COVER SHEET

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S.E.C. Registration Number

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.)

(Company's Full Name)

LOWER GROUND FLOOR, BUILDING B, EVIA LIFESTYLE CENTER, VISTA CITY, DAANGHARI, ALMANZA II LAS PIÑAS CITY

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

Brian N. Edang

Contact Person

8571-5948

Registrant Telephone Number

1	2		3	1

Month *Day*

Calendar Year

20-IS Definitive Information Statement

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

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

File Number

LCU

Document I.D.

Cashier

09 July 2020

SECURITIES AND EXCHANGE COMMISSION
Markets and Securities Regulation Department
SEC Building
EDSA, Greenhills
Mandaluyong City

Attention : Director Vicente Graciano P. Felizmenio, Jr.

Re : Information Statement of
Vistamalls, Inc.

Dear Sir:

In reply to your letter dated 30 June 2020, we submit herewith for your consideration and clearance the Definitive Information Statement ("DIS") for the annual meeting of the shareholders ("ASM") of Vistamalls, Inc. ("Vistamalls" or the "Company") to be held on 03 August 2020, which we have revised in light of the comments set forth in your aforementioned letter.

We address certain specific comments as follows:

1. We have updated the following sections of the DIS to reflect information as of 31 May 2020: (a) voting securities and principal holders; (b) equity ownership of local and foreign shareholders; and (c) security ownership of certain beneficial owners and management.

2. Attached herewith is the Interim Unaudited Financial Statements of the Company as of and for the quarter ended March 31, 2020 with Management Discussion and Analysis.

Finally, we take note of the Company's responsibility under Section 50 of the Revised Corporation Code ("RCC" or "Code"), together with the other pertinent provisions of the RCC on voting through remote communication or in absentia, and with the provisions of SEC Memorandum Circular No. 6, s. 2020.

Thank you very much.

Very truly yours,

Brian N. Edang
CEO & Head Investor Relations

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 2020 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 29th day of June 2020.

VISTAMALLS, INC.

By:

MA. NALEN S.J. ROSERO
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Joel L. Bodegon**, Filipino, of legal age and a resident of **No. 118 Lipa Street, Ayala Alabang Village, Muntinlupa 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 October 4, 2010.

2. I am affiliated with the following companies or organizations:

Company/ Organization	Position/ Relationship	Period of Service
Bodegon Estorninos Guerzon & Gozos Law Offices	Managing Partner	1 June 2010 – 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 JUN 29 2020 at MANDALUYONG CITY.

JOEL L. BODEGON
Affiant

SUBSCRIBED AND SWORN to before me this JUN 29 2020 at MANDALUYONG CITY, affiant personally appeared before me and exhibited to me his valid ID No. Senior ID No. 3851, expiring on ______________, issued by__________.

Doc. No. 456
Page No. 93
Book No. XXVII
Series of 2020.

ATTY. ARBIN OMAR P. CARIÑO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2020
ROLL No. 57146
IBP Lifetime Member No. 018537
PTR No. 4334284 / 06 Jan. 2020 / 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

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 JUN 29 2020 at MANDALUYONG CITY.

RAUL JUAN N. ESTEBAN
Affiant

SUBSCRIBED AND SWORN to before me this JUN 29 2020 at MANDALUYONG CITY, affiant personally appeared before me and exhibited to me his TIN 133-076-677.

Doc. No. 457
Page No. 93
Book No. XXVII
Series of 2020.

ATTY. ARBIN OMAR P. CARIÑO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2020
ROLL No. 57146
IBP Lifetime Member No. 013537
PTR No. 4334284 / 06 Jan. 2020 / 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

VISTAMALL

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 2020 will be held online on **August 03, 2020**, **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.viashportal.com/VillarGroup/ViaSHLogin.aspx?CompanyId.

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 June 24, 2019
4. Presentation of the President's Report, Management Report and Audited Financial Statements for the year 2019
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 2020
7. Appointment of External Directors
8. Adjournment

Minutes of the 2019 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 19 June 2020 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.viashportal.com/VillarGroup/ViaSHLogin.aspx?CompanyId on or before July 24, 2020. 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 July 24, 2020 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.J. 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.viashportal.com/VillarGroup/ViaSHLogin.aspx?CompanyId (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 2020 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 June 24, 2019**

The minutes of the last Annual Meeting of Stockholders held on June 24, 2019 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 2019 Annual Meeting of Stockholders.

3. **President's Report, Management Report and Audited Consolidated Financial Statements as of and for the year ended December 31, 2019**

The audited financial statements ("AFS") of the Company as of and for the year ended December 31, 2019 (as audited by SyCip, Gorres, Velayo & Co.), a copy of which is incorporated in the Preliminary 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 2019 (which will include highlights from the AFS) and the outlook for 2020.

The Board and Management of the Company believe it 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 Preliminary 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 2020**

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 Preliminary 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 2020.

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 24 July 2020. 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 03 August 2020 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 June 24, 2019

   ☐ Yes ☐ No ☐ Abstain

2. Approval of the Audited Financial Statements for the year 2019

   ☐ 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

4. Election of the members of the Board of Directors, including the Independent Directors for the year 2020

Name	No. of votes
Manuel B. Villar Jr.	__________
Manuel Paolo A. Villar	__________
Cynthia J. Javarez	__________
Camille A. Villar	__________
Adisorn Thananan-Narapool	__________
Joel L. Bodegon	__________
Raul Juan N. Esteban	__________

5. Re-appointment of SGV & Company as external auditor

   ☐ Yes ☐ No ☐ Abstain

____
Printed name of Stockholder

____
Signature of Stockholder / Authorized representative

____
Date

This proxy should be received by the Corporate Secretary on or before 24 July 2020, 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
   [x] 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
   03 August 2020, 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
   July 13, 2020

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 [**x**] 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: August 03, 2020
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 July 13, 2020 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 31 May 2020

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

(b) Record Date: 19 June 2020

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 May 31, 2020:

Class	Filipino		Foreign		Total Shares Outstanding
	Shares	Percent of Class	Shares	Percent of Class	
Common	7,614,365,029	90.37%	811,616,127	9.63%	8,425,981,156
Preferred	2,350,000,000	100.00%	-	-	2,350,000,000
Total	**9,964,364,829**		**811,616,327**		**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 May 31, 2020:

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 Ownership[1]
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, 2020.
[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 May 31, 2020:

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 38th Floor, South Saturn Road, Silom, Bangkok, Thailand	1,000 - Indirect	Thai	.00001%
Common Shares	Joel L. Bodegon 118 Lipa Street, Ayala Alabang Village, Muntinlupa City	1,000 – Direct	Filipino	.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		**2,350,006,100**		**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 May 31, 2020, 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:

NAME	AGE	POSITION	CITIZENSHIP
Manuel B. Villar Jr.	70	Chairman	Filipino
Manuel Paolo A. Villar	43	Director & President	Filipino
Cynthia J, Javarez	56	Director & Treasurer	Filipino
Camille A. Villar	35	Director	Filipino
Adisorn Thananun-Narapool	65	Director	Thai
Joel L. Bodegon	71	Independent Director	Filipino
Raul Juan N. Esteban	57	Independent Director	Filipino
Brian N. Edang	41	Chief Financial Officer & Head, Investor Relations	Filipino
Ma. Nalen S.J. Rosero	48	Chief Information Officer & Corporate Secretary	Filipino
Jo Marie Lazaro-Lim	41	Compliance Officer & Assistant Corporate Secretary	Filipino

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 Realestate 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.

JOEL L. BODEGON, *Independent Director*, obtained his Bachelor of Arts degree and Bachelor of Laws, both from the University of the Philippines. He was admitted to the Bar in 1975. He worked in a private law firm and the Office of the Solicitor General before he joined Angara Abello Concepcion Regala and Cruz (ACCRA) in 1976, where he became a partner in 1982 until 1986. In 1987, he formed, together with some ACCRA partners, the Jardeleza Sobreviñas Diaz Hayudini & Bodegon Law Offices, where he was managing partner for 12 years until his retirement in 2008. In 2010, he formed the Bodegon Estorninos Guerzon Borie & Bongco Law Offices. Mr. Bodegon has been a Director of the Company since October 4, 2010. Atty. Bodegon 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 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 Mr. Joel L. Bodegon 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 Mr. Joel L. Bodegon, members.

Attendance in Board Meetings

Attendance of each director if the Corporation in Board meetings held during the year 2019 as follows:

	Apr 8	***May 2***	***May 14***	***Jun 24***	***Jul 19***	***Aug 13***	***Sep 30***	***Oct 17***	***Nov 13***
Manuel B. Villar Jr.	P	P	P	P	P	P	P	P	P
Manuel Paolo A. Villar	P	P	P	P	P	P	P	P	P
Benjamarie Therese N. Serrano	P	P	P	A	-	-	-	-	-
Cynthia J. Javarez	-	-	-	P	P	P	P	P	P
Camille A. Villar	P	P	P	A	P	P	P	P	P

	Apr 8	*May 2*	*May 14*	*Jun 24*	*Jul 19*	*Aug 13*	*Sep 30*	*Oct 17*	*Nov 13*
Adisorn Thananan-Narapool	-	-	-	-	-	-	-	-	-
Joel L. Bodegon	P	P	P	P	P	P	P	P	P
Raul Juan N. Esteban	P	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

Ms. Benjamarie Therese N. Serrano resigned as director of the Company in June 2019. Ms. Cynthia J. Javarez was elected in her 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, 2019, 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

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 2018 and 2019 (actual) and 2020 (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 2018**	**₱ 9.2 M**	**₱ 0.6 M**
		Actual 2019	**₱ 9.7 M**	**₱ 0.6 M**
		Projected 2020	**₱ 10.3 M**	**₱ 0.6 M**
Aggregate executive compensation for all other officers and directors, unnamed		**Actual 2018**	**₱ 5.1 M**	**₱ 0.4 M**
		Actual 2019	**₱ 5.4 M**	**₱ 0.4 M**
		Projected 2020	**₱ 5.6 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.

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 2018 and 2019.

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 2018 or 2019 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 2019, 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, 2019, 2018 and 2017.

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, 2019, 2018 and 2017.

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 Mr. Joel L. Bodegon, 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.

	2019	2018
	(In ₱ Millions with VAT)	
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	₱ 3.59	₱ 3.02
All other fees	–	–
Total	**₱ 3.59**	**₱ 3.02**

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 June 24, 2019, covering the following matters: (i) approval of the President's Report and the Annual Report for the year 2018; (ii) approval and adoption of the Audited Financial Statements for the year ended 31 December 2018; (iii) ratification of all acts of the Board of Directors and Management since the annual stockholders' meeting held in June 2018; (iv) election of the directors and independent directors of the Company for the ensuing fiscal year; (v) approval of the change of name of the Company from Starmalls, Inc. to Vistamalls, Inc. and the corresponding amendment of First Article of the Amended Articles of the Incorporation of the Company; and (vi) appointment of the external auditor of the Company for the fiscal year 2019

2. The President's Report; and

3. Audited Financial Statements for the year 2019.

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 2018 and 2019 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 or 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 2019, 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 Registrant as of and for the year ended December 31, 2019 and the Consolidated Interim Financial Statements of the Company as of and for the three months ended, March 31, 2020 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, 2017, 2018 and 2019, 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.

	2019	**2018**
	(In ₱ Millions	***with VAT)***
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	₱ 3.59	₱ 3.02
All other fees	–	–
Total	**₱ 3.59**	**₱ 3.02**

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 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 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 to 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:

(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, 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 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 to 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, 2018 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.

REVIEW OF YEAR END 2017 VS YEAR END 2016

RESULTS OF OPERATIONS

Revenues

Operating revenue

Operating revenue increased from ₱4,479 million in the year ended December 31, 2016 to ₱5,297 million in the year ended December 31, 2017. The 18% increase in the account was primarily attributable to the following:

- Rental income increased from ₱4,078 million in the year ended December 31, 2016 to ₱4,799 million in the year ended December 31, 2017. 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 ₱106 million in the year ended December 31, 2016 to ₱117 million in the year ended December 31, 2017. The 11% 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 ₱296 million in the year ended December 31, 2016 to ₱381 million in the year ended December 31, 2017. The 29% 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 ₱1,948 million in the year ended December 31, 2016 to ₱2,332 million in the year ended December 31, 2017. The 20% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 32% from ₱718 million in the year ended December 31, 2016 to ₱950 million in the year ended December 31, 2017 due to additional depreciation from the newly opened malls and corporate building.

- Increase in light and power by 14% from ₱340 million in the year ended December 31, 2016 to ₱387 million in the year ended December 31, 2017 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 11% from P251 million in the year ended December 31, 2016 to P279 million in the year ended December 31, 2017 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 10% from ₱169 million in the year ended December 31, 2016 to ₱186 million in the year ended December 31, 2017 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

- Increase in rentals by 19% from ₱112 million in the year ended December 31, 2016 to ₱134 million in the year ended December 31, 2017 due to the annual escalations of the rental rates of existing leased properties.

- Decrease in taxes and licenses by 9% from ₱144 million in the year ended December 31, 2016 to ₱131 million in the year ended December 31, 2017 due to lower taxes paid during the year.

- Increase in repairs and maintenance by 13% from ₱85 million in the year ended December 31, 2016 to ₱96 million in the year ended December 31, 2017 due to the various refurbishments of the company's older malls and office building.

- Increase in insurance by 37% from ₱21 million in the year ended December 31, 2016 to ₱28 million in the year ended December 31, 2017 due to the additional insurance obtained by the Company for its new malls and office buildings.

- Increase in professional fees by 88% from ₱12 million in the year ended December 31, 2016 to ₱22 million in the year ended December 31, 2017 as a result of increase professional fees paid in 2017.

- Increase in other operating expenses by 53% from ₱46 million in the year ended December 31, 2016 to ₱71 million in the year ended December 31, 2017 due to increase in transportation and travel, commission, and registration fees for the year.

Interest Income
Interest income increase from ₱12 million in the year ended December 31, 2016 to ₱25 million in the year ended December 31, 2016. The 113% increase resulted primarily from the higher level of cash and cash equivalents of the company for the year.

Interest Expense
Interest expense decrease by 85% from ₱301 million in the year ended December 31, 2016 to ₱45 million in the year ended December 31, 2017. This is due primarily to the higher capitalization for the year.

Provision for Income Tax

Tax expense for the year ended December 31, 2017 is ₱884 million an increase of 28% from ₱691 million for the year ended December 31, 2016. 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 33% from ₱1,551 million in the year ended December 31, 2016 to ₱2,061 million in the year ended December 31, 2017.

For the year ended December 31, 2017, 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, 2017 vs. December 31, 2016

Total assets as of December 31, 2016 were ₱35,823 million compared to ₱45,330 million as of December 31, 2017, or a 27% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments increased by 34% from ₱428 million as of December 31, 2016 to ₱572 million as of December 31, 2017 due to the higher collection and proceeds from advances from parent company.

- Available for sale financial assets, including non-current portion increased by 21% from ₱3,758 million as of December 31, 2016 to ₱4,544 million as of December 31, 2017 due to higher market value of the AFS held by the Group.

- Trade Receivables – net increased by 68% from ₱4,065 million as of December 31, 2016 to ₱6,825 million as of December 31, 2017 mainly due increase in rental revenue with the opening of the new malls and corporate building.

- Receivable from ultimate parent company, including non-current portion increased by 10% from ₱1,960 million as of December 31, 2016 to ₱2,154 million as of December 31, 2017 due to advances made during the year.

- Receivable from other related parties - net, including non-current portion increased by 126% from ₱1,153 million as of December 31, 2016 to ₱2,600 million as of December 31, 2017 due to advances made during the year.

- Prepayments and other current assets increased by 5% from ₱1,403 million as of December 31, 2016 to ₱1,473 million as of December 31, 2017 due to the increase in prepayments.

