



August 15, 2022

**PHILIPPINE STOCK EXCHANGE**

9th Floor, Philippine Stock Exchange Tower,  
28<sup>th</sup> Street corner 5<sup>th</sup> Avenue, BGC Taguig City  
Attention: Ms. Alexandra D. Tom Wong  
                  OIC, Disclosure Department

**PHILIPPINE DEALING AND EXCHANGE CORPORATION**

29th Floor, BDO Equitable Tower  
Paseo de Roxas, Makati City  
Attention: Atty. Marie Rose M. Magallen-Lirio  
                  Head, Issuer Compliance and Disclosure Department

Subject: Vista Land & Lifescapes, Inc.: **SEC 17Q – June 30, 2022**

Gentlemen:

Please see attached SEC Form 17Q for the three months ended June 30, 2022 filed with the Securities and Exchange Commission today.

Very truly yours,

A handwritten signature in black ink, appearing to read 'B. Edang' with a flourish at the end.

Brian N. Edang  
Officer-in-Charge

# COVER SHEET

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S.E.C. Registration Number										

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I	N	C	.																					

(Company's Full Name)

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

<b>Brian N. Edang</b>
Contact Person

<b>3226-3552 ext. 0088</b>
Company Telephone Number

1	2		3	1
<i>Month</i>			<i>Day</i>	

<b>17-Q</b>
FORM TYPE

0	6		1	5
<i>Month</i>			<i>Day</i>	

Calendar Year

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.		

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

Total Amount of Borrowings

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To be accomplished by SEC Personnel concerned

File Number									

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Document I.D.									

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended : **June 30, 2022**
2. SEC Identification number: **CS-200703145**
3. BIR Tax Identification No: **006-652-678**
4. **Vista Land & Lifescapes, Inc.**  
Exact name of issuer as specified in its charter
5. **Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. **Lower Ground Floor, Building B, Evia Lifestyle Center, Vista City,  
Daanghari Almanza II, Las Pinas City** **1747**  
Address of issuer's principal office Postal Code
8. **(632) 874-5758 / (632) 872-6947 / (632) 226-3552**  
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 Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding And amount of debt outstanding
<b>Common Stock, net of 416,128,700 Treasury Shares</b>	<b>12,698,007,676</b>
<b>VLL Retail Bonds issued in 2017 (as of 06/30/2022)</b>	<b>Php 5,000,000,000</b>
<b>VLL Retail Bonds issued in 2018 (as of 06/30/2022)</b>	<b>Php 10,000,000,000</b>
<b>VLL Retail Bonds issued in 2019 (as of 06/30/2022)</b>	<b>Php 10,000,000,000</b>

11. Are any or all of the securities listed on a Stock Exchange?

Yes  No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

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Vista Land & Lifescapes, Inc.  
**Consolidated Statements of Financial Position**  
 As of June 30, 2022 and December 31, 2021  
 (In Million Pesos)

	Unaudited 06/30/2022	Audited 12/31/2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 9 and 30)	₱7,492	₱11,857
Short-term cash investments (Notes 10 and 30)	218	336
Current portion of:		
Receivables (Notes 11 and 30)	53,189	50,917
Cost to obtain (Note 7)	582	448
Investments at amortized cost (Note 10)	8,815	15,752
Real estate inventories (Note 12)	51,945	49,597
Other current assets (Note 13)	5,971	5,587
Total Current Assets	128,212	134,493
<b>Noncurrent Assets</b>		
Investments at amortized cost (Note 10)	33,127	34,066
Investments at fair value through OCI income (Note 10)	124	124
Receivables – net of current portion (Note 11)	16,558	2,032
Cost to obtain contract – net of current portion	188	450
Project development cost	1,681	1,274
Advances to a related party	6,085	6,085
Property and equipment	3,294	2,317
Investment properties (Note 14)	117,847	112,992
Investment in a JV	463	459
Goodwill (Note 8)	147	147
Pension assets (Note 25)	300	283
Deferred tax assets - net (Note 27)	48	48
Other noncurrent assets (Note 16)	978	930
Total Noncurrent Assets	180,843	179,493
	309,055	313,987
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables (Notes 17 and 30)	15,750	15,221
Security deposits and advance rent (Note 18)	1,956	1,729
Income tax payable (Note 26)	3	50
Dividends payable	–	16
Current portion of:		
Contract liabilities	1,991	1,235
Bank loans (Notes 19 and 29)	8,029	8,067
Loans payables (Notes 19 and 30)	3,145	3,460
Notes payable (Notes 20 and 30)	25,117	24,171
Lease liabilities (Notes 27 and 30)	53	348
Total Current Liabilities	₱56,039	₱54,297

(Forward)



Vista Land & Lifescapes, Inc.  
**Consolidated Statements of Financial Position**  
 As of June 30, 2022 and December 31, 2021  
 (In Million Pesos)

	Unaudited 06/30/2022	Audited 12/31/2021
<b>Noncurrent Liabilities</b>		
Contract liabilities - net of current portion	<b>₱131</b>	₱567
Notes payable - net of current portion (Notes 20 and 30)	<b>70,589</b>	83,760
Bank loans - net of current portion (Notes 19 and 30)	<b>49,921</b>	48,925
Loans payable - net of current portion (Notes 19 and 30)	<b>699</b>	319
Lease liabilities – net of current portion (Notes 27 and 30)	<b>5,422</b>	5,088
Deferred tax liabilities - net (Note 26)	<b>5,866</b>	4,983
Other noncurrent liabilities (Note 21)	<b>2,818</b>	3,521
Total Noncurrent Liabilities	<b>135,447</b>	147,162
Total Liabilities	<b>191,487</b>	201,460
<b>Equity (Note 23)</b>		
Attributable to equity holders of the Parent Company		
Capital stock	<b>13,147</b>	13,147
Additional paid-in capital	<b>30,655</b>	30,655
Revaluation reserve	<b>1,876</b>	–
Other comprehensive income	<b>(332)</b>	778
Treasury shares	<b>(7,740)</b>	(7,740)
Retained earnings	<b>76,366</b>	72,540
	<b>113,972</b>	109,380
Non-controlling interest	<b>3,597</b>	3,147
Total Equity	<b>117,568</b>	112,527
	<b>₱309,055</b>	₱313,987

*See accompanying Notes to Consolidated Financial Statements.*



Vista Land & Lifescapes, Inc.  
 Consolidated Statements of Comprehensive Income  
 For the six months ended June 30, 2022 and 2021 (In  
 Million Pesos)

	Unaudited Apr-Jun Q2-2022	Unaudited Jan-Jun 2022	Unaudited Apr-Jun Q2-2021	Unaudited Jan-Jun 2021
<b>REVENUE</b>				
Real estate	₱3,977	₱8,809	₱4,862	₱11,113
Rental income	2,346	4,935	1,639	3,640
Interest income from installment contracts receivable	185	378	62	211
Parking, hotel, forfeitures, mall administrative and processing fees, and others (Note 23)	858	1,307	829	1,156
	<u>7,367</u>	<u>7,973</u>	<u>7,392</u>	<u>16,120</u>
<b>COSTS AND EXPENSES</b>				
Costs of real estate sales (Note 24)	1,568	3,743	2,174	5,166
Operating expenses (Note 24)	2,141	4,230	2,262	4,641
	<u>3,709</u>	<u>7,973</u>	<u>4,436</u>	<u>9,807</u>
<b>OTHER EXPENSES</b>				
Interest and other income from investments	190	607	288	762
Interest and other financing charges	(1,575)	(2,835)	(1,252)	(2,585)
	<u>(1,385)</u>	<u>(2,228)</u>	<u>(964)</u>	<u>(1,823)</u>
<b>INCOME BEFORE INCOME TAX</b>	2,275	5,228	1,992	4,490
<b>PROVISION FOR INCOME TAX</b> (Note 26)	360	952	253	650
<b>NET INCOME</b>	<u>₱1,914</u>	<u>₱4,276</u>	<u>₱1,739</u>	<u>₱3,840</u>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company	₱1,610	₱3,826	₱1,658	₱3,651
Non-controlling interest	304	450	81	189
	<u>₱1,914</u>	<u>₱4,276</u>	<u>₱1,739</u>	<u>₱3,840</u>
<b>Weighted average common shares</b>	12,698	12,698	12,698	12,698
<b>Basic/Diluted earnings per share</b>	0.151	0.337	0.140	0.302



Vista Land & Lifescapes, Inc.  
 Consolidated Statements of Comprehensive Income  
 For the six months ended June 30, 2022 and 2021  
 (In Million Pesos)

	Unaudited Apr-Jun Q2-2022	Unaudited Jan-Jun 2022	Unaudited Apr-Jun Q2-2021	Unaudited Jan-Jun 2021
<b>NET INCOME</b>	<b>₱1,914</b>	₱4,276	₱1,739	₱3,840
<b>OTHER COMPREHENSIVE INCOME</b>				
Changes in fair value of investments at fair value through other comprehensive income	–	–	(1)	9
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>–</b>	<b>–</b>	<b>(1)</b>	<b>9</b>
	₱1,914	₱4,276	₱1,738	₱3,849
Total comprehensive income attributable to:				
Equity holders of Vista Land & Lifescapes, Inc.	<b>1,610</b>	<b>3,826</b>	1,689	3,660
Minority interest	<b>304</b>	<b>450</b>	49	189
	<b>1,914</b>	<b>4,276</b>	1,738	3,849
Weighted average common shares	<b>12,698</b>	<b>12,698</b>	12,698	12,698
<b>Basic/Diluted earnings per share</b>	<b>0.151</b>	<b>0.337</b>	0.140	0.302





Vista Land & Lifescapes, Inc.  
 Consolidated Statements of Changes in Equity  
 For the six months ended June 30, 2022 and 2021  
 (In Million Pesos)

	Unaudited 06/30/2022	Unaudited 06/30/2021
<b>CAPITAL STOCK</b>		
Common – P1 par value		
Authorized – 4,000,000 shares in February 28, 2007		
12,000,000,000 shares in May 23, 2007 and		
11,000,000,000 shares in November 24, 2010		
11,900,000,000 shares in October 5, 2012		
17,900,000,000 shares in November 11, 2015		
Issued – 1,000,000 shares as of February 28, 2007;		
8,538,740,614 shares as of September 30, 2011;		
10,038,740,614 shares as of November 10, 2015;		
12,654,891,753 shares as of December 22, 2015;		
13,114,136,376 shares as of February 23, 2016;	13,114	13,114
Preferred – P0.01 par value		
Authorized – 10,000,000,000 shares in October 5, 2012;		
Series 1 - P0.01 par value		
8,000,000,000 shares in January 27, 2020;		
Series 2 - P0.10 par value		
200,000,000 shares in January 27, 2020;		
Issued – P3,300,000,000 shares in March 31, 2013 (Note 18)	33	33
<b>Balance at end of period</b>	<b>13,147</b>	<b>13,147</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance at beginning of period	30,655	30,655
<b>Balance at end of period</b>	<b>30,655</b>	<b>30,655</b>
<b>RETAINED EARNINGS</b>		
Balance at beginning of period	72,540	66,412
Net income	4,276	3,650
<b>Balance at end of period</b>	<b>76,365</b>	<b>70,062</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Balance at beginning of period	778	586
Adjustment	(1,109)	9
<b>Balance at end of period</b>	<b>(331)</b>	<b>595</b>
<b>REVALUATION RESERVES</b>		
Balance at beginning of period	–	586
Adjustment	1,875	9
<b>Balance at end of period</b>	<b>1,875</b>	<b>595</b>
<b>TREASURY SHARES</b>		
Balance at beginning of period	(7,740)	(7,740)
<b>Balance at end of period</b>	<b>(7,740)</b>	<b>(7,740)</b>

	Unaudited 06/30/2022	Unaudited 06/30/2021
<b>NON-CONTROLLING INTEREST</b>		
Balance at beginning of period	3,147	2,620
Net income	450	190
Adjustment	-	-
<b>Balance at end of period</b>	<b>3,597</b>	<b>2,810</b>
	<b>117,568</b>	<b>109,529</b>



Vista Land & Lifescapes, Inc.  
 Consolidated Statements of Cash Flows  
 For the three six months ended June 30, 2022 and 2021  
 (In Million Pesos)

