April 15, 2019

PHILIPPINE STOCK EXCHANGE
9th Floor, Philippine Stock Exchange Tower,
28th Street corner 5th Avenue, BGC Taguig City
Attention: Janet A. Encarnacion
Head, Disclosure Department

Subject: Starmalls, Inc.: **SEC 17A – December 31, 2018**

Gentlemen:

Please see attached SEC 17A Report.

Thank you.

Brian N. Edang
Officer-in-Charge

COVER SHEET

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S.E.C. Registration Number

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	571-5948 / 871-4001
Contact Person	Registrant Telephone Number

1 2 / 3 1	17 -A	
Month *Day*	FORM TYPE	*Month* *Day*
Calendar Year		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-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2018**

2. SEC Identification Number **39587**

3. BIR Tax Identification No. **000-806-396-000**

4. Exact name of issuer as specified in its charter **STARMALLS, INC.**

5. **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** **1750**
   Address of principal office Postal Code

8. **(02) 571-5948 / (02) 871-4001**
   Issuer's telephone number, including area code

9. **N/A**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 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 or all of these securities listed on a Stock Exchange?

    Yes [**x**] No [ ]

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

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes [**x**] No [ ]

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

Yes [**x**]   No [ ]

13. Aggregate market value of voting stocks held by non-affiliates:

₱ 4.7 Billion as of December 31, 2018

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ]   No [x]   **NOT APPLICABLE**

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of SEC Form 17-A into which the document is incorporated:

Consolidated Financial Statements as of and for the year ended December 31, 2018
(incorporated as reference for Items 7 and 12 of SEC Form 17-A)

TABLE OF CONTENTS

PART I – BUSINESS

Item 1. Business

Overview

Starmalls Inc. (the "Company") 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, real estate and leasing business.

On May 14, 2012, the Company's BOD authorized the change in name of the Company from Polar Property Holdings Corp. to Starmalls, Inc. The SEC approved the Company's application for the change in corporate name on June 22, 2012.

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.

As of December 31, 2018 and 2017 the Company has equity interests in the following entities:

	Percentage of Ownership	
Subsidiaries / Associate	**2018**	2017
Subsidiaries:		
Masterpiece Asia Properties, Inc. (MAPI)	**100.0%**	100.0%
Manuela Corporation (MC)	**98.4%**	98.4%

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

Recent Developments

On November 10, 2015, Vista Land & Lifescapes, Inc. (VLL) signed an agreement with Fine Properties, Inc. ("Fine Properties"), Althorp Holdings, Inc., Manuela Corporation, Mr. Manuel B. Villar, Jr. and Mr. Manuel Paolo A. Villar (collectively, the "Fine Group") to acquire approximately 88.25% or 7,436.22 million shares of the Company for a total consideration of ₱33,537.36 million.

In December 2015, VLL acquired 6,692.93 million shares of Starmalls, Inc. from the Fine Group for a total consideration of ₱30,185.11 million (the "First Closing Date"). As at December 31, 2015, VLL completed its acquisition of Starmalls' shares representing 79.43% or 6.69 billion shares from the Fine Group. Further, VLL has a tender offer to acquire 989.73 million more shares from minority shareholders which started on January 4, 2016 and expired on February 15, 2016. After the tender offer, 6.97 million shares tendered or 0.08% of the total shares of Starmalls, Inc.

The second closing date which is after the tender offer period in February 10, 2016, VLL acquired the remaining 743.29 million shares of Starmalls, Inc. from the Fine Group in the amount of ₱3,352.25 million. As at February 24, 2016, VLL completed its acquisition of the shares of Starmalls, Inc. representing 88.34% or 7.44 billion shares.

Brittany Estates Corporation (BEC) is engaged in developing and selling real estate properties, particularly residential house and lot. In December 2014, in order to focus in the mall and office building development and operations, the Company disposed of its shareholdings in BEC.

Description of the Business of the Registrant and its Subsidiaries

The Company and its subsidiaries are incorporated in the Philippines. MAPI and MC are both in the commercial property development and operations.

Products

MAPI and MC are operator and developer of various mass market retail malls and BPO office commercial centers mostly located in the Mega Manila area. The malls house various retail establishments and the BPO commercial centers caters mostly to the office space needs of the BPO companies.

Distribution Methods of Products

Leasing of commercial and office space is done by the Company's leasing team. The internal team is augmented by major international property companies for the sourcing of prospective tenants for BPO office spaces.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held

The Company has registered with the Intellectual Property Office ("IPO") the trademarks "starmalls.inc" and "starmall prima". The Company's subsidiary, MC, on the other hand, registered with the IPO the trademark "starmall", which was subsequently assigned to the Company. The Company has applied for the registration of the revised design of "starmall".

<table>
<tr><th>Trademark</th><th>Registrant</th><th>Registration Date</th><th>Term</th><th>Principal Conditions</th></tr>
<tr><td>starmalls.inc.</td><td>Starmalls, Inc.</td><td>14 February 2013</td><td>Ten (10) Years</td><td rowspan="4">(1) Renewable upon payment of the prescribed fee and filing of request;

(2) Registrant must file a declaration of actual use within three (3) years from filing of the Application and pay the required fee;

(3) Registrant must again file a declaration of actual use or non-use together with the evidence of use or reasons for non-use within one (1) year from the 5th Anniversary of the date of registration/renewal and pay the required fee.</td></tr>
<tr><td>starmall</td><td>Manuela Corporation</td><td>16 August 2012</td><td>Ten (10) Years</td></tr>
<tr><td>starmall prima</td><td>Starmalls, Inc.</td><td>10 September 2015</td><td>Ten (10) Years</td></tr>
<tr><td>starmall (revised design)</td><td>Starmalls, Inc.</td><td>28 May 2015</td><td>Ten (10) Years</td></tr>
</table>

Development of the business of the registrant and its key operating subsidiaries or affiliates

Starmalls Inc. – parent company was incorporated on October 16, 1969 and presently engaged in investment and real estate business.

Masterpiece Asia Properties Inc. – incorporated in October 4, 2001 and is wholly owned by STR. The Company's mall developments are Starmall Prima Taguig, Starmall Prima Daang Hari, Starmall Prima Sta. Rosa, Starmall San Jose del Monte, Starmall Talisay, Starmall Imus, and Optimum Bank Building. In 2015, it has on-going construction of Starmall Prima Bataan in Balanga City, Bataan and the expansion of Starmall Prima Taguig, Starmall Prima Daang Hari, Starmall Prima Sta. Rosa and Starmall San Jose del Monte.

Manuela Corporation – incorporated in February 22, 1972 and is 98.36% wholly owned by STR. The Company's mall developments are Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw and Starmall Alabang. Its corporate building is known as the Worldwide Corporate Center. In 2015, it opened the redeveloped Starmall Las Piñas complex which includes a multi-level parking. In the same year, the construction of a corporate building in Las Piñas City is on-going.

The Company virtually conducts all of its operations through its subsidiaries.

The Company's subsidiaries are involved in the acquisition of undeveloped land, the planning and design of developments, the securing of regulatory approvals for development and sale or lease, the supervision of land development and construction and the marketing and selling/leasing of it products.

Bankruptcy, Receivership or Similar Proceeding

As of December 31, 2018, there is no bankruptcy, receivership or similar proceedings involving the Group.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past three years

As at February 24, 2016, VLL completed its acquisition of the shares of Starmalls, Inc. representing 88.34% or 7.44 billion shares. After the aforementioned transactions, Starmalls, Masterpiece and Manuela became subsidiaries of VLL.

In December 2014, the Company sold 1,009,960 shares of its investment in BEC. This disposal of 100% of the investment in BEC resulted to its cessation as a subsidiary.

In May 2013, the Company sold the remaining 399,397,000 shares of its investment in VLL, hence, it ceased to be an associate as of December 31, 2013.

Various diversification/ new product lines introduced by the Company during the last three years

In April 2012, MAPI opened its first mall development in what is known as Starmall San Jose Del Monte in Bulacan. It opened Starmall Prima Taguig and Starmall Talisay in 2014. In 2015, it opened Starmall Prima Daang Hari, Starmall Prima Sta. Rosa, Starmall Imus, and Optimum Bank Building. As of end of 2015, it has on-going construction of Starmall Prima Bataan in Balanga City, Bataan and the expansion of Starmall Prima Taguig, Starmall Prima Daang Hari, Starmall Prima Sta. Rosa and Starmall San Jose del Monte.

After its acquisition of MC in June 2012, the Company increased its mall portfolio to include Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw and Starmall Alabang and a corporate building, Worldwide Corporate Center. MC redeveloped Starmall EDSA-Shaw and Starmall Alabang in 2013. In 2015, it opened the redeveloped Starmall Las Piñas complex which includes a multi-level parking. As of end of 2015, construction of a corporate building in Las Piñas City is on-going.

Competition

Our shopping malls compete with other shopping malls in the geographic areas in which they operate. The other major shopping mall operators in the Mega Manila are Robinsons, SM and Ayala. We believe that we are well-positioned to face increased competition in the shopping mall industry given the competitive advantages we have including, among other things, the location of our existing shopping malls, the land bank of the Company and its affiliates, our balance sheet strength, a successful tenant mix and selection criteria and our strategic partnership with the Villar Family Companies. Our experience and understanding of the retail industry has also been a contributing factor to our competitive advantage in the industry.

WCC competes with other BPO commercial centers and office buildings in the geographic area in which it operates. The major BPO office building commercial center developers in Metro Manila are Ayala Land, Robinsons Land, Megaworld and Filinvest Land. These developers have undertaken mixed-use residential, office and commercial developments in and around the major CBDs in Metro Manila as well as in key provincial cities. Apart from these real estate companies, there are many other independent developers in Metro Manila who have undertaken construction of new BPO buildings or conversion of existing buildings into BPO facilities in anticipation of a growing demand for BPO office spaces. We believe that we are well- positioned to face increased competition in the BPO commercial development given the competitive advantages we have including, among other things, the strategic location of our existing BPO commercial center, our strong and stable partnership with our existing BPO tenants and our expertise in flexible build-out arrangements to suit the requirements of our BPO tenants. Our experience and understanding of the BPO industry has also been a contributing factor to our competitive advantage in the industry

Suppliers

Site development and construction work is contracted out to various qualified and accredited independent contractors. For larger projects, such as major repair or construction work, contracts are awarded on the basis of competitive bidding. For operational repairs and maintenance projects, we hire contractors without a competitive process based on our previous experience with the contractor. In all cases, our accreditation procedure takes into consideration each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments. We maintain relationships with various accredited independent contractors and deal with each of them on an arm's length basis. We are not and do not expect to be dependent upon one or a limited number of suppliers or contractors.

Dependence on a Few Major Customers

The target customer segment of the commercial leasing business consists of broad C retail consumers. We believe that our shopping malls address the needs and aspirations of our target customers through our wide selection of retail outlets, supermarkets and department stores, together with other attractions, such as food courts, cinemas and other entertainment facilities. We attract local chains and franchises, to satisfy the preferences of our target customers.

The management team also took a proactive approach towards managing the tenant mix at its existing assets to ensure optimal alignment with the needs of its target market, including removing and replacing delinquent tenants with tenants that provide more suitable retail concepts and offerings and reorganizing mall layouts to address customers' needs as well as increasing the efficiency of available leasable area.

The remaining house and lot business is not dependent on repeat business from customers. MC has a marketing agreement with Crown Asia Properties, Inc., a subsidiary of VLL, which has a broad market base including local and foreign buyers.

Transactions with related parties

The Company and its subsidiaries, in their ordinary course of business, engage in significant commercial transactions with certain companies controlled by the Villar Family, including the Villar Family Companies and their respective subsidiaries. We have signed a memorandum of agreement with certain subsidiaries of Vista Land under which we have been granted a right of first refusal and right of first offer in respect of certain commercial properties by such VLL subsidiaries.

The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms that are comparable to those available from unrelated third-parties.

Government approvals

The Company secures various government approvals such as license to sell, building and development permits, environmental compliance certificate, business permits, etc. as part of the normal course of its business.

The Company has no principal product that has pending government approval as of December 31, 2018.

Effect of Existing or Probable Governmental Regulations

By the nature of its business, the Company's subsidiaries are subject to governmental regulations on its land development and marketing activities, which includes, among others, zoning and environmental laws, development permit and license to sell regulations. The Company's subsidiaries comply with the said regulations in the regular conduct of its business operations.

As of December 31, 2018, the Company is not aware of any existing or probable governmental regulations that will have an effect on the Company's business operations.

Compliance With Environmental Laws

Prior to any land development activity, the subsidiaries of the Company secure the requisite environmental permits, including environmental compliance certificate and drainage permit for the sewage treatment plants, from the appropriate government agencies.

Costs and Effects of Compliance with Environmental Laws

The subsidiaries of the Company pay such amount as may be imposed by the appropriate government agencies for the procurement of all necessary environmental permits prior to commencement of any development project. The costs are generally minimal and vary from time to time.

Unless pertinent environmental laws are complied with, and requisite permits are secured, the Company's subsidiaries cannot and do not proceed with its projects.

Research and Development Costs

Research and development activities, such as market research, training and contractor's development programs, are treated as normal operating expense. For 2018, the amount that the Company spent for research and development is minimal and does not constitute a significant percentage of the Company's revenues.

Employees

As of December 31, 2018, the Company and its subsidiaries, had a total of 279 employees. This is broken down by function as follows:

Function	Number of employees
Operations	116
Administrative	72
Technical	91
Total	**279**

The Company has no collective bargaining agreements with its employees and none of the Company's employees belong to a union. In addition to the regular remuneration packages being given by the Company, it also adopts a performance-based incentive scheme to employees holding strategic positions, such as foreign travel grants. The Company has no employee stock option plan.

Risks related to the Companies Business

Each of the businesses of the Company and its Subsidiaries would inevitably involve some risks factors such as:

- Competition;
- Socio-economic conditions of the country;
- Effect of the changes in global economy;
- Foreign exchange devaluation;
- Changes in the country's political and economic situation;
- Inflation of prices affecting the cost and expenses;
- Reforms in the applicable rules and regulations affecting the Philippine Real Estate industry; and
- Changes in Philippine and International interest rates, with respect to the Company's borrowings.

To mitigate the aforementioned risks, the Company shall continue to adopt prudence in financial management and discipline in the area of operational controls, policies and procedures. With respect to competitive pressures among the industry players, the Company shall continue to compete through project concept, quality, affordability, and location of projects.

Item 2. Properties

Details of the Company's properties as of December 31, 2018 are set out in the table below:

LAND

Location	Owner	Use
Valenzuela City	STR	Land bank
Bacoor, Cavite	MAPI	Land bank/ Mall
San Jose del Monte, Bulacan	MAPI	Mall
Taguig City	MAPI	Mall
Imus, Cavite	MAPI	Mall
Balanga, Bataan	MAPI	Mall
Mandaluyong City	MAPI	Office Building
Naga City	MAPI	Land bank
Dasmariñas, Cavite	MC	Residential
Alabang, Muntinlupa	MC	Mall
EDSA-Shaw	MC	Mall
Las Piñas City	MC	Mall

BUILDING AND IMPROVEMENTS

Location	Owner	Use
San Jose del Monte, Bulacan	MAPI	Mall
Bacoor, Cavite	MAPI	Mall
Taguig City	MAPI	Mall
Talisay, Cebu	MAPI	Mall
Imus, Cavite	MAPI	Mall
Sta. Rosa, Laguna	MAPI	Mall
Balanga, Bataan	MAPI	Mall
EDSA, Mandaluyong City	MAPI	Office Building
Kawit, Cavite	MAPI	Mall
General Trias, Cavite	MAPI	Mall
Tanza, Cavite	MAPI	Mall
Alabang, Muntinlupa	MC	Mall
EDSA-Shaw	MC	Mall
Las Piñas City	MC	Mall
EDSA-Shaw	MC	Office Building
Las Piñas City	MC	Office Building

As of December 31, 2018, investment properties with carrying amount of ₱10.3 billion were used to secure the bank loans of MAPI and MC (see Note 13 of the 2018 Audited Financial Statements).

