors), receivables from related parties, restricted cash, investment at FVTPL and investment at FVOCI



which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, credit risk and liquidity risk.

The BOD reviews and approves with policies for managing each of these risks. The Group monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Group's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

Cash flow interest rate risk

The Group's exposure to market risk for changes in interest rates, relates primarily to its financial assets and liabilities that are interest-bearing.

The Group's policy is to manage its interest cost by entering into fixed rate debts.

The table below shows the financial assets and liabilities that are interest-bearing:

	December 31, 2020		December 31, 2019	
	Effective Interest Rate	Amount	Effective Interest Rate	Amount
Financial assets				
<i>Fixed rate</i>				
Cash* (Note 7)	0.10% to 1.52%	₱163,831,500	0.10% to 1.25%	₱558,185,223
Short-term cash investments (Note 8)	3.00% to 3.25%	7,496,416	3.00% to 3.25%	62,810,499
Restricted cash (Note 11)	3.13% to 6.25%	289,185,058	3.13% to 6.25%	665,670,015
		₱460,512,974		₱1,286,665,737
Financial liabilities				
<i>Fixed rate</i>				
Bank loans (Note 14)	7.08% to 9.73%	₱2,972,166,317	5.75% to 6.25%	₱4,297,673,326

*Excluding cash on hand

As of December 31, 2020 and 2019, the Group's leasing income and operating cash flows are substantially independent of changes in market interest rates.

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 is exposed to credit risk from its operating activities primarily from receivables from tenants and from its investing activities primarily from short-term cash investments with banks and financial institutions.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Receivables are regularly monitored.

With respect to credit risk arising from the other financial assets of the Group, which are comprised of cash in banks, short-term cash investments, receivables from related parties, restricted cash, investment at FVTPL and investment at FVOCI, 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 manages its cash by maintaining cash accounts with banks which have demonstrated financial soundness for several years.



The Group evaluates the concentration of risk with respect to receivables from third party tenants as low, as its customers are located in several jurisdictions and various income brackets, and operate in largely independent markets.

The Group evaluates the concentration of risk with respect to receivable from related parties (refer to Note 20). The related parties have a strong capacity to meet their contractual cash flows and/or guaranteed by Fine Properties, Inc., ultimate parent company.

Credit risk arising from receivable from third party tenants is primarily managed through a screening of tenants based on credit history and financial information submitted. Tenants are required to pay security deposits equivalent to 3-months lease payment to cover any defaulting amounts and advance rentals also equivalent to 3-month rent.

Credit risk arising from receivable from related party tenants, aside from the same terms of security deposits and advance rent, is minimal due to the guarantee provided by Fine Properties, Inc., ultimate parent company.

Credit risk arising from receivables from related parties is minimal as they have a low risk of default and have a strong capacity to meet their contractual cash flows in the near term.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk as of December 31, 2020 and 2019 is equal to the carrying values of its financial assets.

Applying the expected credit risk model resulted to recognition of impairment loss of ₱82.16 million for all financial assets in 2020 and ₱52.63 million in 2019.

Liquidity Risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded through cash collections. The Group's loan maturity profile is regularly reviewed to ensure availability of funding through adequate credit facilities with banks and other financial institutions.

The extent and nature of exposures to liquidity risk and how they arise as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2020 and 2019.



Maturity Profile of Financial Liabilities

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2019 and 2018 based on undiscounted contractual payments, including interest payable.

	December 31, 2020				
	On Demand	1 to 3 Months	3 to 12 Months	More than 1 year	Total
Financial Liabilities					
<i>Financial liabilities at amortized cost</i>					
Bank loans (Note 14)	P=	P329,174,166	P945,426,744	P2,281,163,553	P3,555,764,463
Lease liabilities (Note 25)	—	99,964,511	312,849,419	10,208,062,624	10,620,876,554
Accounts and other payables* (Notes 12 and 15)	—	3,330,671,927	734,355,854	1,267,306,581	5,332,334,362
Dividends payable	275,118	—	—	—	275,118
Payables to related parties (Note 20)	29,460,856,744	—	—	—	29,460,856,744
	P29,461,131,862	P3,759,810,604	P1,992,632,017	P13,756,532,758	P48,970,107,241

*Excluding deferred output VAT, other payables, noncurrent portion of security deposits and noncurrent portion of advance rent

	December 31, 2019				
	On Demand	1 to 3 Months	3 to 12 Months	More than 1 year	Total
Financial Liabilities					
<i>Financial liabilities at amortized cost</i>					
Bank loans (Note 14)	P=	P425,890,997	P1,125,234,714	P3,265,022,405	P4,816,148,116
Lease liabilities (Note 25)	—	10,990,573	40,683,608	3,964,204,541	4,015,878,722
Accounts and other payables* (Notes 12 and 15)	—	926,415,303	982,139,765	1,282,993,757	3,191,548,825
Dividends payable	275,118	—	—	—	275,118
Payables to related parties (Note 20)	27,853,559,896	—	—	—	27,853,559,896
	P27,853,835,014	P1,363,296,873	P2,148,058,087	P8,512,220,703	P39,877,410,677

*Excluding deferred output VAT, other payables, noncurrent portion of security deposits and noncurrent portion of advance rent

25. Leases

The Group as a Lessor

The Group has entered into non-cancellable property leases on its investment property portfolio, consisting of retail mall spaces and BPO commercial centers which generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as of December 31, 2020 and 2019 follow:

	2020	2019
Within one year	P3,715,769,210	P5,543,492,704
After one year but not more than five years	17,935,626,658	24,379,271,412
More than five years	80,431,314,268	55,957,270,244
	P102,082,710,136	P85,880,034,360

Rental income included in the consolidated statements of comprehensive income for the years ended December 31, 2020, 2019 and 2018 amounted to P6,843.50 million, P6,730.45 million and P5,673.92 million, respectively.



Contingent rent included in rental income for the years ended December 31, 2020, 2019 and 2018 amounted to ₱1,342.60 million, ₱1,899.60 million and ₱782.73 million, respectively.

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19 pandemic, the Group came up with its own waiver scheme that applies to different classifications of lessees based on their respective financial position and performance before and during the community quarantine, their status as an essential vis-à-vis non-essential service, and their growth projections. The Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions. Granting of concessions were extended up to December 31, 2020 and beyond depending on the tenant's profile and credit. The rent concession granted by the Group for the year ended December 31, 2020 amounted to ₱1,478.44 million.

The Group as a Lessee

The Group, as lessee, has lease contracts for parcels of land where its commercial centers are situated with the lease term of 2 - 25 years. Rental due is based on prevailing market conditions. Generally, the Group is not restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options, which are further discussed below.

In 2020, the group as Lessee received rent concession amounting to ₱15.25 million.

The following are the amounts recognized in consolidated statement of comprehensive income:

	2020	2019
Depreciation expense of right-of-use assets included in investment properties	₱200,001,046	₱193,771,808
Interest expense on lease liabilities	390,674,378	237,649,175
Expenses relating to short-term leases (included in operating expenses)	1,915,174	4,674,950
Expenses relating to leases of low-value assets (included in operating expenses)	131,095	945,276
Total amount recognized in statement of comprehensive income	₱592,721,693	₱437,041,209

The rollforward analysis of lease liabilities follows:

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	₱4,015,878,723	₱3,223,629,921
Additions	187,295,437	712,587,624
Terminations	(528,417,878)	—
Interest expense (Note 18)	390,674,379	336,034,670
Payments	(328,751,974)	(256,373,492)
Balance at the end of the year	3,736,678,687	4,015,878,723
Less current portion	62,694,367	51,674,182
Noncurrent portion	₱3,673,984,320	₱3,964,204,541



On September 30, 2020, the Group terminated two lease contracts with third party lessors covering parcels of land previously used as open space parking facility. This resulted to reversal of the related right-of-use asset and lease liability and gain on pre termination amounting to ₱74.16 million presented under other operating income in the consolidated statements of comprehensive income.

The Group has no lease contract that contains variable payments. The Group's fixed payments amounted to ₱328.68 million.

The Group's lease contracts include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (Note 5).

Shown below is the maturity analysis of the undiscounted lease payments:

	December 31, 2020	December 31, 2019
Within 1 year	₱412,813,929	₱338,680,516
More than 1 year to 2 years	425,764,525	412,813,929
More than 2 years to 3 years	441,693,861	425,764,526
More than 3 years to 4 years	461,402,459	441,693,861
More than 5 years	8,879,201,779	9,340,604,238
	₱10,620,876,553	₱10,959,557,070

26. Notes to Consolidated Statements of Cash Flows

Details of the movement in cash flows from financing activities follow:

Non-cash Change									
	December 31, 2019	Cash Flows	Amortization of debt issue cost	Lease liabilities	Declaration of dividends	Receivable from ultimate parent company	Payable to parent company	Interest and other financing charges (including capitalized borrowing cost)	December 31, 2020
Payables to related parties (Note 20)	₱27,853,559,896	₱1,491,183,043	₱-	₱-	₱-	₱-	₱116,113,805	₱-	₱29,460,856,744
Dividends payable	275,118	(13,559,828)	-	-	131,465,729	(1,792,096)	(116,113,805)	-	275,118
Bank loans (Note 14)	4,297,673,326	(1,328,366,778)	2,859,769	-	-	-	-	-	2,972,166,317
Interest payable (Note 12)	38,933,263	(175,457,893)	(2,859,769)	-	-	-	-	169,124,472	29,740,073
Lease liabilities (Note 25)	4,015,878,723	(328,751,973)	-	(341,122,441)	-	-	-	390,674,378	3,736,678,687
Total liabilities from financing activities	₱36,206,320,326	(₱354,953,429)	₱-	(₱341,122,441)	₱131,465,729	(₱1,792,096)	₱-	559,798,850	36,199,716,939

Non-cash Change									
	December 31, 2018	Cash Flows	Amortization of debt issue cost	Lease liabilities	Declaration of dividends	Receivable from ultimate parent company	Payable to parent company	Interest and other financing charges (including capitalized borrowing cost)	December 31, 2019
Payables to related parties (Note 20)	₱18,377,012,831	₱9,476,547,065	₱-	₱-	₱-	₱-	₱-	₱-	₱27,853,559,896
Dividends payable	275,118	(481,123,525)	-	-	481,123,525	-	-	-	275,118
Bank loans (Note 14)	5,856,409,354	(1,565,803,985)	7,067,957	-	-	-	-	-	4,297,673,326
Interest payable (Note 12)	-	(315,190,240)	(7,067,957)	-	-	-	-	361,191,460	38,933,263
Lease liabilities (Note 25)	3,223,629,921	(256,373,492)	-	712,587,624	-	-	-	336,034,670	4,015,878,723
Total liabilities from financing activities	₱27,457,327,224	₱6,858,055,823	₱-	₱712,587,624	₱481,123,525	₱-	₱-	₱697,226,130	₱36,206,320,326

The Group's noncash investing and financing activities pertain to the following:

- Recognition of mark-to-market loss and mark-to-market gain amounting to ₱7.40 million and ₱0.80 million in 2020 and 2019, respectively. Recognition of unrealized fair value loss of investment held at fair value through OCI amounting to ₱1,745.12 million during the year.