	Unaudited Apr-Jun Q2-2022	Unaudited Jan-Jun 2022	Unaudited Apr-Jun Q2-2021	Unaudited Jan-Jun 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	₱2,274	₱5,228	₱1,992	₱4,490
Adjustments for:				
Interest and other financing charges	1,580	2,840	1,252	2,585
Depreciation and amortization	597	1,212	665	1,194
Unrealized foreign exchange gain	(4)	(5)	(8)	(8)
Interest income from investments and other income	(190)	(607)	(62)	(211)
Operating income before working capital changes	4,256	8,668	3,839	8,050
Decrease (increase) in:				
Receivables	130	1,487	(3,808)	(7,417)
Receivables from related parties	487	–	(629)	127
Real estate inventories	104	629	155	2,345
Other current assets and cost to obtain contract	(124)	(255)	56	1,028
Pension assets	(8)	(17)	–	(7)
Increase (decrease) in:				
Accounts and other payables	(321)	524	(2,495)	(5,396)
Security deposits and advance rent	311	227	419	405
Contract liabilities	125	321	374	80
Other noncurrent liabilities	(266)	(703)	(368)	(937)
<b>Net cash flows provided by (used in) operations</b>	<b>4,694</b>	<b>10,879</b>	<b>(2,457)</b>	<b>(1,722)</b>
Interest received	190	607	62	211
Income tax paid	(82)	(115)	79	(91)
<b>Net cash flows provided by (used in) operating activities</b>	<b>4,802</b>	<b>11,371</b>	<b>(2,316)</b>	<b>(1,602)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease (increase) in:				
Project development costs	(363)	(407)	208	(15)
Other noncurrent assets	(30)	(48)	78	135
Disposal (acquisition) of:				
Short-term cash investments	(79)	118	6	65
Investments at amortized cost	(870)	6,766	(1,996)	(2,524)
Additions to:				
Investment Property and PPE	(2,871)	(7,044)	(3,798)	(3,914)
Revaluation	1,875	1,875	–	–
Investment in Joint Venture	(4)	–	(5)	(467)
<b>Net cash flows provided by (used in) investing activities</b>	<b>2,342</b>	<b>1,259</b>	<b>(₱5,507)</b>	<b>(₱6,720)</b>

	Unaudited Apr-Jun Q2-2022	Unaudited Jan-Jun 2022	Unaudited Apr-Jun Q2-2021	Unaudited Jan-Jun 2021
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from: (payments of)				
Notes payable – net	(₱15,901)	(₱12,224)	₱10,258	₱9,561
Bank loans – net	(33)	958	10,406	10,853
Loans payable – net	215	61	(587)	(131)
Interest	(3,109)	(5,813)	(2,239)	(4,428)
Dividends	(12)	(16)	–	–
Increase in lease liabilities	19	39	8	29
<b>Net cash flows provided by (used in) financing activities</b>	<b>(18,821)</b>	<b>(16,995)</b>	17,846	15,884
<b>Effect on change in exchange rates on cash and cash equivalents</b>	<b>1</b>	<b>1</b>	18	16
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(16,364)</b>	<b>(4,365)</b>	10,041	7,578
<b>Cash and cash equivalents at beginning of year</b>	<b>23,856</b>	<b>11,857</b>	5,323	7,786
<b>Cash and cash equivalents at end of year</b>	<b>₱7,492</b>	<b>₱7,492</b>	₱15,364	₱15,364

# VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Corporate Information

Vista Land & Lifescapes, Inc. (the Parent Company) was incorporated in the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on February 28, 2007 with a corporate life of 50 years. The Parent Company's registered office address is at Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City. The Parent Company is a publicly-listed investment holding company which is 65.17% owned by Fine Properties, Inc., (Ultimate Parent Company), 34.83% owned by PCD Nominee Corporations and the other entities and individuals.

The Parent Company is the holding company of the Vista Group (the Group) which is engaged in real estate activities. The Group has six (6) wholly-owned subsidiaries, namely: Brittany Corporation (Brittany), Crown Asia Properties, Inc. (CAPI), Vista Residences Inc. (VRI), Camella Homes, Inc. (CHI), Communities Philippines, Inc. (CPI) and VLL International Inc. (VII), and an 88.34% owned subsidiary, Vistamalls, Inc. (formerly, Starmalls, Inc.). The Group is divided into horizontal, vertical and commercial and others segment. The Group caters on the development and sale of residential house and lot and residential condominium through its horizontal and vertical projects, respectively. Its commercial and others segment focuses on the development, leasing and management of shopping malls and commercial centers all over the Philippines and hotel operations.

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### 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) which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso unless otherwise indicated.

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

The consolidated financial statements of the Group have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) in response to the COVID-19 pandemic.

These accounting pronouncements address the issues of PFRS 15, *Revenue from Contracts with Customers* affecting the real estate industry.

*Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry*

On December 15, 2020, the Philippine SEC issued SEC Memorandum Circular (MC) No. 34-2020 which further extended the deferral of the following provisions of PIC Q&A 2018-12 until December 31, 2023:

- a. Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
- b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D

- c. Implementation of International Financial Reporting Standards (IFRS) Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods under Philippine Accounting Standards (PAS) 23, *Borrowing Cost* for Real Estate industry

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the Adoption of New and Amended Accounting Standards and Interpretations section of Note 3 to the consolidated financial statements.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of June 30, 2022 and December 31, 2021.

The consolidated financial statements are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

An investee is included in the consolidation at the point when control is achieved. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

On August 7, 2020, the Board of Directors (BOD) of VLLI approved the incorporation of Vista One, Inc. (VOI), to be the vehicle for the Group's intended Real Estate Investment Trust (REIT) registration under Republic Act 9856 (The REIT Act of 2009). VOI was incorporated in the Republic of the

Philippines and was registered with the Philippine Securities and Exchange Commission (SEC) on August 24, 2020, primarily to own, manage, operate and engage in the leasing of income-generating real properties such as office buildings, shopping centers, hotels, resorts, residential buildings, condominium buildings, among others and to hold for investment or otherwise, real estate of all kind. The Company was listed in June 15, 2022 in the Philippine Stock Exchange.

Vista Taft Ventures, Inc. (VTVI), a previously wholly owned subsidiary of the Group was incorporated primarily to engage in real estate activities. VTVI was treated as investment in joint venture due to the infusion of Mitsubishi Estate Corporation in the outstanding shares of VTVI.

#### Non-controlling Interests

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

Non-controlling interests are presented separately in the consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this results to the non-controlling 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 non-controlling interest is recognized in equity of the parent in transactions where the non-controlling interest are acquired or sold without loss of control.

As at June 30, 2022 and December 31, 2021, percentage of non-controlling interests pertaining to Vistamalls, Inc. (formerly Starmalls, Inc.) and its subsidiaries amounted to 11.66%. The voting rights held by the non-controlling interests are in proportion of their ownership interest.

Vistamalls, Inc. (formerly Starmalls, Inc.) was incorporated in the Republic of the Philippines and duly registered with the Securities and Exchange Commission (SEC) on October 16, 1969, originally to pursue mineral exploration. After obtaining SEC approval on November 10, 2004, it later changed its primary business and is now presently engaged in holding investments in shares of stock and real estate business. On September 17, 2019, SEC approved the amended articles of incorporation for the change in name to Vistamalls, Inc. as amended and approved by the Board of Directors during its meeting held on May 2, 2019 and by the stockholders during its meeting held on June 24, 2019.

The Parent and the subsidiaries are all domiciled and incorporated in the Philippines and are in the business of real estate development, leasing of commercial centers and buildings and hotel and resorts operation, except for VII and C&P International Limited. The latter are incorporated in Grand Cayman Island and domiciled in Hong Kong and operates as holding companies.

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### **3. Changes in Accounting Policies**

#### Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have significant impact on the consolidated financial statements of the Group.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

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

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

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

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Group adopted the amendments to PFRS 16 using practical expedients beginning January 1, 2020 and recognized rent concession as variable lease payments. These rent concessions granted to the Group as lessee were presented in the consolidated statements of comprehensive income as reduction in amortization expense under 'Operating expenses' amounting to nil and ₱15.25 million in 2021 and 2020, respectively.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

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

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group shall also disclose information about:

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

The Group adopted the amendments beginning January 1, 2021.

- Adoption of Philippine Interpretations Committee Question and Answers (PIC Q&A) 2018-14 on Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.



On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since it has previously adopted approach 3 in its accounting for sales cancellation which records the repossessed inventory at cost.

- Adoption of PIC Q&A 2018-12 on Accounting for Common Usage Service Area (CUSA)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15, *Revenue from Contracts with Customers* affecting the real estate industry. This includes PIC Q&A No. 2018-12-H which discussed accounting for CUSA charges wherein it was concluded that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12-H for a period of three years or until December 31, 2020. The deferral will only be applicable for real estate transactions.

The above guidance has no impact to the Group because its accounting policy has been aligned with the guidance since the initial adoption of PFRS 15 in 2018.

- Adoption of PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02) on Treatment of Uninstalled Materials in the Calculation of the POC

PIC Q&A 2020-02 was issued by the PIC on October 29, 2020. The latter aims to provide conclusion on the treatment of materials delivered on site but not yet installed in measuring performance obligation in accordance with PFRS 15, *Revenue from Contracts with Customers* in the real estate industry.

The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since the prescribed accounting treatment for uninstalled materials is already taken into consideration in the Group's current POC computation using input method.

#### Voluntary Change in Accounting Policy

Starting January 1, 2021, considering the experience from the pandemic, management made a comparison of the prevailing practice in the industry and noted that most of the big players in commercial and office spaces leasing are using the simplified approach. Given this, management decided to align its accounting policy with what is prevailing in the industry which resulted in voluntarily changing its accounting policy to measure loss allowance for its lease receivables from general to simplified approach. The Group now measures the loss rate using net flow methodology.

Under the simplified approach, in calculating expected credit loss (ECL), the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix for lease receivables, analyzed into third party and related party tenants, that is based on historical credit loss experience and incorporating forward-looking information (called overlays). The change in accounting policy was applied retroactively resulting in additional provision amounting to ₱24.79 million in 2021 and no significant impact for 2020 and 2019.

Management believes that the presentation of the consolidated statement of financial position as at the beginning of the earliest period presented is not necessary as the change in accounting policy has no significant impact on the Group's total assets and total equity as of January 1, 2019. The change in accounting policy did not impact the consolidated statement of cash flows for the years ended December 31, 2020 and 2019.

### Standards Issued but not yet Effective

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

*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

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

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

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

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

*Effective beginning on or after January 1, 2024*

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

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

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

#### *Deferred effectivity*

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group is currently assessing the impact of adopting these amendments.

- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

The PIC Q&A provisions covered by the SEC deferral that the Group availed in 2021 follows:

	Deferral Period
Exclusion of land in the determination of POC discussed in PIC Q&A No. 2018-12-E	Until December 31, 2023
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
Implementation of IFRS IFRIC Agenda Decision on Over Time Transfer of Constructed Goods under PAS 23, <i>Borrowing Cost</i> for Real Estate industry	Until December 31, 2023

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- a. The accounting policies applied;
- b. Discussion of the deferral of the subject implementation issues in the PIC Q&A;
- c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted; and
- d. 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, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto.

To assist real estate companies to finally adopt the said PIC and IFRIC pronouncements and enable them to fully comply with PFRS 15 and revert to full PFRS, the Commission en banc, in its meeting held on July 8, 2021, approved the amendment to the transitional provisions in the above MCs, under SEC Memo 8-2021, issued last July 2020 which would provide real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncements.

The Commission en banc, in the same meeting, likewise approved that the policy option be available to entities that cease availing of the above SEC financial reporting reliefs whether in full or in part.

Had the above provisions been adopted, the Group assessed that the impact would have been as follows:

*Treatment of land in the determination of the percentage-of-completion*

Adoption of this guidance would have impacted a reduction in revenue from real estate sales, installment contract receivables, provision for deferred income tax, deferred tax asset or liability and the opening balance of retained earnings. These would have not impacted the cash flows. As of December 31, 2021, the Group is still in the process of assessing the impact of excluding land in the determination of POC.

*Assessing whether the transaction price includes a significant financing component*

The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability and the opening balance of retained earnings. These would have impacted the cash flows from operations and cash flows from financing activities. As of December 31, 2021, the Group is still in the process of assessing the impact of significant financing component.

*Impact of implementing the IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost*

Adoption of this guidance would have impacted a reduction in net income, real estate inventories, provision for deferred income tax, deferred tax liability for all years presented, and the opening balance of retained earnings, and a corresponding increase in interest and other financing charges.

These would have not impacted the cash flows. As of December 31, 2021, the Group is still in the process of assessing the impact of implementing the IFRIC Agenda Decision.

The Group is still evaluating whether to adopt the above changes using modified retroactive approach or full retroactive approach. If application is using modified retrospective approach, the impact will be recorded during the year of adoption and the opening retained earnings in the year of adoption while if application will be using full retroactive approach, the impact will be recorded in all years presented and the opening retained earnings in the earliest period presented.

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#### 4. Summary of Significant Accounting Policies

##### Current and Noncurrent Classification

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

##### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to 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 and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

#### Short-term Cash Investments

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

#### Financial Instruments

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

##### *Financial assets*

##### *Initial recognition and measurement*

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

##### *Subsequent measurement*

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

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



*Financial assets at amortized cost (debt instruments)*

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortized cost includes cash and cash equivalents, short-term cash investments, receivables (except for advances to contractors, suppliers and brokers), receivables from related parties, and restricted cash under "Other current assets", and "Other noncurrent assets" and investments at amortized cost.

*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 instruments classified as financial assets designated at FVOCI includes investments in golf club shares and preferred shares of utility companies.

Impairment of Financial Assets

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

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

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

As discussed above, starting January 1, 2021, the Group used simplified approach method in calculating its ECL for lease receivables from the previous general approach. Under the simplified approach, 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 has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors (i.e. inflation, GDP growth rate) specific to the debtors and the economic environment.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The Group considers a financial asset in default when contractual payments are 120 days past due. 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.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment loss.

Prior to retroactive adoption of the change in ECL methodology for lease receivables, the Group uses general approach in calculating its ECL. Under the general approach, at each reporting date, the Group recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss.