Item 3. Legal Proceedings

The Group is currently involved in litigation over portions of its properties located in Molino, Bacoor, Cavite comprising of an aggregate area of 117,480 square meters (the "Bacoor Property"). The case is an administrative action pending before the Land Management Bureau, the government agency responsible for administering disposable land in the Philippines. The plaintiffs claim to be the heirs of the rightful owner of the Bacoor Property and dispute the authenticity of MAPI's title; however, the plaintiffs do not possess a certificate of title over the property. A civil case based on a similar cause of action has been dismissed by the Regional Trial Court of Bacoor.

There is another case pending before the Regional Trial Court of Bacoor, Cavite filed by MAPI for quieting of title and annulment of titles involving portions of the Bacoor Property. The Judicial Dispute Resolution has been terminated and the case shall now be re-raffled to another court. The case is now on trial stage.

The rehabilitation of MC was terminated on January 25, 2012. The final report and accounting has been completed and the rehabilitation proceedings have been terminated on November 29, 2013.

We are subject to various civil lawsuits and legal actions arising in the ordinary course of our business. Typical cases include adverse claims regarding the title to parcels of land. In the Group's opinion, none of the lawsuits or legal actions to which we are currently subject will materially affect the daily operations of our business or have a material adverse effect on our consolidated financial position and results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

Except for matters taken up during the Annual Stockholders Meeting, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

Market Information

The Company's common shares are being traded at 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	2019			2018			2017			2016		
	High	Low	Close	High	Low	Close	High	Low	Close	High	Low	Close
1st	7.20	5.48	6.74	25.85	8.10	15.88	7.00	6.79	7.00	8.00	4.08	7.06
2nd				17.40	6.95	6.95	7.44	6.23	7.28	7.14	6.20	7.00
3rd				7.84	6.27	6.57	7.52	6.51	7.52	7.15	6.53	7.14
4th				7.98	3.94	5.40	12.30	6.68	8.81	7.30	6.95	6.95

The market capitalization of STR as of December 31, 2018, based on the closing price of ₱5.40 per share, was approximately ₱45.50 billion.

As of March 31, 2019, STR's market capitalization stood at ₱56.79 billion based on the ₱6.74 per share closing price.

Price Information as of the Latest Practicable Trading Date

Trading Date	High	Low	Close
12 April 2019	6.98	6.75	6.85

Stockholders

There are approximately 437 holders of common equity security of the Company as of December 31, 2018 (based on the number of accounts registered with the Stock Transfer Agent).

The following are the top 20 holders of the common securities of the Company:

	Stockholders Name	No. of Common Shares	Percentage (of Common Shares)[1]
1.	Vista Land & Lifescapes, Inc.[2]	7,443,192,641	88.34%
2.	Land & Houses Public Company Limited	808,431,465	9.59%
3.	Fine Properties, Inc.[3]	114,877,955	1.36%
4.	PCD Nominee Corporation (Filipino)	51,513,971	0.61%
5.	PCD Nominee Corporation (Foreign)	2,337,604	0.03%
6.	Peter Tan &/Or Marilou Tan	1,798,000	0.02%
7.	Peter O. Tan	1,524,000	0.02%
8.	Orion-Squire Capital, Inc.	82,000	0.00%
9.	Orion-Squire Sec., Inc.	77,900	0.00%

[1] *based on the total shares issued of 8,425,981,156*
[2] *Shares are under PCD Nominee Corporation (Filipino)*
[3] *Shares are under PCD Nominee Corporation (Filipino)*

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.	Filinvest 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	**8,424,402,879**	99.98%
	Others	1,578,277	0.02%
	Total issued and outstanding common shares as of December 31, 2018	**8,425,981,156**	100.00%

Dividends

₱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

Recent Sale of Unregistered Securities

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

Stock Options

None

Item 6. Management's Discussion and Analysis

REVIEW OF YEAR END 2018 VS YEAR END 2017

RESULTS OF OPERATIONS

Revenues

Operating revenue

Operating revenue increased from ₱5,297 million for the year ended December 31, 2017 to ₱6,286 million for 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 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.

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 P=25 million for the year ended December 31, 2017 to P=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.

<u>Costs and Expenses</u>

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 ₱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

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	12/31/2017	12/31/2016
Current ratio [(a)]	0.77:1	1.06:1
Liability-to-equity ratio [(b)]	1.20:1	0.98:1
Interest coverage [(c)]	8.91	5.05
Return on assets [(d)]	4.6%	4.3%
Return on equity [(e)]	10.0%	8.6%

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.

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.

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 .

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.

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.

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 Group is contingently liable with respect to 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 Philippines continues to experience economic difficulties relating to currency fluctuations, volatile stock markets and slowdown in growth. Management is of the opinion that losses, if any, from these events and conditions will not have material effects on the Group's financial statements.

<u>Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The registrant shall indicate balance sheet conditions or an income or cash flow item that it believes may be indicators of its liquidity condition.</u>

The Group sources its capital requirements through a mix of internally generated cash, bank borrowings and advances from parent company. The Group does not expect any material cash requirements beyond the normal course of the business.

<u>Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.</u>

None, except for those items disclosed in the 2018 Audited Financial Statements.

There are no 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 except those disclosed in the 2018 Audited Financial Statements.

Item 7. Financial Statements

The Consolidated Financial Statements of the Company as of and for the year ended December 31, 2018 are incorporated herein in the accompanying Index to Financial Statements and/Supplementary Schedules.

Item 8. Information on Independent Accountant and Other Related Matters

<u>Independent Public Accountant</u>

SGV & Co., independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2016, 2017 and 2018, included in this report. Cyril Jasmin B. Valencia is the current audit partner for the Company and its subsidiaries.

<u>External Audit Fees and Services</u>

<u>External Audit Fees</u>

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

	2018	**2017**
	(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	**₱ 3.02**	**₱ 3.23**
All other fees	–	–
Total	**₱ 3.02**	**₱ 3.23**

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

<u>Tax Fees</u>

Tax accounting, compliance, advice, planning and other form of tax services are not rendered by the appointed external auditor of the Company, but are secured from other entities.

All Other Fees

The appointed External Auditor of the Company does not render and/or provide product or service to the Company other than those provided under the caption "External Audit Fees".

Audit Committee's Approval Policies and Procedure for the Services of the External Auditor

The scope, extent and nature of the services to be referred to, and/or to be rendered by, the appointed External Auditor of the Company has to be 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.

Changes in and Disagreements 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, 2018, 2017 and 2016.

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, 2018, 2017 and 2016.

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.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors and Executive Officers

The table below sets forth the members of the Company's Board and Executive Officers as of December 31, 2018.

NAME	AGE	POSITION	CITIZENSHIP
Manuel B. Villar Jr.	69	Chairman	Filipino
Benjamarie Therese N. Serrano	56	Director and President	Filipino
Manuel Paolo A. Villar	42	Director	Filipino
Camille A. Villar	33	Director	Filipino
Adisorn Thananun-Narapool	64	Director	Thai
Joel L. Bodegon	70	Independent Director	Filipino
Raul Juan N. Esteban	56	Independent Director	Filipino
Cynthia J. Javarez	55	Chief Financial Officer & Treasurer	Filipino
Ma. Nalen Rosero	47	Corporate Secretary & Compliance Officer	Filipino

** Business Experience of the named directors and officers covers the past five (5) years.*

MANUEL B. VILLAR JR., *Chairman*, was a Senator of the Philippines, having been elected in 2001 and re-elected in 2007. He served as Senate President from 2006 to 2008. He was a Congressman from 1992 to 2001 and served 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. In the early 1970’s he founded Camella Homes and successfully managed the company to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar has been Chairman of the Board of the Company since 2012.

BENJAMARIE THERESE N. SERRANO, *Director and President,* graduated from the University of Philippines with a degree of Bachelor of Arts in Economics and from the Asian Institute of Management with a degree of Master of Business Management. She is presently the President and Chief Executive Officer of AllValue Holdings Corp. and its subsidiaries. She has been President of, and Chief Executive Officer of, Vista Land & Lifescapes, Inc. from 2007 to 2011 and was a director from 2007 to 2012. She is the Business Development Head of the Villar Group of Companies from 2012 to present.

MANUEL PAOLO A. VILLAR, *Director*, graduated from the Wharton School of the University of Pennsylvania with a dual degree of Bachelor of Science in Economics and bachelor of Applied Science. He worked as a research analyst at Clemente Capital Inc. in New York City prior to his graduation. He was a fixed income analyst at Goldman Sachs in Hong Kong and a consultant for McKinsey & Co. in the United States for two years before joining the Vista Land Group in 2001. He is currently the President and Chief Executive Officer of Vista Land. Mr. Villar has been a Director of the Company since 2007.

CAMIILE A. VILLAR, *Managing Director,* Vista Land Commercial Division. Ms. Villar, graduated from the 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 Empressa (IESE Business School) of the University of Navarra in 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 also a Director of AllValue Holdings Corp.

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.

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 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 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.

CYNTHIA J. JAVAREZ, *Chief Financial Officer and Treasurer,* Ms. Javarez, 53, 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 took a Management Development Program at the Asian Institute of Management. She is currently the Chief Financial Officer and Treasurer of Starmalls, Inc. She is also the Controller, Chief Financial Officer and Head of the Tax and Audit group of Vista Land after holding various other positions in the MB Villar Group of Companies since 1985.

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

<u>Resignation of Directors</u>

No director has resigned or declined to stand for re-election for the Board of Directors due to any disagreement with the Corporation relative to the Corporation's policies, practices and operations.

<u>Family relationships</u>

Manuel B. Villar, Jr., is the father of Manuel Paolo A. Villar and Camille A. Villar. There are no other family relationships among the directors and executive officers.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the Directors and Executive Officers is involved in any material pending legal proceedings in any court or administrative agency of the government.

(a) None of them has been involved in any bankruptcy petition.

(b) None of them has been convicted by final judgment in a criminal proceeding or being subject to any pending criminal proceeding, both domestic and foreign.

(c) None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (both domestic and foreign) permanently or temporarily enjoining, barring, suspending or likewise limiting their involvement in any type of business, securities, commodities or banking activities.

(d) None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), by the Commission or comparable body, or by a domestic or foreign exchange or organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

Names	Position	Year	Salary	Bonus
Benjamarie Therese N. Serrano	President			
Cynthia J. Javarez	Chief Financial Officer & Treasurer			
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		**Projected 2017**	**₱ 8.4 M**	**₱ 0.6 M**
		Actual 2017	**₱ 8.8 M**	**₱ 0.6 M**
		Projected 2018	**₱ 9.3 M**	**₱ 0.6 M**
		Actual 2018	**₱ 9.2 M**	**₱ 0.6 M**
		Projected 2019	**₱ 9.8 M**	**₱ 0.6 M**
Aggregate executive compensation for all other officers and directors, unnamed		**Projected 2017**	**₱ 4.8 M**	**₱ 0.4 M**
		Actual 2017	**₱ 4.9 M**	**₱ 0.4 M**
		Projected 2018	**₱ 5.1 M**	**₱ 0.4 M**
		Actual 2018	**₱ 5.1 M**	**₱ 0.4 M**
		Projected 2019	**₱ 5.4 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 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 2017.

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 2017 and 2018 for any service provided as a director.

Employment Contracts and Termination of Employment and Change in Control Arrangements

The Company has not entered into any contract or arrangement for payment of compensation other than what has been included above. Executive officers are considered employees of the Company, but their contracts with the Company are not in writing. The Company has no arrangement for termination of employment.

Warrants and options held by the executive officers and directors

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

Significant employee

The Company has high regard for its human resources. It expects each employee to do his part in achieving the Company's goals and objectives.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Record and Beneficial Owners

Security ownership of certain record and beneficial owners of more than 5.0% of the voting securities as of December 31, 2018:

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 Shares	Vista Land & Lifescapes, Inc. 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 Shares	Land & Houses Public Company Limited 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 Shares	Fine Properties Inc. 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 December 31, 2018*

Security Ownership of Management

Security ownership of certain management as of December 31, 2018:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares	Manuel B. Villar Jr. C. Masibay Street, BF Resort Village, Las Piñas City	1,000 - Direct	Filipino	0.00001%
Preferred Shares	Manuel B. Villar Jr. C. Masibay Street, BF Resort Village, Las Piñas City	2,350,000,000 - Indirect	Filipino	21.80776%
Common Shares	Manuel Paolo A. Villar C. Masibay Street, BF Resort Village, Las Piñas City	1,000 - Direct	Filipino	0.00001%
Common Shares	Camille A. Villar C. Masibay Street, BF Resort Village, Las Piñas City	100 – Indirect	Filipino	0.000001%
Common Shares	Benjamarie Therese N. Serrano 103 Parklane St. La Marea Subdivision, San Pedro, Laguna	1,000 - Direct	Filipino	0.00001%
Common Shares	Adisorn Thananan-Narapool 1 Q. House, Lumpini 38th Floor, South Saturn Road, Silom, Bangkok, Thailand	1,000 – Indirect	Thai	0.00001%
Common Shares	Joel L. Bodegon 118 Lipa Street, Ayala Alabang Village, Muntinlupa City	1,000 – Direct	Filipino	0.00001%
Common Shares	Raul Juan N. Esteban 223B Alexandra Condo. 29 Meralco Avenue, Ortigas Center, Pasig City	1,000 – Indirect	Filipino	0.00001%
Common Shares	Cynthia J. Javarez B3A/L2 Vetta di Citta Italia, Imus, Cavite	1,000 - Direct	Filipino	0.00001%
AGGREGATE SHAREHOLDINGS		**2,350,007,100**		**21.80782%**

Voting Trust Holders of 5.0% or More

As of December 31, 2018, there is no party holding any voting trust for 5% or more of total shares outstanding.

Changes In Control

As of December 31, 2018, there was no arrangement which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company is a subsidiary of Vista Land & Lifescapes, Inc. (VLL). It enters into transactions with associates and related parties, in its regular course of business, consisting mainly of advances and reimbursement of expenses and purchase and sell of real estate properties. These transactions to and from related parties are made on arm's length basis and at current market prices at the time of the transactions.

No transaction, without proper disclosure, was undertaken by the Company in which any Director or Executive Officer, nominee for election as Director, or any member of its immediate family was involved or had a direct or indirect material interest.

No single Director or Executive Officer, nominee for election as Director, or any member of their immediate family owns or holds more than 10% of the Company's voting shares.

Please refer to Notes on Related Party Transactions of the Notes to Consolidated Financial Statements of the 2018 Audited Financial Statements, which is incorporated herein in the accompanying Index to Exhibits.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

To be disclosed separately.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17 A

Exhibits

See accompanying Index to Financial Statements and Supplementary Schedules.

The following exhibit is incorporated by reference in this report:

Consolidated Financial Statements of the Company as of and for the year ended December 31, 2018.