- b) Recognition additions in right-of-use asset and lease liability amounting to ₱328.22 million and ₱341.12 million, respectively, during the year. (Notes 10 and 25).
- c) Application of dividends against outstanding receivable from and payable to related parties amounting ₱1.79 million and ₱116.11 million as of December 31, 2020, respectively.
- d) As at December 31, 2020 and 2019, unpaid investment properties amounted to ₱1,699.97 million and ₱1,241.10 million, respectively.
- e) As at December 31, 2020 and 2019, unpaid property and equipment amounted to ₱4.86 million and ₱9.76 million, respectively.
- f) As at December 31, 2020 and 2019, the Group applied creditable withholding taxes amounting to ₱96.61 million and ₱169.18 million, respectively.

27. Other Matters

COVID-19 Pandemic

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures in various levels throughout the country has caused disruption in the Group's business activities.

The Group has adjusted its operations in accordance with the required measures and safety protocols. Commercial spaces have opened and construction and real estate development activities have resumed at various level of activities following safety protocols mandated by the national government.

28. Approval of the Financial Statements

The consolidated financial statements of the Group as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were authorized for issue by the BOD on April 21, 2021.



INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Vistamalls, Inc. and Subsidiaries
LGF, Building B, Evia Lifestyle Center
Vista City, Daanghari, Almanza II
Las Piñas City

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Vistamalls, Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated April 21, 2021. 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 Consolidated Financial Statements and 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 audit procedures applied in the audit of the basic consolidated financial statements, and in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
Cyril Jasmin B. Valencia

Partner

CPA Certificate No. 90787

SEC Accreditation No. 1737-A (Group A),

January 24, 2019, valid until January 23, 2022

Tax Identification No. 162-410-623

BIR Accreditation No. 08-001998-074-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534376, January 4, 2021, Makati City

April 21, 2021

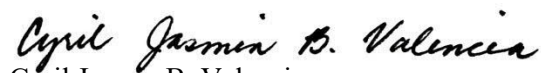


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Vistamalls, Inc. and Subsidiaries
LGF, Building B, Evia Lifestyle Center
Vista City, Daanghari, Almanza II
Las Piñas City

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Vistamalls, Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 21, 2021. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Cyril Jasmin B. Valencia

Partner

CPA Certificate No. 90787

SEC Accreditation No. 1737-A (Group A),

January 24, 2019, valid until January 23, 2022

Tax Identification No. 162-410-623

BIR Accreditation No. 08-001998-074-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534376, January 4, 2021, Makati City

April 21, 2021



VISTAMALLS, INC.

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2020**

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱2,474,214,714
Add: Net income actually earned/realized during the period	
Net income during the period closed to retained earnings	3,214,865,472
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	—
Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	5,183,471
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 the PFRS	—
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS/GAAP-loss	—
Loss on fair value adjustment of investment property (after tax)	—
Net income actually earned during the period	3,220,048,943
Add (Less):	
Dividend declarations during the period	(131,445,306)
Appropriations of retained earnings during the period	—
Reversals of appropriations	—
Effects of prior period adjustments	—
Treasury shares	—
TOTAL RETAINED EARNINGS, END	
AVAILABLE FOR DIVIDEND DECLARATION	₱5,562,675,020

VISTAMALLS, INC. AND SUBSIDIARIES
INDEX TO SUPPLEMENTARY SCHEDULES

Report of Independent Auditors on Supplementary Schedules

- I. Schedule of Financial Soundness Indicators (Part 1, Annex 68-E)
- II. Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, Annex 68-D)
- III. Supplementary schedules required by Annex 68-J
 - 1. Financial Assets (Current Marketable Equity and Debt Securities and Other Short-Term Cash Investments)
 - 2. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
 - 3. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
 - 4. Long-term Debt
 - 5. Indebtedness to Related Parties
 - 6. Guarantees of Securities of Other Issuers
 - 7. Capital Stock
- IV. Map of the relationships of the companies within the group

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES**SCHEDULE A: FINANCIAL ASSETS****DECEMBER 31, 2020**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Cash (excluding cash on hand)	N/A	₱163,831,500	₱163,831,500	₱3,767,328
Accounts receivables	N/A	3,511,708,988	3,511,708,988	3,169,682
Installment contracts receivables	N/A	67,479,204	67,479,204	2,224,698
Investments in mutual funds	N/A	22,264,152	22,264,152	—
Investments in quoted equity shares (VLL)	N/A	3,520,334,446	3,520,334,446	—
Restricted cash	N/A	289,185,058	289,185,058	38,070,262
Total financial assets		₱7,574,803,348	₱7,574,803,348	₱47,231,970

See Note 7, 8, 9 and 11 of the Consolidated Financial Statements

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES**SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)****DECEMBER 31, 2020**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts liquidated	Amounts written off	Current	Not current	Balance at end of period
Receivable from employees	₱10,406,647	₱294,830,555	₱253,557,882	₱—	₱51,679,320	₱—	₱51,679,320

See Note 9 of the Consolidated Financial Statements

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES**SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Name and Designation of Debtor/Creditor	Balance at Beginning of Period	Additions	Amounts Liquidated	Amounts Converted to APIC/Capital Stock	Current	Noncurrent	Balance at end of period
Vistamalls, Inc.	₱29,666,489,860	₱10,437,264,727	₱5,629,166,299	₱—	₱—	₱—	34,474,588,288
Manuela Corporation	6,697,132,495	1,220,854,695	868,709,245	—	—	—	7,049,277,945
Masterpiece Asia Properties, Inc.	(36,363,622,355)	7,951,788,419	2,791,544,540	—	—	—	(41,523,866,233)

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES**SCHEDULE D: LONG TERM DEBT****DECEMBER 31, 2020**

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet	Interest rates	Amount	Number of periodic installments	Maturity date
Bank loan 1	₱2,273,613,392	₱454,724,278	₱113,681,070	6.25%	₱568,405,348	Quarterly interest and principal payment	March 2022
Bank loan 2	500,000,000	62,500,000	359,375,000	5.75%	421,875,000	Quarterly interest and principal payment	June 2027
Bank loan 3	4,330,000,000	128,713,112	1,853,172,857	5.75%	1,981,885,969	Quarterly interest and principal payment	July 2022
	₱7,103,613,392	₱645,937,390	₱2,326,228,927		₱2,972,166,317		

See Note 14 of the Consolidated Financial Statements

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2020

Name of related party	Balance at beginning of period	Balance at end of period
Payable to parent company	₱27,853,559,896	₱29,460,856,744

See Note 20 of the Consolidated Financial Statements

VISTAMALLS, INC. AND SUBSIDIARIES
SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2020

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 of owned by person for which statement is filed	Nature of guarantee
VLL International, Inc.	Dollar-denominated bonds	₱9,511,857,608	₱9,511,857,608	Guaranteed principal payments of the securities
VLL International, Inc.	Dollar-denominated bonds	16,510,730,542	17,351,206,777	Guaranteed principal payments of the securities
VLL International, Inc.	Dollar-denominated bonds	17,544,547,004	17,544,547,004	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Corporate notes facility	13,973,499,757	13,973,499,757	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Corporate notes facility	6,847,662,256	6,847,662,256	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Corporate notes facility	9,148,551,700	9,148,551,700	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Bank loans	4,455,643,122	4,455,643,122	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Bank loans	2,210,526,316	2,210,526,316	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Bank loans	1,388,144,450	1,388,144,450	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Bank loans	1,500,000,000	1,500,000,000	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Bank loans	1,490,803,909	1,490,803,909	Guaranteed principal payments of the securities
		₱84,581,966,664	₱85,422,442,899	

See Note 20 of the Consolidated Financial Statements

VISTAMALLS, INC. AND SUBSIDIARIES**SCHEDULE G: CAPITAL STOCK****DECEMBER 31, 2020**

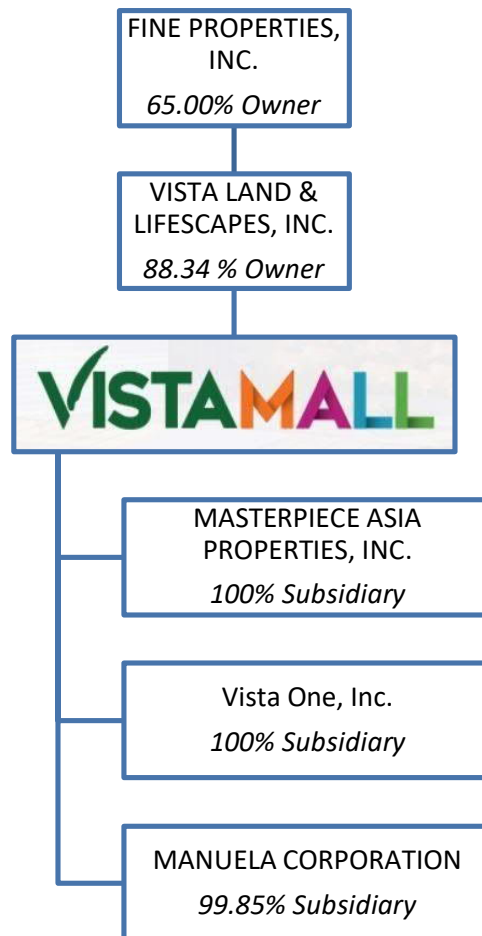
Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common Stock, ₱1 par value	16,900,000,000	8,425,981,156 shares issued; and outstanding	–	7,558,070,596	6,100	867,904,460
Preferred Stock, ₱0.01 par value	10,000,000,000	2,350,000,000 shares issued and outstanding	–	2,350,000,000	–	–

See Note 16 of the Consolidated Financial Statements

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES

GROUP STRUCTURE

Below is the map showing the relationship between and among the Group and its Parent Company, and its subsidiaries as of December 31, 2020.



SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

VISTAMALLS, INC. AND SUBSIDIARIES AS OF DECEMBER 31, 2020 AND 2019

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2020, 2019 and 2018

		2020	2019	2018
Current ratio	<u>Current assets</u>			
	<u>Current liabilities</u>	0.33	0.28	0.41
Acid test ratio	<u>Quick asset¹</u>			
	<u>Current liabilities</u>	0.31	0.27	0.39
Solvency ratio	<u>Net income + Depreciation</u>			
	<u>Total liabilities</u>	0.09	0.09	0.11
Debt ratio	<u>Interest bearing debt²</u>			
	<u>Total assets</u>	0.04	0.06	0.11
Asset to equity ratio	<u>Total assets</u>			
	<u>Total equity</u>	2.79	2.70	2.38
Interest service coverage ratio	<u>EBITDA</u>			
	<u>Total interest paid</u>	32.68	17.82	10.60
Return on equity	<u>Net income</u>			
	<u>Total equity</u>	0.10	0.10	0.11
Return on assets	<u>Net income</u>			
	<u>Average total assets</u>	0.03	0.04	0.05
Net profit margin	<u>Net income</u>			
	<u>Net revenue</u>	0.63	0.65	0.70

¹Includes Cash, Short-term investments, Investment at FVTPL, Current receivables, Receivable from ultimate parent company and Other current asset

²Includes current and noncurrent portion of Bank loans

Figures used in the computation	December 31, 2020	December 31, 2019
Current assets	₱11,502,749,445	₱ 9,146,135,268
Current liabilities	35,020,041,089	32,334,730,825
Quick asset ¹	11,200,911,829	8,844,297,652
Net income + Depreciation	4,266,251,512	4,195,293,657
Total liabilities	47,261,060,270	44,483,619,167
Interest bearing debt ²	2,972,166,317	4,297,673,326
Total assets	73,691,776,165	70,626,193,526
Total equity	26,430,715,895	26,142,574,359
EBITDA	5,920,562,275	5,615,384,201
Total interest paid	175,457,893	315,190,240
Net income	2,720,679,864	2,636,433,448
Average total assets	84,690,120,723	68,803,501,714
Net revenue	4,337,388,314	4,029,741,953

COVER SHEET

C	S	0	0	0	0	3	9	5	8	7
S.E.C. Registration Number										

V	I	S	T	A	M	A	L	L	S	,	I	N	C	.	(F	O	R	M	E	R	L	Y	
S	T	A	R	M	A	L	L	S	,	I	N	C	.)										

(Company's Full Name)

L	O	W	E	R		G	R	O	U	N	D		F	L	O	O	R	,								
B	U	I	L	D	I	N	G			B	,		E	V	I	A										
L	I	F	E	S	T	Y	L	E		C	E	N	T	E	R	,		V	I	S	T	A				
C	I	T	Y	,		D	A	A	N	G	H	A	R	I	,		A	L	M	A	N	Z	A		I	I
L	A	S		P	I	Ñ	A	S		C	I	T	Y													

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

Brian N. Edang									
Contact Person									

8571-5948									
Company Telephone Number									

1	2	3	1
Month	Day		
Calendar Year			

17-Q
FORM TYPE

Month	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

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File Number

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Document I.D.

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended March 31, 2021
2. SEC Identification Number 39587
3. BIR Tax Identification No. 000-806-396
4. VISTAMALLS, INC.
Exact name of the registrant as specified in its charter
5. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation
6. Industry Classification Code (SEC Use Only)
7. Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City
Address of Principal Office 1747
Postal Code
8. (63) 2 8571-5948
Registrant's telephone number, including area code
9. STARMALLS, INC.
Former name, former address and former fiscal year, if change since last report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA
- | Title of each Class | Number of Shares of common stock outstanding |
|------------------------|--|
| Common stock | 8,425,981,156 shares |
| Preferred stock | 2,350,000,000 shares |
11. Are any of the registrant's securities listed on the Philippine Stock Exchange?
Yes [x] No []
- If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange – Common Shares
12. Check whether the registrant:
- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period of the registrant was required to file such reports.)
- Yes [x] No []
- (b) has been subject to such filing requirements for the past 90 days.
- Yes [x] No []

TABLE OF CONTENTS

PART I - FINANCIAL STATEMENTS

Item 1. Financial Statements

- Consolidated Statements of Financial Position as of March 31, 2021 and December 31, 2020
- Consolidated Statements of Income for the three months ended March 31, 2021 and 2020
- Consolidated Statements of Changes in Stockholders Equity for the three months ended March 31, 2021 and 2020
- Consolidated Statements of Cash Flows for the three months ended March 31, 2021 and 2020
- Notes to Consolidated Financial Statements

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

- (i) 3-months of 2021 vs 3-months of 2020
- (ii) Top Five (5) Key Performance Indicators
- (iii) Material Changes (5% or more)- Balance Sheet
- (iv) Material Changes (5% or more)- Income Statement
- (v) Financial Condition
- (vi) Commitments and Contingencies

PART II-OTHER INFORMATION

Item 3. 3-months of 2021 Developments

Item 4. Other Notes to 3-months of 2021 Operations and Financials

VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2021 AND DECEMBER 31, 2020
(In Million Pesos)

	Unaudited 03/31/2021	Audited 2020
<u>ASSETS</u>		
Current Assets		
Cash (Note 7)	367	164
Short-term cash investment	-	7
Investment at fair value through profit or loss (Note 8)	22	22
Receivables (Note 9)	5,290	5,166
Receivable from ultimate parent company	2,780	2,780
Real estate properties for sale (Note 10)	302	302
Other current assets (Note 11)	3,103	3,062
Total Current Assets	11,864	11,503
Noncurrent Assets		
Investments at fair value through other comprehensive income (Note 8)	2,784	3,520
Receivables - net of current portion (Note 9)	9,522	8,469
Property and equipment	60	65
Investment properties (Note 12)	49,858	49,475
Other noncurrent assets (Note 11)	789	659
Total Noncurrent Assets	63,013	62,188
	74,877	73,691
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities		
Accounts and other payables (Note 13)	4,405	4,082
Security deposits and advance rent	739	734
Payable to parent company	29,613	29,461
Income tax payable	78	35
Current portion of:		
Bank loans (Note 14)	965	646
Lease liabilities	223	63
Total Current Liabilities	36,023	35,021
Noncurrent Liabilities		
Bank loans - net of current portion (Note 14)	1,767	2,326
Lease liabilities - net of current portion	3,529	3,674
Pension Liabilities	71	71
Deferred tax liabilities – net	4,258	4,057
Other non-current liabilities	2,615	2,113
Total Noncurrent Liabilities	12,240	12,241
Total Liabilities	48,263	47,262
<u>EQUITY</u>		
Equity attributable to parent company's shareholders (Note 15)		
Capital Stock	8,449	8,449
Additional paid-in capital	6,389	6,389
Retained earnings	14,124	13,204
Other Comprehensive Income	(2,505)	(1,769)
Total equity attributable to parent company's shareholders	26,457	26,273
Non-controlling interest	157	156
Total Equity	26,614	26,429
	74,877	73,691

VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(In Million Pesos)

	Unaudited Jan-Mar Q1 - 2021	Unaudited Jan-Mar 2021	Unaudited Jan-Mar Q1 - 2020	Unaudited Jan-Mar 2020
REVENUES				
Rental Income	1,861	1,861	1,902	1,902
Other Operating Income	161	161	192	192
	2,022	2,022	2,094	2,094
COSTS AND EXPENSES				
Depreciation and Amortization	332	332	392	392
Other operating and administrative (Note 16)	341	341	445	445
	673	673	837	837
OPERATING PROFIT	1,349	1,349	1,257	1,257
OTHER INCOME (CHARGES)				
Finance income	1	1	4	4
Finance costs – net	(122)	(122)	(135)	(135)
	(121)	(121)	(131)	(131)
INCOME BEFORE INCOME TAX	1,228	1,228	1,126	1,126
TAX EXPENSE	(307)	(307)	(338)	(338)
NET INCOME	921	921	788	788
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	920	920	755	755
Non-controlling interest	1	1	33	33
	921	921	788	788
Weighted outstanding common shares	8,426	8,426	8,426	8,426
Basic / Diluted Earnings per share (Note 17)	0.109	0.109	0.090	0.090

VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(In Million Pesos)

	Unaudited Jan-Mar Q1 - 2021	Unaudited Jan-Mar 2021	Unaudited Jan-Mar Q1 - 2020	Unaudited Jan-Mar 2020
NET INCOME	921	921	788	788
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value loss on investments at fair value through other comprehensive income	(736)	(736)	(108)	(108)
TOTAL COMPREHENSIVE INCOME	185	185	680	680
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	184	184	647	647
Non-controlling interest	1	1	33	33
	185	185	680	680
Weighted outstanding common shares	8,426	8,426	8,426	8,426
Basic/Diluted Earnings per Share (Note 17)	0.022	0.022	0.077	0.077

VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(In Million Pesos)

	Unaudited Jan – Mar 2021	Unaudited Jan – Mar 2020
EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS		
COMMON STOCK		
Balance at beginning of period	8,426	8,426
Treasury shares	-	-
Balance at end of period	8,426	8,426
PREFERRED STOCK		
Balance at beginning of period	23	23
Treasury shares	-	-
Balance at end of period	23	23
ADDITIONAL PAID-IN CAPITAL		
Cost of additional life of Vistamalls	-	-
Balance at end of period	6,389	6,389
RETAINED EARNINGS		
Balance at beginning of period	13,204	10,615
Net income	921	788
Dividend declared	-	-
Minority interest	(1)	(33)
Balance at end of period	14,124	11,370
OTHER COMPREHENSIVE INCOME		
Balance at beginning of period	(1,769)	529
Fair value gains (losses)	(736)	(108)
Balance at end of period	(2,505)	421
MINORITY INTEREST		
Balance at beginning of period	156	159
Share in net income	1	33
MINORITY INTEREST	157	192
TOTAL EQUITY	26,614	26,821

VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(In Million Pesos)

	Unaudited Jan-Mar Q1 - 2021	Unaudited Jan-Mar 2021	Unaudited Jan-Mar Q1 - 2020	Unaudited Jan-Mar 2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	1,228	1,228	1,126	1,126
Adjustments for:				
Depreciation and amortization	332	332	392	392
Finance costs	122	122	135	135
Impairment losses	-	-	39	39
Interest income	(1)	(1)	(4)	(4)
Operating income before changes in operating assets and liabilities	1,681	1,681	1,688	1,688
Decrease (Increase) in:				
Receivables	(1,177)	(1,177)	(1,463)	(1,463)
Real estate properties for sale	-	-	166	166
Other current assets	(41)	(41)	(768)	(768)
Increase in:				
Accounts and other payables	323	323	92	92
Security deposits and advance rent	5	5	803	803
Cash from operations	791	791	518	518
Payment of taxes	(63)	(63)	(6)	(6)
Interest received	1	1	4	4
Interest paid	(122)	(122)	(135)	(135)
Net Cash provided by Operating Activities	607	607	381	381
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of AFS investments	-	-	(108)	(108)
Increase in investment properties and property and equipment	(404)	(404)	(2,099)	(2,099)
Decrease (Increase) in other non-current assets	(130)	(130)	548	548
Increase (Decrease) in other liabilities	502	502	(1)	(1)
Net Cash used in Investing Activities	(32)	(32)	(1,660)	(1,660)
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase (Decrease) in payables to related parties – net	(152)	(152)	1,619	1,619
Payments of bank loans	(242)	(242)	(362)	(362)
Increase in lease liabilities	15	15	21	21
Decrease (Increase) in short term cash investment	7	7	(8)	(8)
Net Cash provided by (used in) Financing Activities	(372)	(372)	1,270	1,270
NET INCREASE (DECREASE) IN CASH	203	203	(9)	(9)
CASH AT BEGINNING OF PERIOD	164	164	589	589
CASH AT END OF PERIOD	367	367	580	580

VISTAMALLS, INC. AND SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Vistamalls, Inc. (the Parent Company, or VMI) was incorporated in the Republic of the Philippines and duly registered with the Philippine Securities and Exchange Commission (SEC) on October 16, 1969, originally to pursue mineral exploration. After obtaining Philippine SEC approval, the Parent Company later changed its primary business and is now presently engaged in holding investments in shares of stock and real estate business. In 2019, the Parent Company filed its amended articles of incorporation with the Philippine SEC that includes the Parent Company shall exist for another 50 years from October 15, 2019.

The Parent Company is the holding company of Vistamalls Group (the Group or VMI Group) which is engaged in leasing of retail malls and Business Process Outsourcing (“BPO”) commercial center. The Group has a wholly owned subsidiary, Masterpiece Asia Properties, Inc. (MAPI) and a 99.85% owned subsidiary, Manuela Corporation (MC).

The Parent Company is 88.34% owned by Vista Land & Lifescapes, Inc. (VLLI) and the rest by the public. VLLI is a publicly-listed investment holding company which is 65.00% owned by Fine Properties, Inc. (the Ultimate Parent Company), 35.00% owned by the public. The Parent Company’s shares of stock are listed at the Philippine Stock Exchange (PSE).

The Parent Company’s accounting and administrative functions are handled by its subsidiaries, MC and MAPI.

The Parent Company’s registered office and principal place of business is located at LGF, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City.

2. BASIS OF PREPARATION

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for the financial assets measured at fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso unless otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of March 31, 2021 and December 31, 2020, and for the three months ended March 31, 2021 and 2020.

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
- 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. 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.

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	Percentage of Ownership	
	31-Mar-21	31-Dec-20
Manuela Corporation	99.85%	99.85%
Masterpiece Asia Properties, Inc.	100.00	100.00

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests 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. Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the NCI, even if this results in 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 noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

As at March 31, 2021 and December 31, 2020, percentage of non-controlling interests pertaining to Manuela Corporation is 0.15%. The voting rights held by the non-controlling interest are in proportion of their ownership interest.

The Parent Company and the subsidiaries are all domiciled and incorporated in the Philippines and are in the business of leasing commercial spaces and buildings.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2019, except for the following amendments which the Group adopted starting January 1, 2020.

Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers

develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Group adopted the amendments to PFRS 16 using practical expedients beginning January 1, 2020 and recognized rent concession as variable lease payments. These rent concessions were presented in the consolidated statements of income as reduction in amortization expense under 'Operating expenses' amounting to P15.25 million in 2020.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after 1 January 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- 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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- Amendments to PAS 16, *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.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *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 by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- 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.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period

- 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, 2023 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.

- *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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current and Noncurrent Classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification.

An asset is current when:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

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 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

Deferred liabilities are classified as noncurrent liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants 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 by the Group.

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

A fair value measurement of a non-financial 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 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 at fair value on a recurring basis, the Group determines whether 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.

Cash

Cash includes cash on hand and in banks. Cash in banks earn interest at the prevailing interest rate.

Short-term Cash Investments

Short-term cash investments consist of money market placements made for varying periods of more than three (3) months and up to twelve (12) months. These investments earn interest at the respective short-term rates.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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. For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

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
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash, short-term cash investments, receivables (except for advances to contractors), receivables from related parties and restricted cash. Restricted cash is presented in 'Other current assets' and 'Other noncurrent assets'.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income 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 fair value through OCI are not subject to impairment assessment.

The Group's equity instrument classified as financial assets designated at FVOCI includes investment in VLLI (Note 8).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The Group's investment at FVTPL comprises of investment in mutual funds (Note 8).

Impairment of Financial Assets

The Group recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired

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 recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss Allowance

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stage 2 and 3 due to the financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and lifetime ECL.
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- Impact on the measurement of ECL due to changes in PDs, LGDs and EADs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;

- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk 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.

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 significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

General Approach

Under the general approach, at each reporting date, the Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. This approach was applied to the ECL calculation of cash in banks, short-term cash investments, receivables (except for advances to contractors), receivables from ultimate parent company and restricted cash presented in ‘Other assets’.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, 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.

The Group’s financial liabilities include accounts and other payables (except for deferred output VAT and other statutory payables), dividends payable, income tax payable, payable to related parties, liabilities for purchased land, retention payable, bank loans and lease liabilities.

Subsequent measurement

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using 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 finance costs in the consolidated statements of comprehensive income.

This category generally applies to accounts and other payables (except for deferred output VAT and other statutory payables), dividends payable, income tax payable, payable to related parties, liabilities for purchased land, retention payable, bank loans and lease liabilities presented in the

consolidated statements of financial position.

Derecognition of Financial Assets and Financial Liabilities

Financial asset

A financial asset (or, where applicable, a part of a group of financial assets) is derecognized when, and only when: (a) the right to receive cash flows from the assets expires; (b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a “pass-through” arrangement; or (c) the Group has transferred its right to receive cash flows from the asset and either: (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. 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.

Modification of financial assets

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in the consolidated profit or loss, to the extent that an impairment loss has not already been recorded.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the profit or loss.

Financial liability

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Advances to contractors

Advances to contractors are advance payments in relation to the Group’s construction activities and are recouped through reduction against progress billings as the construction progresses. Recoupment occur within one to five years from the date the advances were made.

Value-Added Tax

Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the BIR for output VAT on sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit under certain

circumstances against future income tax liability of the Group upon approval of the BIR and/or Bureau of Customs. Input tax is stated at its estimated net realizable values. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax is recorded under current assets in the consolidated statements of financial position.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Restricted cash

Cash restricted for use are bank deposits restricted solely for payment of the principal amortization and interest of certain bank loans. These deposits bear prevailing interest rates and will be retained as deposits until the bank loans are fully paid.

Refundable Deposits

Refundable deposits are measured at amortized cost. These pertain to deposits on utility subscriptions, rental deposits and security deposits which shall be applied against unpaid utility expenses and rent expenses upon termination of the contracts.

Prepaid expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise of prepayments for marketing fees, taxes and licenses, rentals and insurance.

Investment Properties

Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or for capital appreciation or both. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of investment properties consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Investment properties also include right-of-use assets involving real properties.

Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of investment properties. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. 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 initial cost of right-of-use 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.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject for impairment.

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time as the relevant assets are completed and put into operational use. Construction-in-progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Depreciation and amortization commence once the investment properties are available for use and computed using the straight-line method over the estimated useful lives (EUL) of the assets, regardless of utilization. The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

	Years
Buildings and building improvements	10 to 40 years or lease term, whichever is shorter
Right-of-use assets	2 to 25 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property 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, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of the property for measurement or for disclosure purposes.

Impairment of Nonfinancial Assets

The Group assesses as at reporting date whether there is an indication that nonfinancial assets may be impaired. 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 recoverable amount is calculated as the higher of the asset's or cash-generating unit's 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 assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its 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 assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is an 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 recoverable amount. That increased amount cannot exceed

the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase in OCI. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Security Deposits

Security deposits represent deposits required by lease agreements. These can be recovered upon termination of the lease agreement through refund or application to unpaid rent and/or other charges.

Advance Rent

Advance rent includes three-month advance rental paid by lessee as required under lease contract. These will be applied to the first or last three months rental depending on the contract terms of the related lease contract. These also include overpayments made by lessee against its monthly billings which will be applied to future billings.

Equity

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings of the Group less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by the subsidiaries.

Revenue Recognition

Revenue from contracts with customers is recognized 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 those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water and electricity services in its mall retail spaces and office leasing activities, wherein it is acting as agent.

Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in the revenue in the consolidated statement of comprehensive income due to its operating nature, except for contingent rental income which is recognized when it arises.

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognized as a reduction of rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise the option. For more information on the judgment involved, refer to Note 5.

The tenant lease incentives are considered in the calculation of 'Accrued rental receivables' under 'Receivables' in the consolidated statement of financial position.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the statement of comprehensive income when the right to received them arises.