- Investment properties increased by 16% from ₱22,028 million as of December 31, 2016 to ₱25,581 million as of December 31, 2017. The increase was due to the construction and development of new malls and office building for rent for the year.

- Other non-current assets increased by 59% from ₱653 million as of December 31, 2016 to ₱1,039 million as of December 31, 2017 due to the increase in cash restricted for use.

Total liabilities as of December 31, 2016 were ₱17,738 million compared to ₱24,710 million as of December 31, 2017, or a 39% increase. This was due to the following:

- Payable to parent company, including non-current portion increased by 141% from ₱4,857 million as of December 31, 2016 to ₱11,700 million as of December 31, 2017 due to advances from parent company made during the year.

- Interest bearing loans and borrowings, including non-current portion decreased by 13% from ₱8,646 million as of December 31, 2016 to ₱7,530 million as of December 31, 2017 due to payments made during the year.

- Liability for purchased land increased by 172% from ₱302 million as of December 31, 2016 to ₱802 million as of December 31, 2017 due to new land acquisitions on account for the year.

- Dividends Payable decreased by 12% from ₱313 thousand as of December 31, 2016 to ₱275 thousand as of December 31, 2017 due to payments for the period.

- Refundable deposits increased by 36% from ₱128 million as of December 31, 2016 to ₱175 million as of December 31, 2017 due to the increase in deposits from tenants of both existing and new malls and corporate buildings of the Company.

- Pension liabilities increased by 26% from ₱40 million as of December 31, 2016 to ₱51 million as of December 31, 2017 due to actuarial adjustments.

- Deferred tax liabilities – net posted an increase of 79% from ₱853 million as of December 31, 2016 to ₱1,530 million as of December 31, 2017 due to the increase in temporary differences for the period that will eventually result to future tax liability.

- Other non-current liabilities increased by 19% from ₱615 million as of December 31, 2016 to ₱732 million as of December 31, 2017 due mainly to the increase in retention payable.

Total stockholder's equity increased by 14% from ₱18,085 million as of December 31, 2016 to ₱20,620 million as of December 31, 2017 to 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, 2017 decreased from that of December 31, 2015 due higher current liabilities brought about by the increase in interest-bearing loans and borrowings.

The increase in liability-to-equity ratio was due to the increase in payable to parent company.

Interest coverage for the year ended December 31, 2017 decreased because of the higher interest paid for the year.

Return on asset increased as of December 31, 2017 compared to that as of December 31, 2015 due to higher income in 2016.

Return on equity is increased as a result of higher income made in 2016.

Material Changes to the Company's Balance Sheet as of December 31, 2017 compared to December 31, 2016 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments increased by 34% from ₱428 million as of December 31, 2016 to ₱572 million as of December 31, 2017 due to the higher collection and proceeds from advances from parent company.

Available for sale financial assets, including non-current portion increased by 21% from ₱3,758 million as of December 31, 2016 to ₱4,544 million as of December 31, 2017 due to higher market value of the AFS held by the Group.

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Dividends Payable decreased by 12% from ₱313 thousand as of December 31, 2016 to ₱275 thousand as of December 31, 2017 due to payments for the period.

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Other non-current liabilities increased by 19% from ₱615 million as of December 31, 2016 to ₱732 million as of December 31, 2017 due mainly to the increase in retention payable.

Material Changes to the Company's Statement of income for the year ended December 31, 2017 compared to the year ended December 31, 2016 (increase/decrease of 5% or more)

Rental income increased from ₱4,078 million in the year ended December 31, 2016 to ₱4,799 million in the year ended December 31, 2017. 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.

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Other operating income increased from ₱296 million in the year ended December 31, 2016 to ₱381 million in the year ended December 31, 2017. The 29% 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 32% from ₱718 million in the year ended December 31, 2016 to ₱950 million in the year ended December 31, 2017 due to additional depreciation from the newly opened malls and corporate building.

Increase in light and power by 14% from ₱340 million in the year ended December 31, 2016 to ₱387 million in the year ended December 31, 2017 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 11% from ₱251 million in the year ended December 31, 2016 to ₱279 million in the year ended December 31, 2017 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 10% from ₱169 million in the year ended December 31, 2016 to ₱186 million in the year ended December 31, 2017 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

Increase in rentals by 19% from ₱112 million in the year ended December 31, 2016 to ₱134 million in the year ended December 31, 2017 due to the annual escalations of the rental rates of existing leased properties.

Decrease in taxes and licenses by 9% from ₱144 million in the year ended December 31, 2016 to ₱131 million in the year ended December 31, 2017 due to lower taxes paid during the year.

Increase in repairs and maintenance by 13% from ₱85 million in the year ended December 31, 2016 to ₱96 million in the year ended December 31, 2017 due to the various refurbishments of the company's older malls and office building.

Increase in insurance by 37% from ₱21 million in the year ended December 31, 2016 to ₱28 million in the year ended December 31, 2017 due to the additional insurance obtained by the Company for its new malls and office buildings.

Increase in professional fees by 88% from ₱12 million in the year ended December 31, 2016 to ₱22 million in the year ended December 31, 2017 as a result of increase professional fees paid in 2017.

Increase in other operating expenses by 53% from ₱46 million in the year ended December 31, 2016 to ₱71 million in the year ended December 31, 2017 due to increase in transportation and travel, commission, and registration fees for the year.

Interest income increase from ₱12 million in the year ended December 31, 2016 to ₱25 million in the year ended December 31, 2016. The 113% increase resulted primarily from the higher level of cash and cash equivalents of the company for the year.

Interest expense decrease by 85% from ₱301 million in the year ended December 31, 2016 to ₱45 million in the year ended December 31, 2017. This is due primarily to the higher capitalization for the year.

Tax expense for the year ended December 31, 2017 is ₱884 million an increase of 28% from ₱691 million for the year ended December 31, 2016. 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, 2017, 2018 and 2019.

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, 2017, 2018 and 2019.

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	2020			2019			2018			2017		
	High	Low	Close	High	Low	Close	High	Low	Close	High	Low	Close
1st	5.93	3.12	3.61	7.20	5.36	6.74	25.85	8.10	15.88	7.00	6.79	7.00
2nd	4.10	3.50	3.78	7.12	6.10	6.40	17.40	6.95	6.95	7.44	6.23	7.28
3rd				6.45	5.58	5.84	7.84	6.27	6.57	7.52	6.51	7.52
4th				5.82	4.96	5.66	7.98	3.94	5.40	12.30	6.68	8.81

The market capitalization of STR as of December 31, 2019, based on the closing price of ₱5.66 per share, was approximately ₱47.69 billion.

As of June 30, 2020, STR's market capitalization stood at ₱31.85 billion based on the ₱3.78 per share closing price.

Price Information as of the Latest Practicable Trading Date

Trading Date	High	Low	Close
09 July 2020	3.75	3.65	3.75

Stockholders

Common Shares

There are approximately 436 holders of common equity security of the Company as of May 31, 2020 (based on the number of accounts registered with the Stock Transfer Agent). As of May 31, 2020, the following are the top 20 holders of the common securities of the Company:

	Stockholders Name	No. of Common Shares	Percentage (of Common Shares)[7]
1.	VISTA LAND & LIFESCAPES, INC.[8]	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)	50,776,692	0.60%
5.	PCD NOMINEE CORPORATION (FOREIGN)	3,098,304	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.	DAVID LIMQUECO KHO	40,000	0.00%
19.	GILBERT M. TIU	40,000	0.00%
20.	OH SIONG YU	39,942	0.00%
	Total	**8,424,426,300**	**99.98%**
	Others	1,554,856	0.02%
	Total issued and outstanding common shares as of May 31, 2020	**8,425,981,156**	**100.00%**

[7] *based on the total shares issued of 8,425,981,156*
[8] *Lodged under PCD Nominee Corporation (Filipino)*

Preferred Shares

As of May 31, 2020, 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 May 31, 2020	**2,350,000,000**	**100.00%**

Dividends

₱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 09th July 2020.

By:

MA. NALEN S.J. ROSERO
Corporate Secretary

VISTAMALL

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, 2019, 2018, and 2017 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 JUN 0 4 2020 day of ______________ 2020.

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 JUN 0 4 2020 at MANDALUYONG CITY, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date and Place of Issue
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.

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Page No. 49
Book No. V
Series of 2020.

ATTY. FERDINAND B. SABILLO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2020
ROLL No. 53511
IBP Lifetime Member No. 018538
PTR No. 4334283 / 06 Jan. 2020 / Mandaluyong City
MCLE Compliance No. VI-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

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS0003 9587

COMPANY NAME

VISTAMALLS, INC. (Formerly Starmalls, Inc.) AND SUBSIDIARIES

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

LGF, BUILDING B, EVIA LIFESTYLE CENTER, VISTA CITY, DAANGHARI, ALMANZA II, LAS PIÑAS CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.starmalls.com.ph	8571-5948 / 8871-4001	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
436	06/24	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Brian N. Edang	brian_edang@ vistaland.com.ph	3226-3552/ 8874-5758	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*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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. (formerly Starmalls, Inc.) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards.

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.

Adoption of PFRS 16, Leases

Effective January 1, 2019, the Group adopted PFRS 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Group's accounting policy for leases, specifically those formerly classified as operating lease arrangements where the Group is the lessee. The Group's adoption of PFRS 16 is significant to our audit because the Group has lease agreements with recorded amounts that are material to the consolidated financial statements; and the adoption involves application of significant judgment and estimation in determining the lease term, including evaluating whether the extension option is enforceable, and whether the Group is reasonably certain to exercise option to extend or terminate the lease, and in determining the incremental borrowing rate. This resulted in the recognition of right of use assets and lease liabilities amounting to ₱2,867.33 million and ₱3,223.63 million, respectively, as of January 1, 2019, and the recognition of depreciation expense and interest expense of ₱193.77 million and ₱336.03 million, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 are included in Notes 3 and 25 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the determination of incremental borrowing rate and the lease term, the application of the short-term and low value assets exemptions, the selection of the transition approach and any election of available practical expedients.

We tested the completeness of the population of lease agreements by comparing the number of leases per management report against the lease database. On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments.

For selected lease contracts with renewal and/or termination option, we reviewed the enforceability of the extension and/or termination option. We also reviewed the management's assessment of whether it is reasonably certain that the Group will exercise the option to renew or not exercise the option to terminate.

We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Provision for Expected Credit Losses

As of December 31, 2019, receivables from tenants arising from the Group's leasing operations represent 7.65% of the total assets. The determination of the 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 determining assumptions used in the calculation, such as the estimated future cash flows, payment history, lessee's current financial condition, and assessment of security deposits and advance rent. The use of different assumptions could result to significantly different estimates of provision for credit losses. The disclosure in relation to provision for credit losses on receivables from tenants are included in Note 24 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, the time value of money, 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) compared the definition of default against the credit risk management policies and practices in place, (c) compared the security deposits and advance rent made by tenants against outstanding receivables to verify the internal loss-given default and (d) checked the external credit rating applied to calculate expected credit losses (ECL).

Further, we checked the data used in the 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 financial 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 also assessed the assumptions used where there are missing or insufficient data.

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

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, 2019 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, 2019 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

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. 08-001998-74-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125312, January 7, 2020, Makati City

June 4, 2020

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash (Notes 7, 23 and 24)	**₱589,007,023**	₱418,435,013
Short-term cash investment (Notes 8, 23 and 24)	**62,810,499**	–
Investment at fair value through profit or loss (Notes 8, 23 and 24)	**29,669,110**	28,871,689
Receivables (Notes 9, 23 and 24)	**2,277,558,749**	3,582,992,417
Receivable from ultimate parent company (Notes 20, 23 and 24)	**2,850,849,682**	2,850,849,682
Real estate properties for sale	**301,837,616**	322,180,573
Other current assets (Note 11)	**3,034,402,589**	2,134,542,636
Total Current Assets	**9,146,135,268**	9,337,872,010
Noncurrent Assets		
Investments at fair value through other comprehensive income (Notes 8, 20, 23 and 24)	**5,814,569,502**	4,069,446,443
Receivables - net of current portion (Notes 9, 23 and 24)	**7,056,775,568**	3,274,842,165
Property and equipment	**79,967,321**	67,446,733
Investment properties (Notes 3 and 10)	**47,854,803,898**	35,315,647,390
Other noncurrent assets (Note 11)	**673,941,969**	851,627,964
Total Noncurrent Assets	**61,480,058,258**	43,579,010,695
	₱70,626,193,526	₱52,916,882,705
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12, 23 and 24)	**₱2,357,578,112**	₱2,461,646,073
Security deposits and advance rent (Note 13)	**702,690,342**	544,965,340
Payable to parent company (Notes 20, 23 and 24)	**27,853,559,896**	18,377,012,831
Income tax payable	**40,586,397**	63,740,175
Dividends payable (Notes 16, 20, 23, and 24)	**275,118**	275,118
Current portion of:		
Bank loans (Notes 14, 23 and 24)	**1,328,366,778**	1,558,559,116
Lease liabilities (Note 25)	**51,674,182**	–
Total Current Liabilities	**32,334,730,825**	23,006,198,653
Noncurrent Liabilities		
Bank loans - net of current portion (Notes 14, 23 and 24)	**2,969,306,548**	4,297,850,238
Lease liabilities - net of current portion (Note 25)	**3,964,204,541**	–
Pension liabilities	**52,046,913**	48,764,839
Deferred tax liabilities - net (Note 19)	**3,139,728,492**	2,307,119,282
Other noncurrent liabilities (Note 15)	**2,023,601,848**	1,014,978,174
Total Noncurrent Liabilities	**12,148,888,342**	7,668,712,533
Total Liabilities	**₱44,483,619,167**	₱30,674,911,186

(Forward)

	December 31	
	2019	2018
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	**10,615,328,399**	8,471,471,436
Other comprehensive income (loss)	**529,093,822**	(1,188,937,019)
	25,983,217,731	22,121,329,927
Non-controlling interest	**159,356,628**	120,641,592
Total Equity	**26,142,574,359**	22,241,971,519
	₱70,626,193,526	₱52,916,882,705

See accompanying Notes to Consolidated Financial Statements.