The other exhibits, as indicated in the Index to Financial Statements and Supplementary Schedules are either not applicable to the Company or require no answer.

Reports on SEC Form 17-C

The following current reports have been reported by Starmalls, Inc. during the year 2018 through official disclosure letters dated:

January 11, 2018
Consent Solicitation Exercise of an Affiliate's Dollar Notes Issued

February 2, 2018
Results of the Consent Solicitation Exercise of an Affiliate's Dollar Notes Issued

March 27, 2018
BOD Meeting Resolution 03/27/2018

May 04, 2018
BOD Meeting Resolution 05/04/2018

May 09, 2017
BOD Meeting Resolution 05/09/2018

June 25, 2018
Results of Annual Stockholder's Meeting
Results of Organizational Meeting of Board of Directors

July 13, 2018
Corporate Notes Issuance of Vista Land & Lifescapes, Inc.

July 27, 2018
Additional Corporate Notes Issuance of Vista Land & Lifescapes, Inc.

August 13, 2018
BOD Meeting Resolution 08/13/2018

September 26, 2018
Cash Dividend Declaration

November 13, 2018
BOD Meeting Resolution 11/13/2018

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in ____________________ on ________________________.

MANDALUYONG CITY MANDALUYONG CITY

By:

BENJAMARIE THERESE N. SERRANO
President

MA. NALEN ROSERO
Corporate Secretary and Chief Information Officer

CYNTHIA J. JAVAREZ
Chief Financial Officer and Treasurer

ROWENA B. BANDIGAN
Chief Accountant

SUBSCRIBED AND SWORN to before me this APR 08 2019 at MANDALUYONG CITY, affiants exhibiting to me their respective Valid Ids, to wit:

Name	Valid Ids	Valid Until
Benjamarie Therese N. Serrano	Passport no. EC5357726	15 Sep 2020
Cynthia J. Javarez	Passport no. EC3842813	30 Mar 2020
Ma. Nalen Rosero-Galang	Passport no. EC5435543	21 Sep 2020
Rowena B. Bandigan	DL no.N04-10-021132	24 Sep 2019

Doc. No. 295
Page No. 60
Book No. XVIII
Series of 2019.

ATTY. ARTHUR IMANUEL N. ZAPANTA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
ROLL No. 62513
IBP Lifetime Member No. 018536
PTR No. 3810732 / 04 Jan. 2019 / Mandaluyong City
MCLE Compliance No. V-0019609, issued dated 21 April 2016
Notarial Commission Appointment No. 0430-18
Vista Corporate Center, Upper Ground Floor,
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Starmalls, 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, 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 ____________ day of ______________ 2019.

APR 0 8 2019

MANUEL B. VILLAR, JR.
Chairman of the Board

BENJAMARIE THERESE N. SERRANO
President

CYNTHIA J. JAVAREZ
Chief Financial Officer and Treasurer

MANDALUYONG CITY

SUBSCRIBED AND SWORN, to before me this ______APR 0 8 2019______ at __________________________, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date and Place of Issue
Manuel B Villar, Jr.	D0001413A	03 NOV 2016 / DFA MANILA
Benjamarie Therese N. Serrano	EC5357726	16 SEP 2015 / DFA MANILA
Cynthia J. Javarez	EC3842813	31 MAR 2015/ DFA MANILA

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. 60
Book No. XVII
Series of 2019.

ATTY. ARTHUR IMMANUEL N. ZAPANTA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
ROLL No. 62513
IBP Lifetime Member No. 018536
PTR No. 3810732 / 04 Jan. 2019 / Mandaluyong City
MCLE Compliance No. V-0019609, issued dated 21 April 20..
Notarial Commission Appointment No. 0436-18
Vista Corporate Center, Upper Ground Floor
Worldwide Corporate Center, Shaw ...

STARMALLS, INC. AND SUBSIDIARIES
INDEX TO SUPPLEMENTARY SCHEDULES

C O V E R S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	0	0	0	0	3	9	5	8	7

C O M P A N Y N A M E

STARMALLS, INC. AND SUBSIDIARIES

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

LOWER GROUND FLOOR, 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

C O M P A N Y I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
www.starmallsinc.com.ph	571 5948	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
437	06/25	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	02-226-3552 loc. 0088	0917-857-6513

CONTACT PERSON's ADDRESS

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

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies*

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Starmalls, Inc. and Subsidiaries
Lower Ground Floor, Building B
EVIA Lifestyle Center, Vista City, Daanghari
Almanza II, Las Piñas City

Opinion

We have audited the accompanying consolidated financial statements of Starmalls, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, 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, 2018, 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 financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of receivables from tenants

As of December 31, 2018, receivables from tenants arising from the Group's leasing operations represent 6.59% 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 rental paid. 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 Notes 3, 5, and 27 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, *Financial Instruments*, 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 rentals made by tenants against outstanding receivables to verify the internal loss given default, and (d) checked the external credit rating and benchmarking applied to calculate expected credit losses (ECL).

Further, we checked the data used in the ECL models, such as the external credit ratings, by reconciling data from source system reports to the data warehouse and from the data warehouse 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. We tested the computed transition adjustments and evaluated the disclosures made in the consolidated financial statements on allowance for credit losses using the ECL model.

We involved our internal specialists in the performance of the above procedures.

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, 2018, 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, 2018 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. 7332622, January 3, 2019, Makati City

April 8, 2019

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash (Notes 7, 26 and 27)	**₱418,435,013**	₱572,361,719
Investment at fair value through profit or loss (Notes 8 and 26)	**28,871,689**	–
Available-for-sale financial assets (Notes 8 and 26)	**–**	34,551,067
Receivables (Notes 9, 26 and 27)	**3,582,992,417**	5,152,731,583
Receivable from ultimate parent company (Note 23)	**2,850,849,682**	2,154,546,538
Receivables from other related parties (Note 23)	**–**	2,600,010,624
Real estate properties for sale (Note 10)	**322,180,573**	322,090,433
Prepayments and other current assets (Note 11)	**2,134,542,636**	1,472,786,408
Total Current Assets	**9,337,872,010**	12,309,078,372
Noncurrent Assets		
Investments at fair value through other comprehensive income (Notes 8, 26 and 27)	**4,069,446,443**	–
Available-for-sale financial assets - net of current portion (Notes 8 and 26)	**–**	4,509,236,373
Receivables - net of current portion (Note 9)	**3,274,842,165**	1,671,970,355
Receivables from other related parties (Note 23)	**–**	168,092,001
Property and equipment (Note 12)	**67,446,733**	51,842,671
Investment properties (Note 13)	**35,315,647,390**	25,580,740,587
Other noncurrent assets (Note 11)	**851,627,964**	1,039,440,544
Total Noncurrent Assets	**43,579,010,695**	33,021,322,531
	₱52,916,882,705	₱45,330,400,903
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 15, 26 and 27)	**₱2,424,498,376**	₱1,916,868,622
Payable to parent company (Notes 23, 26 and 27)	**18,377,012,831**	11,699,707,437
Payables to other related parties (Notes 23 and 27)	**–**	214,663,688
Interest-bearing loans and borrowings (Notes 16, 26 and 27)	**1,558,559,116**	1,601,982,977
Liabilities for purchased land (Notes 14 and 27)	**582,113,037**	577,697,753
Income tax payable	**63,740,175**	38,207,472
Dividends payable (Note 18)	**275,118**	275,118
Total Current Liabilities	**23,006,198,653**	16,049,403,067
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 16, 26 and 27)	**4,297,850,238**	5,927,684,889
Liabilities for purchased land - net of current portion (Notes 14 and 27)	**212,587,587**	244,714,560
Pension liabilities (Note 19)	**48,764,839**	50,766,213
Deferred tax liabilities - net (Note 22)	**2,307,119,282**	1,530,354,705
Other noncurrent liabilities (Note 17)	**802,390,587**	907,065,054
Total Noncurrent Liabilities	**7,668,712,533**	8,660,585,421
Total Liabilities	**₱30,674,911,186**	₱24,709,988,488

(Forward)

	December 31	
	2018	2017
Equity (Note 18)		
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	**8,471,471,436**	6,433,402,872
Other comprehensive income	**(1,188,937,019)**	(763,856,172)
	22,121,329,927	20,508,342,210
Non-controlling interest	**120,641,592**	112,070,205
Total Equity	**22,241,971,519**	20,620,412,415
	₱52,916,882,705	₱45,330,400,903

See accompanying Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUE			
Rental income (Notes 6 and 13)	**₱5,673,918,632**	₱4,798,595,982	₱4,077,936,489
Parking fees	**158,815,457**	117,104,544	105,615,365
Other operating income (Note 20)	**452,977,105**	381,491,995	295,659,510
	6,285,711,194	5,297,192,521	4,479,211,364
COSTS AND EXPENSES			
Depreciation (Notes 12 and 13)	**997,625,087**	950,118,521	717,910,218
Light and power	**408,684,886**	386,901,518	340,473,841
Outside services	**346,688,494**	279,000,699	251,018,048
Salaries and employee benefits (Note 19)	**244,416,504**	186,123,331	169,157,974
Rentals	**299,079,524**	134,036,615	112,428,601
Taxes and licenses	**173,938,477**	130,868,076	144,198,111
Repairs and maintenance (Note 13)	**148,392,501**	96,241,381	85,352,599
Advertising and promotions	**75,612,740**	48,833,765	49,083,978
Insurance	**30,397,083**	28,089,429	20,503,912
Professional fees	**16,504,988**	21,593,055	11,506,392
Other operating expenses (Note 20)	**67,015,536**	70,578,985	46,116,693
	2,808,355,820	2,332,385,375	1,947,750,367
OTHER INCOME (EXPENSE)			
Interest income (Notes 7, 9, 11 and 21)	**42,449,780**	24,792,430	11,616,221
Interest expense (Note 21)	**(53,745,417)**	(44,644,940)	(300,917,401)
Fair value loss on investment at fair value through profit or loss (Note 8)	**(5,679,378)**	–	–
	(16,975,015)	(19,852,510)	(289,301,180)
INCOME BEFORE INCOME TAX	**3,460,380,359**	2,944,954,636	2,242,159,817
PROVISION FOR INCOME TAX (Note 22)	**1,037,698,461**	883,919,646	690,669,472
NET INCOME	**₱2,422,681,898**	₱2,061,034,990	₱1,551,490,345
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**2,407,017,260**	₱2,039,770,209	₱1,537,164,566
Non-controlling interest	**15,664,638**	21,264,781	14,325,779
NET INCOME	**₱2,422,681,898**	₱2,061,034,990	₱1,551,490,345
BASIC/DILUTED EARNINGS PER SHARE (Note 24)	**₱0.286**	₱0.242	₱0.182

(Forward)

	Years Ended December 31		
	2018	2017	2016
NET INCOME	**₱2,422,681,898**	₱2,061,034,990	₱1,551,490,345
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized fair value gain (loss) on available-for-sale financial assets (Note 8)	–	785,564,463	(207,773,571)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Unrealized fair value loss on equity investment at fair value through other comprehensive income (Note 8)	**(436,585,760)**	–	–
Remeasurement gain (loss) on pension liabilities - net of tax (Note 19)	**8,962,670**	(940,195)	12,432,783
	(427,623,090)	784,624,268	(195,340,788)
TOTAL COMPREHENSIVE INCOME	**₱1,995,058,808**	₱2,845,659,258	₱1,356,149,557
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱1,986,487,421**	₱2,811,526,637	₱1,345,116,459
Non-controlling interest	**8,571,387**	34,132,621	11,033,098
	₱1,995,058,808	₱2,845,659,258	₱1,356,149,557

See accompanying Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31		
	2018	2017	2016
PAID IN CAPITAL (Note 18)			
Common shares - ₱1.00 par value			
Authorized - 16,900,000,000 shares			
Issued and outstanding- 8,425,981,156 shares	**₱8,425,981,156**	₱8,425,981,156	₱8,425,981,156
Preferred shares - ₱0.01 par value			
Authorized - 10,000,000,000 shares			
Issued and outstanding - 2,350,000,000 shares	**23,500,000**	23,500,000	23,500,000
Total Capital Stock	**8,449,481,156**	8,449,481,156	8,449,481,156
Additional Paid-in Capital	**6,389,314,354**	6,389,314,354	6,389,314,354
	14,838,795,510	14,838,795,510	14,838,795,510
RETAINED EARNINGS (Note 18)			
Balances at beginning of year, as previously reported	**6,433,402,872**	4,703,708,769	3,347,702,798
Effect of adoption of new standard (Notes 3, 8, and 9)	**43,237,713**	–	–
Balances at beginning of year, as restated	**6,476,640,585**	4,703,708,769	3,347,702,798
Net income	**2,407,017,260**	2,039,770,209	1,537,164,566
Cash dividends	**(412,186,409)**	(310,076,106)	(181,158,595)
	8,471,471,436	6,433,402,872	4,703,708,769
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 8 and 19)			
Balances at beginning of year, as previously reported	**(763,856,172)**	(1,535,612,600)	(1,343,564,493)
Effect of adoption of new standard (Notes 3 and 8)	**(4,551,008)**	–	–
Balances at beginning of year, as restated	**(768,407,180)**	(1,535,612,600)	(1,343,564,493)
Other comprehensive income (loss)	**(420,529,839)**	771,756,428	(192,048,107)
	(1,188,937,019)	(763,856,172)	(1,535,612,600)
NON-CONTROLLING INTEREST			
Balances at beginning of year	**112,070,205**	77,937,584	66,904,486
Net income	**15,664,638**	21,264,781	14,325,779
Other comprehensive income (loss)	**(7,093,251)**	12,867,840	(3,292,681)
	120,641,592	112,070,205	77,937,584
	₱22,241,971,519	₱20,620,412,415	₱18,084,829,263

See accompanying Notes to Consolidated Financial Statements

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,460,380,359**	₱2,944,954,636	₱2,242,159,817
Adjustments for:			
Depreciation (Notes 12 and 13)	**997,625,087**	950,118,521	717,910,218
Interest expense (Note 21)	**53,745,417**	44,644,940	300,917,401
Retirement expense (Note 19)	**10,802,440**	9,004,639	7,799,006
Impairment losses (Note 8)	**3,204,170**	–	–
Fair value loss on investment at fair value through profit or loss (Note 8)	**5,679,378**	–	–
Loss on asset retirement	**–**	–	42,395
Interest income (Note 21)	**(42,449,780)**	(24,792,430)	(11,616,221)
Operating income before working capital changes	**4,488,987,071**	3,923,930,306	3,257,212,616
Decrease (increase) in:			
Receivables	**(1,987,863,728)**	(2,763,365,467)	(2,122,681,488)
Real estate properties for sale	**(90,140)**	1,022,143	270,745
Prepayments and other assets	**(473,943,647)**	(456,795,436)	(441,774,855)
Increase (decrease) in:			
Trade and other payables	**468,178,143**	(362,393,819)	134,644,386
Other noncurrent liabilities	**(104,674,467)**	117,361,109	33,169,961
Net cash flows generated from operations	**2,390,593,232**	459,758,836	860,841,365
Income taxes paid	**(253,384,836)**	(207,777,713)	(183,926,571)
Net cash flows provided by (used in) operating activities	**2,137,208,396**	251,981,123	676,914,794
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in receivables from related parties (Notes 23 and 29)	**2,071,799,483**	(1,809,980,086)	630,295,504
Interest received	**42,449,780**	28,131,618	13,402,383
Acquisitions of:			
Property and equipment (Notes 12 and 29)	**(41,485,261)**	(26,524,823)	(14,857,190)
Investment property (Notes 13 and 29)	**(8,280,314,854)**	(3,595,647,727)	(3,192,820,550)
Increase (decrease) in liabilities for purchased land (Note 14)	**(27,711,689)**	520,126,073	35,327,346
Net cash flows used in investing activities	**(6,235,262,541)**	(4,883,894,945)	(2,528,652,507)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid (including capitalized borrowing cost)	**(425,787,386)**	(441,987,125)	(645,307,621)
Proceeds from interest-bearing loans and borrowings (Notes 16 and 29)	**–**	500,000,000	–
Payments of:			
Interest-bearing loans and borrowings (Notes 16 and 29)	**(1,680,540,472)**	(1,637,303,285)	(2,128,584,388)
Dividends declared (Note 29)	**(412,186,409)**	(310,114,204)	(181,120,497)
Increase in payables to related parties	**6,462,641,706**	6,665,444,356	4,226,932,745
Net cash flows provided by financing activities	**3,944,127,439**	4,776,039,742	1,271,920,239
NET INCREASE (DECREASE) IN CASH	**(153,926,706)**	144,125,920	(579,817,474)
CASH AT BEGINNING OF YEAR	**572,361,719**	428,235,799	1,008,053,273
CASH AT END OF YEAR (Note 7)	**₱418,435,013**	₱572,361,719	₱428,235,799

See accompanying Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

On November 10, 2015, Vista Land & Lifescapes, Inc. (VLLI) signed an agreement with the existing shareholders of the Group to acquire 88.34% or 7,443.19 million shares of the outstanding capital stock of the Parent Company for a total consideration of ₱33,537.36 million.