For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of PFRS 16. These agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning and security of common areas). The consideration charged to tenants for these services includes fees charged based on a fixed rate and reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

The consideration charged to tenants for these services is based on a fixed amount as agreed with the tenants.

The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the provision of administrative services, maintenance, security and advertising services, before transferring them to the customer and recognizes revenues as the services are rendered. Therefore, the Group records revenue on a gross basis. For more information, please refer to Note 5.

Interest income

Interest is recognized using the effective interest method, i.e, the rate, that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Cost and expenses

Cost and expenses pertain to expenses incurred in relation to rental of investment properties and administering the business. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen than can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The Group periodically evaluates the income tax positions taken in situations where the applicable tax regulations are subject to interpretation and considers these positions separately from other uncertainties. The Group assesses whether or not it is probable that those income tax positions will be accepted by the tax authorities, where if not, the Group recognizes additional income tax expense and liability relating to those positions.

Deferred tax

Deferred tax is provided using the liability method on temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax liabilities shall be recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures when the timing of reversal of the temporary differences can be controlled and it is probable that the

temporary differences will not reverse in foreseeable future. Otherwise, no deferred tax liability is set up.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

Deferred tax assets shall be recognized for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures 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 financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period 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 in the consolidated statement of comprehensive income. Deferred tax items recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

Borrowing Costs

Borrowing costs 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 are capitalized as part of the cost of the respective assets (included in "Investment properties" account in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Leases Effective January 1, 2019

Lease Liabilities

At the commencement date of the lease, the Group recognizes the liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group applies the low-value assets recognition exemption to leases of underlying assets with a value of ₱0.25 million and below when new. Lease payments on short-term leases and low-value assets are recognized as expense on a straight-line basis over the lease term.

Lease Modification

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessee recognizes the right-of-use assets and lease liability as a separate new lease after assessing that the consideration for the lease increases by an amount commensurate with the stand-alone price and any adjustments to that stand-alone price reflects the circumstances of the particular contract. The Group recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use assets, without affecting profit or loss. For lease termination, the difference between the right-of-use assets and lease liability is recognized in the profit or loss.

Lease concessions

The Group accounted for Covid-19 related lease concessions received in 2020 as negative variable lease payments which is offset against the depreciation expense of ROU asset, in accordance with the provisions of the amendment to PFRS 16. Lease liability and right-of-use assets are not remeasured using a revised discount rate.

Leases Prior to January 1, 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. 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; a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (b) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (c) there is a 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 any of the scenarios above, and at the date of renewal or extension period for the second scenario.

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

Group as a Lessor under PFRS 16 and PAS 17

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. In the case of an operating lease, a lessor recognizes the effect of the rent concession by recognizing lower income from leases.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income attributable to equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income attributable to the equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of March 31, 2021 and December 31, 2020, the Group has no potential dilutive common shares.

Segment Reporting

The Group's business is primarily leasing of retail malls and BPO commercial centers which are all located in the Philippines and treated as one segment. The segmentation is the basis of the

chief operating decision market's internal reports allocation resources, and the evaluation of performance.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of comprehensive income net of any reimbursement.

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. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Financial Reporting Date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of accompanying consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

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.

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:

Principal versus agent considerations

The contract for the commercial spaces leased out by the Group to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided

by a utility company. The utility company, and not the real estate developer, is primary responsible for the provisioning of the utilities while the Group, administers the leased spaces and coordinates with the utility companies to ensure that tenants have access to these utilities. The Group does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

For the connection to air conditioning system and services in the CUSA, the Group acts as a principal. This is because it is the Group who retains the right to direct the service provider of CUSA as it chooses and the party responsible to provide proper ventilation and air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air conditioning charges.

Property lease classification – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases

Assessment on whether lease concessions granted constitute a lease modification

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16. Consequently, this is treated as a variable lease.

The rent concessions granted by the Group for the three months ended March 31, 2021 amounted to ₱135.62 million.

Operating Lease Commitments - as Lessee (Before January 1, 2019)

The Group has entered into various lease agreements as a lessee. Management has determined that all the significant risks and benefits of ownership of these properties, which the Group leases under operating lease arrangements, remain with the lessor. Accordingly, the leases were accounted for as operating leases. Rent expense amounted to ₱299.08 million in 2018.

Determination of the lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

As a lessor, the Group enters into lease agreements that contain options to terminate or to extend the lease. At commencement date, the Group determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Group takes into account any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease and

the importance of the underlying asset to the lessee's operations. In many cases, the Group does not identify sufficient evidence to meet the required level of certainty.

As a lessee, the Group has a lease contract for the land where investment properties are situated that includes an extension and a termination option. The Group applies judgement in evaluating whether or not it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise, or not to exercise, the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Incorporation of forward-looking information

The Group incorporates forward-looking information, including the impact of the COVID-19 pandemic 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.

Significant increase in credit risk

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors. The Group's cash and cash equivalents, short term cash investments, investments at amortized cost, and restricted cash cost are graded in the top investment category by globally recognized credit rating agencies such as S&P, Moody's and Fitch and, therefore, are considered to be low credit risk investments. For the Group's accounts receivable and receivables from ultimate parent company, the Group performs an assessment, at the end of each reporting period, of whether the receivables' credit risk has increased significantly, considering the impact of COVID-19 pandemic, since initial recognition, by considering the change in the risk of default occurring over the remaining life of the receivables. It is the Group'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 Group uses the ratings from these credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs. Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

Management's Use of Estimates

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.

Provision for expected credit losses of financial assets

Cash, short term cash investments, accounts receivable, accrued rent receivable, receivables from related parties and restricted cash:

The Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss. The Group uses external credit rating approach to calculate ECL for cash in banks, short-term cash investments, accounts receivable from tenants, accrued rent receivable and receivables from related parties and restricted cash. This approach leverages on available market data (i.e., S&P and Moody's and Fitch credit ratings for default rates). S&P, Moody's, Fitch and Reuters are reliable market data sources that provide default and recovery rate data. These information are widely used by investors and stakeholders in decision-making in terms of investment, credit activities, etc.

The assessment of the relationship between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group has determined that the COVID-19 pandemic has impacted the current operations of the Group and is expected to impact its future business activities.

Tenants which belong to micro, small and medium enterprise and those operating under entertainment, non-essentials and food industries are also adversely affected due to temporary closure of mall operations. This increases the risk of non-collection of the remaining receivables.

Considering the above, the Group revisited the expected credit loss exercise as at December 31, 2020 for its receivables.

For the receivables from tenants, certain tenants were moved from stage 1 to stage 2, hence, lifetime PD, instead of 12-months PD, was used in the calculation of ECL. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are 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, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

Evaluation of impairment of nonfinancial assets

The Group reviews investment properties and other nonfinancial assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset,

significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends, considering the impact of COVID-19 pandemic.

The Group estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. Fair value less costs to sell pertain to quoted prices and for fair values determined using discounted cash flows (DCF) or other valuation technique such as multiples. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect property and equipment, investment properties and other nonfinancial assets.

Determining the fair value of investment properties

The Group discloses the fair values of its investment properties. The Group engaged independent valuation specialists to assess fair value as at reporting date. The Group's investment properties consist of land and land developments and building and building improvements. These were valued by reference to market-based evidence using income approach, and comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Useful lives of investment properties

The Group estimated the useful lives of its investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. For investment properties located in parcels of land that the Group leases, the Group also considers the non-cancellable term of the lease in determining the useful lives of the leasehold improvements.

Recognition of deferred tax assets

The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

6. SEGMENT INFORMATION

The Group's malls and BPO centers are all located in the Philippines and are treated as one operating segment. The real estate development of MC is very minimal to the overall operations and financial position of the Group as of March 31, 2021 and 2020. These were not treated as a separate segment by the chief operating decision maker for its review, evaluation and allocation of resources.

The Group has operating lease agreements with All Value Holdings, Inc. and Subsidiaries (All Value Group), an entity under common control, which is comprised of AllHome Corporation, AllDay Retail Concepts, Inc, Family Shoppers Unlimited Inc. and CM Star Management, Inc., for the leases of commercial spaces. Revenue earned from All Value Group which is engaged in retail businesses covering supermarkets, retail of apparel, construction materials and home/building appliances and furnishings constitutes more than 10% of the Group's total revenue in the three months ended March 31, 2021 and 2020.

The leasing operations have no noted significant seasonality in operations.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of March 31, 2021:

Cash on hand and in banks	₱ 367
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Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest as follows:

Philippine Peso	1.20% to 2.00%
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8. INVESTMENTS AT FVTPL AND FVOCI

The breakdown of this account is as follows:

Investments at FVTPL	₱ 22
Investments at FVOCI	2,784
	₱ 2,806

The fair values of the investments at FVTPL and FVOCI in financial assets have been determined directly by reference to published prices in an active market

The investments at FVTPL and FVOCI financial assets classified as current assets in the consolidated statements of financial position is intended by management to be disposed within 12 months from the end of the reporting period.

Interest income from investments at FVTPL and FVOCI financial assets are presented as part of Finance Income under the Other Income (Charges) account in the consolidated statements of comprehensive income.

9. RECEIVABLES

The balance of this account is composed of the following as of March 31, 2021:

Trade receivables from tenant	₱ 3,713
Advances to contractors	3,289
Accrued rent receivable	7,837
Other receivables	108
	14,947
Less allowance for bad debts	(135)
	14,812
Less noncurrent portion	(9,522)
	₱ 5,290

All of the Group's trade and other receivables have been reviewed for indications of impairment.

Accounts receivables from tenants represent the outstanding receivables arising from the lease of commercial centers relating to the Group's mall and offices and are collectible within 30 days from billing date. These are covered by security deposit of tenants' equivalent to three-month rental and three-month advance rental paid by the lessees. This includes both the fixed and contingent portion of lease.

Advances to contractors are advance payments in relation to the Group's construction activities and are recouped through reduction against progress billings as the construction progresses. Recoupment occur within one to five years from the date the advances were made.

Accrued rental receivable pertains to the effect of straight-line calculation of rental income.

10. REAL ESTATE PROPERTIES FOR SALE

Real estate properties for sale as of March 31, 2021 are stated at cost, the details of which are shown below.