For cash in banks, short-term cash investments, restricted cash, and investment in amortized cost, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the external credit rating agencies to determine whether the instrument has significantly increased in credit risk and to estimate ECLs.

The simplified approach is also applied to installment contracts receivable. The Group has established a vintage analysis for installment contracts receivable that is based on historical credit loss experience, adjusted for forward-looking factors (i.e. bank lending rate, inflation rate or gross domestic product (GDP) growth rate) specific to the debtors and the economic environment.

### *Financial liabilities*

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts and other payables, dividends payable, notes payable, bank loans, loans payable, lease liabilities and other noncurrent liabilities (except for deferred output tax and other statutory liabilities).

### *Subsequent measurement*

#### *Loans and borrowings*

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

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

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

### Derecognition of Financial Assets and Financial Liabilities

#### *Financial asset*

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Modification of financial assets*

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

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

#### *Financial liability*

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

### Offsetting Financial Instruments

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

### Real Estate Inventories

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

Cost includes:

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

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

The cost of real estate inventory recognized in profit or loss 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.

### 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 statement of financial position.

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

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

### 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.

### 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.

### Investment in Joint Venture

The Company's investment in joint venture is accounted for under the equity method of accounting.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

An investment is accounted for using the equity method from the day it becomes a joint venture. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and instead included in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Unless otherwise, additional losses are not recognized when the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Company reduces the carrying value of its investment based on average acquisition cost per share (historical cost) when the Company disposes the investment, or the investee reacquires its own equity instruments from the Company.

#### Project Development Costs

Project development costs consist of advances for socialized housing credits and advances on joint operations.

##### *Advances for socialized housing credits*

Advances for socialized housing credits pertain to advances made to a related party in relation to the Group's purchase of socialized housing credits in compliance with the requirements of Republic Act No. 7279 (Urban Development and Housing Act of 1992). Upon receipt of socialized housing credits, the advances is reclassified to subdivision lot for sale and is recognized in profit or loss consistent with the cost of real estate inventory

##### *Advances on joint operations*

Advances on joint operations pertain to costs incurred on various on-going projects under a joint venture agreements and memorandum of agreements entered into by the Group with individuals, private companies and entities under common control for the development of real estate projects.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have right to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognize in relation to its interest in a joint operation its assets, including its share of any assets held jointly; liabilities, including its share of any liabilities incurred jointly; revenue from the sale of its share to the output arising from the joint operation; share of the revenue from the sale of the output by the joint operation; and expenses, including its share of any expenses incurred jointly.

### Investment Properties

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

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received.

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

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

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

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

	Years
Land developments	10 to 40 years or lease term, whichever is shorter
Buildings and building improvements	10 to 40 years or lease term, whichever is shorter
Right-of-use assets	11 to 30 years

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

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of the property for measurement or for disclosure purposes.

### 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 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
Building and building improvements	10 to 40
Transportation equipment	2 to 5
Office furniture, fixtures and equipment	2 to 5
Construction equipment	2 to 5
Other fixed assets	1 to 5

Building and building improvements are amortized on a straight-line basis over the term of the lease or the EUL of the asset, whichever is shorter.

The useful lives and depreciation method are reviewed annually to ensure that the period and method of depreciation 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 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 is charged against current operations.

### Systems Development Costs

Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

System development costs recognized as assets are amortized using the straight-line method over their useful lives, but not exceeding a period of three years. Where an indication of impairment exists, the carrying amount of computer system development costs is assessed and written down immediately to its recoverable amount.

### Impairment of Nonfinancial Assets

The Group assesses as at reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase in OCI. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Security Deposits

Security deposits represent deposits required by lease agreements. These can be recovered upon termination of the lease agreement through refund or application to unpaid rent and/or other charges. These also include deposits of homeowners for their extension, fence construction and landscaping works which will be refunded after considering any charges.

#### Advance Rent

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

#### Equity

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

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

The retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

#### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in operating expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.



Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Revenue and Cost Recognition for Real Estate Sales

#### *Revenue from Contract with Customers*

The Group primarily derives its real estate revenue from the sale of developed horizontal and vertical real estate projects. 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.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 5.

#### *Real estate sales*

The Group derives its real estate revenue from sale of developed house and lot and condominium units. Revenue from the sale of these real estate project spread over time across the course of the construction since the Group's performance does not create an asset with an alternative use and the Group has an enforceable right for performance completed to date.

In measuring the progress of performance obligation over time, the Group uses input method. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method excludes the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs include costs of land, land development, house construction costs, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contracts receivable, is included in the "Receivables" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contracts receivable are included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

#### *Cost of real estate sales*

The Group recognizes costs relating to satisfied performance obligations as these are incurred. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of real estate sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the Group recognizes cost as an asset only when it give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

#### Contract Balances

##### *Installment Contracts Receivable*

An installment contracts receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). It also includes the difference between the consideration received from the customer and the transferred goods or services to a customer.

##### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

##### *Cost to obtain contract*

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Operating expenses" account in the consolidated statement of comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

##### *Amortization, derecognition and impairment of capitalized costs to obtain a contract*

The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within operating expenses.

Capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgment is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time,

anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

#### Rental income

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

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

The tenant lease incentives are considered in the calculation of “Accrued rental receivables” in the line item “Receivables” in the consolidated statement of financial position.

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

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

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

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

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

#### Interest income

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

Unearned discount is recognized as income over the terms of the financial assets at amortized cost using the effective interest method and is shown as deduction for the financial assets.

#### Other revenue

Other revenue is recognized when earned.

## 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 at the reporting date.

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

#### *Deferred tax*

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

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

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

Deferred tax assets shall be recognized for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Real estate inventories" and "Investment properties" accounts in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which these 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 of those borrowings.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing 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.

Borrowings originally made to develop a specific qualifying asset are transferred to general borrowings (a) when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete, and (b) the entity chooses to use its funds on constructing other qualifying assets rather than repaying the loan.

#### Operating Expenses

Operating expenses constitute costs of administering the business. These are recognized as expenses when incurred.

#### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as Lessee*

The Group applies a single recognition and measurement approach for all leases, except short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *Lease Liabilities*

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

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

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

#### *Short-term Leases and Leases of Low-value Assets*

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

#### *Lease Modification*

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

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

### 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.

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

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

### Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the period.

The functional currency of C&P International Limited and VII is the US Dollar. As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Parent Company, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses at the weighted average rates for the year. The exchange differences arising on the translation are recognized in OCI under "Cumulative Translation Adjustment". On disposal of a foreign operation, the component of OCI relating to that particular foreign operation shall be recognized in profit or loss in the consolidated statement of comprehensive income.

### 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.

### Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements.

### 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.

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## 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:

##### *Revenue from contracts with customers*

##### *Existence of a contract*

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contracts to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as payment history of customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs after considering the impact of coronavirus pandemic, if it would still support its current threshold of customers' equity before commencing revenue recognition.



#### *Determining performance obligation*

With respect to real estate sales, the Group concluded the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for the sale of property under development mainly include design work, procurement of materials and development of the property. Generally, the Group is responsible for all of these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, the Group accounts for them as a single performance obligation because they are not distinct in the context contract. The Group uses those goods and services as inputs and provides a significant service of integrating them into a combined output.

In relation to the services provided to tenants of investment property (such as cleaning, security, utilities, maintenance) as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Group.

#### *Revenue recognition method and measure of progress*

The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

#### *Principal versus agent considerations*

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

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

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

*Property lease classification – the Group as lessor*

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

*Assessment on whether lease concessions granted constitute a lease modification*

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

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

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

*Determination of the lease term*

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

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

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

*Accounting for lease modification - the Group as lessee*

The Group and one of the lessors amended the lease contract covering parcels of land where one of the Group's commercial building is situated by extending the lease period and amending the lease rates. The Group assessed that the lease modification did not result in a separate lease and the Group remeasured the lease liability based on the amended lease period and lease rates and recognized the difference between the carrying amount of the modified lease liability and the carrying amount of the lease liability immediately before the modification as an adjustment to the right-of-use asset. The lease contract further subjects the lease payments starting 2036 to be reviewed by both parties in accordance with certain stipulations in the contract. As such, the Group used the market rate at the date the lease is modified for lease period where lease payments are yet to be agreed.

#### *Definition of default and credit-impaired installment contracts receivable*

The Group defines the account as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*  
The customer receives a notice of cancellation and does not continue the payments.
  
- *Qualitative criteria*  
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:
  - a. The customer is experiencing financial difficulty or is insolvent
  - b. The customer is in breach of financial covenant(s)
  - c. An active market for that financial assets has disappeared because of financial difficulties
  - d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
  - e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

#### *Incorporation of forward-looking information*

The Group incorporates forward-looking information, including the impact of the COVID-19 pandemic into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions. The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios. The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

#### *Significant increase in credit risk*

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors. The Group's cash and cash equivalents, short term cash investments, investments at amortized cost, and restricted cash cost are graded in the top investment category by globally recognized credit rating agencies such as S&P, Moody's and Fitch and, therefore, are considered to be low credit risk investments. For the Group's accounts receivable and receivables from related parties, the Group performs an assessment, at the end of each reporting period, of whether the receivables' credit risk has increased significantly, considering the impact of COVID-19 pandemic, since initial recognition, by considering the change in the risk of default occurring over the remaining life of the receivables. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from these credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs. Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure

has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

#### *Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates*

Upon adoption of the Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgment in identifying uncertainties over its income tax treatments. The Group determined based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

#### *Assessment of Joint Control*

The investment in VVTI is accounted for as investment in joint venture despite the Group owning 60%, this is because the relevant activities such as matters related to project development, approval of annual budget and programme, change in joint venture business structure and distribution of dividends among others of the Group and Mitsubishi Estate Co., Ltd. require the unanimous consent of both parties. Even though the Group holds 60% ownership interest on these arrangements, their respective joint arrangement agreements require unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements.

#### 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.

#### *Measurement of progress when revenue is recognized over time*

The Group's real estate sales is recognized over time and the percentage-of-completion is determined using input method measured principally based on total actual cost of resources consumed such as materials, labor hours expended, and actual overhead incurred over the total expected project development cost. Actual costs also include incurred costs but not yet billed which are estimated by the project engineers. Total estimated project development cost involves significant estimate since it requires technical determination by management's specialists (project engineers). Estimated project development costs include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

#### *Provision for expected credit losses of financial assets*

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

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

*Installment contracts receivables:*

The Group uses vintage analysis to calculate ECLs for installment contracts receivable. The PD rates using vintage analysis are based on default counts of contract issuances in a given period for groupings of various customer segments that have similar loss patterns (e.g., by customer's type of financing and employment).

The vintage analysis is initially based on the Group's historical observed default rates. The Group will calibrate the matrices to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

On the other hand, for receivable from tenants and accrued rental receivables, the Group recognizes a loss allowance based on lifetime ECLs effective January 1, 2021 and applied retrospectively. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss.

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

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

The collectability of the significant portion of its receivables from real estate sales is impacted by the continuing employment of its customers, both the overseas contract workers and locally employed customers, particularly those working within the industry adversely affected by COVID-19 pandemic.

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

Considering the above, the Group revisited the expected credit loss exercise as at December 31, 2021 for its receivables.

For the installment contracts receivable, the calculation of the probability of default (PD) was updated by further segmenting the buyers tagged as overseas Filipino workers based on location of employment (e.g., Middle East, Europe, East Asia, etc.).

For installment contracts receivable and receivables from tenants, the PD scenario used in the calculation of ECL were 30% best, 33% base, and 37% worse and 31% best, 33% base, and 36% worst case probability scenario as of December 31, 2021 and 31% best, 33% base, and 35% worse and 25% best, 33% base, and 42% worst case probability scenario as of December 31, 2020, respectively, from the previous 33% equal probability of all scenarios as of December 31, 2019. The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

As a result of the loss estimation, management recognized impairment loss for receivable from tenants and investments at amortized cost in each period presented. The Group, however, did not identify an impairment for installment contracts receivable primarily because of the recoveries from resale of repossessed inventories that are higher than the exposure at default.

#### *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

#### *Evaluation of net realizable value of real estate inventories*

Real estate inventories are valued at the lower of cost or NRV. This requires the Group to make an estimate of the estimated selling price of the real estate inventories in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of these assets. In determining the recoverability of these assets, management considers whether these assets are damaged, if their selling prices have declined and management's plan in discontinuing the real estate projects. Estimated selling price is derived from publicly available market data and historical experience, while estimated selling costs are basically commission expense based on historical experience. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted to lower sales in 2020 and 2021. In evaluating NRV, recent market conditions and current market prices have been considered.

#### *Evaluation of impairment of nonfinancial assets*

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

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

For goodwill, this requires an estimation of the recoverable amount which is the fair value less costs to sell or value in use of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the future cash flows for the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of cash flows.

#### *Determining the fair value of investment properties*

The Group discloses the fair values of its investment properties. The Group's investment properties consist of land and land developments and building and building improvements. For properties for leasing, the fair values were derived using income approach as determined by third party appraisers while land properties held for capital appreciation were based on market-based listing of the properties of the same features and locations as determined by management. Fair values of Right of Use asset were determined using the latest discount rate every end of reporting period based on remaining cash flows while that of construction in progress is aligned with cost as management believes the values of cost represents the current replacement cost as of balance sheet date.