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Rental income (Note 10)	**₱6,730,451,620**	₱5,673,918,632	₱4,798,595,982
Parking fees	**185,407,579**	158,815,457	117,104,544
Other operating income (Note 17)	**559,118,182**	452,977,105	381,491,995
	7,474,977,381	6,285,711,194	5,297,192,521
COSTS AND EXPENSES			
Depreciation	**1,558,860,209**	997,625,087	950,118,521
Light and power	**521,869,915**	408,684,886	386,901,518
Outside services	**403,393,741**	346,688,494	279,000,699
Salaries and employee benefits	**256,135,605**	244,416,504	186,123,331
Taxes, licenses and other fees	**230,210,230**	173,938,477	130,868,076
Repairs and maintenance (Note 10)	**172,885,009**	148,392,501	96,241,381
Advertising and promotions	**81,847,580**	75,612,740	48,833,765
Insurance	**33,737,626**	30,397,083	28,089,429
Professional fees	**19,149,233**	16,504,988	21,593,055
Rentals	**10,910,231**	299,079,524	134,036,615
Other operating expenses	**156,236,049**	67,015,536	70,578,985
	3,445,235,428	2,808,355,820	2,332,385,375
OTHER INCOME (EXPENSE)			
Interest income (Notes 7, 8, 11 and 18)	**25,984,618**	42,449,780	24,792,430
Fair value loss on investment at fair value through profit or loss (Note 8)	**797,421**	(5,679,378)	–
Interest expense and other financing charges (Notes 18 and 25)	**(237,977,586)**	(53,745,417)	(44,644,940)
	(211,195,547)	(16,975,015)	(19,852,510)
INCOME BEFORE INCOME TAX	**3,818,546,406**	3,460,380,359	2,944,954,636
PROVISION FOR INCOME TAX (Note 19)	**1,182,112,958**	1,037,698,461	883,919,646
NET INCOME	**₱2,636,433,448**	₱2,422,681,898	₱2,061,034,990
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company (Note 21)	**₱2,626,326,397**	₱2,407,017,260	₱2,039,770,209
Non-controlling interest (Note 21)	**10,107,051**	15,664,638	21,264,781
NET INCOME	**₱2,636,433,448**	₱2,422,681,898	₱2,061,034,990
BASIC/DILUTED EARNINGS PER SHARE (Note 21)	**₱0.312**	₱0.286	₱0.242

(Forward)

	Years Ended December 31		
	2019	2018	2017
NET INCOME	**₱2,636,433,448**	₱2,422,681,898	₱2,061,034,990
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized fair value gain on available-for-sale financial assets	**–**	–	785,564,463
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Unrealized fair value gain (loss) on equity investment at fair value through other comprehensive income (Note 8)	**1,745,123,059**	(436,585,760)	–
Remeasurement (loss) gain on pension liabilities, net of tax	**(394,933)**	8,962,670	(940,195)
	1,744,728,126	(427,623,090)	784,624,268
TOTAL COMPREHENSIVE INCOME	**₱4,381,161,574**	₱1,995,058,808	₱2,845,659,258
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company (Note 21)	**₱4,342,446,538**	₱1,986,487,421	₱2,811,526,637
Non-controlling interest (Note 21)	**38,715,036**	8,571,387	34,132,621
	₱4,381,161,574	₱1,995,058,808	₱2,845,659,258

See accompanying Notes to Consolidated Financial Statements.

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)						
	Common Stock	**Preferred Stock**	**Additional Paid-in Capital** (Note 16)	**Retained Earnings** (Note 16)	**Other Comprehensive Income**	**Non-Controlling Interest** (Note 21)	**Total**
Balances as at January 1, 2019	**₱8,425,981,156**	**₱23,500,000**	**₱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	**₱8,425,981,156**	**₱23,500,000**	**₱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	₱8,425,981,156	₱23,500,000	₱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	8,425,981,156	23,500,000	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 income	–	–	–	–	(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	₱8,425,981,156	₱23,500,000	₱6,389,314,354	₱8,471,471,436	(₱1,188,937,019)	₱120,641,592	₱22,241,971,519
Balances as at January 1, 2017	₱8,425,981,156	₱23,500,000	₱6,389,314,354	₱4,703,708,769	(₱1,535,612,600)	₱77,937,584	₱18,084,829,263
Net income	–	–	–	2,039,770,209	–	21,264,781	2,061,034,990
Other comprehensive income	–	–	–	–	771,756,428	12,867,840	784,624,268
Total comprehensive income (loss) for the year	–	–	–	2,039,770,209	771,756,428	34,132,621	2,845,659,258
Cash dividend declared	–	–	–	(310,076,106)	–	–	(310,076,106)
Balances as at December 31, 2017	₱8,425,981,156	₱23,500,000	₱6,389,314,354	₱6,433,402,872	(₱763,856,172)	₱112,070,205	₱20,620,412,415

See accompanying Notes to Consolidated Financial Statements.

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,818,546,406**	₱3,460,380,359	₱2,944,954,636
Adjustments for:			
Depreciation	**1,558,860,209**	997,625,087	950,118,521
Interest expense and other financing charges (Note 18)	**237,977,586**	53,745,417	44,644,940
Impairment losses on receivables (Note 24)	**52,421,517**	3,204,170	–
Pension expense	**8,648,931**	10,802,440	9,004,639
Fair value loss on investment at fair value through profit or loss (Note 8)	**(797,421)**	5,679,378	–
Interest income (Note 18)	**(25,984,618)**	(42,449,780)	(24,792,430)
Operating income before working capital changes	**5,649,672,610**	4,488,987,071	3,923,930,306
Decrease (increase) in:			
Receivables	**(2,528,921,252)**	(1,987,863,728)	(2,763,365,467)
Real estate properties for sale	**20,342,957**	(90,140)	1,022,143
Other current assets	**(1,097,271,086)**	(473,943,647)	(456,795,436)
Increase (decrease) in:			
Accounts and other payables	**(501,886,941)**	242,232,513	(485,016,864)
Security deposits and advance rent	**526,068,030**	225,945,630	122,623,045
Other noncurrent liabilities	**708,182,560**	(104,674,467)	117,361,109
Net cash flows generated from operations	**2,776,186,878**	2,390,593,232	459,758,836
Income taxes paid	**(203,310,360)**	(253,384,836)	(207,777,713)
Net cash flows provided by operating activities	**2,572,876,518**	2,137,208,396	251,981,123
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	**25,984,618**	42,449,780	28,131,618
Acquisitions of:			
Property and equipment	**(36,849,291)**	(41,485,261)	(26,524,823)
Investment property (Notes 3, 10 and 26)	**(8,569,670,969)**	(8,280,314,854)	(3,595,647,727)
Deductions from (Additions to):			
Restricted cash	**(4,205,561)**	–	–
Short-term cash investments	**(62,810,499)**	–	–
Other noncurrent assets	**181,891,556**	–	–
Receivables from related parties (Notes 20 and 26)	**–**	2,071,799,483	(1,809,980,086)
Increase in (payments of) liabilities for purchased land (Notes 12, 15 and 26)	**(794,700,185)**	(27,711,689)	520,126,073
Net cash flows used in investing activities	**(9,260,360,331)**	(6,235,262,541)	(4,883,894,945)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans	**–**	–	500,000,000
Payments of:			
Lease liabilities (Notes 25 and 26)	**(256,373,492)**	–	–
Interest and other financing charges (including capitalized borrowing cost) (Note 26)	**(315,190,240)**	(425,787,386)	(441,987,125)
Dividends (Note 26)	**(481,123,525)**	(412,186,409)	(310,114,204)
Bank loans (Notes 14 and 26)	**(1,565,803,985)**	(1,680,540,472)	(1,637,303,285)
Increase in payables to related parties (Notes 20 and 26)	**9,476,547,065**	6,462,641,706	6,665,444,356
Net cash flows provided by financing activities	**6,858,055,823**	3,944,127,439	4,776,039,742
NET INCREASE (DECREASE) IN CASH	**170,572,010**	(153,926,706)	144,125,920
CASH AT BEGINNING OF YEAR	**418,435,013**	572,361,719	428,235,799
CASH AT END OF YEAR (Note 7)	**₱589,007,023**	₱418,435,013	₱572,361,719

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Vistamalls, Inc. (formerly, Starmalls, 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.

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 98.36% 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).

On September 17, 2019, SEC approved the amended articles of incorporation of the Parent Company for the change in name to Vistamalls, Inc. as amended and approved by the Board of Directors during its meeting held on May 2, 2019 and by the stockholders during its meeting held on June 24, 2019.

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.

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, 2019 and 2018, and for each of the three years in the period ended December 31, 2019.

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		
	2019	2018	2017
Manuela Corporation	**98.36%**	98.36%	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, 2019 and 2018, percentage of non-controlling interests pertaining to Manuela Corporation is 1.64%. 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, 2018, except for the following amendments which the Group adopted starting January 1, 2019. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements.

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

  Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

  The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

  The effect of adoption PFRS 16 as at January 1, 2019 is as follows:

	Increase (decrease)
Assets	
Investment properties (Note 10)	₱2,867,331,420
Other current assets	(28,233,824)
Liabilities	
Accounts and other payables	(384,532,325)
Lease liabilities (Note 25)	3,223,629,921
Deferred tax liabilities	28,270,198
Total adjustment on income tax:	
Provision for deferred tax	28,270,198

  The Group has various lease agreements in respect of parcels of land and office spaces. Prior to the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets.

Leases previously accounted for as operating leases
The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group applied the following practical expedients for leases previously classified as operating leases, on a lease-by lease basis:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at January 1, 2019:

- Investment properties were recognized amounting to ₱2,867.33 million representing the amount of right-of-use assets set up on transition date (Note 10).
- Lease liabilities of ₱3,223.63 million were recognized (Note 25).
- Other current assets of ₱28.23 million and accounts and other payables of ₱384.53 million related to previous operating leases arising from straight lining under PAS 17 were derecognized.
- Deferred tax liabilities increased by ₱28.27 million because of the deferred tax impact of the changes in assets and liabilities.
- The net effect of these adjustments had been adjusted to income tax by ₱28.27 million.

The lease liabilities at as January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Operating lease commitments as at December 31, 2018	₱8,597,163,937
Weighted average incremental borrowing rate as at January 1, 2019	7.92%
Discounted operating lease commitments as at January 1, 2019	₱3,221,482,501

Due to the adoption of PFRS 16, the Group's operating profit in 2019 improved due to lower amortization of right-of-use asset against the previously recognized rent expense, while its interest expense increased due to the accretion of lease liabilities. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the year.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in associate and joint venture.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, Income Taxes. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately;
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities;
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax position. The Group determined, based on its assessment, that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the financial statements of the Group.

- *Annual Improvements to PFRSs 2015 - 2017 Cycle*

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. The amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. The amendments had no impact to the consolidated financial statements of the Group since the Group's current practice is in line with the amendments.

Effective beginning on or after January 1, 2020

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

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  The amendments will apply on future disclosures of the Group.

Effective beginning on or after January 1, 2021

- 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, 2021, with comparative figures required. Early application is permitted.

  The Group is not engaged in the business of insurance; hence, this standard is not applicable to the Group.

Deferred effectivity

- Amendments to PFRS 10 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, *Business Combinations*. 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, 2017, the Financial Reporting Standards Council deferred the original effective date of January 1, 2017 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.

  The Group does not expect these amendments to have significant impact to the consolidated financial statements because it does not currently have interests in associates and joint ventures.

- Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply fully with the requirements of the IFRIC agenda decision. For real estate companies that avail of the deferral, the SEC requires disclosure in the notes to the consolidated financial statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the consolidated financial statements had the IFRIC agenda decision been adopted.

  The Group does not expect these amendments to have significant impact to the consolidated financial statements because it is not currently engaged in the development of real estate inventories.

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
For all periods up to and including the year ended December 31, 2017, the Group accounted for financial instruments under PAS 39, *Financial Instruments: Recognition and Measurement*. For the years ended December 31, 2019 and 2018, the Group accounted for financial instruments in accordance with PFRS 9, *Financial Instruments*.

Financial Instruments effective January 1, 2018

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 ultimate parent company 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 though 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
PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

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;
- 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, payable to parent company, liabilities for purchased land and retention payable presented as "other liabilities" and bank loans.

Financial Instruments prior to January 1, 2018

Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell the asset.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at FVTPL, the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVTPL, AFS financial assets, and loans and receivables.

The Group classifies its financial liabilities as financial liabilities at FVTPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivable, AFS financial assets and HTM financial assets, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss under "Interest income" and "Interest and other financing charges" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS or as financial assets at FVTPL. Receivables are recognized initially at fair value. After initial measurement, loans and receivables are subsequently measured at cost or at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization, if any, is included in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss. These financial assets are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's cash, receivables (except for advances to contractors), receivables from ultimate parent company and restricted cash presented in 'Other Assets'.

AFS financial assets
AFS financial assets are nonderivative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVTPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognized in OCI and credited to the OCI until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the OCI to the consolidated statement of comprehensive income in interest and other financing charges. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as gain or loss on disposal in profit or loss. Where the Group holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest and other income from investments using the EIR. Dividends earned on holding AFS financial assets are recognized in profit or loss as part of miscellaneous income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as provisions for impairment losses in profit or loss.

When the fair value of AFS equity financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any impairment losses.

As of December 31, 2017, AFS financial assets comprise of investment in VLLI and investment in mutual funds. The investment in VLLI and investment in mutual funds is reclassified as FVOCI and FVTPL as at January 1, 2018, respectively.

Other financial liabilities
Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

The financial liabilities measured at cost are accounts and other payables (except for deferred output VAT and other statutory payables), dividends payable, payable to parent company, liabilities for purchased land and retention payable presented as “Other liabilities”. The financial liabilities measured at amortized cost are bank loans.

Impairment of Financial Assets
The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or

the group of financial assets that can be reliably estimated. The fact that title of the real estate properties are transferred only to the buyer upon full payment of the contract price is considered in the evaluation of impairment. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost (i.e., loans and receivables or HTM investments) has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as selling price of the lots and residential houses, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Financial assets carried at amortized costs, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets carried at fair value
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously

recognized in the consolidated statement of comprehensive income is removed from OCI and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Derecognition of Financial Assets and Financial Liabilities under PFRS 9 and PAS 39

Financial asset
A financial asset (or, where applicable, a part of a group of financial assets) is derecognized where: (a) the rights to receive cash flows from the assets have expired; (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.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where 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 under PFRS 9 and PAS 39
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 consolidated 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 the Group's 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.

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 Effective January 1, 2018
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.

Revenue Recognition Prior to January 1, 2018
Revenue is recognized to the extent that it is probable that the economic benefits will flow and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in certain revenue arrangements and as agent in certain transactions.

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 specified services before transferring them to the customer. 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.

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
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.

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, 2019, 2018 and 2017, 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 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 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.

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 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 in banks, short-term cash investments 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 from tenants, accrued rent receivable and receivables from related parties, the Group performs an assessment, at the end of each reporting period, of whether the receivables' credit risk has increased significantly 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.

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

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
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. This 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.

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 property and equipment, 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.

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 and 11.

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.

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, 2019 and 2018. 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 ₱4,015.66 million or 59.66%, ₱2,469.72 million or 43.53%, and ₱1,766.85 million or 36.82% of the commercial segment of the Group was generated from anchor tenants as defined in Note 20 for the years ended December 31, 2019, 2018 and 2017, respectively. There is no cyclicality in the Group's operations.

7. Cash

This account consists of:

	2019	2018
Cash on hand	**₱821,800**	₱458,500
Cash in banks (Notes 23 and 24)	**588,185,223**	417,976,513
	₱589,007,023	₱418,435,013

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

Interest earned from cash in banks for the years ended December 31, 2019, 2018 and 2017 amounted to ₱5.91 million, ₱12.42 million and ₱7.53 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, 2019, short-term cash investments amounted to ₱62.81 million (Note 24). Interest rate ranges from 3.00% to 3.25% in 2019.

Interest earned from short-term cash investments for the years ended December 31, 2019 amounted to ₱1.42 million (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, 2019	December 31, 2018
Balances at beginning of year	**₱28,871,689**	₱34,551,067
Unrealized fair value gain (loss) during the year	**797,421**	(5,679,378)
Balances at end of year	**₱29,669,110**	₱28,871,689

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, 2019	December 31, 2018
Balances at beginning of year	**₱4,069,446,443**	₱4,509,236,373
Unrealized fair value gain (loss) during the year	**1,745,123,059**	(436,585,760)
Disposal	**–**	(3,204,170)
Balances at end of year	**₱5,814,569,502**	₱4,069,446,443

9. Receivables

This account consists of:

	2019	2018
Accounts receivable from tenants (Note 20)	**₱1,672,978,351**	₱831,767,840
Advances to contractors	**3,870,810,327**	3,274,842,165
Accrued rent receivable (Note 20)	**3,729,533,628**	2,654,247,620
Other receivables	**113,433,528**	96,976,957
	9,386,755,834	6,857,834,582
Less allowance for impairment losses	**(52,421,517)**	–
	9,334,334,317	6,857,834,582
Less noncurrent portion	**(7,056,775,568)**	(3,274,842,165)
	₱2,277,558,749	₱3,582,992,417

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.