Land	₱ 166
Residential units for sale	136
	₱ 302

Residential units for sale represent houses and lots in completed subdivision projects for which the Group has already been granted the license to sell by the HLURB of the Philippines. Residential units include units that are ready for occupancy, house models and units under construction.

11. OTHER ASSETS

This account is composed of the following as of March 31, 2021:

Input VAT	₱ 2,067
Restricted cash	1,174
Refundable deposits	464
Prepaid expenses	162
Creditable Withholding Tax	8

(Forward)

Others	17
	3,892
Less: noncurrent portion	
Restricted Cash	(326)
Refundable deposits	(464)
	(789)
	₱3,103

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

Restricted cash are deposits restricted solely for payment of the principal amortization and interest of certain bank loans. These deposits bear prevailing interest rates and will be retained as deposits until the bank loans are fully paid.

Refundable deposits pertain to deposits on utility subscriptions, rental deposits and security deposits. These deposits shall be applied against unpaid utility expenses and rent expenses upon termination of the contracts. These deposits are necessary for the continuing construction and development of the Group's commercial centers.

Prepaid expenses mainly include advertising and marketing fees, taxes and licenses, rentals and insurance paid in advance. These are to be fully amortized within one year.

Creditable withholding taxes pertain to taxes withheld by the customer and are recoverable and can be applied against income tax in future periods.

Others include accrued interest receivable, penalties receivable from tenants due to late payments, security deposits, advance rentals and office supplies.

12. INVESTMENT PROPERTIES

The Group's investment property includes several parcels of land and building and improvements, which are owned and held for capital appreciation and rental purposes.

The Group's investment property generates rental income under various operating lease agreements. Rental income from the investment property amounting to ₱ 1,861 million and ₱1,902 million for the period ended March 31, 2021 and 2020, respectively, are presented as Rental income under Revenues and Income in the consolidated statements of comprehensive income.

Direct costs incurred generally pertain to depreciation charges and real property taxes. Real property tax related to investment property was recognized as part of Taxes and Licenses in the consolidated statements of comprehensive income. Depreciation charges are presented as part of Depreciation and Amortization in the consolidated statements of comprehensive income.

The composition of this account is shown below.

Land	₱ 12,278
Building and improvements	17,276
Construction In Progress	17,393
Right-of-use assets	2,911
	₱ 49,858

Commercial building under construction pertains to accumulated costs incurred in the development of certain commercial buildings. Capitalized borrowing costs representing the

actual borrowing costs incurred on loans obtained to fund the construction project are included as part of the costs of Investment Property.

In 2020, the fair values of the investment properties held for leasing were determined by independent professionally qualified appraisers while that for land and land developments were determined by the appraiser and management. In 2019, all fair values of the investment properties were determined by management.

In the determination of fair values in 2020 and 2019, market value approach method was used for land, income approach method was used for completed and substantially completed malls and office buildings for rent and cost approach method was used for construction in progress under early stage of construction and right-of-use asset.

The key assumptions used to determine the fair value of the investment properties held for leasing are the estimated rental value per sqm per year, rental growth rate per annum, and discount rate. The discount rate used in the valuation are discount rates of 8.67% and 7.13% in 2020 and 2019, respectively. Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate, and an opposite change in the long-term vacancy rate.

The parcels of land are located in cities and municipalities like Mandaluyong, Las Piñas, Taguig, Naga, Bacoor, Imus, San Jose del Monte, Sta. Rosa, Alabang and Kawit. The market price per square meter of the land ranges between ₱1,258 to ₱173,017. The fair value measurement using unobservable data in active market is Level 3 of the fair value hierarchy.

The estimated useful life of the investment properties other than land is 10 to 40 years.

Investment properties with carrying value of ₱5,559.09 million and ₱5,610.90 million are used to secure the bank loans of the Group as of March 31, 2021 and December 31, 2020, respectively (Note 14). The fair value of the investment properties used as collateral amounted to ₱52,956.21 million and ₱25,087.84 million under income approach as of December 31, 2020 and 2019, respectively.

The Group's borrowing cost capitalized to investment properties amounted to ₱15.10 million and ₱85.94 million for the three months ended March 31, 2021 and the year ended December 31, 2020, respectively. Amortization expense related to right-of-use asset amounted to ₱48.13 million and ₱205.08 million for the three months ended March 31, 2021 and the year ended December 31, 2020. Right-of-use asset is amortized over a period of 2 to 25 years.

13. ACCOUNTS AND OTHER PAYABLES

This account consists of:

Accounts payable	
Contractors	₱ 1,553
Supplier	1,447
Deferred output vat	735

(Forward)

Accrued expenses	155
Current portion of liabilities for purchased land	173
Current portion of retention payable	336
Others	7
	P 4,405

Accounts payable - contractors pertain to contractors' billings for construction services related to the development of various projects of the Group. These are expected to be settled within the year.

Accounts payable - suppliers represent agency fees, construction materials, marketing collaterals, office supplies and property and equipment ordered and delivered but not yet due. These are expected to be settled within the year.

Deferred output VAT pertains to the output VAT on receivables from the Group's leasing operations. This amount is presented as output VAT upon collection of the receivables.

Accrued expenses represent the accrual for security, building maintenance and janitorial services, salaries and employee benefits, professional fees, interest on interest-bearing loans and borrowings and other administrative expenses as well as marketing and advertising expenses, which are expected to be settled within 12 months after the end of the reporting period.

Liabilities for purchased land are payables to various real estate property sellers. Under the terms of the agreements executed by the Group covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to the Group only upon full payment of the real estate payables. Liabilities for purchased land that are payable beyond one year from year end date are presented in 'Other noncurrent liabilities' (Note 15).

Retention payable pertains to 10.00% retention from the contractors' progress billings which will be released after the completion of contractors' project. 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.

Other payables include dues from remittance to Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, withholding taxes and various payables. These are noninterest-bearing and are normally settled within one year.

14. INTEREST BEARING LOANS AND BORROWINGS

The breakdown of this account is as follows:

Interest bearing loans – Current	P 965
Interest bearing loans - Non current	1,767
	P 2,732

Bank loans pertain to the borrowings of the Group from various local financial institutions. These bank loans are obtained to finance capital expenditures and for general corporate purposes.

The Group has complied with the covenants required by the bank loans as at December 31, 2020 and 2019. The compliance of MAPI and MC to the covenants of their respective bank loans are based on their standalone financial statement balances.

As disclosed in Note 12, certain investment properties are used as collateral to bank loans.

Loans of Manuela

In 2015, the loan obtained from BDO worth 4,000 million considered general borrowings and has a maturity of seven years from the date of drawdown and bears an annual fixed interest rate of 5.75%. The Company transferred 1,800 million to MAPI contractors and 1,670 million to Parent Company for meeting working capital requirements. The remaining amount from the loan borrowed was used for the construction of BPO building and parking building in Las Piñas and for the redevelopment of other buildings owned by the Company. Real estate contracts under Starmall Alabang used as a mortgage for long term loan obtained by the company from BDO.

In 2014, the Company obtained various loans from UBP to finance the upgrade of the air conditioning systems of Starmall Las Piñas and Starmall Las Piñas - Annex and the acquisition of generator set upgrades for all the malls of the Company. The loans have maturities of five years from the date of drawdown and bear fixed annual interest rate of 5.75%. In 2013 and previous years, the Company also obtained various term loans from BDO and PDB to finance the upgrade of the air conditioning systems of Starmall EDSA - Shaw and Starmall Alabang and the expansion of the business process outsourcing area of WCC. The loans have maturities from October 2014 to February 2020 and bear an annual fixed interest rates ranging from 7.00% to 7.25%.

Certain properties registered under the name of MAPI are used as third party real estate mortgage for the secured long-term loan obtained from PDB.

Certain Investment properties are used as collaterals for loans obtained from local creditor banks.

Loans of MAPI

On July 24, 2017, MAPI, a subsidiary of the Company obtained a 10-year unsecured peso-denominated loan from a local bank amounting ₱500 million which bears annual fixed interest rate of 6.2255%. The principal balance of the loan will be paid in thirty two (32) equal quarterly installments commencing on the ninth interest payment date. The loan requires MAPI to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a debt-service coverage ratio (DSCR) of at least 1.00:100.

In 2015, MAPI entered into a term loan agreement with RCBC amounting to 2,274 million primarily to finance various ongoing mall constructions. The loans have maturities of seven years from the date of drawdown and bear an annual fixed interest rate of 5.75%.

In 2014, MAPI entered into a term loan agreement with CBC and AUB amounting to 1,000 million and 366 million, respectively, primarily to finance various ongoing mall constructions. The loan with CBC has maturities beginning December 2016 to June 2017 and bears annual interest of 4.50% while the loan with AUB has maturities beginning December 2014 to December 2019 and bears annual interest of 6.25%.

In connection with the loan entered with CBC, MAPI agreed to execute a negative pledge over certain real properties. MAPI cannot allow any other indebtedness to be secured by the covered real properties nor permit any other creditor to receive any priority or preference over the covered real properties, without written consent from the CBC.

In addition, the loan agreement with RCBC and AUB requires MAPI to maintain a current ratio of not lower than 1.50:1.00 and debt-equity ratio of not higher than 3.00:1.00. MAPI has

complied with these loan covenants, including maintaining certain financial ratios as at the reporting dates.

MAPI is also required to maintain a reserve fund for its future loan and interest repayments.

In 2012, MAPI obtained a loan from AUB amounting to 420 million to finance the construction of Starmall San Jose del Monte. The loan is due to be settled until 2017 and bears annual interest rate of 5.70%.

15. EQUITY

Capital Stock

Capital stock consists of:

	Shares		Amount	
	31-Mar-21	31-Dec-20	31-Mar-21	31-Dec-20
Preferred shares - voting, cumulative, non-participating, non convertible, non-redeemable - P0.01 par value				
Authorized	10,000,000,000	10,000,000,000	P 100,000,000	P 100,000,000
Issued and outstanding:				
Balance at beginning of year	2,350,000,000	2,350,000,000	P 23,500,000	P 23,500,000
Issuance during the year	-	-	-	-
Balance at end of year	2,350,000,000	2,350,000,000	P 23,500,000	P 23,500,000
Common shares - P1.00 par value				
Authorized	16,900,000,000	16,900,000,000	P 16,900,000,000	P 16,900,000,000
Issued and outstanding:				
Balance at beginning of year	8,425,981,156	8,425,981,156	P 8,425,981,156	P 8,425,981,156
Issuance during the year	-	-	-	-
Balance at end of year	8,425,981,156	8,425,981,156	P 8,425,981,156	P 8,425,981,156
			P 8,449,481,156	P 8,449,481,156

Registration Track Record

On November 13, 1970, the SEC approved the listing of the Parent Company's common shares totaling 1,000,000,000 shares. The shares were initially issued at an offer price of P0.01 per share.