#### *Leases - Estimating the incremental borrowing rate*

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

the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

#### *Useful lives of property and equipment and investment properties*

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

#### *Deferred tax assets*

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

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## **6. Segment Information**

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has three reportable operating segments as follows:

#### *Horizontal Projects*

This segment pertains to the development and sale of residential house and lot across the Philippines.

#### *Vertical Projects*

This segment caters on the development and sale of residential condominium projects across the Philippines.

#### *Commercial and others*

This segment pertains to rental of malls and office spaces, hotel operations, and activities of holding companies.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating income or loss before income tax and earnings before income tax, depreciation and amortization (EBITDA). Segment operating income or loss before income tax is based on the same accounting policies as consolidated operating income or loss. No operating segments have been aggregated to form the above reportable operating business segments. The chief operating decision-maker (CODM) has been identified as the chief executive officer. The CODM reviews the Group's internal reports in order to assess performance of the Group.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statements of financial position which is in accordance with PFRS. The segment assets are presented separately from the receivables from related parties, investments at FVOCI, investments at amortized cost and deferred taxes. Segment liability are presented separately from the deferred tax liabilities.

The financial information about the operations of these business segments for the three months ended June 30, 2022 is summarized below (in Php Millions):

	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Total
Real Estate Revenue	6,398	2,410	–	–	8,809
Cost of Real Estate Sales	2,419	1,324	–	–	3,743
Gross Profit	3,979	1,087	–	–	5,066
Rental Income	–	–	4,935	–	4,935
Operating Expenses	1,707	333	2,190	–	4,230
Segment Income	2,272	754	2,745	–	5,771
Interest Income	41	23	620	–	985
Parking, Hotel, Mall administrative and processing fees and others	302	23	986	–	1,312
Interest and other financing charges	(694)	(14)	(2,132)	–	(2,840)
Income before income tax	2,221	788	2,219	–	5,228
Income tax	116	79	757	–	952
Net income	2,105	710	1,462	–	4,276
Segment assets	49,863	23,726	187,266	–	260,855
Receivables from related parties	6,084	–	–	–	6,084
Investments at FVOCI	41	–	83	–	124
Investments at amortized cost	–	–	41,943	–	41,943
Deferred tax asset	48	–	–	–	48
Total Assets	56,037	23,726	229,292	–	309,055
Segment liabilities	6,911	8,012	170,697	–	185,620
Deferred tax liabilities	292	268	5,307	–	5,867
Total Liabilities	7,203	8,280	176,004	–	191,487
Depreciation and amortization	126	14	1,072	–	1,212

No operating segments have been aggregated to form the above reportable segments. Capital expenditure consists of construction costs, land acquisition and land development costs.

The Group has no revenue from transactions with a single external customer amounting 10% or more of the Group's revenue. There is no cyclical of operations in interim operations.

## 7. Revenue from Contracts with Customers

### a. Disaggregated Revenue Information

The Group derives revenue from the transfer of services and goods over time and at a point in time, respectively, in different product types and other geographical location within the Philippines



The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

	Jun 30, 2022
Type of Product	
Real estate sales	
Horizontal	₱6,398
Vertical	2,410
	<u>8,809</u>
Hotel Operations	42
	<u>₱8,851</u>

All of the Group's real estate sales are revenue from contracts with customers that are recognized over time except for hotel operation's sale of food and beverages which is at point in time. There are no inter-segment eliminations among revenue from contracts with customers, as there are all sold to external customers as disclosed in the segment information.

#### *Contract Balances*

	Jun 30, 2022
Installment contracts receivable	₱43,237
Cost to obtain contract	770
Contract liabilities	2,123

Installment contracts receivable from real estate sales which are collectible in equal monthly principal installments with various terms up to a maximum of 15 years. These are recognized at amortized cost using the effective interest method. Interest ranges from 5.37% to 19.00% per annum in 2021. The corresponding titles to the residential units sold under this arrangement are transferred to the customers only upon full payment of the contract price.

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the good and services transferred by Group based on percentage of completion. The movement in contract liability is mainly due to reservation sales and advance payment of buyers less real estate sales recognized upon reaching the equity threshold and from increase in percentage of completion

#### b. Performance obligations

Information about the Group's performance obligations are summarized below:

##### *Real estate sales*

The Group entered into reservation agreements with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit covers subdivision land, condominium units and residential house units and the Group concluded that there is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the reservation agreement and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% - 20% of the contract price to be paid over a maximum of 24 months at a fixed payment for horizontal developments and 20% - 60% of the contract price to be paid over a maximum of 60 months at a fixed payment for vertical developments with remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from 2 to 15 years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either an installment contracts receivable or contract liability.

After the delivery of the completed real estate unit, the Group provides one-year warranty to repair minor defects on the delivered serviced lot and house and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's condominium units are completed within three to five years from start of construction while serviced lots and serviced lots and house are expected to be completed within two to three years from start of development.

#### *Rental agreements*

The Group entered into lease agreements for its mall retail spaces and office spaces with the following identified performance obligations: (a) lease of space, (b) provisioning of water and electricity, and (c) connection to air conditioning system, (d) CUSA services, and (e) administration fee. Revenue from lease of space is recognized on a straight-line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to settle within 30 days upon receipt of the bill. In case of delay in payments, a penalty of 5% is charged for the amount due and shall be charged another 5% the following month of delay and every month thereafter inclusive of penalties previously charged. The lease arrangement would typically require a tenant to pay advance rental equivalent to three months and a security deposit equivalent to three months rental to cover any breakages after the rental period, with the excess returned to the tenant.

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## 8. Goodwill

The goodwill of the Group came from the purchase of MRHI which owns and operate Boracay Sands Hotel located at Boracay Island, Philippines.

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## 9. Cash and Cash equivalents

This account consists of (in Php Millions):

Cash on hand	₱15
Cash in banks	7,437
Cash equivalents	41
	₱7,492

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest as follows:

	<u>Jun 30, 2022</u>	<u>Dec 31, 2021</u>
Philippine Peso	<b>0.25% to 0.50%</b>	0.03% to 0.50%
US Dollar	<b>0.05% to 0.10%</b>	0.05% to 0.13%

None of the cash and cash equivalents are used to secure the obligations of the Group.

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## 10. Investments

### *Short-term cash investments*

Short-term cash investments consist of money market placements with maturities of more than three (3) months up to one (1) year and earn annual interest at the respective short-term investment rates, as follows:

<u>(in Php Millions)</u>	<u>Jun 30, 2022</u>	<u>Dec 31, 2021</u>
Philippine Peso	<b>1.00% to 1.25%</b>	1.00% to 4.00%

The following are the breakdown of investment in financial asset at amortized cost and FVOCI

	<u>Jun 30, 2022</u>
Investment at amortized cost	₱41,942
Investment at fair value through other comprehensive income	124

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## 11. Receivables

This account consists of:

Installment contracts receivable	₱43,237
Accrued interest receivable	454
,Accrued rent receivable	12,499
Accounts receivable	
Tenants	4,251
Buyers	165
Contractors	5,904
Brokers	139
Suppliers	2,069
Others	1,560
	<u>70,278</u>
Less: Allowance for impairment losses	531
Total Receivables	<u>69,747</u>
Less: Noncurrent portion at amortized cost	<u>16,558</u>
	<u>₱53,189</u>

### Installment contracts receivable

Installment contracts receivable consist of accounts collectible in equal monthly installments with various terms up to a maximum of fifteen (15) years. These are carried at amortized cost. The corresponding titles to the subdivision or condominium units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. The installment contracts receivable are interest-bearing except for those with installment terms within two years. Annual interest rates on installment contracts receivables range from 12.00% to 19.00%.

### Accounts Receivable

The accounts receivables are noninterest-bearing and collectible within one year.

This consists of the following:

#### *Receivable from tenants*

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

#### *Receivable from buyers*

Receivables from buyers mainly consist of receivables from buyers of real estate arising from penalties for late payments. These are non-interest bearing and are due and demandable.

#### *Receivable from contractors*

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

#### *Receivable from brokers*

Receivable from brokers are cash advances for operating use. These are applied to subsequent commission payout to brokers.

#### *Receivable from suppliers*

Receivable from suppliers are advance payments for the purchase of construction materials. These will be applied to billings for deliveries made within one year from financial reporting date.

#### *Others*

Other receivables consist mainly of receivables from various individuals and private entities and other nontrade receivables. These are non-interest bearing and are due and demandable.

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## **12. Real Estate Inventories**

This account consists of:

Subdivision land for sale and development	₱41,322
Condominium units for sale and development	7,144
Residential house units for sale and development	1,209
Construction materials and others	2,271
	<u>₱51,945</u>

The real estate inventories are carried at cost. There is no allowance to recognize amounts of inventories that are lower than cost.

Subdivision land for sale and development represents real estate subdivision projects in which the Group has been granted license to sell by the Housing and Land Use Regulatory Board of the Philippines. It also includes raw land inventories that are under development and those that are about to undergo development.

Construction materials pertain to supplies, such as but not limited to steel bars, cement, plywood and hollow blocks, used in the construction and development. These are to be utilized within one year and included in the cost of real estate inventories upon utilization.

Real estate inventories recognized as cost of sales are included as cost of real estate sales in the consolidated statements of comprehensive income. Cost of real estate sales includes acquisition cost of subdivision land, amount paid to contractors, development costs, capitalized borrowing costs and other costs attributable to bringing the real estate inventories to its intended condition.

Except as stated, there are no other real estate inventories used as collateral or pledged as security to secure the borrowings of the Group.

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### 13. Other Current Assets

This account consists of:

Input VAT	₱2,506
Creditable withholding taxes	2,972
Prepaid expenses	342
Restricted cash	148
Others	3
	₱5,971

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

Creditable withholding taxes pertain to taxes withheld by the customer and are recoverable and can be applied against income tax in future periods.

Prepaid expenses mainly include prepayments for marketing fees, taxes and licenses, rentals and insurance.

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### 14. Investment Properties

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

As of March 31, 2022, the construction in progress represents capitalized costs arising from construction of commercial centers that are located in Davao, Sto. Tomas, Las Pinas, Pampanga, Mactan, Tacloban and Subic which are due to be completed in 2021 to 2022.

Investment properties with carrying value of ₱803.56 million and ₱4,548 million are used to secure the bank loans of the Group as of June 30, 2022 and December 31, 2021, respectively.

The fair value of the investment properties used as collateral amounted to ₱2,943.62 million and ₱36,092 as of June 30, 2022 and December 31, 2021.

#### Loss from Fire

On January 8, 2022, a fire hit Star Mall Alabang in Muntinlupa City, a profit center of MC, which caused a damage estimated to be ₱820.73 million, which is equivalent to the carrying amount of the destroyed properties. Mall operations has stopped following the fire incident. Accordingly, MC has filed insurance claim to recover the losses.

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## 15. Project Development Costs

Project development costs mainly pertain to advances to a related party, covered by memorandum of agreement for the purchase of socialized housing units. The requirement for socialized housing units is required by the Housing and Land Use Regulatory Board (HLURB). These advances are recouped upon receipt of the socialized housing units from the related party.

The accounts also includes deposits, cash advances and other charges in connection with joint venture agreements and memorandum of agreements entered into by the Group with individuals, corporate entities and related parties for the development of real estate projects. These agreements provide, among others, the following: a) the Group will undertake the improvement and development of the real estate project within a certain period, subject to certain conditions to be fulfilled by the real estate property owner; and b) the parties shall divide among themselves all saleable inventory and commercial development of the real estate project in accordance with the ratio mutually agreed. The real estate projects are in various stages of development from planning to ongoing construction.

On December 23, 2019, the Group entered into a Memorandum of Agreement with Bria Homes, Inc. that stipulated the allocated socialized housing units to the Group from the latter's ongoing and new projects.

On December 21, 2020, the Group executed a Memorandum of Understanding with Bria Homes, Inc. that stipulated the final settlement of advances made through delivery of socialized housing credits from its ongoing projects under different documentation stages.

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## 16. Other Noncurrent Assets

This account consists of:

Deposits	₱742
Model house accessories at cost	159
Systems development costs - net of accumulated amortization	39
Other assets	39
	<u>₱978</u>

Deposits include deposits for real estate purchases and deposits to utility companies which will either be applied or recouped against future billings or refunded upon completion of the real estate projects. These deposits are necessary for the continuing construction and development of real estate projects of the Group.

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## 17. Accounts and Other Payables

This account consists of:

Current portion of liabilities of purchased land	₱1,467
Accounts Payable:	
Contractors	1,473
Suppliers	2,076
Buyers	1,246
Incidental Costs	2,072
Accrued Expenses	1,469
Commission Payable	1,963
Retention Payable	1,204
Deferred output tax	962
Other payables	1,818
	<u>₱15,750</u>

#### *Current portion of liabilities for purchased land*

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

#### *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 - 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 - buyers*

Accounts payable - buyers pertain to refunds arising from the cancellation of contract to sell agreement which is determined based on the required refund under the Maceda Law.

#### *Accounts payable - incidental costs*

Accounts payable - incidental costs pertain to liabilities incurred in relation to land acquisitions. This includes payable for titling costs, clearing, security and such other additional costs incurred.

#### *Accrued expenses*

Accrued expenses consist mainly of accruals for project cost which are incurred but not yet billed, interest on bonds and bank loans, light and power, marketing costs, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, security and insurance. These are noninterest-bearing.