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

10. Investment Properties

The rollforward analysis of this account follows:

	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 (Note 3)	–	–	–	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

	December 31, 2018			
	Land	Building and Building Improvements	Construction in Progress	Total
Cost				
Balances at beginning of year	₱9,211,126,038	₱18,715,552,664	₱2,134,324,578	₱30,061,003,280
Additions	2,459,400,673	438,609,997	7,804,790,593	10,702,801,263
Reclassification	–	3,194,931,725	(3,194,931,725)	–
Balances at end of year	11,670,526,711	22,349,094,386	6,744,183,446	40,763,804,543
Accumulated Depreciation				
Balances at beginning of year	–	4,480,262,693	–	4,480,262,693
Depreciation	–	967,894,460	–	967,894,460
Balances at end of year	–	5,448,157,153	–	5,448,157,153
Net Book Value	₱11,670,526,711	₱16,900,937,233	₱6,744,183,446	₱35,315,647,390

Investment properties consist mainly of land and land developments and commercial centers. These include properties, currently being leased out, for future leasing or currently held for capital appreciation. The commercial centers include retail malls, Vistamalls and Starmalls that are located in key cities and municipalities in the Philippines and office spaces.

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% as of December 31, 2019.

As of December 31, 2018, the construction in progress represents capitalized costs arising from a construction of commercial centers that are located in Taguig City, Las Piñas City, Cavite, Iloilo, Davao, Naga and Cagayan de Oro which are due to be completed in 2019 to 2020. The percentages of completion of various constructions in progress ranges from 5.00% to 95.00% in 2018.

On September 28, 2018, the Group acquired land for commercial project from Fine Properties, Inc. its ultimate parent company amounting to ₱4,525.94 million. 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.

The reclassification of ₱2,936.69 million and ₱3,194.93 million from construction in progress to building and improvements in 2019 and 2018, respectively, 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 ₱6,730.45 million, ₱5,673.92 million and ₱4,798.60 million in 2019, 2018 and 2017, respectively. Repairs and maintenance costs incurred arising from the investment properties amounted to ₱172.89 million, ₱148.39 million and ₱96.24 million for the years ended December 31, 2019, 2018 and 2017, respectively. Cost of property operations amounted to ₱3,114.64 million, ₱2,592.95 million and ₱2,165.47 million for the years ended December 31, 2019, 2018 and 2017. For the terms and conditions on the lease, refer to Note 25.

As of December 31, 2019, the aggregate fair values of investment properties amounted to ₱119,156.73 million. In the determination of fair values, market value approach method was used for land and land development, 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 fair values of the buildings for malls and office spaces determined using income approach method considers rental escalation rate for the minimum rental guaranteed for the remaining life of the buildings and building improvements using the discount rate ranging 5.10% to 8.38%.

As of December 31, 2018, the aggregate fair values of investment properties amounted to ₱52,635.11 million. In the determination of fair values, the market value approach method was used for land and land improvements while cost approach method was used for malls and office buildings for rent and construction in progress under early stage of construction.

All fair market valuation are under Level 3 category.

Investment properties with carrying value of ₱6,608.78 million and ₱6,814.15 million are used to secure the bank loans of the Group as of December 31, 2019 and 2018, respectively (Note 20). The fair value of the investment properties used as collateral amounted to ₱25,087.84 million under DCF approach method prepared by management as of December 31, 2019 and ₱24,802.26 million under cost approach method prepared by external valuer as of December 31, 2018.

The parcels of land are located in cities and municipalities like Mandaluyong, Las Piñas, Taguig, Naga, Bacoor, Imus, San Jose del Monte, Sta. Rosa, Bataan, Cebu, Alabang and Kawit. The market price per square meter of the land ranges between ₱1,258 to ₱173,017, while building and improvements ranged from ₱17,701 to ₱209,304. 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 40 years.

The Group's borrowing cost capitalized to investment properties amounted to ₱459.25 million and ₱320.47 million for years ended December 31, 2019 and 2018, respectively (Note 18). Amortization expense related to right-of-use asset amounted to ₱193.77 million for the year ended December 31, 2019. Right-of-use asset is amortized over a period of 2 to 25 years.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase or construct or develop investment properties or for repairs, maintenance and enhancements.

11. **Other Assets**

This account consists of:

	2019	2018
Input value-added tax (VAT)	**₱2,623,352,898**	₱1,889,547,224
Restricted cash (Note 24)	**665,670,015**	661,464,454
Refundable deposits	**263,239,299**	241,418,540
Prepaid expenses	**133,175,598**	141,523,005
Creditable withholding taxes	**7,410,551**	37,183,032
Others	**15,496,197**	15,034,345
	3,708,344,558	2,986,170,600
Less noncurrent portion:		
Restricted cash	**(423,575,015)**	(661,464,454)
Refundable deposits	**(250,366,954)**	(190,163,510)
	(673,941,969)	(851,627,964)
	₱3,034,402,589	₱2,134,542,636

Restricted cash
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 ₱11.36 million, ₱10.64 million and ₱10.10 million in 2019, 2018 and 2017, 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, 2020 and bank loans maturing beyond December 31, 2020, respectively.

Refundable deposits
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.

12. Accounts and Other Payables

This account consists of:

	2019	2018
Accounts payable to:		
Supplier	**₱692,898,379**	₱512,009,668
Contractors	**661,202,109**	234,004,966
Deferred output VAT	**512,808,580**	477,120,721
Current portion of liabilities for purchased land	**161,321,669**	582,113,037
Accrued expenses	**159,723,554**	492,717,807
Current portion of retention payable	**73,685,803**	112,779,330
Other payables	**95,938,018**	50,900,544
	₱2,357,578,112	₱2,461,646,073

Accounts payable to contractors
Accounts payable to contractors pertain to contractors' billings for construction services related to the development of various projects of the Group. Accounts payables to contractors that are payable beyond one year from year end date are presented as 'Payable to contractors' in 'Other noncurrent liabilities' (Note 15).

Accounts payable to suppliers
Accounts payable to 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 are as follows:

	2019	2018
Security services	**₱44,399,495**	₱25,754,915
Interest	**38,933,263**	–
Repairs and maintenance	**25,747,298**	21,891,102
Agency services	**15,104,959**	12,209,705
Janitorial services	**11,650,861**	12,680,374
Advertising	**10,627,397**	9,908,005
Utilities	**7,655,904**	12,878,995
Real property taxes	**3,904,912**	10,486,824
Rental (Note 25)	**224,572**	383,347,870
Others	**1,474,893**	3,560,017
	₱159,723,554	₱492,717,807

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).

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:

	2019	2018
Security deposits	**₱736,803,307**	₱692,833,029
Advance rent	**664,333,506**	182,235,754
	1,401,136,813	875,068,783
Less noncurrent portion:		
Security deposits (Note 15)	**(318,376,715)**	(261,358,390)
Advance rent (Note 15)	**(380,069,756)**	(68,745,053)
	(698,446,471)	(330,103,443)
	₱702,690,342	₱544,965,340

Security deposits
Security deposits represent deposits required by lease agreements. These can be recovered upon termination of lease agreement through application to unpaid rent and/or other charges. Any excess upon application will be refunded to the customer. 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, 2019	December 31, 2018
Principal		
Balance at the beginning of year	**₱5,868,451,112**	₱7,549,000,584
Payment	**(1,565,803,985)**	(1,680,549,472)
Balance at end of year	**4,302,647,127**	5,868,451,112
Debt issue cost		
Balance at the beginning of the year	**12,041,758**	19,323,718
Amortizations	**(7,067,957)**	(7,281,960)
Balance at end of the year	**4,973,801**	12,041,758
Carrying value	**4,297,673,326**	5,856,409,354
Less current portion	**(1,328,366,778)**	(1,558,559,116)
Noncurrent portion	**₱2,969,306,548**	₱4,297,850,238

The Group has complied with the covenants required by the bank loans as at December 31, 2019 and 2018. 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.

Details of the bank loans as at December 31, 2019 and 2018 follow:

Loan Type	Date of Availment	2019	2018	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
MAPI							
Bank loan	Availed in various dates in 2013 and 2014	**₱356,964,140**	₱841,340,677	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	December 2014	**–**	91,313,463	December 2019	6.25%	Interest and principal payable monthly	With collateral
Bank loan	Availed in various dates in 2015	**1,028,190,232**	1,477,853,905	March 2022	5.46%	Interest and principal payable monthly	With collateral
Bank loan	July 2017	**484,375,000**	500,000,000	June 2027	6.23%	Interest and principal payable monthly	Current ratio of at least 1:1.00; Debt to Equity maximum of 2.50:1.00 and DSCR 1:1.00; with collateral
		1,869,529,372	2,910,508,045				
MC							
Bank loan	Availed in various dates in 2014	**–**	71,764,706	Various maturities in 2019	5.75%	Interest and principal payable quarterly	With collateral
Bank loan	July 2016	**2,428,143,954**	2,874,136,603	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
		2,428,143,954	2,945,901,309				
		4,297,673,326	5,856,409,354				
Less current portion		**1,328,366,778**	1,558,559,116				
		₱2,969,306,548	₱4,297,850,238				

15. **Other Noncurrent Liabilities**

This account consists of long-term portion of:

	2019	2018
Retention payable (Note 12)	**₱817,370,868**	₱435,829,373
Advance rent (Note 13)	**380,069,756**	68,745,053
Payable to contractors (Note 12)	**320,937,656**	–
Security deposits (Note 13)	**318,376,715**	261,358,390
Liabilities for purchased land (Note 12)	**144,685,233**	212,587,587
Other payables (Note 12)	**42,161,620**	36,457,771
Total	**₱2,023,601,848**	₱1,014,978,174

16. **Equity**

Capital Stock

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

	2019	2018
Common		
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
Preferred		
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

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, 2019:

	Number of Shares Registered	Number of holders of securities as of year end
December 31, 2017	8,425,981,156	440
Add/(Deduct) Movement	–	(3)
December 31, 2018	8,425,981,156	437
Add/(Deduct) Movement	–	(1)
December 31, 2019	**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, 2019, after reconciling items, amounted to ₱2,476.21 million.

Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries of ₱8,112.62 million, ₱7,066.17 million and ₱4,518.94 million as of December 31, 2019, 2018 and 2017, respectively. These are not available for dividends until declared by the subsidiaries.

On September 30, 2019, the BOD approved the declaration of cash dividends amounting ₱481.12 million or ₱0.0571 per share, payable to all stockholders of record as of October 15, 2019. The said dividends were paid on October 30, 2019.

On September 26, 2018, the BOD approved the declaration of cash dividends amounting ₱412.19 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 29, 2017, the BOD approved the declaration of cash dividends amounting ₱310.08 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.

As at December 31, 2019 and 2018, unpaid dividends amounted to ₱0.28 million for each year.

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, 2019, 2018 and 2017, the Group had the following ratios:

	2019	2018	2017
Current ratio	**0.28**	0.41	0.77
Liabilities-to-equity ratio	**1.70**	1.38	1.38
Net debt-to-equity ratio	**0.14**	0.24	0.38
Asset-to-equity ratio	**2.70**	2.38	2.20

The of the Group includes payable to parent company amounting to ₱27,853.56 million, ₱18,377.01 million, and ₱11,699.71 million as of December 31, 2019, 2018, and 2017, respectively.

As at December 31, 2019, 2018 and 2017, 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, 2019, 2018 and 2017.

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, 2019, 2018 and 2017:

	2019	2018	2017
Total paid-up capital	**₱14,838,795,510**	₱14,838,795,510	₱14,838,795,510
Retained earnings	**10,615,328,399**	8,471,471,436	6,433,402,872
Other comprehensive income	**529,093,822**	(1,188,937,019)	(763,856,172)
	₱25,983,217,731	₱22,121,329,927	₱20,508,342,210

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, 59.66% comes from anchor tenant of the Group which is a related party.

17. Other Operating Income

This account consists of:

	2019	2018	2017
Administrative fees	**₱322,383,728**	₱250,784,212	₱219,015,573
Mall maintenance and security fees	**134,031,259**	121,800,033	96,319,023
Advertising fees	**39,784,881**	37,611,420	33,112,574
Forfeited deposits and advances and reversals	**39,524,752**	31,724,082	2,577,099
Realized gross profit on real estate sales	**11,398,705**	2,232,254	10,904,393
Penalties and surcharges	**2,311,118**	2,660,568	5,567,250
Miscellaneous	**9,683,739**	6,164,536	13,996,083
	₱559,118,182	₱452,977,105	₱381,491,995

18. Interest Income and Expense

Interest income consist of:

	2019	2018	2017
Interest income from cash, short-term investments, restricted cash and installment contracts receivables	**₱18,687,178**	₱33,210,648	₱13,716,050
Interest income from tenants	**7,297,440**	9,239,132	11,076,380
	₱25,984,618	₱42,449,780	₱24,792,430

Interest expense and other financing charges consist of:

	2019	2018	2017
Bank loans (Note 14)	**₱360,863,050**	₱373,966,083	₱450,712,527
Lease liabilities (Notes 3 and 25)	**336,034,670**	–	–
Bank charges	**328,410**	244,514	209,418
	697,226,130	374,210,597	450,921,945
Amounts capitalized (Note 10)	**459,248,544**	320,465,180	406,277,005
	₱237,977,586	₱53,745,417	₱44,644,940

19. **Income Tax**

Provision for income tax consists of:

	2019	2018	2017
Current:			
RCIT	**₱363,167,092**	₱274,241,918	₱205,105,944
MCIT	**180,504**	96,000	96,000
Final	**2,663,434**	4,579,621	1,983,130
Deferred	**816,101,928**	758,780,922	676,734,572
	₱1,182,112,958	₱1,037,698,461	₱883,919,646

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

	2019	2018
Deferred tax assets on:		
Lease liabilities	**₱1,204,763,617**	₱–
Allowance for impairment	**15,726,455**	–
Accrual of retirement costs	**9,637,654**	13,816,888
MCIT	**8,333,619**	25,010,759
Straight lining of rent expense	–	135,153,295
	1,238,461,345	173,980,942
Deferred tax liabilities on:		
Right-of-use assets	**(1,023,281,231)**	–
Capitalized interest and other expenses	**(1,177,954,469)**	(624,672,545)
Straight lining of rent income	**(2,176,954,137)**	(1,856,427,679)
	(4,378,189,837)	(2,481,100,224)
	(₱3,139,728,492)	(₱2,307,119,282)

As at December 31, 2019 and 2018, 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:

	2019	2018
NOLCO	**₱13,303,812**	₱62,591,945
MCIT	**372,504**	288,000
Accrual of retirement cost	–	4,787,240

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.