Starmalls and its subsidiaries became subsidiaries of VLLI as at December 31, 2015.

Both VLLI and Starmalls Group are entities under common control of Fine Properties, Inc. (the Ultimate Parent Company or Fine). Accordingly, VLLI accounted for the acquisition of the Group under the pooling-of-interest method of accounting.

The Parent Company is 88.34% owned by VLLI while 9.59% is owned by Land & Houses Public Company Limited and 2.07% is owned by the public. The Parent Company's shares of stock are listed at the Philippine Stock Exchange (PSE).

The Parent Company's new 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.

<u>Statement of Compliance</u>
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

<u>Basis of Consolidation</u>
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018.

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		
	2018	2017	2016
Manuela Corporation	98.36%	98.36%	98.36%
Masterpiece Asia Properties, Inc.	100.00	100.00	100.00

<u>Non-controlling Interests</u>
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 December 31, 2018 and 2017, 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 Group applied PFRS 15 and PFRS 9 for the first time effective January 1, 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Unless otherwise stated, several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

<u>PFRS 15, *Revenue from Contracts with Customers*</u>
PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of the above PIC Q&A for a period of three (3) years. Specifically impacting the Group is the accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12H.

The SEC Memorandum Circular also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:
a. Discussion of the deferral of the subject implementation issues in the PIC Q&A
b. Qualitative discussion of the impact to the financial statements had the concerned application guideline in the PIC Q&A has been adopted.

c. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, i.e., retrospectively, together with the corresponding required quantitative disclosures.

Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Group did not avail of the deferral of adoption of the above specific provisions of PIC Q&A because the Group's current accounting policy is consistent with the conclusion of PIC Q&A on the treatment of CUSA charges as discussed under PIC Q&A No. 2018-12-H.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under the modified retrospective method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to those contracts not completed as at January 1, 2018. The adoption of PFRS 15 did not have any impact to the consolidated financial statements of the Group.

<u>PFRS 9, *Financial Instruments*</u>
PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement*, for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied PFRS 9 using modified retrospective approach, with an initial application date of January 1, 2018. The Group chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:
- Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.
- The Group will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as of December 31, 2017.
- There was no difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application that was recognized in the opening 'Retained earnings' or other component of equity, as appropriate.
- As comparative information is not restated, the Group is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

As of January 1, 2018, the Group has reviewed and assessed all of its existing financial assets, and financial liabilities. The table below illustrates the classification and measurement of financial assets and financial liabilities under PFRS 9 and PAS 39 at the date of initial application. The accounting policies adopted by the Group in its evaluation of the classification and measurement categories under PFRS 9 are discussed in a separate section of this note.

Classification and measurement
The measurement category and the carrying amount of financial assets and liabilities in accordance with PAS 39 and PFRS 9 as of January 1, 2018 are compared as follows:

Financial Assets	Original Measurement Category under PAS 39	Original Carrying Amount under PAS 39	New Measurement Category under PFRS 9	New Carrying Amount under PFRS 9
Cash in banks (Note 7)	Loans and receivables	₱572,016,219	Financial assets at amortized cost	₱572,016,219
Restricted cash (Note 11)	Loans and receivables	934,178,185	Financial assets at amortized cost	934,178,185
Investment in mutual funds (Note 8)	Available for sale financial assets	34,551,067	FVTPL	34,551,067
Quoted and unquoted equity securities (Note 8)	Available for sale financial assets	4,509,236,373	FVOCI	4,509,236,373
Installment contracts receivables (Note 9)	Loans and receivables	58,788,066	Financial assets at amortized cost	58,788,066
Trade receivables from tenants (Note 9)	Loans and receivables	5,128,332,605	Financial assets at amortized cost	5,183,599,326
Receivable from ultimate parent company and other related parties (Note 23)	Loans and receivables	4,922,649,163	Financial assets at amortized cost	4,922,649,163

The classification of investment in mutual funds to FVTPL, previously from AFS, resulted in the transfer of accumulated unrealized gain on changes in fair value of ₱4.55 million from accumulated OCI to retained earnings as at January 1, 2018.

There were no changes to the classification and measurement of financial liabilities.

The Group does not have financial assets and financial liabilities which had previously been designated at FVTPL to reduce an accounting mismatch in accordance with PAS 39 which had been reclassified to amortized cost or FVOCI upon transition to PFRS 9.

Impairment testing under expected credit loss (ECL) model
There is no re-measurement loss recognized in retained earnings as at January 1, 2018. The use of ECL upon adoption of PFRS 9 as explained below, did not result to any additional impairment loss. The adoption resulted to reversal of allowance for impairment losses of ₱55.27 million of the Group's receivables (with reversal of deferred tax assets of ₱16.58 million) as at January 1, 2018 resulting to increase in retained earnings beginning as at January 1, 2018 of ₱38.69 million (see Notes 9 and 22).

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking ECL approach. PFRS 9 requires the Group to record an allowance for impairment losses for all loans and other debt financial assets not held at fair value through profit or loss (FVPL). 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. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include net cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables from tenants presented under receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Group used the internal loss given default by comparing security deposits and advance rentals made by tenants against outstanding receivables. Loss given default are classified as fully secured, partially secured and not secured. Fully secured is when security deposits and advance rentals are greater than outstanding receivables. Partially secured is when security deposits and advance rentals are less than the outstanding receivables. Not secured are those outstanding receivables from tenants with no corresponding security deposit and/or advance rental. Each classification has specific recovery rates used in determine the loss given default.

For installment contracts receivables (ICR) presented under receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Group used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given ICR and contract asset pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as forward-looking data on dollar exchange rates, bank lending rates, and unemployment rates were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Group's definition of default and historical data of nine years for the origination, maturity date and default date. The Group considers an ICR in default when the Group forfeits and repossesses the property from the customer through cancellation. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, and payment required under Maceda law. As these are future cash flows, these are discounted back to the reporting date using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

The resulting recovery rate coming from the above process, resulted to zero loss given default, thus resulting to no recognized impairment loss.

For other financial assets such as cash, other receivables and receivable from ultimate parent and related parties, 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).

Further, since the implementation of PFRS 9, all financial assets (i.e. investments in FVOCI, and nontrade receivables) except installment contracts receivable are assessed for at least 12-month ECL (Stage 1, General Approach). Accordingly, the ECL for these financial assets are assessed to be insignificant.

PIC Q&A on Advances to Contractors and PIC Q&A on Land Classification
The Group adopted PIC Q&A 2018-11*, Classification of Land by Real Estate Developer* and PIC Q&A 2018-15, *PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* starting January 1, 2018. The impact of adoption is applied retrospectively which resulted to the following reclassifications in the consolidated statement of financial position as of December 31, 2017 and January 1, 2017.

As of December 31, 2017

	As previously reported	Adjustment	As restated
Current assets			
Advances to contractors and suppliers	₱1,660,239,524	(₱1,660,239,524)4)	₱–
Noncurrent assets			
Advances to contractors and suppliers	–	1,660,239,524	1,660,239,524

As of January 1, 2017

	As previously reported	Adjustment	As restated
Current assets			
Advances to contractors and suppliers	₱357,772,814	(₱357,772,814)	₱–
Noncurrent assets			
Advances to contractors and suppliers	–	357,772,814	357,772,814

Advances to contractors and suppliers previously presented under current assets, representing prepayments for the construction of investment property was reclassified to non-current asset. Before the adoption of PIC Q&A 2018-15, the classification of the Group is based on the timing of application of these advances against billings and timing of delivery of goods and services. This interpretation aims to classify the prepayment based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g. investment properties and property plant and equipment).

The restatement did not result to the presentation of the third statement of financial position given the limited accounts affected.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

Adoption of these amendments did not have any impact to the Group because it does not have share-based payment transactions.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since the Group has no activities that are connected with insurance contracts.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

  The amendments are not applicable to the Group since the Group is not a venture capital organization or alike.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

The Group applied the amendments prospectively for all transfer into or out of investment property.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The adoption of the interpretation did not have any significant impact to the Group.

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

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

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group will apply this amendment if there are transactions of this nature in the future. None of its current transactions will fall under this feature.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The new lease standard will impact its leasing arrangements of office space and parcels of land as a lessee which will now require to record right of use asset and the related lease liability as these are currently accounted for as operating lease. There is no significant impact to the Group as a lessor for its investment portfolio. There will be more disclosures as required by the new standard.

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

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

- 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 and 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
  - 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 is currently assessing the impact of adopting this interpretation.

- 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 apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- 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. These 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 are not relevant to 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.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

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.

  These amendments will apply on future business combinations of the Group.

- 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.

4. **Summary of Significant Accounting Policies**

<u>Current and Noncurrent Classification</u>
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 value at each reporting date. Also, fair values of financial assets at amortized cost, other financial liabilities and non-financial assets measured at cost such as investment properties are disclosed in Notes 13 and 26.

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.

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.

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 ultimate parent company and other 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.

"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.

<u>Impairment of Financial Assets</u>
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 a significant increase 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.

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.

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 Parent Company's financial liabilities include accounts and other payables, dividends payable, bank loans, loans payable, payables to other related parties and other noncurrent liabilities (except for deferred output tax and other statutory liabilities).

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Parent Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the parent company statements of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Parent Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Parent Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the parent company statements of comprehensive income.

This category generally applies to accounts and other payables, dividends payable, bank loans, loans payable, payables to other related parties and other noncurrent liabilities (except for deferred output tax and other statutory liabilities) presented in the parent company statements of financial position.

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 ultimate parent company and other 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 unrealized 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 while 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 trade and other payables, payable to parent company, payable to other related parties, liabilities for purchased land, dividends payable, and other noncurrent liabilities. The financial liabilities measured at amortized cost are notes payable, bank loans and loans and borrowings (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 consolidated statement of comprehensive income.

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 consolidated statement of comprehensive income.

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 Properties for Sale
Real estate properties for sale 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 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.

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 consolidated 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 advances to contractors and suppliers, prepayments and other assets (excluding restricted cash), 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.

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

<u>Retention payable</u>
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.

<u>Construction bonds</u>
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.

<u>Equity</u>
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 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
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 operating income” in the consolidated statements 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.

Other operating income
Other operating income are recognized as revenue when earned.

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.

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, 2018, 2017 and 2016, the Group has no potential dilutive common shares (Note 24).

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:

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 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.

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.

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.

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.

Receivables from tenants amounted to ₱3,486.02 million and ₱5,128.33 million as of December 31, 2018 and 2017, respectively (see Note 9).

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 ₱5,164.46 million as of December 31, 2017. The allowance for impairment on loans and receivables amounted to ₱55.27 million as of December 31, 2017 (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. Fair value disclosures are provided in Note 26.

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. See Notes 9, 10, 11, 12, and 13.

6. Segment Information

The Group's malls and BPO centers are all located in the Philippines and are treated as one operating segment. The real estate development of Manuela is very minimal to the overall operations and financial position of the Group as of December 31, 2018 and 2017. 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 2018, 2017 and 2016 (Note 23).

The leasing operations have no noted significant seasonality in operations.

7. Cash

This account consists of:

	2018	2017
Cash on hand	**₱458,500**	₱345,500
Cash in banks (Note 23)	**417,976,513**	572,016,219
	₱418,435,013	₱572,361,719

Cash in banks earns interest at the prevailing bank deposit rates. Interest rate ranges from 0.03% to 0.49% and 1.00% to 2.00% in 2018 and 2017, respectively.

Interest earned from cash in banks for the years ended December 31, 2018, 2017 and 2016 amounted to ₱15.42 million, ₱3.62 million and ₱2.23 million, respectively (Note 21).

8. Investments at FVTPL and FVOCI and AFS Investments

Investment in mutual funds
The classification of investment in mutual funds prior to January 1, 2018 is available-for-sale financial assets. The entire ₱34.55 million carrying value was reclassified to investments at FVTPL as at January 1, 2018. Upon transition, the unrealized gain on changes in fair value of ₱4.55 million, which had been previously recognized under accumulated OCI, was reclassified to retained earnings as at January 1, 2018.

Quoted and unquoted equity securities
The classification of quoted and unquoted equity securities prior to January 1, 2018 is available-for-sale financial assets. The entire ₱4,509.24 million carrying value was reclassified to investments at FVOCI as at January 1, 2018.

Movements of the account follows:

	December 31, 2018		
	FVTPL	**FVOCI**	**AFS**
Balances at beginning of year, as previously reported	**₱–**	**₱–**	**₱4,543,787,440**
Impact of PFRS 9 adoption (Note 3)	**34,551,067**	**4,509,236,373**	**(4,543,787,440)**
Balances at beginning of year, as restated	**34,551,067**	**4,509,236,373**	**–**
Realized fair value loss during the year	**(5,679,378)**	**–**	**–**
Unrealized fair value loss during the year	**–**	**(436,585,760)**	
Impairment loss		**(3,204,170)**	
Balances at end of year	**₱28,871,689**	**₱4,069,446,443**	**₱–**

In 2018, the Group impaired its investment at fair value through other comprehensive income amounting to ₱3.20 million (Note 20).

	December 31, 2017	
	Investment in mutual funds	Quoted and unquoted
Balances at beginning of year	₱31,588,143	₱3,726,634,834
Unrealized fair value gain (loss) during the year	2,962,924	782,601,539
Balances at end of year	₱34,551,067	₱4,509,236,373

9. **Receivables**

This account consists of:

	2018	2017
Trade receivables from tenants:		
Related parties (Note 23)	**₱2,225,022,750**	₱4,150,155,998
Third party	**1,260,992,708**	978,176,607
Advances to contractors and suppliers (Note 23)	**3,274,842,165**	1,660,239,524
Installment contracts receivable	**54,770,108**	58,788,066
Others	**42,206,851**	32,608,464
	6,857,834,582	6,879,968,659
Less allowance for impairment losses	**–**	(55,266,721)
	6,857,834,582	6,824,701,938
Less noncurrent portion	**(3,274,842,165)**	(1,671,970,355)
	₱3,582,992,417	₱5,152,731,583

Collective allowances for impairment losses on receivables prior to January 1, 2018 were based on incurred loss approach which was replaced with the forward-looking ECL approach subsequent to January 1, 2018. The transition resulted to zero ECL, as such, the allowance for impairment losses of ₱55.27 million arising from collective assessment based on incurred loss approach was reversed which resulted to increase in retained earnings as at January 1, 2018.