#### *Current portion of deferred output tax*

Deferred output tax pertains to the VAT charged to the buyers on installment upon contracting of real estate sale but were not yet collected as of reporting date. Further, upon collection of the installment receivables, the equivalent output tax from collected installment receivables are included in the current VAT payable of the month when collection is made. Deferred output VAT pertaining to installment receivables that are beyond one year after report date are presented as noncurrent liabilities.

#### *Commissions payable*

Commissions payable pertain to fees due to brokers for services rendered which are expected to be settled within one year.

#### *Current portion of retention payable*

Retention payable pertains to 10.00% retention from the contractors' progress billings which will be released after the completion of contractors' project. The 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.

#### *Other payables*

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

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## 18. Security Deposits and Advance Rent

This account consists of:

Current portion of security deposits	₱1,021
Current portion of advance rent	935
	<u>₱1,956</u>

### *Current portion of security deposits*

Security deposits represent deposits required by lease agreements. These can be recovered upon termination of the lease agreement through refund or application to unpaid rent and/or other charges. Security deposit also include bond deposits of homeowners for their house extension, fence construction and landscaping works which will be refunded after considering any charges. Current portion are those to be settled within one year from financial reporting date.

### *Current portion of advance rent*

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

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## 19. Bank Loans and Loans Payable

### *Bank Loans*

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

Details follow:

	Bank Loans	Loans Payable
Parent company	₱57,494	₱–
Subsidiaries	456	3,841
	57,950	3,841
Less current portion	8,029	3,142
	<u>₱49,921</u>	<u>₱699</u>

In January 2022, the Parent Company obtained short term loans from local banks totaling ₱2,800.00 million at a fixed interest rate of 3.80% to 4.00% per annum. The loans will be used to support general corporate purposes and are secured by the Group's investments at amortized cost as collateral.

In June 2021, the Parent Company obtained a 5-year unsecured peso denominated loan amounting to ₱5,000.00 million which bears annual fixed interest of 4.75%, payable quarterly. The principal balance of the loan will be paid in 20 equal quarterly installments commencing on the second interest payment date subject to prepayment option.

In May 2021, the Parent Company obtained a 5-year unsecured peso denominated loan amounting to ₱2,500.00 million which bears annual fixed interest of 4.75%, payable quarterly. The principal balance of the loan will be paid in 16 equal quarterly installments commencing on the fifth interest payment date subject to prepayment option.

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



The Parent Company is required to maintain at all times the following ratios: current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. The bank loan also includes a change of control provision wherein a material change of ownership of the major shareholder is not permitted during the term of the liability.

In October 2019, the Parent Company obtained an additional 5-year unsecured peso denominated loan amounting to ₱3,000.00 million which bears annual fixed interest of 5.26%, payable quarterly. The principal balance of the loan will be paid in 19 equal quarterly installments that commenced on November 2019.

On May 6, 2019, the Parent Company obtained a 5-year unsecured peso denominated loan from a local bank amounting to ₱2,000.00 million which bears annual fixed interest of 7.146%. The principal balance of the loan will be paid in twenty (20) equal quarterly installments. The loan requires the Company 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.

On various dates in 2019, the Parent Company obtained various peso-denominated bank loans amounting to ₱5,000.00 million from different local banks with fixed interest-rates ranging from 5.88% to 7.98% per annum. These bank loans are renewable upon maturity subject to change in interest rates and/or hold-out amount of the investments at amortized cost of VII. These loans are secured by hold-out of the investments at amortized cost of VII amounting to US\$105.21 million.

On April 16, 2018, the Parent Company obtained a 7-year unsecured peso denominated loan from a local bank amounting ₱5,000.00 million which bears annual fixed interest rate of 6.9943%. The principal balance of the loan will be paid in twenty five (25) equal quarterly installments commencing on the fourth interest payment date. The loan requires the Company to comply with certain covenants such as change of control provision wherein a material change of ownership of the major shareholder is not permitted and to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a debt-service coverage ratio (DSCR) of at least 1.00:100. These were complied with by the Group as at June 30, 2022.

#### *Loans Payable*

Loans payable pertains to the remaining balance of “Installment contracts receivable” of subsidiaries that were sold on a with recourse basis. These loans bear annual fixed interest rates ranging from 6.00% to 8.00% as at June 30, 2022, payable on equal monthly installments over a maximum period of 3 to 15 years. Other than the installment contracts receivable that serve as collateral, the loans payable has no other restrictions, requirements or covenants.

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## 20. Notes Payable

This account consists of:

Dollar denominated bonds	₱42,304
Retail bonds	24,864
Corporate note facility	28,538
	95,706
Less current portion	25,117
	<u>₱70,589</u>

## Dollar Denominated Bonds

### US\$420.00 million Notes (Due July 2027)

On May 17, 2021, VII (the Issuer) issued US\$170.00 million notes (“Notes”) with a term of six years from initial drawdown date. The interest rate is 7.25% per annum, payable semi-annually in arrears on January 20 and July 20 of each year beginning on January 20, 2022. The Notes were used to refinance existing debt as a result of liability management exercise and excess proceeds were used to refinance existing debt and for general corporate purposes. There are no properties owned by the Group that were pledged as collateral to this note.

On June 1, 2021, VII issued an additional US\$50.00 million unsecured note, with similar terms and conditions as the above notes. There are no properties owned by the Group that were pledged as collateral to this note.

On July 20, 2020, the Company’s wholly-owned subsidiary, VLL International, Inc. (the Issuer) issued US\$200.00 million notes (“Notes”) with a term of seven years from initial draw down date. The interest rate is 7.25% per annum payable semi-annually in arrears on January 20 and July 20 of each year. The proceeds will be used to refinance existing indebtedness, purchase, develop, construct or improve assets, property and equipment, and for general corporate purposes. There are no properties owned by the Group that were pledged as collateral to this note.

On May 17, 2021, the Company’s wholly-owned subsidiary, VLL International, Inc. (the “Issuer”) issued a US\$170.00 million re-opening (the “New Notes”) of the Issuer’s existing US\$200.00 million 7.25% senior guaranteed notes due July 2027 (the “Existing Notes”). The New Notes upon issue will be immediately fungible with the Existing Notes, will form a single series with the Existing Notes and take the total issuance price of the series to US\$370.00 million.

The New Notes was issued at a re-opening yield of 6.50%, plus accrued interest from (and including) January 20, 2021 to (but excluding) May 17, 2021, (the “Settlement Date”), and a re-opening price of 103.752%.

On May 25, 2021, Company’s wholly-owned subsidiary, VLL International, Inc. (the “Issuer”), has topped its senior guaranteed notes with a fresh issuance of U.S.\$50,000,000 via a private placement (the “New Notes”), pursuant to the Issuer’s U.S.\$2,000,000,000 Medium Term Note Programme.

The New Notes, upon issue, will be consolidated and form a single series with the U.S.\$370,000,000 7.25% Senior Guaranteed Notes Due 2027, and take the total issuance size of the series to U.S.\$ 420,000,000.

#### *Redemption at the option of the issuer*

At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes on any business day or after July 20, 2024 and up to but excluding the Maturity date, the Issuer may on one or more occasions redeem all or part of the Notes, at the redemption price (expressed in percentages of principal amount on the date of redemption), plus accrued and unpaid interest, if any, to (but not including) the date of redemption, if redeemed during the 12-month period commencing on July 20 of the years set forth below:

<u>Period</u>	<u>Price</u>
2024	103.6250%
2025	101.8125%
2026 and thereafter	100.0000%

### *Covenants*

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x. These were complied with by the Group as at June 30, 2022.

### US\$350.00 million Notes (Due November 2024)

On November 28, 2017, VII (the Issuer) issued US\$350.00 million (₱17,724.00 million) notes (“Notes”) with a term of seven years from initial draw down date. The interest rate is 5.75% per annum payable semi-annually in arrears on May 28 and November 28 of each year beginning on November 28, 2017. Said notes were used to fund tender offer for existing Notes due October 4, 2018 and April 29, 2019. Some of the proceeds was used to refinance existing debt and for general corporate purposes. There are no properties owned by the Group that were pledged as collateral to this note.

### *Redemption at the option of the issuer*

At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes on any business day or after November 28, 2021 and up to but excluding the Maturity date, the Issuer may on one or more occasions redeem all or part of the Notes, at the redemption price (expressed in percentages of principal amount on the date of redemption), plus accrued and unpaid interest, if any, to (but not including) the date of redemption, if redeemed during the 12-month period commencing on November 28 of the years set forth below:

<u>Period</u>	<u>Price</u>
2021	102.8750%
2022	101.4375%
2023 and thereafter	100.0000%

### *Covenants*

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma (Fixed Charge Coverage Ratio) FCCR of not less than 2.25x. These were complied with by the Group as at June 30, 2022.

### US\$425.00 million Notes (Due June 2022)

On June 18, 2015, VII (the Issuer) issued US\$300.00 million (₱13,541.40 million) notes (“Notes”) with a term of seven years from initial draw down date. The interest rate is 7.375% per annum payable semi-annually in arrears on June 18 and December 17 of each year beginning on December 17, 2015. Said notes were used to refinance notes issued October 2013 due 2018 and April 2014 due 2019. As of June 30, 2022, the debt is fully paid.

On February 2, 2016, an additional unsecured note, with the same terms and conditions with the above notes, were issued by the Group amounting to USD\$125.00 million (₱5,996.25). The notes were issued at 102% representing a yield to maturity of 6.979%. There are no properties owned by the Group that were pledged as collateral to this note.

### *Redemption at the option of the issuer*

At any time, the Issuer may on any one or more occasions redeem all or a part of the Notes, by giving notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, the date of redemption, subject to the rights of the person in whose name the Note is registered on the relevant record date to receive interest due on the relevant interest payment date.

### *Covenants*

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma FCCR of not less than 2.5x. These were complied with by the Group as at June 30, 2021.

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, the Issuer announce 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 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. The consent solicitation cost amounted to US\$1.95 million.

### Peso Retail Bonds

#### 2019 Fixed-rate Peso Retail Bonds

On December 18, 2019, the Parent Company (the Issuer) issued an unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱10,000.00 million. The proceeds of the issuance were used to fund the construction and completion of the various malls and condominium projects, redevelopment of existing malls, as well as general corporate purposes. The issue costs amounted ₱91.07 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The offer is comprised of 5-year Retail Bonds due on June 18, 2025 with interest rate of 5.70% per annum. This is the third and last tranche offered out of the shelf registration of Peso Retail Bonds in the aggregate principal amount of up to ₱20,000.00 million and initial tranche offered out of the shelf registration of Retail Bonds in the aggregate principal amount of up to ₱30,000.00 million to be offered within a period of three (3) years. Interest on the Retail Bonds is payable quarterly in arrears starting on March 18, 2020, for the first interest payment date and on June 18, September 18, December 18 each year for each subsequent payment date.

As of June 30, 2022, outstanding balance of the Retail Bonds amounted to ₱9,947 million.

#### *Redemption at the option of the Issuer*

The Issuer may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Issuer shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

- i. Three (3) years from issue date at early redemption price of 101.00%
- ii. Four (4) years from issue date at early redemption price of 100.50%

### *Covenants*

The Retail Bonds provide for the Issuer to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Issuer 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 the Group as at June 30, 2022.

### 2018 Fixed-rate Peso Retail Bonds

On December 21, 2018, the Group issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱10,000.00 million. The proceeds of the issuance was used to fund the construction and completion of the various malls and for general corporate purposes. There are no securities pledged as collateral for these bonds. The issue costs amounted to ₱130 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The offer is comprised of 5-year fixed rate bonds due on December 21, 2023 and 7-year fixed rate bonds due on December 21, 2025 with interest rates of 8.00% and 8.25% per annum, respectively. This is the second tranche offered out of the shelf registration of fixed rate bonds in the aggregate principal amount of up to ₱20,000.00 million to be offered within a period of three (3) years. Interest on the Retail Bonds is payable quarterly in arrears starting on March 21, 2019 for the first interest payment date and on March 21, June 21, September 21 and December 21 each year for each subsequent payment date.

As of June 30, 2022, outstanding balance of the bonds amounted to ₱9,944 million.

#### *Redemption at the option of the issuer*

The Issuer may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Issuer shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

#### Five Year Bonds:

- i. Three (3) years from issue date at early redemption price of 101.00%
- ii. Four (4) years from issue date at early redemption price of 100.50%

#### Seven Year Bonds:

- i. Five (5) years from issue date at early redemption price of 101.00%
- ii. Six (6) years from issue date at early redemption price of 100.50%

#### *Covenants*

The Retail Bonds provide for the Group to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Group 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 the Group as at June 30, 2022.

### 2017 Fixed-rate Peso Retail Bonds

On August 8, 2017, the Group issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱5,000.00 million. The proceeds of the issuance was used to partially finance certain commercial development projects of the Group and for general corporate purposes. There are no securities pledged as collateral for these bonds. The issue costs amounted to ₱64.87 million.

The offer is comprised of 7-year fixed rate bonds due on August 8, 2024 and 10-year fixed rate bonds due on August 9, 2027 with interest rates of 5.75% and 6.23% per annum, respectively. This is the initial tranche offered out of the shelf registration of fixed rate bonds in the aggregate principal amount of up to ₱ 20,000.00 million to be offered within a period of three (3) years. Interest on the Retail Bonds is payable quarterly in arrears starting on November 8, 2017 for the first interest payment date and on February 8, May 8, August 8 and November 8 each year for each subsequent payment date.