As of December 31, 2019, the details of the unused tax credits from the excess of MCIT over RCIT and NOLCO, which are available for offset against future income tax payable and taxable income, respectively, over a period of three (3) years from the year of inception, follow:

NOLCO

Year incurred	Amount	Expired	Applied	Balance	Expiry Year
2016	₱49,288,133	₱46,746,222	₱2,541,911	₱–	2019
2017	8,278,314	–	–	8,278,314	2020
2018	5,025,498	–	–	5,025,498	2021
	₱62,591,945	₱46,746,222	₱2,541,911	₱13,303,812	

MCIT

Year incurred	Amount	Expired	Applied	Balance	Expiry Year
2016	₱16,773,140	₱96,000	₱16,677,140	₱–	2019
2017	8,429,619	–	–	8,429,619	2020
2018	96,000	–	–	96,000	2021
2019	180,504	–	–	180,504	2022
	₱25,479,263	₱96,000	₱16,677,140	₱8,706,123	

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:

	2019	2018	2017
Provision for income tax at statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Expiration of NOLCO and MCIT	**1.25**	(0.22)	0.07
Nondeductible interest and other expenses	**1.13**	0.36	0.10
Transfer out of pension liability	**0.42**	–	–
Income already subjected to final tax	**(0.12)**	(0.07)	(0.10)
Change in unrecognized deferred tax assets	**(1.70)**	(0.08)	(0.06)
Others	**(0.02)**	–	–
Provision for income tax	**30.96%**	29.99%	30.01%

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, 2019 and 2018:

December 31, 2019

	Nature of Transaction	Volume	Amount	Terms	Conditions
Receivables from tenants (Note 9)					
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**
Other related parties	**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		
Investments at fair value through OCI (Note 8)					
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**
Receivables from related parties					
Ultimate Parent Company	**c) Advances**	**₱–**	**₱890,778,120**	**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**
			₱2,850,849,682		
(forward)					
Payables to related parties					
VLLI	**c) Advances**	**₱10,862,125,696**	**(₱27,853,559,896)**	**Due and demandable; noninterest-bearing**	**Unsecured**
	f) Dividends	**(425,024,522)**	**–**	**–**	**–**
			(₱27,853,559,896)		
Lease liabilities (Note 25)					
Ultimate parent company	**e) Rental of parcels of land**	**₱233,897,678**	**(₱233,897,678)**	**Scheduled lease payments**	**Unsecured**
Other related parties	**e) Rental of parcels of land**	**1,478,988,791**	**(1,478,988,791)**	**Scheduled lease payments**	**Unsecured**
			(₱1,712,886,469)		

	Nature of Transaction	Volume	Amount	Terms	Conditions
Dividends payable (Note 16)					
Other stockholders	**f) Dividends**	**(₱56,099,003)**	**(₱275,118)**	**Due and demandable; noninterest-bearing**	**Unsecured**

December 31, 2018

	Nature of Transaction	Volume	Amount	Terms	Conditions
Receivables from tenants (Note 9)					
Ultimate Parent Company	a) Rental of offices spaces	₱1,488,731	₱1,353,373	Noninterest-bearing	Unsecured; no impairment
Parent Company	a) Rental of office spaces	8,816,394	2,203,432	Noninterest-bearing	Unsecured; no impairment
Other related parties	a) Rental of commercial spaces	2,459,419,823	2,221,465,945	Noninterest-bearing	With guarantee from Fine Properties Inc., no impairment
			₱2,225,022,750		
Investments at fair value through OCI (Note 8)					
VLLI	b) Investment in VLLI shares	₱427,623,090	₱4,069,446,443	Not held for trading; subject to fair value changes	Unsecured; no impairment
Receivables from related parties					
Ultimate Parent Company	c) Advances	₱696,303,143	₱890,778,120	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
Other related parties	c) Advances	2,768,102,625	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
			₱2,850,849,682		
Accrued rent expense (Note 12)					
Other related parties	e) Rental of parcels of land	(₱74,468,857)	(₱74,468,857)	Scheduled lease payments; noninterest-bearing	Unsecured
Payables to related parties					
VLLI	c) Advances	(₱6,677,305,394)	(18,377,012,831)	Due and demandable; noninterest-bearing	Unsecured
	f) Dividends	(364,125,474)	–	Due and demandable; noninterest-bearing	Unsecured
			(₱18,377,012,831)		
Dividends payable (Note 16)					
Other stockholders	f) Dividends	₱48,060,935	(₱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. These lease agreements have rental escalation clauses and renewal options.

   Rental income and receivables from All Value Group including the effect of future lease rate escalation amounted to ₱4,015.66 million and ₱3,109.51 million, respectively, as of December 31, 2019 and ₱2,469.72 million ₱1,928.13 million, respectively, as of December 31, 2018. 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, 2019 and ₱2,069.63 million and ₱357.83 million, respectively, as of December 31, 2018. 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 ₱625.16 million and ₱357.83 million are guaranteed by Fine Properties, Inc. as of December 31, 2019 and 2018, respectively. The guaranteed amount in 2019 excludes those rent receivables pertaining to AllHome Corp.

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 to 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

Fine Properties, Inc. and Vista Land & Lifescapes, Inc. 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.

A. Dollar Denominated Bonds

a. US$350.00 million Notes (Due November 2024)
On November 28, 2017, VLL International, Inc. (VII), a wholly-owned subsidiary of VLLI, 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, 2019, and 2018, outstanding balance of the note amounted to US$342.67 million (₱17,351.21 million) and US$340.55 million (₱17,906.31 million), respectively.

b. 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, 2019, and 2018, outstanding balance of note amounted to US$237.57 million (₱12,029.30 million) and US$238.83 million (₱12,557.80 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, 2019, and 2018, outstanding balance of note amounted to US$124.87 million (₱6,322.58 million) and US$121.63 million (₱6,395.11 million), respectively.

B. Corporate Note Facility

a. ₱15,000.00 million Corporate Notes
On July 15, 2019, VLLI 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.

On October 17, 2019, an additional issuance of Corporate Notes was made in the amount of ₱500.00 million due 2024.

As of December 31, 2019, the outstanding balance of the Corporate Notes is ₱14,861.46 million.

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.

On July 25, 2018, an additional issuance of Corporate Notes was made in the amount of ₱500.00 million due 2025.

As of December 31, 2019, and 2018, the outstanding balance of the Corporate Notes is ₱7,863.84 million and ₱8,103.15 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.

As of December 31, 2019, and 2018, the outstanding balance of the Corporate Note is ₱9,341.41 million and ₱9,534.10 million, respectively.

C. Peso-denominated Loan

a. ₱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, 2019, the outstanding balance of the peso denominated loan is ₱2,842.11 million.

b. ₱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, 2019, the outstanding balance of the peso denominated loan is ₱1,778.33 million.

c. ₱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, 2019 and 2018, the outstanding balance of the peso denominated loan is ₱2,000.00 million.

d. ₱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, 2019 and 2018, the outstanding balance of the peso denominated loan is ₱1,980.50 million and ₱1,975.30 million.

Key Management Personnel Compensation
The compensation of key management personnel by benefit type follows:

	2019	2018	2017
Short-term employee benefits	**₱21,393,009**	₱36,163,446	₱36,916,411
Post-employment benefits	**11,809,991**	10,785,632	10,780,407
	₱33,203,000	₱46,949,078	₱47,696,818

21. Earnings Per Share and Noncontrolling Interest

The following table presents information necessary to compute the EPS:

	2019	2018	2017
Net profit attributable to equity holders of Parent Company	**₱2,626,326,397**	₱2,407,017,260	₱2,039,770,209
Weighted average common shares	**8,425,981,156**	8,425,981,156	8,425,981,156
Basic/Diluted EPS	**₱0.312**	₱0.286	₱0.242

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, 2019, 2018 and 2017.

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

Manuela Corporation

	2019	2018	2017
Assets	**₱20,725,441,937**	₱17,814,755,781	₱18,585,354,938
Liabilities	**5,868,775,933**	5,138,762,719	6,645,464,795
Equity	**14,856,666,004**	12,675,993,062	11,942,890,233
Net income	**616,283,597**	955,160,854	1,296,632,987
Other comprehensive income	**1,744,389,339**	(432,515,305)	784,624,390

As of December 31, 2019, 2018 and 2017, the accumulated balances of and net income attributable to non-controlling interests follows:

	2019	2018	2017
Accumulated balances	**₱159,356,628**	₱120,641,592	₱112,070,205
Net income	**10,107,051**	15,664,638	21,264,781
Other comprehensive income	**28,607,985**	(7,093,251)	12,867,840

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 payable to contractors, 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 4.69% to 5.97% in 2019 and 5.46% to 7.25% in 2018 using the remaining terms to maturity.

Payable to contractors, 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 5.32% in 2019 and 7.51% in 2018 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, 2019 and 2018:

	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**

(forward)

	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**
Payable to contractors (Note 12)	**₱982,139,765**	**₱–**	**₱–**	**₱965,065,882**	**₱965,065,882**
Retention payable (Note 12)	**891,056,671**	**–**	**–**	**810,599,054**	**810,599,054**
Liabilities for purchased land (Note 12)	**306,006,902**	**–**	**–**	**275,885,219**	**275,885,219**

	December 31, 2018				
	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	₱28,871,689	₱28,871,689	₱–	₱–	₱28,871,689
Investments at FVOCI	4,069,446,443	4,069,446,443	–	–	4,069,446,443
Liabilities					
Financial liabilities for which fair values are disclosed:					
Bank loans (Note 14)	5,856,409,354	–	–	5,598,577,269	5,598,577,269
Retention payable (Note 12)	548,608,615	–	–	518,885,466	518,885,466
Liabilities for purchased land (Note 12)	794,700,624	–	–	687,351,855	687,351,855

In 2019 and 2018, 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**
Restricted cash	Discounted cash flow analysis	Discount rate
Bank loans	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, 2019		December 31, 2018	
	Effective Interest Rate	**Amount**	Effective Interest Rate	Amount
Financial assets				
Fixed rate				
Cash* (Note 7)	**0.10% to 1.25%**	**₱558,185,223**	0.03% to 0.49%	₱417,976,513
Short-term cash investments (Note 8)	**3.00% to 3.25%**	**62,810,499**	–	–
Restricted cash (Note 11)	**3.13% to 6.25%**	**665,670,015**	2.50% to 7.00%	661,464,454
		₱1,286,665,737		₱1,079,440,967
Financial liabilities				
Fixed rate				
Bank loans (Note 14)	**5.75% to 6.25%**	**₱4,297,673,326**	4.50% to 7.25%	₱5,856,409,354

**Excluding cash on hand*

As of December 31, 2019 and 2018, 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). This is discussed in Note 6. 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, 2019 and 2018 is equal to the carrying values of its financial assets.

Applying the expected credit risk model resulted to recognition of impairment loss of ₱52.63 million for all financial assets in 2019 (nil in 2018).

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 2019 and 2018.

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, 2019				
	On Demand	**1 to 3 Months**	**3 to 12 Months**	**More than 1 year**	**Total**
Financial Liabilities					
Financial liabilities at amortized cost					
Bank loans (Note 14)	**₱–**	**₱425,890,997**	**₱1,125,234,714**	**₱3,265,022,405**	**₱4,816,148,116**
Accounts and other payables* (Notes 12 and 15)	–	**926,415,303**	**982,139,765**	**1,282,993,757**	**3,191,548,825**

(forward)

	December 31, 2019				
	On Demand	**1 to 3 Months**	**3 to 12 Months**	**More than 1 year**	**Total**
Dividends payable	**₱275,118**	**₱–**	**₱–**	**₱–**	**₱275,118**
Payables to related parties (Note 20)	**27,853,559,896**	**–**	**–**	**–**	**27,853,559,896**
	₱27,853,835,014	**₱1,352,306,300**	**₱2,107,374,479**	**₱4,548,016,162**	**₱35,861,531,955**

**Excluding deferred output VAT, other payables, noncurrent portion of security deposits and noncurrent portion of advance rent*

	December 31, 2018				
	On Demand	1 to 3 Months	3 to 12 Months	More than 1 year	Total
Financial Liabilities					
Financial liabilities at amortized cost					
Bank loans (Note 14)	₱–	₱479,009,815	₱1,409,835,348	₱4,835,623,237	₱6,724,468,400
Accounts and other payables* (Notes 12 and 15)	–	924,573,671	1,009,051,137	648,416,960	2,582,041,768
Dividends payable	275,118	–	–	–	275,118
Payables to related parties (Note 20)	18,377,012,831	–	–	–	18,377,012,831
	₱18,377,287,949	₱1,403,583,486	₱2,418,886,485	₱5,484,040,197	₱27,683,798,117

**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, 2019 and 2018 follow:

	2019	2018
Within one year	**₱5,543,492,704**	₱4,065,040,541
After one year but not more than five years	**24,379,271,412**	13,787,749,797
More than five years	**55,957,270,244**	9,826,180,094
	₱85,880,034,360	₱27,678,970,432

Rental income included in the consolidated statements of comprehensive income for the years ended December 31, 2019, 2018 and 2017 amounted to ₱6,730.45 million, ₱5,673.92 million and ₱4,798.60 million, respectively.

Contingent rent included in rental income for the years ended December 31, 2019, 2018 and 2017 amounted to ₱1,899.60 million, ₱782.73 million and ₱570.25 million, respectively.

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.

The following are the amounts recognized in consolidated statement of comprehensive income:

	2019
Depreciation expense of right-of-use assets included in investment properties	₱193,771,808
Interest expense on lease liabilities	237,649,175
Expenses relating to short-term leases (included in operating expenses)	4,674,950
Expenses relating to leases of low-value assets (included in operating expenses)	945,276
Total amount recognized in statement of comprehensive income	₱437,041,209

In 2019, the Group capitalized interest expense on lease liabilities amounting to ₱98.39 million (Note 10).

The rollforward analysis of lease liabilities follows:

	December 31, 2019
As at January 1, 2019, as previously reported	₱–
Effect of adoption of PFRS 16 (Note 3)	3,223,629,921
At January 1, 2019, as restated	3,223,629,921
Additions	712,587,624
Interest expense (Note 18)	336,034,670
Payments	(256,373,492)
As at December 31, 2019	4,015,878,723
Less current portion	51,674,182
Noncurrent portion	₱3,964,204,541

The Group has no lease contract that contains variable payments. The Group's fixed payments amounted to ₱256.37 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, 2019	December 31, 2018
Within 1 year	**₱338,680,516**	₱255,641,976
More than 1 year to 2 years	**412,813,929**	330,284,656
More than 2 years to 3 years	**425,764,526**	343,274,322
More than 3 years to 4 years	**441,693,861**	349,574,721
More than 5 years	**9,340,604,238**	7,318,388,262
	₱10,959,557,070	₱8,597,163,937

26. Notes to Consolidated Statements of Cash Flows

Details of the movement in cash flows from financing activities follow:

			Non-cash Change				
	December 31, 2018	**Cash Flows**	**Amortization of debt issue cost**	**Lease liabilities**	**Declaration of dividends**	**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**

			Non-cash Change			
	December 31, 2017	Cash Flows	Amortization of Loan Issue Cost	Foreign exchange movement	Fair value changes	December 31, 2018
Payables to related parties (Note 20)	₱11,914,371,125	₱6,462,641,706	₱–	₱–	₱–	₱18,377,012,831
Dividends payable	275,118	(412,186,409)	–	–	–	(411,911,291)
Bank loans (Note 14)	7,529,667,866	(1,680,540,472)	7,281,960	–	–	5,856,409,354
Interest payable	–	(425,787,386)	–	–	–	–
Total liabilities from financing activities	₱19,444,314,109	₱3,944,127,439	₱7,281,960	₱–	₱–	₱23,821,510,894

The Group's noncash investing and financing activities pertain to the following:

a) Recognition of right-of-use asset and lease liability both amounting to ₱2,867.33 million and ₱3,223.63 million, respectively, as at January 1, 2019 due to adoption of PFRS 16 (Note 3).
b) As at December 31, 2019 and 2018, unpaid investment properties amounted to ₱1,241.10 million and ₱92.02 million, respectively.
c) Liabilities for purchased land is comprised of unpaid additions to land amounting to ₱306.01 million and ₱794.70 million in 2019 and 2018.
d) As at December 31, 2019 and 2018, unpaid property and equipment amounted to ₱9.76 million and ₱3.85 million, respectively.
e) As at December 31, 2019 and 2018, the Group applied creditable withholding taxes amounting to ₱169.18 million and ₱91.51 million, respectively.
f) Assumption by Fine Properties, Inc. of liabilities of All Value Group from the Group in relation to its lease agreement amounting to ₱2,010.00 million in September 2018. The liabilities assumed were under receivables from tenants.
g) Acquisition of land from Fine Properties, Inc. amounting to ₱2,010.00 million in September 2018. This was offset against the liabilities assumed by Fine Properties, Inc. from All Value Group.