	January 1, 2018
Balances at beginning of year, as previously reported	₱6,824,701,938
Impact of PFRS 9 adoption	55,266,721
Balances at beginning of year, as restated	₱6,879,968,659

Trade receivables from tenants
Trade receivables from tenants represent the outstanding receivables arising from the lease of commercial spaces relating to the Group's retail mall and BPO commercial centers 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 and the effect of straight-line recognition of contractual rent income.

On September 28, 2018, Fine Properties Inc., All Value Group and Masterpiece Asia Property, Inc. entered into a Deed of Assignment wherein Fine Properties will assume the liabilities of All Value Group from Masterpiece Asia Property, Inc. and Manuela Corporation in relation to its lease agreement in the amount of ₱2,010.00 million (Note 23).

Interest earned from tenants for the years ended December 31, 2018, 2017 and 2016 amounted to ₱9.24 million, ₱11.08 million and ₱2.87 million, respectively (Note 21). This pertains to 5% penalty charge to tenants in case of delay in payments.

Advances to contractors and suppliers
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.

The Group has outstanding advances to MGS Construction, Inc., a related party under common control amounting to ₱2,047.08 million and ₱799.77 million as of December 31, 2018 and 2017, respectively (Note 23).

The effect of adoption of PIC Q&A resulted to retrospective reclassification as follows:

	2017
Current assets	
Advances to contractors and suppliers	(₱1,660,239,524)
Noncurrent assets	
Advances to contractors and suppliers	1,660,239,524

Installment contracts receivable
Installment contracts receivable consist of accounts 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. Annual interest rates on installment contracts receivables range from 18.00% to 19.00%. Total interest income recognized amounted to ₱10.15 million, ₱3.91 million and ₱1.79 million in 2018, 2017 and 2016, respectively (Note 21).

Others
Others pertains to advances to employees for the Group's business related purposes such as application for government permits and construction projects. These are subject to liquidation.

Movements in allowance for doubtful accounts on trade receivables from tenants follow:

	2018	2017
Balance at beginning of year	**₱55,266,721**	₱51,583,377
Impact of PFRS 9 adoption (Note 3)	**(55,266,721)**	–
Balance at beginning of year as restated	**–**	–
Provisions (Note 20)	**–**	3,683,344
Balance at end of year	**₱–**	₱55,266,721

No receivables are used to secure the obligations of the Group (Note 16).

10. Real Estate Properties for Sale

This account consists of:

	2018	2017
Lot inventory	**₱168,327,601**	₱167,062,069
Residential units for sale	**153,852,972**	155,028,364
	₱322,180,573	₱322,090,433

The real estate properties for sale are carried at cost. No inventories are recorded at amounts lower than cost in 2018 and 2017.

Except as stated, the real estate properties for sale are not used to secure borrowings of the Group (Note 16).

11. Prepayments and Other Assets

This account consists of:

	2018	2017
Current		
Input value-added tax (VAT)	**₱1,889,547,224**	₱1,252,230,701
Prepayments	**141,523,005**	119,501,486
Refundable deposits	**51,255,030**	82,811,563
Creditable withholding taxes	**37,183,032**	4,996,213
Others	**15,034,345**	13,246,445
	2,134,542,636	1,472,786,408

(Forward)

	2018	2017
Noncurrent		
Cash restricted for use (Note 16)	**₱661,464,454**	₱934,178,185
Refundable deposits	**190,163,510**	105,262,359
	851,627,964	1,039,440,544
	₱2,986,170,600	₱2,512,226,952

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

Prepayments pertain to prepaid taxes, insurance premiums, employee benefits 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. These deposits are necessary for the continuing construction and development of retail malls and BPO commercial centers of the Group.

Creditable withholding taxes pertain to taxes withheld by the customer and are recoverable and can be applied against income tax in future periods. As at December 31, 2018 and 2017, the Group applied creditable withholding taxes amounting to ₱91.51 million and ₱96.62 million, respectively.

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. The bank loans to which these deposits were maintained will be due in 2020. Deposit balance should be equivalent to two quarters of debt amortization. Interest income from cash restricted for use amounted to ₱7.64 million, ₱6.19 million and ₱4.73 million in 2018, 2017 and 2016, respectively (Note 21).

12. Property and Equipment

The rollforward analysis of this account follows:

	December 31, 2018			
	Office and Other Equipment	**Transportation Equipment**	**Construction Equipment**	**Total**
Cost				
Balances at beginning of year	**₱115,021,192**	**₱23,425,892**	**₱10,720,036**	**₱149,167,120**
Additions	**33,793,619**	**10,636,381**	**904,689**	**45,334,689**
Balances at end of year	**148,814,811**	**34,062,273**	**11,624,725**	**194,501,809**
Accumulated Depreciation				
Balances at beginning of year	**78,629,590**	**9,872,169**	**8,822,690**	**97,324,449**
Depreciation	**24,273,332**	**4,253,501**	**1,203,794**	**29,730,627**
Balances at end of year	**102,902,922**	**14,125,670**	**10,026,484**	**127,055,076**
Net Book Value	**₱45,911,889**	**₱19,936,603**	**₱1,598,241**	**₱67,446,733**

	December 31, 2017			
	Office and Other Equipment	Transportation Equipment	Construction Equipment	Total
Cost				
Balances at beginning of year	₱95,619,550	₱15,403,045	₱7,552,918	₱118,575,513
Additions	19,401,642	8,022,847	3,167,118	30,591,607
Balances at end of year	115,021,192	23,425,892	10,720,036	149,167,120
Accumulated Depreciation				
Balances at beginning of year	53,995,429	6,878,024	5,910,764	66,784,217
Depreciation	24,634,161	2,994,145	2,911,926	30,540,232
Balances at end of year	78,629,590	9,872,169	8,822,690	97,324,449
Net Book Value	₱36,391,602	₱13,553,723	₱1,897,346	₱51,842,671

As at December 31, 2018 and 2017, cost of fully depreciated assets that are still actively in use amounted to ₱94.11 million and ₱36.59 million, respectively.

Except as stated, the property and equipment are not used to secure borrowings of the Group (Note 16).

13. Investment Properties

The rollforward analysis of this account follows:

	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**

	December 31, 2017			
	Land	Building and Building Improvements	Construction in Progress	Total
Cost				
Balances at beginning of year	₱7,982,838,511	₱16,588,558,789	₱1,017,814,439	₱25,589,211,739
Additions	1,191,228,098	685,334,136	2,595,287,164	4,471,849,398
Reclassification	37,059,429	1,441,717,596	(1,478,777,025)	–
Retirement	–	(57,857)	–	(57,857)
Balances at end of year	9,211,126,038	18,715,552,664	2,134,324,578	30,061,003,280
Accumulated Depreciation				
Balances at beginning of year	–	3,560,742,261	–	3,560,742,261
Depreciation	–	919,578,289	–	919,578,289
Retirement	–	(57,857)	–	(57,857)
Balances at end of year	–	4,480,262,693	–	4,480,262,693
Net Book Value	₱9,211,126,038	₱14,235,289,971	₱2,134,324,578	₱25,580,740,587

Investment properties consist mainly of land and commercial centers that are held to earn rental income. These include Vista Malls and Starmalls that are located in key cities and municipalities in the Philippines and five BPO commercial centers. The construction in progress represents capitalized costs arising from a construction of commercial centers that are located in Cavite, Bulacan, Naga, Iloilo, Davao, Bacolod, Tacloban, Butuan, Cabanatuan and Isabela which are due to be completed in 2019 to 2020.

The transfer of ₱3,194.93 million in 2018 from construction in progress to building and improvements represent completed commercial space in Naga, Cavite and Cagayan De Oro and Talisay Cebu.

The transfer of ₱1,478.78 million in 2017 from construction in progress to building and improvements represents completed BPO commercial center in Taguig and Vista Malls in Molino, Kawit, Las Piñas and Talisay Cebu.

Rental income earned from investment properties amounted to ₱5,673.92 million, ₱4,798.60 million and ₱4,077.94 million in 2018, 2017 and 2016, respectively. Repairs and maintenance costs incurred arising from the investment properties amounted to ₱148.39 million, ₱96.24 million and ₱85.35 million for the years ended December 31, 2018, 2017 and 2016, respectively. Cost of property operations amounted to ₱2,592.95 million, ₱2,165.47 million and ₱1,862.40 million for the years ended December 31, 2018, 2017 and 2016. For the terms and conditions on the lease, refer to Note 28.

Investment properties with total carrying amount of ₱10,317.09 million and ₱9,666.06 million as at December 31, 2018 and 2017, respectively, are used as collaterals for loans obtained from local banks (Note 16).

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.

In 2018 and 2017, the Group secured the services of an independent firm of appraisers to determine the fair market values of the Group's investment properties as at December 31, 2018 and 2017. The fair value was determined by an SEC accredited external valuer. Fair value of investment properties amounted to ₱52,635.11 million and ₱39,307.22 million as at December 31, 2018 and 2017, respectively.

The valuation techniques adopted for the measurement of fair values are the market approach for the land and cost approach for the buildings and land improvements. Significant unobservable inputs used are price per square meter, size, location, shape, time, element and corner influence.

The market price per square meter of the land ranged ₱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.

Borrowing cost capitalized to investment properties in 2018, 2017 and 2016 amounted to ₱320.47 million, ₱406.28 million and ₱665.88 million, respectively, representing the actual borrowing costs incurred on loans obtained to fund the construction projects (Note 21). The range of capitalization rate used was 4.50% to 7.25% in 2018 and 2017.

14. Liabilities for Purchased Land

The rollforward analysis of this account follows:

	2018	2017
Balance at beginning of year	**₱577,697,753**	₱302,286,240
Additions	**471,918,019**	1,228,314,517
Payments	**(254,915,148)**	(708,161,444)
Balance at end of year	**794,700,624**	822,439,313
Less noncurrent portion	**(212,587,587)**	(244,741,560)
	₱582,113,037	₱577,697,753

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 reported as noncurrent liabilities.

15. Trade and Other Payables

This account consists of:

	2018	2017
Accounts payable:		
Supplier	**₱512,009,668**	₱1,037,803,325
Contractors	**234,004,966**	120,810,190
Government	**–**	13,401,511
Current portion of:		
Security deposits	**544,965,340**	177,639,096
Retention payable	**112,779,330**	34,244,700
Construction bond	**25,746,429**	15,750,596
Accrued expenses	**492,717,807**	346,446,662
Deferred output VAT	**477,120,721**	101,428,017
Other payables	**25,154,115**	69,344,525
	₱2,424,498,376	₱1,916,868,622

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

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

Accounts payable - government
Accounts payable - government represent registration fees, building permit, documentary stamp taxes and real property taxes due to the government and other regulatory bodies.

Security deposits
Security deposits pertain to the three-month rental and three-month advance rental paid by the lessees as required under lease contracts, which will be refunded upon termination of the lease term or applied to unpaid rentals and damages. Security deposit that are payable beyond one year from year end date are presented as noncurrent liability (Note 17).

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 10.00% 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 as noncurrent liability (Note 17).

Construction bond
Construction bond pertains to the deposits made by the tenants which is payable prior to the start of construction of the leased space and to be refunded upon receipt of final clearance to operate. Construction bond that are payable beyond one year from year end date are presented as noncurrent liability (Note 17).

Accrued expenses
Accrued expenses represent the accrual for rentals (including straight-line recognition of rent expense), interest on loans, external contracted services and other administrative expenses which are expected to be settled within 12 months after the end of the reporting period. These are noninterest-bearing. Details of accrued expenses as follow:

	2018	2017
Rental	**₱383,347,870**	₱247,118,202
Security	**25,754,915**	9,518,242
Repairs and maintenance	**21,891,102**	2,712,384
Utilities	**12,878,995**	2,645,092
Agency services	**12,209,705**	9,766,778
Interest	**–**	58,858,749
Others	**36,635,220**	15,827,215
	₱492,717,807	₱346,446,662

Deferred output VAT
Deferred output VAT pertains to the output VAT of the Group on unpaid portion of recognized receivable from leasing operations. This amount is presented as output VAT upon collection of the receivables.

Other payables
Other payables mostly include payables for janitorial, professional fees, light and power, building maintenance and dues to be remitted to Social Security System, Philippine Health Insurance Corporation and Home Development Mutual Fund. These are noninterest-bearing and are normally settled within one year.

16. Interest-Bearing Loans and Borrowings

Details of the interest bearing loans and borrowings as at December 31, 2018 and 2017 follow:

Loan Type	Date of Availment	2018	2017	Maturity	Interest Rate	Payment Terms	Collaterals
MAPI							
Bank loan	Availed in various dates in 2013 and 2014	**₱841,340,677**	₱1,321,884,709	Various maturities in 2015 to 2020	5.75% to 6.12%	Interest and principal payable quarterly	With collateral
Bank loan	December 2014	**91,313,463**	182,342,446	Various maturities in 2014 to 2019	6.25%	Interest and principal payable monthly	With collateral
Bank loan	Availed in various dates in 2015	**1,477,853,905**	1,932,578,183	Various maturities in 2015 to 2022	5.75%	Interest and principal payable monthly	With collateral
Bank loan	July 2017	**500,000,000**	500,000,000	Various maturities in 2020 to 2027	6.23%	Interest and principal payable monthly	Unsecured
		2,910,508,045	3,936,805,338				
MC							
Bank loan	Availed in various dates in 2012 and 2013	–	122,126,194	Various maturities in 2014 to 2018	7.00% to 7.25%	Interest and principal payable monthly	With collateral
Bank loan	Availed in various dates in 2014	**71,764,706**	151,764,706	Various maturities in 2019	5.75%	Interest and principal payable quarterly	Unsecured
Bank loan	July 2015	**2,874,136,603**	3,318,971,628	July 2022	5.75%	Interest and principal payable quarterly	With collateral
		2,945,901,309	3,592,862,528				
		5,856,409,354	7,529,667,866				
Less current portion		**1,558,559,116**	1,601,982,977				
		₱4,297,850,238	₱5,927,684,889				

MAPI

In 2013, MAPI entered into a secured term loan agreements with a local bank for a total credit line of ₱2,700.00 million. As of December 31, 2018, a total of ₱2,300.00 million has been drawn from this secured facility to finance the construction of various ongoing projects of MAPI. The loans have maturities beginning December 2015 to August 2020 and bear annual interest rates ranging from 5.75% to 6.12%. The loan requires MAPI to maintain a current ratio of not lower than 1.25:1:00 and debt-equity ratio of not higher than 3.00:1.00. These were complied with by MAPI as at December 31, 2018 and 2017. As of December 31, 2018 and 2017, outstanding balance of the loans amounted to ₱841.34 million and ₱1,321.88 million, respectively.