After listing in 1970, there had been subsequent issuances covering a total of 7,425,981,156 shares.

Below is the summary of the Parent Company's track record of registration of securities with the SEC as at March 31, 2021:

	Number of Shares Registered	Number of holders of securities as of March 31, 2021
December 31, 2019	8,425,981,156	436
Add/(Deduct) Movement	-	-
December 31, 2020	8,425,981,156	436
Add/(Deduct) Movement	-	(2)
March 31, 2021	8,425,981,156	434

On May 14, 2012, the BOD approved the increase in the Company's authorized capital stock from P5.5 billion divided into 5.5 billion shares with P1 par value to P17.0 billion divided into 16.9 billion common shares with P1 par value and 10.0 billion preferred shares with P0.01 par value. The application for increase in authorized capital stock was approved by the SEC on June 22, 2012.

Each preferred share is a voting, cumulative, non-participating, non-convertible and non-redeemable share.

The list of common shareholders of the Company is shown with their respective number of shares held:

	Number of Shares Issued	Percentage Ownership
VLLI	7,443,194,641	88.34%
L&H	808,431,465	9.59%
Others	174,355,050	2.07%
	<u>8,425,981,156</u>	<u>100.00%</u>

The following also illustrates the additional listings made by the Company:

On November 13, 1970, the SEC approved the listing of the Company's common shares totaling 1.0 billion. The shares were initially issued at an offer price of ₱0.01 per share.

On November 10, 2004, the SEC approved the increase in the authorized capital stock of the Company to ₱4.5 billion divided into 4.5 billion shares with a par value of ₱1.00 each, as authorized by the Company's BOD.

In 2005, the Company applied for another increase in its authorized capital stock to ₱5.5 billion divided into 5.5 billion shares with a par value of ₱1.00 each, as authorized by the Company's BOD. On November 23, 2005, the SEC approved the increase in the authorized capital stock of the Company.

As of March 31, 2021 and December 31, 2020, 8,425,981,156 shares are listed in the PSE and closed at ₱3.80 and ₱4.24 per share, respectively.

Retained Earnings

The BOD approved the declaration of regular cash dividend amounting to ₱131.47 million or ₱0.0156 per share and ₱481.12 million or ₱0.0571 per share in September 30, 2020 and September 30, 2019, respectively. The dividend declarations are in favor of all stockholders of record as of October 15, 2020 and October 15, 2019 paid on October 29, 2020 and October 23, 2019, respectively.

As at March 31, 2021 and December 31, 2020, unpaid dividends amounted to ₱0.28 million for both periods.

On September 26, 2018, the BOD approved the declaration of a regular cash dividend amounting ₱412.2 million or ₱0.0489 per share, payable to all stockholders of record as of October 11, 2018. The said dividends were paid on October 25, 2018.

On September 27, 2017, the BOD approved the declaration of a regular cash dividend amounting ₱310.3 million or ₱0.0368 per share, payable to all stockholders of record as of October 12, 2017. The said dividends were paid on October 26, 2017.

On September 26, 2016, the BOD approved the declaration of a regular cash dividend amounting ₱180.89 million or ₱0.0215 per share, payable to all stockholders of record as of October 11, 2016. The said dividends were paid on October 26, 2016.

16. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

This account consists of:

Occupancy expenses	₱ 89
Outside services	68
Repairs and maintenance	26
Advertising and promotions	5
Salaries and employee benefits	52
Taxes and licenses	63
Others	38
	₱ 341

17. EARNINGS PER SHARE

Earnings per share were computed as follows:

Net Profit attributable to parent company's Shareholders	₱ 920
Divided by weighted outstanding common Shares	8,426
	₱ 0.109

Diluted earnings per share was not determined since the Group does not have potential dilutive shares as of March 31, 2021 and 2020.

18. OTHER MATTERS

COVID-19 Pandemic

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures in various levels throughout the country has caused disruption in the Group's business activities.

The Group has adjusted its operations in accordance with the required measures and safety protocols. Commercial spaces have opened and construction and real estate development activities have resumed at various level of activities following safety protocols mandated by the national government.

19. SUBSEQUENTS EVENTS

On May 17, 2021, Vista Land & Lifescapes, Inc.'s ("VLL") wholly-owned subsidiary and an affiliate of the Company, VLL International, Inc. (the "Issuer") issued a US\$170.00 million re-opening (the "New Notes") of the Issuer's existing US\$200.00 million 7.25% senior guaranteed notes due July 2027 (the "Existing Notes"). The New Notes upon issue will be immediately

fungible with the Existing Notes, will form a single series with the Existing Notes and take the total issuance price of the series to US\$370.00 million.

The New Notes was issued at a re-opening yield of 6.50%, plus accrued interest from (and including) January 20, 2021 to (but excluding) May 17, 2021, (the “Settlement Date”), and a re-opening price of 103.752%.

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the period ended March 31, 2021 and 2020.

		Mar-31-21	Dec-31-20
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.33	0.33
Long-term debt-to-equity ratio	$\frac{\text{Long-term debt}^1}{\text{Equity}}$	0.07	0.09
Debt ratio	$\frac{\text{Interest bearing debt}^2}{\text{Total assets}}$	0.10	0.11
Debt to equity ratio	$\frac{\text{Interest bearing debt}}{\text{Total equity}}$	0.10	0.11
Net debt to equity	$\frac{\text{Net debt}^3}{\text{Total equity}}$	0.09	0.11
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.81	2.79
		Mar-31-21	Mar-31-20
EBITDA to total interest	$\frac{\text{EBITDA}}{\text{Total interest}}$	13.79	12.24
Price Earnings Ratio	$\frac{\text{Market Capitalization}^4}{\text{Net Income}^5}$	8.70	10.07
Asset to liability ratio	$\frac{\text{Total assets}}{\text{Total liabilities}}$	1.55	1.61
Net profit margin	$\frac{\text{Net profit}}{\text{Sales}}$	0.46	0.38
Return on assets	$\frac{\text{Net income}^5}{\text{Total assets}}$	4.9%	4.3%
Return on equity	$\frac{\text{Net income}^5}{\text{Total equity}}$	13.8%	11.3%
Interest Service Coverage Ratio	$\frac{\text{EBITDA}}{\text{Total interest}}$	13.79	12.24

¹ Pertains to long term portion of the Bank loans and Notes Payable

² Includes Bank Loans and Notes Payable

³ Interest bearing debt less Cash, Short-term and Long Term Cash Investments, Investments at fair value through profit/loss and other comprehensive income

⁴ Based on closing price at March 31, 2021 and 2020

⁵ Annualized

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering three months ended March 31, 2021 vs. three months ended March 31, 2020

Revenues

Rental income decreased by 2% from ₱1,902 million in the three months ended March 31, 2020 to ₱1,861 million in the period ended March 31, 2021. The decrease was primarily attributable to the limited operating hours implemented as part of the quarantine measures.

Other operating income decreased by 16% from ₱192 million in the three months ended March 31, 2020 to ₱161 million in the period ended March 31, 2021 due to the decrease in other operating income generated from the commercial assets.

Cost and Expenses

Operating expenses decreased by 20% from ₱837 million in the three months ended March 31, 2020 to ₱673 million in the period ended March 31, 2021. The decrease was primarily due to the 24% decrease in occupancy expenses, 34% decrease in outside services and decrease of 71% in advertising and promotions for the period.

Other Income and Expenses

Finance income decreased by 75% from ₱4 million in the three months ended March 31, 2020 to ₱1 million in the period ended March 31, 2021 due to the lower interest earned from cash in banks, investments and receivables of the company for the period.

Finance costs decreased by 10% from ₱135 million in the period ended March 31, 2020 to ₱122 million in the period ended March 31, 2021. The decrease was due to a lower capitalization for the period as more investment properties have been completed.

Provision for Income Tax

Provision for tax decreased by 9% from ₱338 million in the period ended March 31, 2020 to ₱307 million in the period ended March 31, 2021 due to the lower taxable income in the 3-months of 2021.

Net Income

As a result of the foregoing, the Group's net income increased by 17% from ₱788 million in the three months ended March 31, 2020 to ₱921 million in the three months ended March 31, 2021.

For the three months ended, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues. Except as discussed in the notes to financial statements Events after the report date on the potential impact of the COVID-19 pandemic.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

Financial Condition as of March 31, 2021 vs. December 31, 2020

Total assets were ₱74,877 million as of March 31, 2021 and ₱73,691 million as of December 31, 2020. The 3% increase is due to the following:

- Cash increased by 124% from ₱164 million as of December 31, 2020 to ₱367 million as of March 31, 2021 due to the increase in cash flow from operations.
- Investments at fair value through profit/loss and other comprehensive income, including non-current portion decreased by 21% from ₱3,542 million as of December 31, 2020 to ₱2,806 million as of March 31, 2021 due to the decrease in fair value of quoted equity securities for the year.
- Receivables, including non-current portion increased by 9% from ₱13,635 million as of December 31, 2020 to ₱14,812 million as of March 31, 2021 mainly due to the lower collection for the period and the increase in accrued rent due to PAS 17.
- Property and equipment decreased by 8% from ₱65 million as of December 31, 2020 to ₱60 million as of March 31, 2021 primarily due to the depreciation recognized for the year.
- Investment properties increased by 1% from ₱49,475 million as of December 31, 2020 to ₱49,858 million as of March 31, 2021 primarily due to the slight additions of cost for construction of investment properties for the period.
- Other assets, including non-current portion increased by 5% from ₱3,721 million as of December 31, 2020 to ₱3,892 million as of March 31, 2021 due to the increase in restricted cash and prepaid expenses.