27. Events After the Report Date

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020. Enhanced community quarantine was likewise imposed in provinces outside the island of Luzon as imposed by their respective local government unit. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

On May 16, 2020, the Enhanced Community Quarantine was downgraded to Modified Enhanced Community Quarantine in Metro Manila and to General Community Quarantine in most provinces which was further extended to May 31, 2020. As part of the Modified Enhanced Community Quarantine guidelines in Metro Manila, specific industries were allowed to operate but with a skeleton workforce and public transportation are still suspended.

On June 1, 2020, the Modified Enhanced Community Quarantine in Metro Manila was shifted to General Community Quarantine until June 15, 2020. Suspension of public transportation were lifted but with limited passenger capacity. These measures resulted to continuation of business operations and assessment of material impact of the outbreak on its 2020 financial results.

For the Group's commercial business, there is a significant decline in foot fall for its malls as well as a possible impact on the sales of its mall tenants with variable rental rates due to COVID-19, especially in Luzon, following the closure of malls due to the enhanced community quarantine.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its consolidated financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 consolidated financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its consolidated financial position, performance and cash flows. Nevertheless, the Group believes that its business model of catering to a wide range of market segments and geographic presence across the country provided a cushion in the impact of the lockdown. Amidst the enhanced community quarantine, the Group implemented work from home arrangement for all its employees; thus, except for the construction, the Group continued to operate its marketing & sales, finance, accounting and administrative functions online. The Group will continue to monitor the situation and adapt accordingly.

28. Approval of the Financial Statements

The consolidated financial statements of the Group as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were authorized for issue by the BOD on June 4, 2020.

SyCip Gorres Velayo & Co.
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Vistamalls, Inc. (formerly, Starmalls, Inc.) and its subsidiaries (the Group), as at December 31, 2019 and for the year then ended, on which we have rendered the attached report dated June 4, 2020.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Group has four hundred nineteen (419) stockholders owning one hundred (100) or more shares each.

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. 08-001998-74-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125312, January 7, 2020, Makati City

June 4, 2020

VISTAMALLS, INC. AND SUBSIDIARIES
INDEX TO SUPPLEMENTARY SCHEDULES

SGV
Building a better working world

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6760 Ayala Avenue
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 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 consolidated financial statements of Vistamalls, Inc. (formerly, Starmalls, Inc.) and its subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated June 4, 2020. 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 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. 08-001998-74-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125312, January 7, 2020, Makati City

June 4, 2020

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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 consolidated financial statements of Vistamalls, Inc. (formerly, Starmalls, Inc.) and its subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated June 4, 2020. 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, 2019 and 2018, and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
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PTR No. 8125312, January 7, 2020, Makati City

June 4, 2020

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

VISTAMALLS, INC. AND SUBSIDIARIES
AS OF DECEMBER 31, 2019 AND 2018

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2019, 2018 and 2017

		2019	2018	2017
Current ratio	Current assets / Current liabilities	**0.28**	0.41	0.77
Acid test ratio	Quick asset[1] / Current liabilities	**0.27**	0.39	0.75
Solvency ratio	Net income + Depreciation / Total liabilities	**0.09**	0.11	0.12
Debt ratio	Interest bearing debt[2] / Total assets	**0.06**	0.11	0.17
Asset to equity ratio	Total assets / Total equity	**2.70**	2.38	2.20
Interest service coverage ratio	EBITDA / Total interest paid	**17.82**	10.60	8.91
Return on equity	Net income / Total equity	**0.10**	0.11	0.10
Return on assets	Net income / Average total assets	**0.04**	0.05	0.05
Net profit margin	Net income / Net revenue	**0.65**	0.70	0.70

[1]*Includes Cash, Short-term investments, Investment at FVTPL, Current receivables, Receivable from ultimate parent company and Other current asset*

[2]*Includes current and noncurrent portion of Bank loans*

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2019

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱1,499,282,915
Add: Net income actually earned/realized during the period	
Net income during the period closed to retained earnings	1,457,257,903
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)	(797,421)
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	1,456,460,482
Add (Less):	
Dividend declarations during the period	(481,123,525)
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	₱2,474,619,872

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2019

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	₱588,185,223	₱588,185,223	₱11,346,128
Trade receivables	N/A	1,672,978,351	1,672,978,351	7,297,440
Installment contracts receivables	N/A	61,897,586	61,897,586	5,362,519
Investments in mutual funds	N/A	29,669,110	29,669,110	–
Investments in quoted equity shares (VLL)	752,208,215 shares	5,814,569,502	5,814,569,502	–
Restricted cash	N/A	665,670,015	665,670,015	26,767,935
Total financial assets		₱8,832,969,787	₱8,832,969,787	₱50,774,022

See Note 7, 8 and 9 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, 2019

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Employees	₱42,206,848	371,406,410	(403,206,611)	–	10,406,647	–	₱10,406,647

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, 2019

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.	₱19,336,721,604	₱24,422,822,024	(₱14,093,053,768)	₱–	(₱6,697,132,495)	₱36,363,622,355	₱29,666,489,860
Manuela Corporation	6,508,155,328	188,977,167	–	–	6,697,132,495		6,697,132,495
Masterpiece Asia Properties, Inc.	(25,844,876,932)	(24,422,822,024)	13,904,076,601	–		(36,363,622,355)	(36,363,622,355)

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES

SCHEDULE D: LONG TERM DEBT

DECEMBER 31, 2019

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	₱2,420,958,000	₱356,964,140	₱–	5.75% to 6.12%	₱356,964,140	Quarterly interest and principal payment	August 2020
Bank loan 2	2,273,613,392	456,973,436	571,216,796	5.46%	1,028,190,232	Monthly interest and principal payment	March 2022
Bank loan 3	500,000,000	62,500,000	421,875,000	6.23%	484,375,000	Monthly interest and principal payment	June 2027
Bank loan 4	4,330,000,000	451,929,202	1,976,214,752	5.75%	2,428,143,954	Quarterly interest and principal payment	July 2022
	₱9,524,571,392	₱1,328,366,778	₱2,969,306,548		₱4,297,673,326		

See Note 14 of the Consolidated Financial Statements

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2019

Name of related party	Balance at beginning of period	Balance at end of period
Payable to parent company	₱18,377,012,831	₱27,853,559,896

See Note 20 of the Consolidated Financial Statements

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2019

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	₱18,351,880,712	₱18,351,880,712	Guaranteed principal payments of the securities
VLL International, Inc.	Dollar-denominated bonds	17,351,206,777	17,351,206,777	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Corporate notes facility	14,861,456,132	14,861,456,132	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Corporate notes facility	9,341,412,105	9,341,412,105	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Corporate notes facility	7,863,840,056	7,863,840,056	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Bank loans	2,842,105,263	2,842,105,263	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Bank loans	1,778,333,333	1,778,333,333	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Bank loans	2,000,000,000	2,000,000,000	Guaranteed principal payments of the securities
Vista Land and Lifescapes, Inc.	Bank loans	1,980,500,000	1,980,500,000	Guaranteed principal payments of the securities
		₱76,370,734,378	₱76,370,734,378	

See Note 20 of the Consolidated Financial Statements

VISTAMALLS, INC. (FORMERLY STARMALLS, INC.) AND SUBSIDIARIES

SCHEDULE G: CAPITAL STOCK

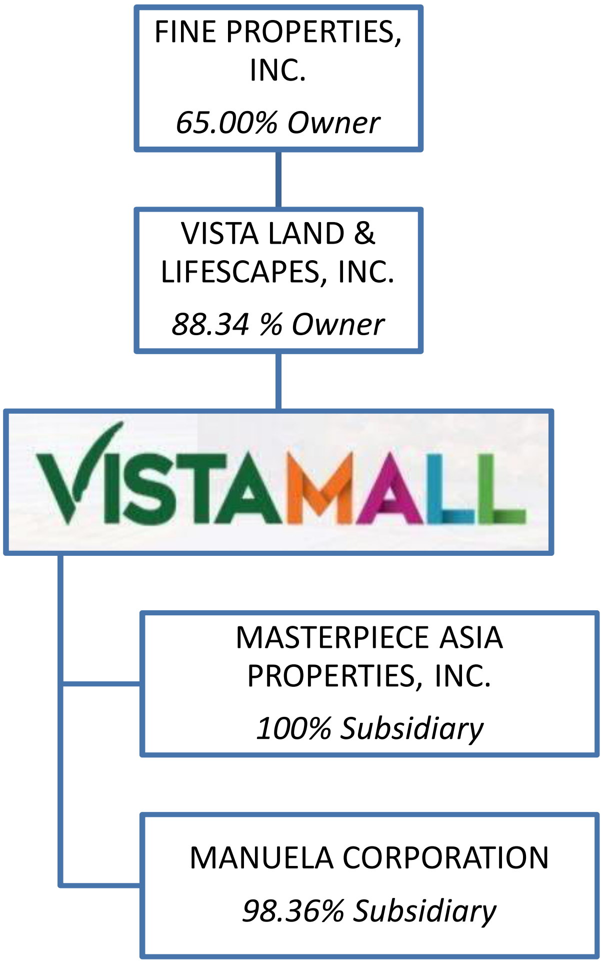
DECEMBER 31, 2019

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, P1 par value	16,900,000,000	8,425,981,156	–	7,558,070,596	7,100	867,903,460
Preferred Stock, P0.01 par value	10,000,000,000	2,350,000,000	–	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, 2019.



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 Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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, 2020**

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** **1747**
   Address of Principal Office 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

VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2020 AND DECEMBER 31, 2019
(In Million Pesos)

	Unaudited 03/31/2020	Audited 2019
A S S E T S		
CURRENT ASSETS		
Cash (Note 7)	**580**	589
Short term cash investment (Note 8)	**71**	63
Investments at FVTPL (Note 8)	**30**	30
Receivables (Note 9)	**2,355**	2,277
Real estate properties for sale (Note 10)	**136**	302
Prepayments and other current assets (Note 11)	**3,803**	3,034
Total Current Assets	**6,975**	6,295
NON-CURRENT ASSETS		
Investments at FV through OCI (Note 8)	**5,707**	5,814
Receivables - net of current portion (Note 9)	**8,403**	7,057
Property and equipment	**77**	80
Investment properties (Note 12)	**49,565**	47,855
Other noncurrent assets (Note 11)	**282**	674
Total Non-current Assets	**64,034**	61,480
TOTAL ASSETS	**71,009**	67,775
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts and other payables (Note 13)	**2,450**	2,358
Security deposits and advance rent	**1,506**	703
Bank Loans (Note 14)	**1,211**	1,328
Lease Liabilities	**-**	52
Income tax payable	**115**	41
Payables to related parties	**26,622**	25,003
Total Current Liabilities	**31,904**	29,485
NON-CURRENT LIABILITIES		
Bank loans and borrowings (Note 14)	**2,725**	2,969
Lease liabilities - net of current portion	**4,037**	3,964
Pension Liabilities	**52**	52
Deferred tax liabilities – net	**3,448**	3,141
Other non-current liabilities	**2,022**	2,023
Total Non-current Liabilities	**12,284**	12,149
Total Liabilities	**44,188**	41,634
EQUITY		
Equity attributable to parent company's shareholders (Note 15)		
Capital Stock	**8,449**	8,449
Additional paid-in capital	**6,389**	6,389
Revaluation reserves	**-**	-
Retained earnings	**11,370**	10,615
Other Comprehensive Income	**421**	529
Total equity attributable to parent company's shareholders	**26,629**	25,982
Non-controlling interest	**192**	159
Total Equity	**26,821**	26,141
TOTAL LIABILITIES AND EQUITY	**71,009**	67,775

VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(In Million Pesos)

	Unaudited Jan-Mar Q1 - 2020	**Unaudited Jan-Mar 2020**	Unaudited Jan-Mar Q1 - 2019	Unaudited Jan-Mar 2019
REVENUES				
Rental Income	**1,902**	**1,902**	1,630	1,630
Other Operating Income	**192**	**192**	135	135
	2,094	**2,094**	1,765	1,765
OPERATING EXPENSES				
Depreciation and Amortization	**392**	**392**	330	330
Other operating and administrative (Note 16)	**445**	**445**	472	472
	837	**837**	802	802
OPERATING PROFIT	**1,257**	**1,257**	963	963
OTHER INCOME (CHARGES)				
Finance income	**4**	**4**	5	5
Finance costs – net	**(135)**	**(135)**	(46)	(46)
	(131)	**(131)**	(41)	(41)
PROFIT BEFORE TAX	**1,126**	**1,126**	922	922
TAX EXPENSE	**(338)**	**(338)**	(267)	(267)
NET INCOME	**788**	**788**	655	655
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**755**	**755**	651	651
Non-controlling interest	**33**	**33**	4	4
	788	**788**	655	655
Weighted outstanding common shares	**8,426**	**8,426**	8,426	8,426
Basic / Diluted Earnings per share (Note 17)	**0.090**	**0.090**	0.077	0.077

VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(In Million Pesos)

	Unaudited Jan-Mar Q1 - 2020	**Unaudited Jan-Mar 2020**	Unaudited Jan-Mar Q1 - 2019	Unaudited Jan-Mar 2019
NET INCOME	**788**	**788**	655	655
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value loss on Available for Sale Financial Assets	**(108)**	**(108)**	-	-
TOTAL COMPREHENSIVE INCOME	**680**	**680**	655	655
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**647**	**647**	651	651
Non-controlling interest	**33**	**33**	4	4
	680	**680**	655	655
Weighted outstanding common shares	**8,426**	**8,426**	8,426	8,426
Basic/Diluted Earnings per Share (Note 17)	**0.077**	**0.077**	0.077	0.077

VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(In Million Pesos)

	Unaudited Jan – Mar 2020	Unaudited Jan – Mar 2019
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	**6,389**	6,389
Cost of additional life of Vistamalls	**-**	-
Balance at end of period	**6,389**	6,389
RETAINED EARNINGS		
Balance at beginning of period	**10,615**	8,471
Net income	**788**	655
Dividend declared		-
Minority interest	**(33)**	(4)
Balance at end of period	**11,370**	9,122
OTHER COMPREHENSIVE INCOME		
Balance at beginning of period	**529**	(1,189)
Fair value gains (losses)	**(108)**	-
Balance at end of period	**421**	(1,189)
MINORITY INTEREST		
Balance at beginning of period	**159**	121
Share in net income	**33**	4
MINORITY INTEREST	**192**	125
TOTAL EQUITY	**26,821**	22,896

VISTAMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(In Million Pesos)

	Unaudited Jan-Mar Q1 - 2020	**Unaudited Jan-Mar 2020**	Unaudited Jan-Mar Q1 - 2019	Unaudited Jan-Mar 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	**1,126**	**1,126**	922	922
Adjustments for:				
Finance Costs	**135**	**135**	46	46
Depreciation and amortization	**392**	**392**	330	330
Impairment Loss for receivables on tenant	**39**	**39**		
Interest income	**(4)**	**(4)**	(5)	(5)
Operating income before changes in operating assets and liabilities	**1,688**	**1,688**	1,293	1,293
Decrease (Increase) in:				
Trade and other receivables	**(1,463)**	**(1,463)**	(2,004)	(2,004)
Real estate properties for sale	**166**	**166**		
Prepayments and other current assets	**(768)**	**(768)**	319	319
Increase (Decrease) in:				
Trade and other payables	**92**	**92**	(233)	(233)
Security deposits and advance rent	**803**	**803**	-	-
Cash from operations	**518**	**518**	(625)	(625)
Payment of taxes	**(6)**	**(6)**	(39)	(39)
Interest received	**4**	**4**	5	5
Interest paid	**(135)**	**(135)**	(46)	(46)
Net Cash provided by (used in) Operating Activities	**381**	**381**	(705)	(705)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of AFS investments	**(108)**	**(108)**	(107)	(107)
Increase in investment properties and property and equipment	**(2,099)**	**(2,099)**	(2,226)	(2,226)
Increase in other non-current assets	**548**	**548**	690	690
Increase (Decrease) in other non-current liabilities	**(1)**	**(1)**	155	155
Net Cash used in Investing Activities	**(1,660)**	**(1,660)**	(1,488)	(1,488)
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in payables to related parties - net	**1,619**	**1,619**	2,567	2,567
Increase in lease liabilities	**21**	**21**		
Payments of bank loans	**(362)**	**(362)**	(390)	(390)
Increase in short term cash investment	**(8)**	**(8)**	-	-
Net Cash provided by Financing Activities	**1,270**	**1,270**	2,177	2,177
NET DECREASE IN CASH	**(9)**	**(9)**	(16)	(16)
CASH AT BEGINNING OF PERIOD	**589**	**589**	418	418
CASH AT END OF PERIOD	**580**	**580**	402	402

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), formerly Starmalls, Inc. was incorporated in the Republic of the Philippines and duly registered with the Securities and Exchange Commission (SEC) on October 16, 1969, originally to pursue mineral exploration. After obtaining Philippine SEC approval on November 10, 2004, the Parent Company changed its primary business to holding investments in shares of stock and real estate.