As of June 30, 2022, outstanding balance of the bonds amounted to ₱4,971 million.

*Redemption at the option of the issuer*

The Issuer may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Issuer shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

Seven Year Bonds:

- i. Five (5) years and six (6) months from issue date at early redemption price of 101.00%
- ii. Six (6) years from issue date at early redemption price of 100.50%

Ten Year Bonds:

- i. Seven (7) years from issue date at early redemption price of 102.00%
- ii. Eight (8) years from issue date at early redemption price of 101.00%
- iii. Nine (9) years from issue date at early redemption price of 100.50%

*Covenants*

The Retail Bonds provide for the Group to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds requires the Group 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 the Group as at June 30, 2022.

2014 Fixed-rate Peso Retail Bonds

On May 9, 2014, the Parent Company issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱5,000.00 million. The proceeds of the issuance was used to partially finance certain commercial development projects of CPI and its subsidiaries. The issue costs amounted to ₱114.15 million.

The offer is comprised of 5-year fixed rate bonds due on November 9, 2019 and 7-year fixed rate bonds due on May 9, 2021 with interest rate of 5.65% and 5.94% per annum, respectively. Interest on the Retail Bonds is payable quarterly in arrears starting on August 9, 2014 for the first interest payment date and on February 9, May 9, August 9 and November 9 each year for each subsequent interest payment date.

The Retail Bonds shall be repaid at maturity at par plus any outstanding interest, unless the Parent Company exercises its early redemption option.

The bonds were fully paid on May 9, 2021.

*Redemption at the option of the issuer*

The Group may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Group shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

Five Year Bonds:

- i. Three (3) years and six (6) months from issue date at early redemption price of 101.00%
- ii. Four (4) years from issue date at early redemption price of 100.50%

Seven Year Bonds:

- i. Five (5) years and six (6) months from issue date at early redemption price of 101.00%
- ii. Six (6) years from issue date at early redemption price of 100.50%

### *Covenants*

The Retail Bonds provide for the Group to comply with certain covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. The Retail Bonds require the Group to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 1.50:1.00 and a DSCR of at least 1.00:100. These were complied with by the Group as of June 30, 2022.

### Corporate Note Facility

#### a. ₱15,000.00 million Corporate Notes (Due July 2024)

On July 15, 2019, the Parent Company (the Issuer) entered into a Corporate Notes Facility Agreement for the issuance of a long term corporate notes consisting of Five-Year Corporate Notes due 2024 amounting to ₱14,500.00 million at a fixed rate of 7.125% per annum.

The proceeds of the corporate notes were utilized for the 2019 capital expenditures for commercial property projects, and to fund other general corporate expenses.

The corporate notes provide early redemption at the option of the Issuer as follows:

Five Year Notes:

<u>Early Redemption Date</u>	<u>Early Redemption Amount</u>
3th anniversary from issue date and interest payment thereafter	101.00%
4th anniversary from issue date and interest payment thereafter	100.50%

As part of the issuance of the corporate notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc., Communities Philippines, Inc., Vistamalls, Inc. and Vista Residences Inc.

### *Covenants*

The Corporate Notes Facility requires the Parent Company to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law. The Parent Company is also required to maintain at all times the following financial ratios: current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at June 30, 2022.

#### b. ₱8,200.00 million Corporate Notes (Due July 2025 and 2028)

On July 11, 2018, the Parent Company (the Issuer) 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 25, 2018, an additional issuance of Corporate Notes was made in the amount of ₱500.00 million due 2025, at a fixed interest of 7.4985% per annum.

The proceeds of the corporate notes were utilized for the 2018 capital expenditures for commercial property projects, and to fund other general corporate expenses.

The corporate notes provide early redemption at the option of the Issuer as follows:

a. Seven Year Notes:

Early Redemption Date	Early Redemption Amount
5th anniversary from issue date and interest payment thereafter	101.00%
6th anniversary from issue date and interest payment thereafter	100.50%

b. Ten Year Notes:

Early Redemption Date	Early Redemption Amount
7th anniversary from issue date and interest payment thereafter	102.00%
8th anniversary from issue date and interest payment thereafter	101.00%
9th anniversary from issue date and interest payment thereafter	100.50%

As part of the issuance of the corporate notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc. Communities Philippines, Inc. Starmalls, Inc. and Vista Residences, Inc.

*Covenants*

The Corporate Notes Facility requires the Parent Company to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law. The Parent Company is also required to maintain at all times the following financial ratios: Current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. These were complied with by the Group as at June 30, 2022.

c. ₱10,000.00 million Corporate Notes (Due December 2026)

On December 28, 2016, the Parent Company (the Issuer) 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 ₱8,000.0 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. Such amendments were consented by Note Holders representing at least fifty one percent (51%) of the outstanding corporate notes.

On April 27, 2017, the Group made such amendments to the Corporate Note Facility dated December 28, 2016. The first drawdown was at ₱5,150.00 million in 2016. On May 3, 2017, the Issuer made its second drawdown at ₱4,850.00 million, at fixed interest of 6.23% per annum, payable quarterly.

The proceeds of the Corporate Notes were utilized for the 2017 capital expenditures, refinancing of existing indebtedness and to fund other general corporate expenses. The issue cost amounted to ₱38.72 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.



The corporate notes provide early redemption at the option of the Issuer as follows:

Early Redemption Date	Early Redemption Amount
7 <sup>th</sup> anniversary from issue date and interest payment thereafter	102.00%
8 <sup>th</sup> anniversary from issue date and interest payment thereafter	101.00%
9 <sup>th</sup> anniversary from issue date and interest payment thereafter	100.50%

As part of the issuance of the corporate notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc. Communities Philippines, Inc. Starmalls, Inc. and Vista Residences, Inc.

#### *Covenants*

The Corporate Notes Facility requires the Parent Company to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law. The Parent Company is also required to maintain at all times the following financial ratios: Current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. No dividends may be declared or paid if the Parent Company is in default and it will not provide any loans or advances to third parties nor issue guarantees other than the benefit of any of its subsidiaries and in the ordinary course of business. These were complied with by the Parent Company as at June 30, 2022.

#### d. ₱6,000.00 million Corporate Notes (Due December 2027)

On March 31, 2022, the Parent Company (the Issuer) entered into a Five Year Corporate Notes Facility amounting to ₱6,000.0 million. The Parent Company made an initial drawdown of ₱4,000.0 million at a fixed interest rate of 6.6416% per annum.

The proceeds of the corporate notes were utilized for the purpose of refinancing existing or maturing short term obligation and for other general corporate purposes. The principal balance of the loan will be paid in 18 equal quarterly installments. Certain subsidiaries of the Parent Company acted as guarantors of the Parent Company. No fees are charged for these guarantee agreements.

The corporate notes provide early redemption at the option of the Issuer as follows:

Early Redemption Date	Early Redemption Amount
3 <sup>rd</sup> anniversary from issue date and interest payment thereafter	102.00%
4 <sup>th</sup> anniversary from issue date and interest payment thereafter	101.00%

As part of the issuance of the corporate notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc. Communities Philippines, Inc. Starmalls, Inc. and Vista Residences, Inc.

#### *Covenants*

The Corporate Notes Facility requires the Parent Company to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law. The Parent Company is also required to maintain at all times the following financial ratios: Current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. No dividends may be declared or paid if the Parent Company is in default and it will not provide any loans or advances to third parties nor issue guarantees other than the benefit of any of its subsidiaries and in the ordinary course of business. These were complied with by the Parent Company as at June 30, 2022.

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## 21. Other Noncurrent Liabilities

This account consists of:

Liabilities for purchased land – net of current portion	₱1,479
Retention payable - net of current portion	413
Deferred output tax - net of current portion	885
Security deposits - net of current portion	28
Advance rent - net of current portion	24
	<u>₱2,828</u>

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## 22. Equity

### Capital Stock

The details of the Parent Company's capital stock follow:

	Jun 30, 2021	Dec 31, 2021
<i><u>Common</u></i>		
Authorized shares	17,900,000,000	17,900,000,000
Par value per share	₱1.00	₱1.00
Issued shares	13,114,136,376	13,114,136,376
Treasury shares	(₱7,740,264,387)	(₱7,740,264,387)
Value of shares issued	₱13,114,136,376	₱13,114,136,376
<i><u>Preferred Series 1</u></i>		
Authorized shares	10,000,000,000	8,000,000,000
Par value per share	₱0.01	₱0.01
Issued shares	3,300,000,000	3,300,000,000
Value of shares issued	₱33,000,000	₱33,000,000
<i><u>Preferred Series 2</u></i>		
Authorized shares	200,000,000	200,000,000
Par value per share	₱0.10	₱0.10
Issued shares	-	-
Value of shares issued	₱-	₱-

### *Common shares*

In February 2016, the Parent Company issued 459.24 million new common shares out of the unissued portion of its authorized capital stock at issue price of ₱7.15 per share or ₱3,283.60 million, out of which additional paid-in capital amounted to ₱2,824.35 million (Note 7).

In November 2015, the Securities and Exchange Commission approved the increase in the authorized capital stock of the Company from ₱12,000,000,000 divided into: (i) 11,900,000,000 common shares with par value of ₱1.00 per share, or an aggregate par value of ₱11,900,000,000; and (ii) 10,000,000,000 preferred shares with par value of ₱0.01 per share, or an aggregate par value of ₱100,000,000, to 18,000,000,000 divided into: (i) 17,900,000,000 common shares with par value of ₱1.00 per share, or an aggregate par value of ₱17,900,000,000; and (ii) 10,000,000,000 preferred shares with par value of ₱0.01 per share, or an aggregate par value of ₱100,000,000.

As of December 31, 2016, the Company issued 4,116,151,139 common shares out of the increase in the authorized capital stock. The issuance of the common shares pertains to the Company's acquisition of Starmalls Group.

The common shares issued at ₱1.00 par value per share totaled ₱13,114,136,376 as of June 30, 2022.

### *Preferred shares*

On June 17, 2019, the Stockholders approved the reclassification of the unissued preferred capital stock of the Parent Company to create Two Hundred Million (200,000,000) non-voting, cumulative, non-participating, non-convertible and redeemable Series 2 preferred shares with par value of ₱0.10 each and the corresponding amendment of the Articles of Incorporation of the Parent Company. The Board likewise approved the shelf registration and listing of such Series 2 preferred shares.

The terms and conditions of any offering of the Series 2 preferred shares, including the dividend rate, redemption prices, and similar matters will be determined by the Board of Directors at a later date. None of these reclassified preferred shares are issued as of June 30, 2022.

On March 21, 2013, the Parent Company issued in favor of Fine Properties, Inc. (“Fine Properties”), 3,300.00 million new preferred shares out of the unissued portion of its authorized capital stock at par or an aggregate issue price of ₱33.00 million. The subscription price was fully paid on the same date.

The preferred shares are voting, non-cumulative, non-participating, non-convertible and non-redeemable. The BOD may determine the dividend rate which shall in no case be more than 10% per annum.

### Registration Track Record

On July 26, 2007, the Parent Company launched its follow-on offer where a total of 8,538,740,614 common shares were offered at an offering price of ₱6.85 per share. The registration statement was approved on June 25, 2007. After the listing in 2007, there have been subsequent issuances on November 10, 2015 and December 22, 2015 covering a total of 4,116,151,139 shares. The Parent Company has 944 and 949 existing certified shareholders as of periods June 30, 2022 and December 31, 2021, respectively.

### Treasury Shares

Treasury shares (416,128,700) as of June 30, 2022 of the Parent Company amounting to P2,362 million represents the shares of stock held by the Parent Company, while treasury shares (752,208,215) amounting to P5,378 million represents Parent Company stocks held by Manuela. These treasury shares are recorded at cost.

On November 5, 2018, the BOD of the Parent Company approved the extension of the Share Buyback Program up to November 5, 2020 subject to the prevailing market price at the time of the buyback over a 24-month period but subject to periodic review by the management.

On March 17, 2015, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total purchase price of ₱1.5 billion subject to the prevailing market price at the time of the buyback over a 24-month period but subject to periodic review by the management.

On June 15, 2011, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total purchase price of ₱1.5 billion subject to the prevailing market price at the time of the buyback over a 24-month period but subject to periodic review by the management. The treasury stocks acquired represent 133,910,000 common shares that amounted to ₱509.61 million.

On January 3, 2013, the Parent Company sold, as authorized by the BOD, all of its existing 133,910,000 treasury shares at ₱4.75 per share or ₱636.07 million. The cost of the treasury shares and the related additional paid-in capital recognized in 2013 amounted to ₱509.61 million and ₱126.47 million, respectively.

### Retained Earnings

On September 30, 2021, the BOD of the Parent Company approved the declaration of a regular cash dividend amounting ₱298.64 million or ₱0.0250 per share, in favor of all stockholders of record as at October 15, 2021, which was paid on October 29, 2021.

On September 30, 2020, the BOD of the Parent Company approved the declaration of a regular cash dividend amounting ₱597.29 million or ₱0.0500 per share, in favor of all stockholders of record as at October 16, 2020, which was paid on October 30, 2020.