MAPI is also required to maintain a reserve fund for its future loan and interest repayments. In accordance with the agreement, MAPI maintains a reserve fund amounting to ₱537.49 million and ₱808.02 million as of December 31, 2018 and 2017, respectively, which is presented as “Restricted cash” under “Other noncurrent assets” account in the consolidated statements of financial position (Note 11).

In connection with the loan, MAPI agreed to execute a negative pledge over certain real properties (Note 13). 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 local bank.

In December 2014, MAPI entered into a term loan agreement with a local bank amounting to ₱366.00 million also primarily to finance various ongoing mall constructions. The loan is secured with real estate mortgage on certain real properties (Note 13). The loan has maturities beginning December 2014 to December 2019 and bears annual interest of 6.25%. As at December 31, 2018 and 2017, outstanding balance of the loans amounted to ₱91.31 million and ₱182.34 million, respectively.

In 2015, MAPI entered into a secured term loan agreement with a local bank amounting to ₱2,273.62 million primarily to finance various ongoing mall constructions. The loan is secured with real estate mortgage on land (Note 13). The loans have maturities of seven years from the date of drawdown and bear an annual fixed interest rate of 5.75%. As of December 31, 2018 and 2017, outstanding balance of the loans amounted to ₱1,477.85 million and ₱1,932.58 million, respectively.

In July 2017, MAPI obtained a 10-year unsecured peso denominated loan from a local bank amounting to ₱500.00 million which bears annual fixed interest rate of 6.23%. 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 DSCR of at least 1.00:100. These were complied with by MAPI as at December 31, 2018. The outstanding balance as at December 31, 2018 and 2017 amounted to ₱500.00 million.

Investment properties with total carrying amount of ₱7,147.69 million and ₱6,508.06 million as at December 31, 2018 and 2017, respectively, are used as collaterals for loans obtained from local banks (Note 13).

MC

In 2012 and 2013, MC obtained various term loans from local banks to finance the upgrade of the air conditioning systems of Starmall EDSA - Shaw and Starmall Alabang. The loans have maturities from October 2014 to February 2018 and bear an annual fixed interest rates ranging from 7.00% to 7.25%. These were fully paid as of December 31, 2018.

In 2014, MC obtained various unsecured loans from a local bank to finance the upgrade of the air conditioning systems of Starmall Las Piñas - Main and Starmall Las Piñas - Annex and the acquisition of generator set upgrades for all the malls of MC. The loans have maturities of five years from the date of drawdown and bear fixed annual interest rate of 5.75%. As of December 31, 2018 and 2017, outstanding balance of loans amounted to ₱71.76 million and ₱151.76 million, respectively.

In July 2015, MC obtained a loan from a local bank worth ₱4,000.00 million which was used solely for capital expenditure and general corporate purposes and has a maturity of seven years from the date of drawdown and bears an annual fixed interest rate of 5.75%. Real estate contracts of MC as well as investment properties in Starmall Alabang are used as a mortgage for this loan. As of December 31, 2018 and 2017, outstanding balance of loans amounted to ₱2,874.14 million and ₱3,318.97 million, respectively.

MC is also required to maintain a reserve fund for its future principal and interest loan repayments. In accordance with the loan agreement with the bank, MC is required to maintain a reserve fund for its future principal and interest loan repayments amounting to ₱123.97 million and ₱126.16 million as of December 31, 2018 and 2017, respectively. The reserve fund is presented as “Restricted cash” under “Other noncurrent assets” account in the consolidated statements of financial position (Note 11).

Investment properties with total carrying amount of ₱3,169.40 million and ₱3,158.00 million as at December 31, 2018 and 2017, respectively, are used as collaterals for loans obtained from local banks (Note 13).

17. **Other Noncurrent Liabilities**

This account consists of long-term portion of:

	2018	2017
Security deposits (Note 15)	**₱330,103,443**	₱646,178,328
Retention payable (Note 15)	**435,829,373**	222,611,371
Construction bond (Note 15)	**28,230,469**	33,086,934
Others	**8,227,302**	5,188,421
Total	**₱802,390,587**	₱907,065,054

18. **Equity**

Capital Stock
This account consists of:

	Shares	Amount
Preferred - voting, cumulative, non-participating, non-convertible, non-redeemable - ₱0.01 par value		
Authorized	10,000,000,000	₱100,000,000
Issued and outstanding	2,350,000,000	23,500,000
Common shares - ₱1.00 par value		
Authorized	16,900,000,000	16,900,000,000
Issued and outstanding	8,425,981,156	8,425,981,156

Registration Track Record
On November 13, 1970, the SEC approved the listing of the Parent Company's common shares totaling 1,000.00 million. The shares were initially issued at an offer price of ₱0.01 per share.

Below is the summary of the Parent Company's track record of registration of securities with the SEC as at December 31, 2018:

	Number of Shares Registered	Number of holders of securities as of year end
December 31, 2016	8,425,981,156	440
Add/(Deduct) Movement	–	–
December 31, 2017	8,425,981,156	440
Add/(Deduct) Movement	–	(3)
December 31, 2018	**8,425,981,156**	**437**

Retained Earnings
In accordance with SRC Rule No. 68, As Amended (2011), Annex 68-C, the Parent Company's retained earnings available for dividend declaration as of December 31, 2018, after reconciling items, amounted to ₱1,504.96 million.

Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries of ₱7,406.97 million, ₱4,518.94 million and ₱2,469.16 million in 2018, 2017 and 2016, respectively. These are not available for dividends until declared by the subsidiaries.

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, 2018 and 2017, 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, 2018, 2017 and 2016, the Group had the following ratios:

	2018	2017	2016
Current ratio	**0.41**	0.77	1.06
Debt-to-equity ratio	**0.30**	0.41	0.49
Net debt-to-equity ratio	**0.28**	0.38	0.47
Asset-to-equity ratio	**2.38**	2.20	1.98

As at December 31, 2018, 2017 and 2016, the Group had complied with all externally imposed capital requirements (Note 16). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2018, 2017 and 2016.

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, 2018, 2017 and 2016:

	2018	2017	2016
Total paid-up capital	**₱14,838,795,510**	₱14,838,795,510	₱14,838,795,510
Retained earnings	**8,471,471,436**	6,433,402,872	4,703,708,769
Other comprehensive income	**(1,188,937,019)**	(763,856,172)	(1,535,612,600)
	₱22,121,329,927	₱20,508,342,210	₱18,006,891,679

19. **Pension Liabilities**

The Group has unfunded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and compensation on the last year of employment as defined under Philippine Republic Act 7641. The retirement is the only long-term employee benefit.

The most recent actuarial valuation was performed by a professionally qualified external actuary.

The principal actuarial assumptions used to determine the pension benefits with respect to the discount rate, salary increases and return on plan assets were based on historical and projected normal rates.

The components of pension expense follow:

	2018	2017	2016
Current service cost	**₱7,900,844**	₱2,931,969	₱7,799,006
Interest cost	**2,901,596**	6,072,670	2,899,717
Total pension expense	**₱10,802,440**	₱9,004,639	₱10,698,723

Changes in the present value of the defined benefit obligation follow:

	2018	2017	2016
Balances at beginning of year	**₱50,766,213**	₱40,418,438	₱60,696,193
Current service cost	**7,900,844**	2,931,969	7,799,006
Interest cost	**2,901,596**	6,072,670	2,899,717
Actuarial losses (gains)	**(12,803,814)**	1,343,136	(17,761,119)
Transfer out	**–**	–	(13,215,359)
Balances at end of year	**₱48,764,839**	₱50,766,213	₱40,418,438

In 2016, pension liability amounting ₱13.22 million pertaining to a former key officer of the Parent Company was transferred out to a related party which is an entity under common control.

Remeasurement effect recognized in other comprehensive income:

	2018	2017	2016
Actuarial losses (gains) due to:			
Experience adjustments	**₱5,688,465**	₱3,423,708	(₱955,758)
Changes in financial assumptions	**(11,563,284)**	(1,995,619)	(16,668,929)
Changes in demographic assumptions	**(6,928,995)**	(84,953)	(136,432)
	(₱12,803,814)	₱1,343,136	(₱17,761,119)

The assumptions used to determine the pension benefits for the Group are as follows:

	2018	2017	2016
Discount rates	**5.80% to 7.43%**	4.88% to 5.80%	4.88% to 5.60%
Salary increase rate	**7.00% to 7.75%**	7.00% to 11.00%	7.00% to 11.00%

Shown below is the maturity analysis of the undiscounted benefit payments:

Plan Year	**2018**	2017
Less than 1 year	**₱1,640,749**	₱1,862,409
More than 1 year to 5 years	**17,901,888**	5,334,761
More than 5 years to 10 years	**75,247,811**	25,109,187
More than 10 years to 15 years	**147,933,492**	47,343,023
More than 15 years to 20 years	**387,112,296**	678,465,952
	₱629,836,236	₱758,115,332

The average duration of retirement life is 16.50 years and 14.00 years in 2018 and 2017, respectively.

Sensitivity analysis on the actuarial assumptions
Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	2018		2017	
Discount rates	**+1.00%**	**₱39,870,908**	+1.00%	₱46,824,863
	-1.00	**46,071,985**	-1.00	55,126,173
Salary increases	**+1.00%**	**₱46,148,704**	+1.00%	₱54,913,556
	-1.00	**39,777,610**	-1.00	46,967,315

20. **Other Operating Income and Expenses**

Presented below are the details of other operating income the years ended December 31, 2018, 2017 and 2016.

Other operating income
This account consists of:

	2018	2017	2016
Administrative fees	**₱250,784,212**	₱219,015,573	₱184,346,671
Mall maintenance and security fees	**121,800,033**	96,319,023	60,732,762
Advertising fees	**37,611,420**	33,112,574	22,940,522
Forfeited deposits and advances	**31,566,268**	2,577,099	14,474,972
Penalties and surcharges	**2,660,568**	5,567,250	3,430,654
Realized gross profit on real estate sales	**2,232,254**	10,904,393	2,611,244
Gain on derecognition of liabilities	**157,814**	–	1,451,058
Miscellaneous	**6,164,536**	13,996,083	5,671,627
	₱452,977,105	₱381,491,995	₱295,659,510

Administrative fees pertain to service fees for the Group's administration of commercial spaces for the tenants which are marked up on monthly billings. This account also include excess collection of other charges paid in advance by the Group in behalf of the tenants.

Other operating expense
This account consists of:

	2018	2017	2016
Representation and entertainment	**₱19,773,273**	₱29,667,709	₱20,259,140
Commission	**17,094,248**	4,017,509	2,995,020
Transportation and travel	**10,349,355**	9,442,576	4,509,850
Supplies	**6,954,333**	4,782,498	4,644,017
Registration fees	**4,303,113**	5,309,702	3,227,327
Impairment loss on investment at FVOCI (Note 8)	**3,204,170**	–	–
Training	**2,419,950**	3,821,342	3,686,851
Documentation fee	**106,496**	262,440	92,832
Dues and subscriptions	**600**	15,120	144,785
Impairment loss on accounts receivables (Note 9)	**–**	3,683,344	1,582,710
Penalties and surcharges	**–**	–	3,782,858
Miscellaneous	**2,809,998**	9,576,745	1,191,303
	₱67,015,536	₱70,578,985	₱46,116,693

21. Interest Income and Expense

Interest income consist of:

	2018	2017	2016
Interest income from cash (Note 7)	**₱15,422,424**	₱3,616,450	₱2,225,883
Interest income from installment contracts receivables and accretion of discount (Note 9)	**10,147,577**	3,913,948	1,786,162
Interest income from tenants (Note 9)	**9,239,132**	11,076,380	2,875,108
Interest income from cash restricted for use (Note 11)	**7,640,647**	6,185,652	4,729,068
	₱42,449,780	₱24,792,430	₱11,616,221

Interest expense consist of:

	2018	2017	2016
Interest on loans and borrowings (Note 16)	**₱373,966,083**	₱450,712,527	₱966,615,695
Bank charges	**244,514**	209,418	180,136
	374,210,597	450,921,945	966,795,831
Amounts capitalized (Note 13)	**320,465,180**	406,277,005	665,878,430
	₱53,745,417	₱44,644,940	₱300,917,401

22. **Income Tax**

Provision for income tax consists of:

	2018	2017	2016
Current:			
RCIT	**₱274,241,918**	₱205,105,944	₱185,058,569
MCIT	**96,000**	96,000	96,000
Final	**4,579,621**	1,983,130	490,405
Deferred	**758,780,922**	676,734,572	505,024,498
	₱1,037,698,461	₱883,919,646	₱690,669,472

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

	2018	2017
Deferred tax assets on:		
Straight lining of rent expense	**₱135,153,295**	₱90,975,027
Accrual of retirement costs	**13,816,888**	14,752,430
Allowance for impairment	**–**	16,580,017
	148,970,183	122,307,474
Deferred tax liabilities on:		
Straight lining of rent income	**(1,856,427,679)**	(1,148,711,064)
Capitalized interest and other expenses	**(599,661,786)**	(503,951,115)
	(2,456,089,465)	(1,652,662,179)
	(₱2,307,119,282)	(₱1,530,354,705)

As at December 31, 2018 and 2017, 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:

	2018	2017
NOLCO	**₱62,591,945**	₱82,157,735
Accrual of retirement cost	**20,722,635**	19,605,535
MCIT	**288,000**	322,344
	₱83,602,580	₱102,085,614

The related unrecognized deferred tax assets on these deductible temporary differences amounted to ₱25.28 million and ₱30.85 million as at December 31, 2018 and 2017, respectively. These are mainly coming from the Parent Company which has no adequate source of taxable income.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

As at December 31, 2018, the details of the Group's NOLCO primary comes from the general and administrative expenses and interest and other financing charges of the Parent Company which are available for offset against future taxable income follow:

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2015	₱24,591,288	₱24,591,288	₱–	2018
2016	49,288,133	–	49,288,133	2019
2017	8,278,314	–	8,278,314	2020
2018	5,025,498	–	5,025,498	2021
	₱87,183,233	₱24,591,288	₱62,591,945	

As at December 31, 2018, the details of the Group's MCIT which are available for offset against future taxable income follow:

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2014	₱130,344	₱130,344	₱–	2017
2016	96,000	–	96,000	2019
2017	96,000	–	96,000	2020
2018	96,000	–	96,000	2021
	₱418,344	₱130,344	₱288,000	

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:

	2018	2017	2016
Provision for income tax at statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Nondeductible interest and other expenses	**0.36**	0.10	0.07
Income already subjected to final tax	**(0.07)**	(0.10)	(0.01)
Expiration of NOLCO and MCIT	**(0.22)**	0.07	0.15
Change in unrecognized DTA	**0.16**	(0.06)	0.59
Provision for income tax	**30.23%**	30.01%	30.80%

23. 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. that are labeled as "other related parties" in the table below. Related parties may be individuals or corporate entities.