Total Liabilities as of March 31, 2021 were ₱48,263 million, 2% higher compared to ₱47,262 million as of December 31, 2020. This was due to the following:

- Accounts and other payables increased by 8% from ₱4,082 million as of December 31, 2020 to ₱4,405 million as of March 31, 2021 due to the increase in payable to contractors and suppliers.
- Security deposits and advance rent increased by 1% from ₱734 million as of December 31, 2020 to ₱739 million as of March 31, 2021 due to additional deposits from new lessees for malls and offices as well as top up of security deposits and advance rent based on escalation.
- Income tax payable increased by 123% from ₱35 million as of December 31, 2020 to ₱78 million as of March 31, 2021 due to higher taxable income.
- Interest bearing loans and borrowings including non-current portion, decreased by 8% from ₱2,972 million as of December 31, 2020 to ₱2,732 million as of March 31, 2021 due to settlements for the period.
- Deferred tax liabilities - net increased by 5% from ₱4,057 million as of December 31, 2020 to ₱4,258 million as of March 31, 2021 due to additional temporary differences for the period.
- Other noncurrent liabilities increased by 24% from ₱2,113 million as of December 31, 2020 to ₱2,615 million as of March 31, 2021 due to the increase in the non-current portion of payables to contractors.

Total stockholder's equity increased by 1% from ₱26,429 million as of December 31, 2020 to ₱26,614 million as of March 31, 2021 due to higher income recorded for the period.

Top Five (5) Key Performance Indicators

Considered as the top five key performance indicators of the Group as shown below:

Key Performance Indicators	03/31/2021	12/31/2020
Current ratio ^(a)	0.33	0.33
Debt-to-equity ratio ^(b)	0.10	0.11
	03/31/2021	03/31/2020
Interest coverage ratio ^(c)	13.79	12.24
EBITDA margin ^(d)	83%	79%
Return on equity ^(e)	13.8%	11.3%

Notes:

- (a) Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*
- (b) Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Interest-bearing Debt by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.*
- (c) Interest coverage: This ratio is obtained by dividing earnings before interest, taxes depreciation and amortization (EBITDA) by the interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably.*
- (d) Earnings before interest, income taxes, depreciation and amortization (EBITDA) margin: This ratio is obtained by dividing the Company's Earnings before interest, income taxes, depreciation and amortization by the total revenue. This measures the Company's operating profitability.*
- (e) Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current Ratio as of March 31, 2021 unchanged from December 31, 2020 due to the same growth of current assets and current liabilities.

Debt to equity ratio as of March 31, 2021 decreased from that of December 31, 2020 due to settlement of debt for the period.

Interest coverage for the period ended March 31, 2021 increased because of the increase in the company's earnings before interest, income taxes, depreciation and amortization.

EBITDA margin improved for the period ended March 31, 2021 from the prior period due to the lower operating expense due to our cost saving measures.

Return on equity increased as a result of improvement in net income for the period.

Material Changes to the Company's Statement of Financial Position as of March 31, 2021 compared to December 31, 2020 (increase/decrease of 5% or more)

Cash increased by 124% from ₱164 million as of December 31, 2020 to ₱367 million as March 31, 2021 due to the increase in cash flow from operations.

Investments at fair value through profit/loss and other comprehensive income, including non-current portion decreased by 21% from ₱3,542 million as of December 31, 2020 to ₱2,806 million as of March 31, 2021 due to the decrease in fair value of quoted equity securities for the year.

Receivables, including non-current portion increased by 9% from ₱13,635 million as of December 31, 2020 to ₱14,812 million as of March 31, 2021 mainly due to the lower collection for the period and the increase in accrued rent due to PAS 17.

Property and equipment decreased by 8% from ₱65 million as of December 31, 2020 to ₱60 million as of March 31, 2021 primarily due to the depreciation recognized for the year.

Other assets, including non-current portion increased by 5% from ₱3,721 million as of December 31, 2020 to ₱3,892 million as of March 31, 2021 due to the increase in restricted cash and prepaid expenses.

Accounts and other payables increased by 8% from ₱4,082 million as of December 31, 2020 to ₱4,405 million as of March 31, 2021 due to the increase in payable to contractors and suppliers.

Income tax payable increased by 123% from ₱35 million as of December 31, 2020 to ₱78 million as of March 31, 2021 due to higher taxable income.

Interest bearing loans and borrowings including non-current portion, decreased by 8% from ₱2,972 million as of December 31, 2020 to ₱2,732 million as of March 31, 2021 due to settlements for the period.

Deferred tax liabilities - net increased by 5% from ₱4,057 million as of December 31, 2020 to ₱4,258 million as of March 31, 2021 due to additional temporary differences for the period.

Other noncurrent liabilities increased by 24% from ₱2,113 million as of December 31, 2020 to ₱2,615 million as of March 31, 2021 due to the increase in the non-current portion of payables to contractors.

Material Changes to the Company's Statement of Comprehensive Income for the three months ended March 31, 2021 compared to the three months ended March 31, 2020 (increase/decrease of 5% or more)

Other operating income decreased by 16% from ₱192 million in the three months ended March 31, 2020 to ₱161 million in the period ended March 31, 2021 due to the decrease in other operating income generated from the commercial assets.

Operating expenses decreased by 20% from ₱837 million in the three months ended March 31, 2020 to ₱673 million in the period ended March 31, 2021. The decrease was primarily due to the 24% decrease in occupancy expenses, 34% decrease in outside services and decrease of 71% in advertising and promotions for the period.

Finance income decreased by 75% from ₱4 million in the three months ended March 31, 2020 to ₱1 million in the period ended March 31, 2021 due to the lower interest earned from in cash in banks, investments and receivables of the company for the period.

Finance costs decreased by 10% from ₱135 million in the period ended March 31, 2020 to ₱122 million in the period ended March 31, 2021. The decrease was due to a lower capitalization for the period as more investment properties have been completed.

Provision for tax decreased by 9% from ₱338 million in the period ended March 31, 2020 to ₱307 million in the period ended March 31, 2021 due to the lower taxable income in the 3-months of 2021.

The Group's net income increased by 17% from ₱788 million in the three months ended March 31, 2020 to ₱921 million in the three months ended March 31, 2021.

For the three months ended, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues. Except as discussed in the notes to financial statements Events after the report date on the potential impact of the COVID-19 pandemic.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

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

COMMITMENTS AND CONTINGENCIES

The Parent Company's subsidiaries are contingently liable for guarantees arising in the ordinary course of business, including surety bonds, letters of guarantee for performance and bonds for its entire real estate project.

The Company is contingently liable with respect to certain lawsuits and other claims which are being contested by the subsidiaries and their legal counsels. Management and their legal counsels believe that the final resolution of these claims will not have a material effect on the consolidated financial statements.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The Company sourced its capital requirements through a mix of internally generated cash, sale of liquid assets like installment contracts receivables, pre-selling and joint venture undertakings. The Company does not expect any material cash requirements beyond the normal course of the business. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation except for those items disclosed in the 3-months of 2021 Financial Statements.

There are no material off-balance sheet transactions, arrangements, obligation (including contingent obligations), or other relationships of the Company with unconsolidated entities or other persons created during the reporting period except those disclosed in the 3-months of 2021 Financial Statements.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Company. There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. There are no explanatory comments on the seasonality of the operations. There are no material events subsequent to the end of the fiscal period that have not been reflected in the financial statements.

There are no material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature; neither are there changes in estimates of amounts reported in a prior period of the current financial year.

PART II - OTHER INFORMATION

Item 3. 3-months of 2021 Developments

A. New Projects or Investments in another line of business or corporation.

None.

B. Composition of Board of Directors

Manuel B. Villar Jr.	Chairman of the Board
Manuel Paolo A. Villar	Director and President
Cynthia J. Javarez	Director and Treasurer
Camille A. Villar	Director
Adisorn Thananan-Narapool	Director
Joel L. Bodegon	Independent Director
Raul Juan N. Esteban	Independent Director

C. Performance of the corporation or result/progress of operations.

Please see unaudited Financial Statements and Management's Discussion and Analysis.

D. Declaration of Dividends.

₱0.0156 per share Regular Cash Dividend

Declaration Date: September 30, 2020

Record date: October 15, 2020

Payment date: October 30, 2020

₱0.0571 per share Regular Cash Dividend

Declaration Date: September 30, 2019

Record date: October 15, 2019

Payment date: October 30, 2019

₱0.0489 per share Regular Cash Dividend

Declaration Date: September 26, 2018

Record date: October 11, 2018

Payment date: October 25, 2018

₱0.0368 per share Regular Cash Dividend

Declaration Date: September 27, 2017

Record date: October 12, 2017

Payment date: October 26, 2017

₱0.0215 per share Regular Cash Dividend

Declaration Date: September 26, 2016

Record date: October 11, 2016

Payment date: October 26, 2016

- E. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements.**

None.

- F. Offering of rights, granting of Stock Options and corresponding plans therefore.**

None.

- G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate.**

None.

- H. Other information, material events or happenings that may have affected or may affect market price of security.**

None

- I. Transferring of assets, except in normal course of business.**

None.

Item 4. Other Notes as of the 3-months of 2021 Operations and Financials.

- J. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.**

None.

- K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period.**

There were no changes in estimates of amounts reported in prior interim period or prior financial years that have a material effect in the current interim period.

- L. New financing through loans/ issuances, repurchases and repayments of debt and equity securities.**

See Notes to Financial Statements and Management Discussion and Analysis.

- M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.**

None.

- N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations.**

None.

- O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date.**

None.

- P. Existence of material contingencies and other material events or transactions during the interim period.**

None.

- Q. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.**

None.

- R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.**

None.

- S. Material commitments for capital expenditures, general purpose and expected sources of funds.**

The movement of capital expenditures being contracted arose from the regular land development, commercial building construction and requirements which are well within the regular cash flow budget coming from internally generated funds.

- T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/income from continuing operations.**

As of March 31, 2021, no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the first three months of 2021 financial statements.

- U. Significant elements of income or loss that did not arise from continuing operations.**

None.

V. Causes for any material change/s from period to period in one or more line items of the financial statements

None.

W. Seasonal aspects that had material effect on the financial condition or results of operations

None.

X. Disclosures not made under SEC Form 17-C.

None.

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized.

VISTAMALLS, INC.
Issuer

By:


BRIAN N. EDANG
Chief Financial Officer

Date: May 24, 2021