The Parent Company is the holding company of the Vistamalls Group (the Group) which is engaged in development and leasing of retail malls and Business Process Outsourcing ("BPO") commercial centers. The Group has wholly owned subsidiary, Masterpiece Asia Properties, Inc. (MAPI) and a 98.36% owned subsidiary, Manuela Corporation (MC or Manuela).

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).

On September 17, 2019, SEC approved the amended articles of incorporation of the Parent Company for the change in name to Vistamalls, Inc. as amended and approved by the Board of Directors during its meeting held on May 2, 2019 and by the stockholders during its meeting held on June 24, 2019.

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 Lower Ground Floor, 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) (previously accounted for as available-for-sale (AFS) financial asset) 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.

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, 2020 and December 31, 2019, and for each of the three months in the period ended March 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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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-20	31-Dec-19
Manuela Corporation	98.36%	98.36%
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 income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest 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, 2020 and 2019, percentage of non-controlling interests pertaining to Manuela Corporation amounted to 1.64%. 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, 2018, except for the following amendments which the Group adopted starting January 1, 2019. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements.

- PFRS 16, *Leases*
  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

  Lessor accounting under PFRS 16 is substantially unchanged from PAS 17.

  Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

  The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC 4 at the date of initial application.

The effect of adoption PFRS 16 as at January 1, 2019 is as follows:

	Increase (decrease)
Assets	
Investment properties (Note 10)	₱2,867,331,420
Other current assets	(28,233,824)
Liabilities	
Accounts and other payables	(384,532,325)
Lease liabilities	3,223,629,921
Deferred tax liabilities	28,270,198
Total adjustment on income tax:	
Provision for deferred tax	28,270,198

The Group has various lease agreements in respect of parcels of land and office spaces. Prior to the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets.

The Group has various commercial centers located in leased land. Prior to the adoption of PFRS 16, the Group included renewal options in the determination of lease term, even though option to renew is not solely up to the Group and will require agreement of the lessor. Upon the adoption of PFRS 16, the lease term excludes renewal option which resulted to in a lower amortization period of the related leasehold improvements constructed in the leased parcels of land.

Leases previously accounted for as operating leases
The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group applied the following practical expedients for leases previously classified as operating leases, on a lease-by lease basis:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at January 1, 2019:

- Investment properties were recognized amounting to ₱2,867.33 million representing the amount of right-of-use assets set up on transition date.
- Lease liabilities of ₱3,223.63 million were recognized (Note 25).

- Other current assets of ₱28.23 million and accounts and other payables of ₱384.53 million related to previous operating leases arising from straight lining under PAS 17 were derecognized.
- Deferred tax liabilities increased by ₱28.27 million because of the deferred tax impact of the changes in assets and liabilities.
- The net effect of these adjustments had been adjusted to income tax by ₱28.27 million.

The lease liabilities at as January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Operating lease commitments as at December 31, 2018	₱8,597,163,937
Weighted average incremental borrowing rate as at January 1, 2019	7.92%
Discounted operating lease commitments as at January 1, 2019	₱3,221,482,501

Due to the adoption of PFRS 16, the Group's operating profit in 2019 improved due to lower amortization of right-of-use asset against the previously recognized rent expense, while its interest expense increased due to the accretion of lease liabilities. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the year.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in associate and joint venture.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, Income Taxes. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately;
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities;
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax position. The Group determined, based on its assessment, that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the financial statements of the Group.

- *Annual Improvements to PFRSs 2015 - 2017 Cycle*

  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. The amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. The amendments had no impact to the consolidated financial statements of the Group since the Group's current practice is in line with the amendments.

Effective beginning on or after January 1, 2020

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

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

The amendments will apply on future disclosures of the Group.

Effective beginning on or after January 1, 2021

- 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, 2021, with comparative figures required. Early application is permitted.

  The Group is not engaged in the business of insurance; hence, this standard is not applicable to the Group.

Deferred effectivity

- Amendments to PFRS 10 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, *Business Combinations*. 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, 2017, the Financial Reporting Standards Council deferred the original effective date of January 1, 2017 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.

  The Group does not expect these amendments to have significant impact to the consolidated financial statements because it does not currently have interests in associates and joint ventures.

- Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply fully with the requirements of the IFRIC agenda decision. For real estate companies that avail of the deferral, the SEC requires disclosure in the notes to the consolidated financial statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the consolidated financial statements had the IFRIC agenda decision been adopted.

  The Group does not expect these amendments to have significant impact to the consolidated financial statements because it is not currently engaged in the development of real estate inventories.

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 tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement

The Group measures financial assets at FVOCI and FVTPL at fair values at each reporting date. Also, fair values of loans and receivables, other financial liabilities and non-financial assets measured at cost such as investment properties are disclosed in Note 12.

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

For all periods up to and including the year ended December 31, 2017, the Group accounted for financial instruments under PAS 39, *Financial Instruments: Recognition and Measurement*. For the years ended December 31, 2019 and 2018, the Group accounted for financial instruments in accordance with PFRS 9, *Financial Instruments*.

Financial Instruments effective January 1, 2018
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. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order 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)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are 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, receivables (except for advances to contractors and suppliers), receivable from related parties, and restricted cash under "Other noncurrent assets".

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following

conditions are met:

(a) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and;
(b) Selling and 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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have debt instruments classified as financial assets at FVOCI.

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 (FVTPL)
Financial assets at FVTPL 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 consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

Impairment of Financial Asset

The Group recognizes an allowance for expected credit losses for all financial assets at amortized cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group uses the ratings from S&P, Moody's and Fitch to determine whether the debt instruments except receivables from related parties and other receivables has significantly increased in credit risk and to estimate ECLs. The Group's debt instruments are graded to be low credit risk based on the depository bank's credit ratings.

Financial Instruments prior to January 1, 2018

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell the asset.

Initial recognition of financial instruments

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVTPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVTPL, AFS financial assets, and loans and receivables.

The Group classifies its financial liabilities as financial liabilities at FVTPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivable and AFS financial assets, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss under "Interest income" and "Interest and other financing charges" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS or as financial assets at FVPL. Receivables are recognized initially at fair value. After initial measurement, loans and receivables are subsequently measured at cost or at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization, if any, is included in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss. These financial assets are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's cash, receivables (except for advances to contractors), receivables from related parties and cash restricted for use included in other noncurrent assets.

AFS financial assets
AFS financial assets are nonderivative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognized in OCI and credited to the OCI until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the OCI to the consolidated statement of comprehensive income in interest and other financing charges. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as gain or loss on disposal in profit or loss. Where the Group holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest and other income from investments using the EIR. Dividends earned on holding AFS financial assets are recognized in profit or loss as part of miscellaneous income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as provisions for impairment losses in profit or loss.

When the fair value of AFS equity financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any impairment losses.

As of December 31, 2017 and 2016, AFS financial assets comprise of investment in mutual funds, quoted and unquoted equity securities. The investment in mutual funds is reclassified as FVTPL as at January 1, 2018. The quoted and unquoted equity securities are reclassified as FVOCI as at January 1, 2018.

Other financial liabilities
Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

The financial liabilities measured at cost are accounts and other payables and other noncurrent liabilities. The financial liabilities measured at amortized cost are notes payable, bank loans and loans payable (except for deferred output tax and other statutory liabilities).

Impairment of Financial Assets
The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. The fact that title of the real estate properties are transferred only to the buyer upon full payment of the contract price is considered in the evaluation of impairment. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost (i.e., loans and receivables or HTM investments) has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as selling price of the lots and residential houses, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Financial assets carried at amortized costs, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets carried at fair value
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income is removed from OCI and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

AFS financial assets carried at cost
If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition of Financial Assets and Financial Liabilities under PFRS 9 and PAS 39
Financial asset

A financial asset (or, where applicable, a part of a group of financial assets) is derecognized where: (a) the rights to receive cash flows from the assets have expired; (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.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where 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 under PFRS 9 and PAS 39
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.

Real Estate Inventories
Real estate inventories consist of subdivision land, residential houses and lots and condominium units for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes:
- Acquisition cost of subdivision land;
- Amounts paid to contractors for construction and development of subdivision land, residential houses and lots and condominium units; and
- Capitalized borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

Creditable Withholding Tax
Creditable withholding tax pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future period.

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 statement 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.

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

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.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment 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.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the estimated useful life of property and equipment as follows:

	Years
Office and other equipment	3 to 5
Transportation equipment	3
Construction equipment	1 to 2

The useful lives and depreciation and amortization method are reviewed annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use. No further depreciation and amortization is charged against current operations.

Investment Properties

Investment properties comprise of land, completed property and property under construction or re-development that are held to earn rentals or for capital appreciation or both. Investment properties are measured initially at cost which consists of any directly attributable costs of bringing the investment properties to its intended location and working condition, including taxes and borrowing costs. Subsequent to initial recognition, 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.

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.

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. CIP 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.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives (EUL) of the assets, regardless of utilization. The EUL 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.

The EUL of building and building improvements is 10-40 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 the parent company statement of comprehensive income 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

This accounting policy relates to cash on hand, installment contract receivables, advances to contractors and suppliers, prepayments and other assets, property and equipment and investment properties.

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 deposit
Security deposits are measured at amortized cost. Security deposit are deposits received from various tenants upon inception of the respective lease control on the Group's investment properties. At the termination of the lease contracts, the deposit received by the Group are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. The related lease contracts usually have a term of more than 12 months.

Retention payable
Retention payable are amount withheld from the contractors as guaranty for any claims against them. These are settled and paid once the construction period has expired.

Construction bonds
Construction bonds are measured at amortized cost. Construction bonds are deposits from tenants undertaking construction and/or repairs of their leased commercial spaces. At the termination of the construction period, the deposit received by the Group are returned to tenants, reduced by penalties and/or deductions from repairs of damaged leased properties, if any. The construction contracts usually have a term of more than 12 months.

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 and Cost Recognition for Real Estate Sales Effective January 1, 2018

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.

Revenue Recognition for Real Estate Sales Prior to January 1, 2018

Revenue is recognized to the extent that it is probable that the economic benefits will flow and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in certain revenue arrangements and as agent in certain transactions.

Rental income

Rental income from investment property is accounted for on a straight-line basis over the lease term.

Common usage and service area charges and administrative fees

Revenue is recognized when the performance of service has been substantially rendered. Income received from customer usage and service area charges is presented under “Rental income” while administrative fees is presented under “Other income” in the consolidated statement of comprehensive income.

Parking fees

Parking fees are recognized as revenue when earned.

Interest income

Interest is recognized using the effective interest method.

Unearned discount is recognized as income over the terms of the financial assets at amortized cost (i.e., loans and receivables) using the effective interest method and is shown as deduction for the financial assets.

Miscellaneous income

Miscellaneous income are recognized when the Group’s right to receive payment is established.

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.

Pension Cost

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit (PUC) method.

Defined benefit costs comprise the following:

(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

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.

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

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
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.

<u>Basic and Diluted Earnings Per Share (EPS)</u>
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, 2020, and December 31, 2019, the Group has no potential dilutive common shares.

<u>Segment Reporting</u>
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.

<u>Provisions</u>
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:

Classification of financial instruments upon adoption of PFRS 9
Management exercises certain judgments in determining the cash flow characteristics of its financial assets and the Group’s business model for managing them. The Group’s business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Business models
The Group determines its business model at the level that best reflects how it manages groups of financial assets and contract assets to achieve its business objective. The Group’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets and contract assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets and contract assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group’s

assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets and contract assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Classification of financial instruments prior to adoption of PFRS 9
The Group's classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Company are of the nature of loans and receivable and AFS financial assets, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Operating lease commitments - the Group as lessee
The Group has entered into contract of lease for some of the office space it occupies. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the EUL of the related asset. The Group accordingly accounted for these as operating leases.

Operating lease commitments - the Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership of these properties as the Group considered among others the length of the lease term as compared with the EUL of the assets.

<u>Management's Use of Estimates</u>
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.

Simplified approach for trade receivables from tenants
The Group uses standard simplified approach to calculate ECLs for trade receivables from tenants. The Group segmented its credit risk exposures into fully secured, partially secured and not secured receivables by comparing the outstanding trade receivables from tenants with the security deposit and advance rentals of tenants.

Impairment of loans and receivables prior to adoption of PFRS 9
The Group reviews its receivables on a periodic basis to assess impairment of receivables at an individual and collective level. In assessing for impairment, the Group determines whether there is any objective evidence indicating that there is a measurable decrease in the estimated future cash flows of its loans and receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or industry-wide or local economic conditions that correlate with defaults on receivables. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies individually significant accounts that are to be provided with allowance.

For the purpose of a collective evaluation of impairment, loans are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past-due status and term.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment would increase recorded expenses and decrease net income.

Loans and receivables, net of allowance for impairment losses, amounted to ₱10,758 million as of March 31, 2020. The allowance for impairment on loans and receivables amounted to ₱52 million as of March 31, 2020 (Note 9).

Determining fair values of financial assets and liabilities
Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market condition, assuming an orderly liquidation over a reasonable period of time.

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.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statements of financial position 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. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology.

There were no significant changes in the significant accounting judgments, estimates, and assumptions used by the Company for the three-month period ended March 31, 2020 except, as a consequence of COVID 19 pandemic, for the impairment testing of expected credit losses determination for accounts receivable from tenants as discussed below:

Expected Credit Loss Estimation
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. The collectability of the significant portion of its receivables from tenants is impacted by the COVID-19 pandemic.

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 March 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.

For receivables from tenants, the PD scenarios used in the calculation of ECL were updated to 33% base, 25% best and 42% worse case probability scenarios from the previous 33% equal probability of all scenarios as of December 31, 2019. 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.

As a result of the loss estimation, management recognized an additional impairment loss for receivable from tenants of ₱39.03 million for the three months period ended March 31, 2020.

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 March 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.

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, 2020 and 2019.

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, 2020:

Cash on hand and in banks	**₱ 580**

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%**

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 March 31, 2020, short-term cash investments amounted to ₱737 million. Interest rate ranges from 3.00% to 3.25% in 2019.

The breakdown of this account is as follows:

Investments at FVTPL	**₱ 30**
Investments at FVOCI	**5,707**
	₱ 5,737

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, 2020:

Trade receivables from tenant	**₱ 2,255**
Advances to contractors and suppliers	**3,735**
Accrued rent receivable	**4,668**
Others	**152**
Total	**10,810**
Less allowance for bad debts	**(52)**
	10,758
Less noncurrent portion	**(8,403)**
Total Current portion	**₱ 2,355**

All of the Group's trade and other receivables have been reviewed for indications of impairment.

Receivables from tenants represent the outstanding receivables arising from the lease of commercial spaces relating to the Group's mall operations and are collectible within 30 days from billing date.