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, 2018 and 2017:

December 31, 2018

	Nature of Transaction	Volume	Amount	Terms	Conditions
Cash (Note7)					
Other related parties	**a) Deposits**	**₱81,347,973**	**₱81,347,973**	**Interest-bearing**	**Unsecured; No impairment**
Trade receivables (Note 9)					
Ultimate Parent Company	**b) Rental of commercial spaces**	**₱1,488,731**	**1,353,373**	**Due and demandable; noninterest-bearing**	**With guarantee from Fine Properties Inc., No impairment**
Parent Company	**b) Rental of office spaces**	**8,816,394**	**2,203,432**	**Due and demandable; noninterest-bearing**	**Unsecured; no impairment**
Other related parties	**b) Rental of commercial spaces**	**2,459,419,823**	**2,221,465,945**	**Due and demandable; noninterest-bearing**	**Unsecured; no impairment**
			₱2,225,022,750		
Advances to contractors (Note 9)					
Other related parties	**c) Advances for construction**	**₱1,247,311,592**	**₱2,047,080,910**	**Due and demandable; noninterest-bearing**	**Unsecured; no impairment**
Receivables from related parties					
Ultimate Parent Company	**d) Advances**	**₱696,303,143**	**890,778,120**	**Due and demandable; noninterest-bearing**	**Unsecured; no impairment**
	e) Sale of VLLI shares	**–**	**1,960,071,562**	**Due and demandable; noninterest-bearing**	**Unsecured; no impairment**
Other related parties	**d) Advances**	**2,768,102,625**	**–**	**Due and demandable; noninterest-bearing**	**Unsecured; no impairment**
			–	**Noninterest-bearing**	**Unsecured; no impairment**
			₱2,850,849,682		
Payables to related parties					
Parent Company	**d) Advances**	**(₱6,677,305,394)**	**(18,377,012,831)**	**Due and demandable; noninterest-bearing**	**Unsecured**
	f) Dividends	**(310,076,106)**	**–**	**Due and demandable; noninterest-bearing**	**Unsecured**
			(₱18,377,012,831)		
Dividends payable (Note 18)					
Other stockholders	**f) Dividends**	**₱–**	**(₱275,118)**	**Due and demandable; noninterest-bearing**	**Unsecured**

December 31, 2017

	Nature of Transaction	Volume	Amount	Terms	Conditions
Cash (Note 7)					
Other related parties	a) Deposits	₱35,353,796	₱35,353,796	Interest-bearing	Unsecured; No impairment
Trade receivables (Note 9)					
Ultimate Parent Company	b.) Rental of commercial spaces	1,353,387	405,861	Due and demandable; noninterest-bearing	With guarantee from Fine Properties Inc., No impairment
Parent Company	b) Rental of office spaces	1,005,932	662,226	Due and demandable; noninterest-bearing	Unsecured; no impairment
Other related parties	b) Rental of commercial spaces	2,454,286,691	4,149,087,911	Due and demandable; noninterest-bearing	Unsecured; no impairment
			₱4,150,155,998		
Advances to contractors (Note 9)					
Other related parties	c) Advances for construction	₱49,094,124	₱799,769,318	Due and demandable; noninterest-bearing	Unsecured; no impairment

(Forward)

	Nature of Transaction	Volume	Amount	Terms	Conditions
Receivables from related parties					
Ultimate Parent Company	d) Advances	₱194,474,977	₱194,474,976	Due and demandable; noninterest-bearing	Unsecured; no impairment
	e) Sale of VLLI shares	–	1,960,071,562	Due and demandable; noninterest-bearing	Unsecured; no impairment
Other related parties	d) Advances		2,600,010,624	Due and demandable; noninterest-bearing	Unsecured; no impairment
		1,615,505,110	168,092,001	Noninterest-bearing	Unsecured; no impairment
			₱4,922,649,163		
Payables to related parties					
Parent Company	d) Advances	(7,031,839,944)	(11,699,707,437)	Due and demandable; noninterest-bearing	Unsecured
	f) Dividends	273,909,489	–	Due and demandable; noninterest-bearing	Unsecured
Other related parties	d) Advances	176,930,156	(214,663,688)		
			(₱11,914,371,125)		
Dividends payable (Note18)					
Other stockholders	f) Dividends	₱31,939,108	(₱275,118)	Due and demandable; noninterest-bearing	Unsecured

The significant transactions with related parties follow:

a) The Group maintains current and savings account with Allbank Inc., an entity under common control. Cash in bank earns interest at 0.25% per annum.

b) The Group has entered into major operating lease agreements for commercial and retail spaces with entities under common control (referred to as "other related parties") and lease agreement with parent company and ultimate parent company for office spaces. The lease agreements are renewable annually and contains escalation clauses and contingent rent portion based on percentage of sales for the period. Rental income from related parties amounted to ₱2,469.72 million and ₱ 2,456.65 million as of December 31, 2018 and 2017, respectively. These are due and demandable and are non-interest bearing, unsecured and are not impaired.

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

   On September 28, 2018, the Group acquired land for commercial project from Fine Properties, Inc. its ultimate parent company amounting to ₱2,010.00 million. This was offset against the receivables of the Group from the receivables assumed by Fine Properties Inc. from All Value Group.

   On October 30, 2017, Manuela and MAPI entered into a memorandum of agreement with AllHome Corp., an entity under common control, wherein Manuela and MAPI will offset its receivables from AllHome Corp. relating to mall rental and other charges, against billings of AllHome Corp to Manuela and MAPI for the supply of construction materials and home/building appliances and furnishings.

c) The Group made advance payments to MGS Construction, Inc., a related party under common control in relation to the Group's construction activities. These are recouped through reduction against progress billings as the construction progresses.

d) 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.

e) 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, 2018 and 2017 amounted to ₱1,960.07 million. This is noninterest bearing receivables that is due and demandable.

f) Details of dividends declared to stockholders are discussed in Note 18.

In addition, the Parent Company served as the guarantor of the following borrowings entered into by its related parties without a guarantee fee:

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 which are due on November 28, 2024 to refinance existing debt and for general corporate purposes. The Parent Company unconditionally and irrevocably guaranteed the notes.

b. US$425.00 million Notes (Due June 2022)
On June 18, 2015, VII issued US$300.00 million bonds which are due on April 29, 2019 to refinance its debt and for general corporate purposes. The Parent Company unconditionally and irrevocably guaranteed the notes.

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.

On January 10, 2018, VII announced a solicitation of consent to holders of the notes to approve proposed amendments to certain terms and conditions of the notes with the intention of aligning those terms and conditions of the notes issued in November 28, 2017. Amendment include among others the proforma Fixed Charge Coverage Ratio (FCCR) to be not less than 2.25x from the previous requirement of not less than 2.5x. In a meeting of Noteholders on February 1, 2018, Noteholders holding 90.12% of the aggregate amount of principal amount of the notes outstanding voted in favor and approved the amendments of the terms of the notes.

c. US$350.00 million Notes (Due April 2019)
On April 29, 2014, VII issued US$350.00 million bonds which are due in 2019. The Parent Company unconditionally and irrevocably guaranteed the notes. On December 21, 2017, VII redeemed and paid $105.01 million remaining balance of the note at 106.869% redemption price. The notes were fully paid as at December 31, 2017.

d. US$100.00 million Notes
On October 4, 2013, VII issued US$100.00 million bonds which are due in 2018. The Parent Company unconditionally and irrevocably guaranteed the notes. On January 18, 2016, the BOD of the Parent Company authorized to guarantee this note together with the subsidiaries of Vista. On December 21, 2017, VII redeemed and paid $47.26 million remaining balance of the note at 103.522% redemption price. The notes were fully paid as at December 31, 2017.

B. Corporate Note Facility

a. ₱8,200.00 million Corporate Notes
On July 13, 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 at a fixed rate of 7.4913% per annum and Ten-Year Corporate Notes due 2028 amounting to ₱6,000.00 million at a fixed rate of 7.7083% per annum. On July 27, 2018, an additional issuance of Corporate Notes was made in the amount of ₱500.00 million due 2025, at a fixed interest of 7.4985% per annum. As part of the issuance of the corporate notes, the Parent Company acted as irrevocable and unconditional guarantor of the corporate notes.

b. 10,000.00 million Corporate Notes
On December 28, 2016, VLLI entered into a Corporate Notes Facility Agreement with China Bank Capital Corporation 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 and the appointment of RCBC Capital Corporation as Co-Lead Arranger together with the China Bank Capital Corporation in respect to the second draw down. As part of the issuance of the corporate notes, the Parent Company acted as irrevocable and unconditional guarantor of the corporate notes.

C. Peso-denominated Loan

a. ₱340.00 million Loan
On November 11, 2014, the BOD of the Parent Company has authorized to guarantee the loans amounting to ₱340.00 million granted by Union Bank of the Philippines to Manuela to finance the improvement of the airconditioning system of Starmall Las Piñas and the acquisition of generator set upgrades for various retail malls of its subsidiaries. The loans will mature in 2019.

b. ₱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 which bears annual fixed interest of 7.9931%. The principal balance of the loan will be paid in sixteen (16) equal quarterly installments commencing on the fifth interest payment date. The loan requires VLLI 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 of at least 1.00:1.00. The bank loan is unconditionally guaranteed by the Subsidiary Guarantors as sureties. As part of the issuance of the loan, Parent Company acted as irrevocable and unconditional guarantor of the loan.

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 which bears annual fixed interest of 8.1740 %. The principal balance of the loan will be paid in sixteen (16) equal quarterly installments commencing on the fifth interest payment date. The loan requires VLLI 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 of at least 1.00:1.00. The bank loan is unconditionally guaranteed by the Subsidiary Guarantors as sureties. As part of the issuance of the loan, Parent Company acted as irrevocable and unconditional guarantor of the loan.

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

	2018	2017	2016
Short-term employee benefits	**₱36,163,446**	₱36,916,411	₱28,220,113
Post-employment benefits	**10,785,632**	10,780,407	9,895,231
	₱46,949,078	₱47,696,818	₱38,115,344

24. Earnings Per Share

The following table presents information necessary to compute the EPS:

	2018	2017	2016
Net profit attributable to equity holders of Parent Company	**₱2,407,017,260**	₱2,039,770,209	₱1,537,164,566
Weighted average common shares	**8,425,981,156**	8,425,981,156	8,425,981,156
Basic/Diluted EPS	**₱0.286**	₱0.242	₱0.182

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, 2018, 2017 and 2016.

25. 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.

26. 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*:* other 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: Due to the short-term nature of the account, the fair value of cash approximates the carrying amounts in the consolidated statements of financial position.

Receivables (except for installment contracts receivables and advances to contractors and suppliers) and receivables from related parties: Being due and demandable, carrying amounts approximate their fair values.

Installment contracts receivables: Estimated fair value of long-term portion of installment contracts receivables is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. The discount rate used ranged from 4.35% to 7.56% in 2018 and 3.08% to 4.90% in 2017.

Investments at FVTPL and FVOCI (on or after January 1, 2018): Fair values of equity securities are based on quoted market prices.

AFS financial assets: Fair values of investment in mutual funds and equity securities are based on quoted market prices. For AFS investment in unquoted equity securities, these are carried and presented at cost since fair value is not reasonably determinable due to the unpredictable nature of future cash flows and without any other suitable methods of arriving at a reliable fair value.

Investment properties: The valuation technique adopted for the measurement of fair value of the land is the market approach and cost approach for the building and land improvements.

Trade and other payables (except for deferred output VAT and statutory obligations), payable to parent company and other related parties, liabilities for purchased land and dividends payable: Due to the short-term nature of the accounts, the fair value approximate the carrying amounts in the consolidated statements of financial position.

Interest-bearing loans and borrowings: 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 5.46% to 7.25% in 2018 and 2017 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, 2018 and 2017:

	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**
Financial assets for which fair values are disclosed:					
Installment contracts receivable (Note 9)	**54,770,108**	**–**	**–**	**57,216,370**	**57,216,370**
Investment properties (Note 13)	**35,315,647,390**	**–**	**–**	**52,635,111,277**	**52,635,111,277**
Liabilities					
Interest-bearing loans and borrowings (Note 16)	**5,856,409,354**	**–**	**–**	**4,992,920,184**	**4,992,920,184**

	December 31, 2017				
	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					
AFS financial assets* (Note 8)	₱4,540,583,270	₱4,506,032,203	₱34,551,067	₱–	₱4,540,583,270
Financial assets for which fair values are disclosed:					
Installment contracts receivables (Note 9)	58,788,066	–	–	62,111,813	62,111,813
Investment properties (Note 13)	25,580,740,587	–	–	39,307,220,000	39,307,220,000
Liabilities					
Interest-bearing loans and borrowings (Note 16)	7,529,667,866	–	–	6,366,228,222	6,366,228,222

** Excluding unquoted equity securities*

In 2018 and 2017, 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 installment contracts receivables and interest-bearing loans and borrowings.

Description of significant unobservable inputs to valuation:

Account	**Valuation Technique**	**Significant Unobservable Inputs**
Installment contracts receivables	Discounted cash flow analysis	Discount rate
Investment properties	Market data approach and cost approach	Price per square meter, size, location, shape, time, element and corner influence
Interest-bearing loans and borrowings	Discounted cash flow analysis	Discount rate

Significant increases (decreases) in discount rate would result in significantly higher (lower) fair value of the installment contracts receivables and interest-bearing loans and borrowings.

27. Financial Assets and Liabilities

Financial Risk Management Objectives and Policies

Financial risk

The Group's principal financial liabilities comprise of interest-bearing loans and borrowings, trade and other payables (except for deferred output VAT and other statutory obligations), dividends payable, payable to related parties and liabilities for purchased land. 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, installment contracts receivables, due from related parties, FVOCI, and FVTPL which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, equity price risk, foreign currency 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.

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 Group also regularly enters into short-term loans as it relates to its sold installment contracts receivables in order to cushion the impact of potential increase in loan interest rates.

The table below shows the financial assets and liabilities that are interest-bearing:

	December 31, 2018		December 31, 2017	
	Effective Interest Rate	**Amount**	Effective Interest Rate	Amount
Financial assets				
Fixed rate				
Cash* (Note 7)	**0.03% to 0.49%**	**₱417,976,513**	1.00% to 2.00%	₱572,016,219
Installment contracts receivable (Note 9)	**18.00% to 19.00%**	**54,770,108**	18.00% to 19.00%	58,788,066
		₱472,746,621		₱630,804,285
Financial liabilities				
Fixed rate				
Interest-bearing loans and borrowings (Note 16)	**4.50% to 7.25%**	**₱5,856,409,354**	5.46% to 7.25%	₱7,529,667,866

** Excluding cash on hand*

As at December 31, 2018 and 2017, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk
The Group transacts only with recognized and creditworthy entities under common control and third parties. The Group's receivables are monitored on an ongoing basis resulting to manageable exposure to bad debts. Lessee and real estate buyers are subject to standard credit check procedures, which are calibrated based on the payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each lessee and buyer to establish creditworthiness.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with provision of lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which help reduce the Group's credit risk exposure in case of defaults by the tenants.

With respect to credit risk arising from the other financial assets of the Group, which are comprised of cash, FVTPL and, 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's maximum exposure to credit risk as of December 31, 2018 and 2017 is equal to the carrying value of its financial assets.

Applying the expected credit risk model did not result in the recognition of an impairment loss for all financial assets at amortized cost in 2018 (see Note 3).