On September 30, 2019, the BOD of the Parent Company approved the declaration of a regular cash dividend amounting ₱3,160.86 million or ₱0.2646 per share, in favor of all stockholders of record as at October 16, 2019, which was paid on October 31, 2019.

On September 28, 2018, the BOD of the Parent Company approved the change of dividend policy from an annual cash dividend payment ratio of approximately 20% of its consolidated net income from preceding fiscal year to a minimum of 20% of its consolidated net income from preceding fiscal year.

### Non-controlling interest

In 2016, the Vista Group acquired additional 750,265,955 shares of Vistamalls (formerly Starmalls, Inc.) for a total consideration of ₱3,383.70 million. The transaction was accounted for as an equity transaction since there was no change in control. The movements within equity are accounted as follows:

FV of consideration paid	₱3,383,699,457
BV of shares	1,500,705,403
Difference charged to equity	1,882,994,054
Attributable to OCI	119,711,596
Equity reserves recognized in additional paid in capital	₱1,763,282,458

### 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 lengthened the maturity profile of its debt portfolio and makes it a point 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 of June 30, 2022 and December 31, 2021, the Group had the following ratios:

	<b>Jun 30, 2022</b>	Dec 31, 2021
Current ratio	<b>229%</b>	248%
Debt-to-equity ratio	<b>131%</b>	147%
Net debt-to-equity ratio	<b>88%</b>	91%
Asset-to-equity ratio	<b>263%</b>	279%

As of June 30, 2022 and December 31, 2021, the Group had complied with all externally imposed capital requirements (Notes 20 and 21). No changes were made in the objectives, policies or processes for managing capital during the period ended June 30, 2022 and December 31, 2021.

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

Financial Risk Assessment

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

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Exposure to changes in interest rates is reduced by regularly availing of 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.

Exposure to foreign currency holdings are as follows:

	<u>Jun 30, 2022</u>
Cash and cash equivalents	785
Investments at amortized cost	41,942
Notes payable-net	42,304

Liquidity risk is addressed with long-term funding already locked in, while funds are placed on a short-term placement.

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**23. Parking, Hotel, Forfeitures, Mall Administrative and Processing Fees, and Other Revenue, Interest and Other Financing Charges**

This account consists of:

Mall administrative and processing fee	₱807
Parking	61
Hotel	42
Others	397
	<u>₱1,307</u>

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**24. Cost and Expenses**

*Cost of real estate sales*

Cost includes acquisition cost of subdivision land, construction and development cost and capitalized borrowing costs. Cost of real estate sales recognized for the period ended June 30, 2022 and 2021 amounted to ₱3,743 million and ₱2,992 million, respectively.

*Operating expenses*

Operating expenses represent the cost of administering the business of the Group. These are recognized when the related services and costs have been incurred.

*Miscellaneous expenses*

Miscellaneous expenses include dues and subscriptions, donations and other expenditures.

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## 25. Retirement Plan

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

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 Group immediately recognized to OCI any actuarial gains and losses.

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles with mandate of management. Union Bank's (UB) current strategic investment strategy consists of 9.36% of cash, 4.09% of investments in government securities, 85.73% of investment in private companies and 0.81% receivables.

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## 26. Income Tax

Provision for income tax consists of:

Current:	
RCIT/MCIT	₱75
Deferred	876
Final	1
	<u>₱952</u>

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.

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

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

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

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

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

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

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020.

The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

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

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

#### Board of Investments (BOI) Incentives

The BOI issued in favor of certain subsidiaries in the Group a Certificate of Registration as Developer of Mass Housing Projects for its 14 projects in 2019, 14 projects in 2018 and 43 projects in 2017, in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects have been granted an Income Tax Holiday for a period of either three years for new projects, or four years for expansion projects, commencing from the date of issuance of the Certificate of Registration.

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### **27. Lease liabilities**

The Group, as lessee, has lease contracts for parcels of land where its commercial centers are situated with the lease term of 11 - 27 years. Rental due is based on prevailing market conditions. Generally, the Group is not restricted from assigning and subleasing the leased assets.

The carrying value of right-of-use assets amounted to ₱4,416 million as of June 30, 2022.

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### **28. Related Party Transactions**

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

All publicly-listed and certain member companies of the Group have Material Related Party Transactions Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirement under Revised SRC Rule 68 and SEC Memorandum Circular 10, series 2019.

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

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

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## 29. Fair Value Determination

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Other valuation techniques involving inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

*Cash and cash equivalents short-term cash investments, accrued interest receivable, receivables from tenants, buyers and others, receivables from related parties and accounts and other payables except for deferred output VAT and other statutory payables:* Due to the short-term nature of the accounts, the fair value approximate the carrying amounts in the consolidated statements of financial position.

*Investments at FVOCI:* Fair values of equity securities are based on quoted market prices.

*Investments at amortized cost:* The fair value of these listed bonds is determined by reference to quoted market bid prices, at the close of business on the reporting date.

*Installment contracts receivable:* The fair value of installment contracts receivable due within one year approximates its carrying amount. Noncurrent portion of installment contracts receivable are discounted using the applicable discount rates for similar types of instruments. The discount rates used range from 5.03% to 19.00% and 2.90% to 19.00% as of June 30, 2022 and December 31, 2021, respectively.

*Bank loans, loans payable, notes payable and retention payable:*

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 ranged from 3.25% to 8.17% in June 30, 2022 and 3.29% to 10.75% in 2020 using the remaining terms to maturity.

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## 30. Financial Asset and Liabilities

### Financial Risk Management Objectives and Policies

#### *Financial risk*

The Group's principal financial liabilities comprise of bank loans, loans payable, notes payable, accounts and other payables (except for deferred output VAT and other statutory payables) 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 installment contracts receivables, cash and cash equivalents and short-term, long-term cash investments, investments at fair value through other comprehensive income and investments at amortized cost which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk.

The BOD reviews and approves with policies for managing each of these risks. The Group monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Group's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.



*Cash flow interest rate risk*

The Group's exposure to market risk for changes in interest rates, relates primarily to its financial assets and liabilities that are interest-bearing.

The Group's policy is to manage its interest cost by entering into fixed rate debts. The Group also regularly enters into short-term loans with its installment contracts receivables as collateral to cushion the impact of potential increase in loan interest rates.

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

	June 30, 2022		December 31, 2021	
	Effective Interest Rate	Amount	Effective Interest Rate	Amount
Financial assets				
<i>Fixed rate</i>				
Cash and cash equivalents (excluding cash on hand)	0.03% to 0.50%	7,477	0.03% to 0.50%	₱ 3,890
Short-term cash investments	1.00% to 4.00%	218	1.00% to 4.00%	336
Investment at amortized cost	0.39% to 10.82%	41,942	0.39% to 10.82%	49,817
Installment contracts receivable	2.44% to 19.00%	43,237	2.44% to 19.00%	41,235
		<b>₱92,874</b>		<b>₱95,278</b>
Financial liabilities				
<i>Fixed rate</i>				
Notes payable	5.70% to 8.25%	₱95,706	5.70% to 8.25%	₱107,930
Bank loans	3.25% to 8.17%	57,950	3.25% to 8.17%	56,992
Loans payable	2.22% to 6.50%	3,841	2.22% to 6.50%	3,780
Lease liabilities	5.55% to 10.66%	5,475	5.55% to 10.66%	5,436
		<b>₱162,972</b>		<b>₱174,138</b>

As of June 30, 2022 and December 31, 2021, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

*Foreign exchange risk*

The Group's foreign exchange risk is limited to certain USD denominated cash and cash equivalents, resulting primarily from movements of the Philippine Peso against the United States Dollar (USD). Below is the carrying amount of USD-denominated cash and cash and sensitivity analysis on exchange rate for effect on income before income tax.

Below are the carrying values and the amounts in US\$ of these foreign currency denominated financial assets and liabilities.

	June 30, 2022	
	Peso	US\$
Cash and cash equivalents	785	14
Investment at amortized cost	41,942	763
Notes payable	42,304	770

In translating the foreign currency- denominated monetary assets in peso amounts, the Philippine Peso - US dollar exchange rates as of June 30, 2022 and December 31, 2021 used were ₱54.98 to US\$1.00 and ₱51.00 to US\$1.00, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) as of June 30, 2022:

	June 30, 2022 (Unaudited)	
	Increase/Decrease in US Dollar rate	Effect on income before tax
Cash and cash equivalents	+1	14
	-1	(14)
Investments at amortized cost	+1	763
	-1	(763)
Notes payable	-1	770
	+1	(770)

The assumed movement in basis points for foreign exchange sensitivity analysis is based on the currently observable market environment, showing no material movements as in prior years.

There are no items affecting equity except for those having impact on profit or loss.

#### *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily installment contracts receivables and receivables from tenants) and from its investing activities, including deposits with banks and financial institutions.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Receivables and contract assets are regularly monitored.

In respect of installment contracts receivable from the sale of real estate inventories, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to credit risk is not significant given that title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed.

The Group evaluates the concentration of risk with respect to non-related party trade receivables as low, as its customers are located in several jurisdictions and various income brackets, and operate in largely independent markets.

Credit risk arising from receivable from tenants - third parties is primarily managed through a screening of tenants based on credit history and financial information submitted. Tenants are required to pay security deposits equivalent to 2 to 4-month lease payment to cover any defaulting amounts and advance rentals also equivalent to 2 to 4-month rent.

Credit risk arising from receivables from related parties is minimal as they have a low risk of default and have a strong capacity to meet their contractual cash flows in the near term.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk as of June 30, 2022 and December 31, 2021 is equal to the carrying values 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 2021.

#### *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 2021 and 2020.

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### **31. Commitments and Contingencies**

The Group has entered into several contracts with contractors for the development of its real estate properties. These contracts are due to be completed on various dates up to December 2021.

The progress billings are settled within one year from date of billings. These are unsecured obligations and carried at cost.

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.

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### **32. Other Matters**

#### Impact of the recent Coronavirus situation

The declaration of COVID-19 outbreak by the World Health Organization as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the Philippines starting March 16, 2020 have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

The Group has adjusted its operations in accordance with the required measures and safety protocols. In compliance with the Government's ECQ guidelines, malls, hotels, and other businesses, except those providing essential goods and services were temporarily closed. The mall buildings continued operations because these are occupied mostly by tenants providing essential services such as supermarkets, home improvement/appliance stores, drug stores, food establishments, financial services, and are located within or near Vista Land communities. The office buildings remained open during the lockdowns since BPO tenants are allowed to conduct their businesses onsite. Other office tenants, though they adopted work from home arrangements, continued to fulfill their rental payment obligations.

To date, commercial spaces have opened, and construction and real estate development activities have resumed at various level of activities following safety protocols mandated by the national government.

*Financial Soundness Indicator*

Below are the financial ratios that are relevant to the Group for the period ended June 30, 2022 and 2021 and as at June 30, 2022 and December 31, 2021.

		<u>Jun-30-2022</u>	<u>Dec-31-21</u>
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	2.29	2.48
Long-term debt-to-equity ratio	$\frac{\text{Long-term debt}^1}{\text{Equity}}$	1.03	1.18
Debt ratio	$\frac{\text{Interest bearing debt}^2}{\text{Total assets}}$	0.50	0.54
Debt to equity ratio	$\frac{\text{Interest bearing debt}}{\text{Total equity}}$	1.31	1.47
Net debt to equity	$\frac{\text{Net debt}^3}{\text{Total equity}}$	0.88	0.91
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.66	2.79
		<u>Jun-30-2022</u>	<u>Mar-31-21</u>
EBITDA to total interest	$\frac{\text{EBITDA}}{\text{Total interest}}$	1.49	1.96
Price Earnings Ratio	$\frac{\text{Market Capitalization}^4}{\text{Net Income}^5}$	1.47	5.65
Asset to liability ratio	$\frac{\text{Total assets}}{\text{Total liabilities}}$	1.61	1.62
Net profit margin	$\frac{\text{Net profit}}{\text{Revenue}}$	31%	34%
Return on assets	$\frac{\text{Net income}^5}{\text{Total assets}}$	6%	3.0%
Return on equity	$\frac{\text{Net income}^5}{\text{Total equity}}$	15%	7.8%
Interest Service Coverage Ratio <sup>6</sup>	$\frac{\text{EBITDA}}{\text{Total interest}}$	1.49	1.96

<sup>1</sup> Pertains to long term portion of the Bank loans and Notes Payable

<sup>2</sup> Includes Bank Loans and Notes Payable

<sup>3</sup> Interest bearing debt less Cash, Short-term and Long Term Cash Investments, Available-for-sale financial assets (excluding unquoted equity securities) & Held-to-Maturity Investments

<sup>4</sup> Based on closing price at June 30, 2022 and 2021

<sup>5</sup> Annualized

<sup>6</sup> Trailing EBITDA and Total Interest

**P5B Retail Bonds (2017)***Schedule and Use of Proceeds**As of June 30, 2022*

	<b>PER PROSPECTUS</b>	<b>ACTUAL</b>
Estimated proceeds from the sale of the Bonds	<u>5,000,000,000.00</u>	<u>5,000,000,000.00</u>
Less: Estimated expenses		
Arranger's Fee	25,000,000.00	25,589,000.00
Documentary Stamp Tax	25,000,000.00	25,000,000.00
SEC Registration Fee and Legal Research Fee	1,830,625.00	1,830,625.00
Publication Fee	150,000.00	329,961.60
Rating Agency Fee	3,360,000.00	3,250,000.00
Legal Fees (excluding OPE)	8,100,000.00	8,205,554.50
Listing Fee	300,000.00	300,000.00
Marketing and Signing Ceremony Expenses	300,000.00	419,409.14
Bond-related Expenses	3,942,000.00	3,950,000.00
	<u>67,982,625.00</u>	<u>68,874,550.24</u>
<b>Net proceeds to Vista Land &amp; Lifescapes, Inc.</b>	<u><b>4,932,017,375.00</b></u>	<u><b>4,931,125,449.76</b></u>
<b>Amortization of Bond Issue Cost</b>		40,078,603.94
<b>As of June 30, 2022</b>		<u><b>4,971,204,053.70</b></u>

Vista Land sold P5 billion of the Bonds. After issue-related expenses, actual net collection amounted to P4.931 billion.