Advances to contractors and suppliers are advance payments in relation to the Group's construction activities and purchases of owner supplied materials. These are recouped through reduction against progress billings as the construction progresses which are expected to occur within one year from the date the receivables arose.

Installment contracts receivable consist of account collectible in equal monthly installments with various terms up to a maximum of 15 years. These are carried at amortized cost. The corresponding titles to the subdivision sold under this arrangement are transferred to the buyers only upon full payment of the contract price.

10. REAL ESTATE PROPERTIES FOR SALE

Real estate properties for sale amounting to ₱ 136 million as of March 31, 2020 are stated at cost.

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. PREPAYMENTS AND OTHER ASSETS

This account is composed of the following as of March 31, 2020:

Current	
Input VAT	**₱ 2,657**
Prepayments	**230**
Creditable Withholding Tax	**75**
Refundable Deposits	**31**
Restricted Cash	**809**
	₱ 3,802
Non-Current	
Refundable deposits	**₱ 282**
Restricted Cash	**-**
	₱ 282

The input VAT is applied against output VAT. The remaining balance is recoverable in future periods.

Prepayments pertain to prepaid taxes, insurance premiums, employee benefits, repairs and rent, which will be utilized within 12 months from the end of the reporting period.

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.

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 PROPERTY

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 ₱1,902 million and ₱1,630 million for the period ended March 31, 2020 and 2019, 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 investments 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	**₱ 12,429**
Right-of-use assets	**3,360**
Building and improvements	**18,187**
Construction In Progress	**15,589**
	₱ 49,565

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.

Fair Value of Investment Property

In 2016, the Company secured the services of an independent firm of appraisers to determine the fair market values of the Company's investment as of December 31, 2017. Fair market value of investment property is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date.

The results of the appraisal below showed that the fair market values of investment property exceeded the related carrying amounts as of December 31, 2017.

	Land	**Buildings and Improvements**	**Total**
Company -			
Land in Valenzuela City	₱ 42,000,000	₱ –	₱ 42,000,000
MAPI:			
Sta. Rosa, Laguna	1,206,000,000	1,535,000,000	2,741,000,000
Imus, Cavite	227,000,000	318,000,000	545,000,000
Land in Bacoor, Cavite	4,591,000,000	753,000,000	5,344,000,000
Starmall San Jose del Monte	210,000,000	1,511,000,000	1,721,000,000
Mandaluyong City	232,000,000	415,000,000	647,000,000
Starmall Prima Taguig	1,464,000,000	1,276,000,000	2,740,000,000
Starmall Azienda	–	368,000,000	368,000,000
Manuela:			
Starmall Alabang	2,916,000,000	3,469,000,000	6,385,000,000
Starmall EDSA-Shaw	3,001,000,000	1,170,000,000	4,171,000,000
Starmall Las Piñas	394,100,000	1,642,900,000	2,037,000,000
Starmall Las Piñas-Annex	121,000,000	100,000,000	221,000,000
WCC	–	1,935,000,000	1,935,000,000
	₱ 14,404,100,000	₱ 14,492,900,000	₱ 28,897,000,000

13. ACCOUNTS AND OTHER PAYABLES

This account consists of:

Trade payables	**₱ 597**
Retention Payable	**903**
Deferred output vat	**593**
Accrued expenses	**346**
Others	**11**
	₱ 2,450

Retentions payable pertains to 10% retention from the contractors' progress billings which will be released after the completion of contractors' project. The 10% retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

Trade payables represent construction materials, marketing collaterals and office supplies ordered and delivered but not yet due. These are expected to be settled within a year after the recognition period.

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.

Other payables pertain to salaries related premiums and loans payable and withholding taxes payable.

14. BANK LOANS

The breakdown of this account is as follows:

Bank loans – Current	**₱ 1,211**
Bank loans - Non current	**2,725**
	₱ 3,935

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-20	31-Dec-19	31-Mar-20	31-Dec-19
Preferred shares - voting, cumulative, non-participating, non convertible, non-redeemable - P0.01 par value				
Authorized	**10,000,000,000**	10,000,000,000	₱ **100,000,000**	₱ 100,000,000
Issued and outstanding:				
Balance at beginning of year	**2,350,000,000**	2,350,000,000	₱ **23,500,000**	₱ 23,500,000
Issuance during the year	-	-	-	-
Balance at end of year	**2,350,000,000**	2,350,000,000	₱ **23,500,000**	₱ 23,500,000
Common shares - P1.00 par value				
Authorized	**16,900,000,000**	16,900,000,000	₱ **16,900,000,000**	₱ 16,900,000,000
Issued and outstanding:				
Balance at beginning of year	**8,425,981,156**	8,425,981,156	₱ **8,425,981,156**	₱ 8,425,981,156
Issuance during the year	-	-	-	-
Balance at end of year	**8,425,981,156**	8,425,981,156	₱ **8,425,981,156**	₱ 8,425,981,156
			₱ **8,449,481,156**	₱ 8,449,481,156

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 in the next page 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%
	8,425,981,156	100.00%

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, 2020 and December 31, 2019, 8,425,981,156 shares are listed in the PSE and closed at ₱3.61 and ₱5.66 per share, respectively.

Retained Earnings

On September 30, 2019, the BOD approved the declaration of a regular cash dividend amounting ₱481.1 million or ₱0.0571 per share, payable to all stockholders of record as of October 15, 2019. The said dividends were paid on October 30, 2019.

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 INCOME AND EXPENSES

This account consists of:

Occupancy expenses	**₱ 117**
Outside services	**103**
Repairs and maintenance	**35**
Advertising and promotions	**17**
Salaries and employee benefits	**70**
Taxes and licenses	**51**
Others	**52**
Total	**₱ 445**

17. EARNINGS PER SHARE

Earnings per share were computed as follows:

Net Profit attributable to parent company's shareholders	**₱ 755**
Divided by weighted outstanding common shares	**8,426**
Earnings per share	**₱ 0.090**

Diluted earnings per share was not determined since the Group does not have potential dilutive shares as of March 31, 2020 and 2019.

18. IMPACT OF COVID-19 PANDEMIC AND EVENTSAFTER BALANCE SHEET DATE

On March 16, 2020, Presidential Proclamation No. 929 was issued declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon. ECQ was likewise imposed in provinces outside the island of Luzon as imposed by their respective local government units. When the quarantine was imposed, our offices and showrooms were closed so work-from-home arrangements for employees were adopted. Since physical gatherings were no longer possible, marketing efforts shifted to digital platforms to resume promotional campaigns.

The Group is continuously evaluating potential impact of the pandemic to the company's financial assets including our assumptions in the calculation of the Expected Credit Loss.

To date, the Company has not made any modification in its existing debt and have not availed of any extension in debt servicing.

The Group is closely monitoring the situation and the changes in our target market's behaviour as a result of the "new normal". Management will revisit the planned capital expenditures and our leasing expansion program for the year.

As of March 31, 2020 the Group have a total of 1,497,229 square meters of Gross Floor Area (GFA) of Investment properties which consists of 31 malls, 7 office buildings and 62 commercial centers. Most of our malls were closed with the implementation of ECQ. Only tenants providing essential services and basic necessities, including restaurants with food delivery capability, remained open. In areas that have already moderated the extent of their quarantine, malls reopened non-leisure shops at 50% capacity, in addition to essential stores. Most of our office buildings on the other hand remained operational during the period.

Our malls are typically around 30,000 square meters in GFA and a significant portion is occupied by essential retail formats, such as AllDay, drug stores, and food establishments. We do not have a significant space for department stores, which will be a drag for most of the other malls.

We expect to see a decline in our rental revenues in the 2nd quarter compared to our 1st quarter for the year as our malls were closed except for the essential stores, from March 17, 2020 to May 15, 2020 and we only started to open malls in some areas around May 16, 2020. Another factor that may impact our rental revenue is the cancellation of certain contract of our tenant affected by the current pandemic. . We are also currently working with our tenants on the rental concessions to be provided to them. Generally, we are not giving a uniform rental concession to all our tenants. We extend concessions depending on the tenant's profile and credit.

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the period ended March 31, 2020 and 2019.

		Mar-31-20	Dec-31-19
Current Ratio	Current assets / Current liabilities	0.22	0.21
Long-term debt-to-equity ratio	Long-term debt[1] / Equity	0.10	0.11
Debt ratio	Interest bearing debt[2] / Total assets	0.15	0.16
Debt to equity ratio	Interest bearing debt / Total equity	0.15	0.16
Net debt to equity	Net debt[3] / Total equity	0.12	0.14
Asset to equity ratio	Total assets / Total equity	2.65	2.70

		Mar-31-20	Mar-31-19
EBITDA to total interest	EBITDA / Total interest	12.24	10.95
Price Earnings Ratio	Market Capitalization[4] / Net Income[5]	10.07	21.68
Asset to liability ratio	Total assets / Total liabilities	1.61	1.69
Net profit margin	Net profit / Sales	0.38	0.37
Return on assets	Net income[5] / Total assets	4.3%	4.7%
Return on equity	Net income[5] / Total equity	11.3%	11.44%
Interest Service Coverage Ratio	EBITDA / Total interest	12.24	10.95

[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, Available-for-sale financial assets (excluding unquoted equity securities) & Held-to-Maturity Investments

[4] Based on closing price at March 31, 2020 and 2019

[5] Annualized

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering three months ended March 31, 2020 vs. three months ended March 31, 2019

Results of Operations for the Three Month Ended March 31, 2020

Revenues

Rental income slightly increased by 17% from ₱1,630 million in the three months ended March 31, 2019 to ₱1,902 million in the period ended March 31, 2020. The 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.

Other operating income increased by 42% from ₱135 million in the three months ended March 31, 2019 to ₱192 million in the period ended March 31, 2020 due to the increase in other operating income generated from the commercial assets and sale from real estate properties.

Cost and Expenses

Operating expenses slightly increased by 4% from ₱802 million in the three months ended March 31, 2019 to ₱837 million in the period ended March 31, 2020. The slight decrease was primarily attributable to the 19% increase from depreciation to ₱392 million for the three months ended March 31, 2020, a 21% increase from salaries and employee benefits amounting to ₱70 million offset by a 32% decrease from occupancy expenses to ₱117 million and a 52% decrease of other operating expenses to ₱15 million for the three months ended March 31, 2020.

Interest and other financing charges

Interest income decreased by 20% from ₱5 million in the three months ended March 31, 2019 to ₱4 million in the period ended March 31, 2020 due to the lower interest earned from in cash in banks, investments and receivables of the company for the period.

Finance costs increased by 193% from ₱46 million in the period ended March 31, 2019 to ₱135 million in the period ended March 31, 2020 This is due primarily to the interest pertaining to the of lease liabilities recognized due to the adoption of the PFRS 16 for the three months ended March 31, 2020.

Provision for tax increased by 27% from ₱267 million in the period ended March 31, 2019 to ₱338 million in the period ended March 31, 2020 due to the higher taxable income in the 3-months of 2020.

Net Income

As a result of the foregoing, the Group's net income increased by 20% from ₱655 million in the three months ended March 31, 2019 to ₱788 million in the three months ended March 31, 2020.

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to improve stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020. Enhanced community quarantine was likewise imposed in the provinces outside the island of Luzon as imposed by their respective local government unit. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. On May 16, 2020, the Enhanced Community Quarantine was downgraded in Metro Manila and to General Community Quarantine in most provinces.

For the three months ended March 31, 2020, except for the COVID-19 impact as discussed above, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group. 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 Group is not aware of events that will cause a material change in the relationship between costs and revenues.

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

Financial Condition as of March 31, 2020 vs. December 31, 2019

Total assets were ₱71,009 million as of March 31, 2020 and ₱70,626 million as of December 31, 2019. The 1% decrease is due to the following:

- Receivables, including non-current portion increased by 15% from ₱9,333 million as of December 31, 2019 to ₱10,758 million as of March 31, 2020 mainly due to the increase in revenue for the period.

- Real estate and properties for sale decreased by 55% from ₱302 million as of December 31, 2019 to ₱136 million as of March 31, 2020 due to sale in lot inventory for the three months period ended March 31, 2020.

- Other current assets increased by 25% from ₱3,034 million as of December 31, 2019 to ₱3,802 million as of March 31, 2020 due primarily to the increase in input tax and creditable withholding taxes.

- Other non-current assets decreased by 58% from ₱674 million as of December 31, 2019 to ₱282 million as of March 31, 2020 due to the decrease in cash restricted for use.

Total Liabilities as of March 31, 2020 were ₱42,199 million, 5% lower compared to ₱44,485 million as of December 31, 2019. This was due to the following:

- Security deposits and advance rent increased by 114% from ₱703 million as of December 31, 2019 to ₱1,506 million as of March 31, 2020 due to the additional deposits from lessees of malls and offices.

- Deferred tax liabilities – net posted an increase of 10% from ₱3,141 million as of December 31, 2019 to ₱3,448 million as of March 31, 2020 due to the increase in temporary differences for the period that will eventually result to future tax liability.

- Lease liabilities increased by 5% from ₱3,964 million as of December 31, 2019 to ₱ 4,037 million as of March 31, 2020 due to the adoption of PFRS 16.

- Income tax payable increased by 180% from ₱41 million as of December 31, 2019 to ₱115 million as of March 31, 2020 due to the delayed payment of the full year 2019 income tax payable due to the lockdown and extension of filing of income tax return.

- Payable to parent company- net, increased by 6% from ₱25,003 million as of December 31, 2019 to ₱26,622 million as of March 31, 2020 due to advances from the parent company made for the period.

- Bank loans including current portion, decreased by 8% from ₱4,297 million as of December 31, 2019 to ₱3,935 million as of March 31, 2020 due to settlements for the period.

Total stockholder's equity increased by 3% from ₱26,141 million as of December 31, 2019 to ₱26,821 million as of March 31, 2020 due to higher income recorded for the period.

<u>Top Five (5) Key Performance Indicators</u>

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

Key Performance Indicators	03/31/2020	12/31/2019
Current ratio [a]	0.22	0.21
Debt-to-equity ratio [b]	0.15	0.16
	03/31/2020	**03/31/2019**
Interest coverage ratio [c]	12.24	10.95
EBITDA margin [d]	79%	73%
Return on equity [e]	11.3%	11.4%

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 interest. 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, 2020 increased from December 31, 2019 due to a higher increase in the current assets coming from receivables.

Debt to equity ratio as of March 31, 2020 slightly decreased from that of December 31, 2019 due to settlement of debt for the period.

Interest coverage for the period ended March 31, 2020 increased because of the increase in the company's earnings before interest, income taxes, depreciation and amortization.

Return on equity decreased as a result of slight increase in stockholders equity.

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

Receivables, including non-current portion increased by 15% from ₱9,333 million as of December 31, 2019 to ₱10,758 million as of March 31, 2020 mainly due to the increase in revenue for the period.

Real estate and properties for sale decreased by 55% from ₱302 million as of December 31, 2019 to ₱136 million as of March 31, 2020 due to sale in lot inventory for the three months period ended March 31, 2020.

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Bank loans including current portion, decreased by 8% from ₱4,297 million as of December 31, 2019 to ₱3,935 million as of March 31, 2020 due to settlements for the period.

Material Changes to the Company's Statement of Comprehensive Income for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 (increase/decrease of 5% or more)

Rental income slightly increased by 17% from ₱1,630 million in the three months ended March 31, 2019 to ₱1,902 million in the period ended March 31, 2020. The 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.

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For the three months ended March 31, 2020, except for the COVID-19 impact as discussed above, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group. 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 Group is not aware of events that will cause a material change in the relationship between costs and revenues.

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

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 2020 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 2020 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 2020 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.

₱0.0571 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 2020 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, 2020, 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 2020 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: June 30, 2020