The tables below show the credit quality of the Group's financial assets as at December 31, 2017, gross of allowance for impairment losses:

	December 31, 2017						
	Neither past due nor impaired				Past due but		
	High grade	Medium grade	Low grade	Total	not impaired	Impaired	Total
Loans and Receivables							
Cash* (Note 7)	₱572,016,219	₱–	₱–	₱572,016,219	₱–	₱–	₱572,016,219
Receivables** (Note 9)	–	1,974,966,597	–	1,974,966,597	3,130,707,751	55,266,721	5,160,941,069
Installment contract receivables (Note 9)	–	58,788,066	–	58,788,066	–	–	58,788,066
Receivable from related parties (Note 23)	–	4,922,649,163	–	4,922,649,163	–	–	4,922,649,163
	572,016,219	6,956,403,826	–	7,528,420,045	3,130,707,751	55,266,721	10,714,394,517
AFS Financial Assets (Note 8)							
Investments in mutual funds	34,551,067	–	–	34,551,067	–	–	34,551,067
Investments in quoted equity shares	4,506,032,203	–	–	4,506,032,203	–	–	4,506,032,203
Investments in unquoted equity shares	3,204,170	–	–	3,204,170	–	–	3,204,170
	4,543,787,440	–	–	4,543,787,440	–	–	4,543,787,440
	₱5,115,803,659	₱6,956,403,826	₱–	₱12,072,207,485	₱3,130,707,751	₱55,266,721	₱15,258,181,957

** Excluding cash on hand*

*** Excluding installment contracts receivables and advances to contractors and suppliers*

High grade cash are funds placed, invested or deposited in local banks belonging to the top ten banks in the Philippines in terms of resources and profitability.

Medium grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Low grade accounts are accounts which have probability of impairment based on historical trend.

Based on the Group's experience, its loans and receivables are highly collectible or collectible on demand. In respect of trade receivables, the Group is exposed to a significant credit risk exposure to a single counter party having similar characteristic. This is the Group's trade receivable from related party tenants, the All Value Group wherein the outstanding balance is guaranteed for collection by All Value Group parent company, Fine Properties, Inc. Trade receivables consist of a large number of lessee and buyers in various industries and geographical areas. Based on historical information about lessee and buyer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. The trade receivables from tenants are covered by security deposit and advance rental.

The installment contract receivables are collateralized by the corresponding real estate properties. In few cases of buyer defaults, the Group can repossess the collateralized properties and held it for sale in the ordinary course of business at the prevailing market price. The total of repossessed properties included in the "Real estate properties for sale" account in the consolidated statements of financial position amounted to ₱2.24 million and ₱0.11 million as of December 31, 2018 and 2017, respectively. The Group performs certain repair activities on the said repossessed assets in order to put their condition at a marketable state. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts.

The Group did not accrue any interest income on impaired financial assets.

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 2018 and 2017.

Maturity Profile of Financial Liabilities

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2018 and 2017 based on undiscounted contractual payments, including interest payable.

	December 31, 2018				
	On Demand	**1 to 3 Months**	**3 to 12 Months**	**More than 1 year**	**Total**
Financial Liabilities					
Other financial liabilities					
Interest-bearing loans and borrowings (Note 16)	**₱–**	**₱389,603,570**	**₱1,168,955,546**	**₱4,297,850,238**	**₱5,856,409,354**
Trade and other payables*** (Notes 15 and 17)	**–**	**605,881,518**	**754,122,670**	**435,829,373**	**1,795,833,561**
Liabilities for purchased land (Note 14)	**–**	**327,184,570**	**254,928,467**	**212,587,587**	**794,700,624**
Payables to related parties (Note 23)	**18,377,012,831**	**–**	**–**	**–**	**18,377,012,831**
	₱18,377,012,831	**₱1,322,669,658**	**₱2,178,006,683**	**₱4,946,267,198**	**₱26,823,956,370**

**** Excluding statutory payables, security deposit and construction bond and including noncurrent portion of retention payable*

	December 31, 2017				
	On Demand	1 to 3 Months	3 to 12 Months	More than 1 year	Total
Financial Liabilities					
Other financial liabilities					
Interest-bearing loans and borrowings (Note 16)	₱–	₱411,519,486	₱1,190,463,491	₱5,927,684,889	₱7,529,667,866
Trade and other payables*** (Notes 15 and 17)	–	–	663,487,735	1,158,613,515	1,822,101,250
Liabilities for purchased land (Note 14)	–	210,706,578	366,991,175	244,714,560	822,412,313
Payables to related parties (Note 23)	11,914,371,125	–	–	–	11,914,371,125
	₱11,914,371,125	₱622,226,064	₱2,220,942,401	₱7,331,012,964	₱22,088,552,554

**** Excluding statutory payables, security deposit and construction bond and including noncurrent portion of retention payable*

28. Lease Commitments

The Group as 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, 2018 and 2017 follow:

	2018	2017
Less than one year	**₱4,065,040,541**	₱2,642,854,364
Between one and five years	**13,787,749,797**	9,909,201,900
More than five years	**9,826,180,094**	5,199,202,017
	₱27,678,970,432	₱17,751,258,281

Contingent rent included in rental income for the years ended December 31, 2018, 2017 and 2016 amounted to ₱782.73 million, ₱570.25 million and ₱401.32 million, respectively.

The Group as Lessee
The Group leases a parcel of land from a third party where BPO offices is situated for an original period of 25 years commencing on August 1, 1995 until July 31, 2020 with rental escalation every year at an agreed rate ranging from ₱44.20 to ₱44.89 per square meter. The lease contract includes a clause that the lessee shall be responsible for all real property taxes, assessments or charges on the improvements on the leased property.

On August 25, 2010, Manuela executed a Memorandum of Agreement (MOA) whereby third party agreed to a reduction of the amount of outstanding rentals and arrearages and set a schedule of payment of the agreed amount. Furthermore, on the same MOA, third party agreed for an extension of the term of the original lease, for an addition 10 years from the expiration of the original lease period, under the same terms and conditions, except as to the rate of rentals which the parties shall agree prior to the expiration of the original lease term.

Also, the Group is a lessee under various operating leases covering parcels of land where some on-going mall projects are being constructed. These leases have terms ranging from 20 to 25 years, with rental escalation clauses and renewal options.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2018 and 2017 follow:

	2018	2017
Less than one year	**₱195,506,668**	₱134,184,111
Between one and five years	**886,935,863**	659,452,299
More than five years	**2,862,504,904**	1,679,928,540
	₱3,944,947,435	₱2,473,564,950

29. Notes to Consolidated Statements of Cash Flows

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

			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	₱11,914,371,125	₱6,462,641,706	₱–	₱–	₱–	₱18,377,012,831
Dividends payable	275,118	(412,186,409)	–	–	–	275,118
Interest-bearing loans and borrowings	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	₱–	₱–	₱24,233,697,303

	December 31, 2016	Cash Flows	Non-cash Change Amortization of Loan Issue Cost	Foreign exchange movement	Fair value changes	December 31, 2017
Payables to related parties	₱5,248,926,769	₱6,665,444,356	₱–	₱–	₱–	₱11,914,371,125
Dividends payable	313,216	(310,114,204)	–	–	–	275,118
Interest-bearing loans and borrowings	8,645,822,641	(1,137,303,285)	21,148,510	–	–	7,529,667,866
Total liabilities from financing activities	₱13,895,062,626	₱5,218,026,867	₱21,148,510	₱–	₱–	₱19,444,314,109

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

a) As at December 31, 2018 and 2017, unpaid investment properties amounted to ₱92.02 million and ₱469.92 million, respectively.
b) As at December 31, 2018 and 2017, unpaid property and equipment amounted to ₱3.85 million and ₱4.07 million, respectively.
c) 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 accounts receivable from tenants.
d) 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.

30. Approval of the Financial Statements

The consolidated financial statements of the Group as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 were authorized for issue by the BOD on April 8, 2019.

SGV
Building a better working world

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1226 Makati City
Philippines

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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 Board of Directors and Stockholders
Starmalls, Inc. and Subsidiaries
Lower Ground Floor, Building B
EVIA Lifestyle Center, Vista City, Daanghari
Almanza II, Las Piñas City

We have audited the accompanying consolidated financial statements of Starmalls, Inc. and its subsidiaries (the Group), as at and for the year ended December 31, 2018, on which we have rendered the attached report dated April 8, 2019.

In compliance with Securities Regulation Code Rule No. 68, As Amended (2011), we are stating that the Group has four hundred twenty (420) stockholders owning one hundred (100) or more shares each.

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. 7332622, January 3, 2019, Makati City

April 8, 2019

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October 4, 2018, valid until August 24, 2021
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November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
Starmalls, Inc. and Subsidiaries
Lower Ground Floor, Building B
EVIA Lifestyle Center, Vista City, Daanghari
Almanza II, Las Piñas City

We have audited in accordance with Philippine Standards on Auditing the accompanying consolidated financial statements of Starmalls, Inc. and its subsidiaries (the Group), as at and for the year ended December 31, 2018 and have issued our report thereon dated April 8, 2019. 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 Financial Statements and Supplementary Schedules are the responsibility of the management of the Group. These schedules are presented for purposes of complying with Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the basic consolidated financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the information are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1737-A (Group A),
January 24, 2019, valid until January 23, 2022
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332622, January 3, 2019, Makati City

April 8, 2019

STARMALLS, INC.
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2018

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱1,914,458,059
Net income actually earned/realized during the period	
Net loss during the period closed to retained earnings	(7,539,743)
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	
Unrealized actuarial gain	
Fair value adjustment (M2M gains)	5,679,378
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	4,551,008
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	2,690,643
Add (Less):	
Dividend declarations during the period	(412,186,409)
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	**₱1,504,962,293**

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS
[which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as of December 31, 2018:

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below is the list of all effective Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		**Adopted**	**Not Adopted**	**Not Applicable**
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

Standards tagged as “Not applicable” have been adopted by the Parent Company but have no significant covered transactions for the year ended December 31, 2018.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2018. The Parent Company will adopt the Standards and Interpretations when these become effective.

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2018

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	₱417,976,513	₱417,976,513	₱15,422,424
Trade receivables	N/A	3,582,992,417	3,582,992,417	9,239,132
Installment contracts receivables	N/A	54,770,108	54,770,108	10,147,577
Investments in mutual funds	N/A	28,871,689	28,871,689	–
Investments in quoted equity shares (VLL)	752,208,215 shares	4,069,446,443	4,069,446,443	–
Restricted cash	N/A	661,464,454	661,464,454	7,640,647
Total Financial Assets		**₱8,815,521,624**	**₱8,815,521,624**	**₱42,449,780**

See Note 7, 8 and 9 of the Consolidated Financial Statements

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2018

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	₱29,104,337	₱118,642,770	₱105,540,259	–	₱42,206,848	–	₱42,206,848

See Note 9 of the Consolidated Financial Statements

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2018

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
MC	₱4,621,608,632	₱4,621,608,632	–	–	–	₱19,990,597,172	₱19,990,597,172
MC	(51,808,111)	(51,808,111)	–	–	–	6,508,155,328	6,508,155,328
STR	9,988,570,609	9,988,570,609	–	–	–	26,498,752,500	26,498,752,500
MAPI	(9,988,570,609)	(9,988,570,609)	–	–	–	(26,498,752,500)	(26,498,752,500)
MAPI	(4,621,608,632)	(4,621,608,632)	–	–	–	(19,990,597,172)	(19,990,597,172)
STR	51,808,111	51,808,111	–	–	–	(6,508,155,328)	(6,508,155,328)

See Note 23 of the Consolidated Financial Statements

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

DECEMBER 31, 2018

Description	Beginning balance	Additions	Amount of Amortization	Current	Not Current	Ending balance

NOT APPLICABLE

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE E: LONG TERM DEBT

DECEMBER 31, 2018

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	₱4,694,571,392	₱952,251,235	₱1,866,943,346	5.75% to 6.23%	₱2,819,194,581	Quarterly interest and principal payment	Various maturities in 2015 to 2027
Bank Loan 2	420,000,000	91,313,463	–	6.25%	91,313,463	Quarterly interest and principal payment	Various maturities in 2014 to 2019
Bank Loan 5	340,000,000	71,764,706	–	5.75%	71,764,706	Quarterly interest and principal payment	Various maturities in 2019
Bank Loan 6	4,330,000,000	443,229,712	2,430,906,892	5.75%	2,874,136,604	Quarterly interest and principal payment	July 2022
	₱9,784,571,392	₱1,558,559,116	₱4,297,850,238		₱5,856,409,354		

See Note 16 of the Consolidated Financial Statements

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2018

Name of related party	Balance at beginning of period	Balance at end of period
Payable to parent company	₱11,699,707,437	₱18,377,012,831
Payable to other related parties	214,663,688	–
	₱11,914,371,125	₱18,377,012,831

See Note 23 of the Consolidated Financial Statements

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2018

Name of issuing entity of securities guaranteed by the company for which this statements 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

NOT APPLICABLE

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

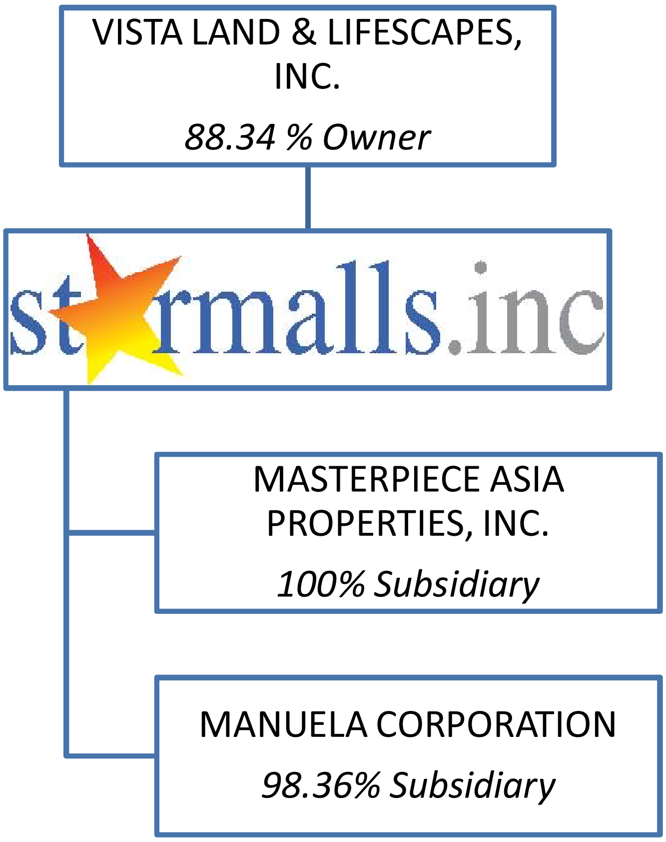
DECEMBER 31, 2018

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 18 of the Consolidated Financial Statements

STARMALLS, INC. AND SUBSIDIARIES

Map showing the relationships between and among the Group and its ultimate parent and its subsidiaries December 31, 2018:



STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL RATIOS

DECEMBER 31, 2018

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2018, 2017 and 2016.

		2018	2017	2016
Current ratio	Current assets / Current liabilities	**0.41**	0.77	1.06
Long-term debt-to-equity ratio	Long-term debt[1] / Equity	**0.20**	0.30	0.40
Debt ratio	Interest bearing debt[2] / Total assets	**0.13**	0.18	0.25
Debt to equity ratio	Interest bearing debt[2] / Total equity	**0.30**	0.41	0.49
Net debt to equity ratio	Net debt[3] / Total equity	**0.28**	0.38	0.47
Asset to equity ratio	Total assets / Total equity	**2.38**	2.20	1.98
Interest service coverage ratio	EBITDA / Total interest paid	**10.60**	8.91	5.05
Asset to liability ratio	Total Assets / Total Liabilities	**1.73**	1.83	2.02

[1] Pertains to long term portion of the Liability for Land Acquisition and Interest-bearing Loans and Borrowings

[2] Includes Liability for Land Acquisition and Interest-bearing Loans and Borrowings

[3] Interest bearing debt less Cash