**P10B Retail Bonds (2018)**  
*Schedule and Use of Proceeds*  
*As of June 30, 2022*

	<b>PER PROSPECTUS</b>	<b>ACTUAL</b>
Estimated proceeds from the sale of the Bonds	<u>10,000,000,000.00</u>	<u>10,000,000,000.00</u>
Less: Estimated expenses		
Arranger's Fee	50,000,000.00	50,000,000.00
Documentary Stamp Tax	75,000,000.00	75,000,000.00
SEC Registration Fee and Legal Research Fee	3,093,125.00	3,093,125.00
Publication Fee	150,000.00	526,730.40
Rating Agency Fee	3,360,000.00	3,500,000.00
Legal Fees (excluding OPE)	8,100,000.00	1,862,093.96
Listing Fee	200,000.00	-
Marketing and Signing Ceremony Expenses	-	223,034.00
Bond-related Expenses	100,000.00	1,650,000.00
	<u>140,003,125.00</u>	<u>135,854,983.36</u>
<b>Net proceeds to Vista Land &amp; Lifescapes, Inc.</b>	<u><b>9,859,996,875.00</b></u>	<u><b>9,864,145,016.64</b></u>
<b>Amortization of Bond Issue Cost</b>		80,304,820.47
<b>As of June 30, 2022</b>		<u><b>9,944,449,837.11</b></u>

Vista Land sold P10 billion of the Bonds. After issue-related expenses, actual net collection amounted to P9.860 billion.

**P10B Retail Bonds (2019)**  
*Schedule and Use of Proceeds*  
*As of June 30, 2022*

	<b>PER PROSPECTUS</b>	<b>ACTUAL</b>
Estimated proceeds from the sale of the Bonds	<u>10,000,000,000.00</u>	<u>10,000,000,000.00</u>
Less: Estimated expenses		
Arranger's Fee	50,000,000.00	73,684,210.53
Documentary Stamp Tax	75,000,000.00	75,000,000.00
SEC Registration Fee and Legal Research Fee	2,761,718.75	2,525,150.00
Publication Fee	150,000.00	556,604.50
Rating Agency Fee	3,360,000.00	5,821,428.57
Legal Fees (excluding OPE)	8,100,000.00	7,219,151.86
Listing Fee	200,000.00	-
Marketing and Signing Ceremony Expenses	-	219,054.54
Bond-related Expenses	300,000.00	10,100.00
	<u>139,871,718.75</u>	<u>165,035,700.00</u>
<b>Net proceeds to Vista Land &amp; Lifescapes, Inc.</b>	<u><b>9,860,128,281.25</b></u>	<u><b>9,834,964,300.00</b></u>
<b>Amortization of Bond Issue Cost</b>		112,844,023.30
<b>As of June 30, 2022</b>		<u><b>9,947,808,323.30</b></u>

Vista Land sold P10 billion of the Bonds. After issue-related expenses, actual net collection amounted to P9.860 billion.

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### *Results of operations covering 1st semester of 2022 vs. 1st semester of 2021*

#### Revenues

##### *Real Estate*

The Company recorded revenue from real estate sales of ₱8,809 million for the six months ended 30 June 2022, a decrease of 21% from ₱11,113 million for the six months ended 30 June 2021. This was primarily attributable to the decrease in the overall completion rate of sold inventories of all its business units as a result of the surge in the covid virus that slowed down construction activities in certain areas especially in the provincial area during the 1<sup>st</sup> quarter. We are also seeing the impact of the extended payment terms granted to buyers during the pandemic. The Company uses the Percentage of Completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties:

- Real estate revenue of Brittany increased by 193% to ₱660 million for the six months ended 30 June 2022 from ₱225 million in the same period last year. This increase was principally attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the high-end housing segment.
- Real estate revenue of Crown Asia increased by 74% to ₱296 million for the six months ended 30 June 2022 from ₱170 million for the six months ended 30 June 2021. This increase was principally attributable to the decrease in the number of sold homes completed or under construction in the Mega Manila area in the middle-income housing segment during the year.
- Real estate revenue of Communities Philippines decreased by 22% to ₱3,903 million for six months ended 30 June 2022 from ₱4,995 million for the six months ended 30 June 2021. This decrease was principally attributable to the decrease in the number of sold homes completed or under construction outside the Mega Manila area in the low and affordable housing segment during the period as a result of the various lockdown measures implemented in the provincial areas during the 1<sup>st</sup> quarter. The company was able to improve construction in the 2<sup>nd</sup> quarter as the lockdown status were lifted.
- Real estate revenue from Vista Residences decreased by 27% to ₱1,362 million for the six months ended 30 June 2022 from ₱1,872 million for the six months ended 30 June 2021. This decrease was principally attributable to the increase in the number of sold condominium units completed or under construction during the period. Vista Residences is the business unit of Vista Land that develops and sells vertical projects across the Philippines.
- Real estate revenue of Camella decreased by 33% to ₱2,588 million for the six months ended 30 June 2022 from ₱3,851 million for the six months ended 30 June 2021. This decrease was principally attributable to the decrease in the number of sold homes completed or under construction in the Mega Manila area in the low and affordable housing segment during the period. We are also seeing the impact of the extended payment terms granted to buyers during the pandemic.

##### *Rental income*

Rental income increased by 35% from ₱3,640 million for the six months ended 30 June 2021 to ₱4,935 million for the six months ended 30 June 2022. The increase was primarily attributable to higher occupancy and the increase in rates for the period including the upside from the higher sales of variable rental based tenants. In addition, a new mall was opened during the period Vista Mall Davao which contributed to the increase in the revenue.



### ***Interest income from installment contract receivable and investments***

Interest income from installment contract receivable and investments slightly increased by 2% from ₱965 million for the six months ended 30 June 2021 to ₱985 million for the six months ended 30 June 2022. The increase was primarily attributable the decrease in interest income from investments to ₱378 million offset by the increase in the interest income from installment contract receivables to ₱607 million for the six months ended 30 June 2022.

### ***Parking, hotel, forfeitures, mall administrative and processing fees and others***

Income from parking, hotel, forfeitures, mall administrative and processing fees and others increased by 13% from ₱1,156 million for the six months ended 30 June 2021 to ₱1,307 million for six months ended 30 June 2022. The increase was primarily attributable to the increase of 21% from income from mall administrative and processing fees to ₱807 million for the six months ended 30 June 2022 and the significant increase in parking fees to ₱61 million for the six months ended 30 June 2022 from just ₱20 million same period last year. Hotel operations also posted an increase of 12% to ₱42 million for the six months ended 30 June 2022.

### **Costs and Expenses**

Cost and expenses decreased by 19% to ₱7,973 million for the six months ended 30 June 2022 from ₱9,807 million for the six months ended 30 June 2021.

- Cost of real estate sales decreased by 28% from ₱5,166 million for the six months ended 30 June 2021 to ₱3,743 million for the six months ended 30 June 2022 primarily due to the decrease in the overall recorded sales of Vista Land's business units and cost savings from various cost saving initiatives implemented.
- Operating expenses decreased by 9% from ₱4,641 million for the six months ended 30 June 2021 to ₱4,230 million for the six months ended 30 June 2022 with increases of the following:
  - a decrease in advertising and promotion from ₱180 million for the six months ended 30 June 2021 to ₱95 million for the six months ended 30 June 2022 due to the impact of digital marketing and maximization of social media.
  - a decrease in occupancy costs from ₱341 million for the six months ended 30 June 2021 to ₱208 million for the six months ended 30 June 2022.
  - a decrease in commission from ₱491 million for the six months ended 30 June 2021 to ₱339 million in the six months ended 30 June 2022.

### **Interest and other financing charges**

Interest and other financing charges increased by 10% from ₱2,585 million for the six months ended 30 June 2021 to ₱2,840 million for the six months ended 30 June 2022. The increase was primarily attributable to the lower capitalization for the period.

### **Provision for Income Tax**

Provision for income tax increased by 46% from ₱650 million for the six months ended 30 June 2021 to ₱952 million for the six months ended 30 June 2022 primarily due to the higher taxable base for the period coming from the higher contribution of the commercial segment and higher income segment residential sales.

### **Net Income**

As a result of the foregoing, the Company's net income increased by 11% to ₱4,276 million for the six months ended 30 June 2022 from ₱3,840 million for the six months ended 30 June 2021.

For the 1st semester of 2022, except for the impact of the COVID-19 pandemic, there were no other 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.

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

## FINANCIAL CONDITION

### *As of June 30, 2022 vs. December 31, 2021*

Total assets as of 30 June 2022 were ₱309,055 million compared to ₱313,987 million as of 31 December 2021, or an decrease of 2% due to the following:

- Cash and cash equivalents including short term and long-term investments and investments at amortized costs decreased from ₱62,011 million as of 31 December 2021 to ₱49,652 million as of 30 June 2022 or a 20% decrease due primarily to the settlement of the USD 370 million debt in June.
- Receivables including current portions thereof decreased slightly by 2% from ₱71,234 million as of 31 December 2021 to ₱69,748 million as of 30 June 2022 due primarily to due to a collection for the period.
- Real estate inventories increased by 5% from ₱49,597 million as of 31 December 2021 to ₱51,945 million as of 30 June 2022 due to project launches during the period.
- Project development costs increased by 32% from ₱1,274 million as of 31 December 2021 to ₱1,681 million as of 30 June 2022 due to advances for the period.
- Property and equipment increased by 42% from ₱2,317 million as of 31 December 2021 to ₱3,294 million as of 30 June 2022 due to additions for the period.
- Pension assets increased by 6% from ₱283 million as of 31 December 2021 to ₱300 million as of 30 June 2022 due to actuarial adjustments.
- Other assets, cost to obtain contract including current portions thereof increased by 8% from ₱7,416 million as of 31 December 2021 to ₱7,720 million as of 30 June 2022 due primarily to increase in prepaid expenses during the period.

Total liabilities as of 30 June 2022 were ₱191,487 million compared to ₱201,460 million as of 31 December 2021, or an decrease of 5%. This was due to the following:

- Current portion of security deposits and advance rent increased by 13% from ₱1,729 million as of 31 December 2021 to ₱1,956 million as of 30 June 2022 due new tenants.
- Income tax payable decreased by 95% from ₱50 million as of 31 December 2021 to ₱3 million as of 30 June 2022 due to settlement for the period.
- Dividends payable decreased by 100% from ₱16 million as of 31 December 2021 to nil as of 30 June 2022 due to settlement for the period.
- Contract liabilities including non-current portion increased by 18% from ₱1,802 million as of 31 December 2021 to ₱2,122 million as of 30 June 2022 due increase in collection made from reservation sales and for projects awaiting constructions.

- Notes payable including current portion decreased by 11% from ₱107,931 million as of 31 December 2021 to ₱95,706 million as of 30 June 2022 due primarily to the payment of the dollar note amounting to USD 370 million in June.
- Deferred tax liabilities – net increased by 18% to ₱5,818 million as of 30 June 2022 from ₱4,935 million as of 31 December 2021 due to an increase in temporary difference that will result to a potential tax liability for the period.
- Other noncurrent liabilities decreased by 20% from ₱3,521 million as of 31 December 2021 to ₱2,818 million as of 30 June 2022 due primarily to the decrease in noncurrent portion of liabilities for purchase land, deferred output tax, and security deposits.

Total stockholder's equity increased by 4% from ₱112,527 million as of 31 December 2021 to ₱117,568 million as of 30 June 2022 due mainly to the net income recorded for the period.

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

Key Performance Indicators	06/30/2022	12/31/2021
Current ratio <sup>(a)</sup>	2.29:1	2.48:1
Liability-to-equity ratio <sup>(b)</sup>	1.63:1	1.79:1

	06/30/2022	06/30/2021
Interest expense/Income before	35.2%	36.5%
Interest expense <sup>(c)</sup>		
Return on assets <sup>(d)</sup>	3.1%	2.6%
Return on equity <sup>(e)</sup>	8.0%	7.0%

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 liability and equity a company is using to finance its business. It also measures a company's borrowing capacity.*

(c) *Interest expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before interest expense. 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 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 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 decreased due primarily due to the decrease in the current assets.

Liability-to-equity ratio decreased as the liabilities decreased due to the payment of the dollar notes.

Interest expense to Income before interest expense decreased due to the higher income before interest expense for the period compared to the same period last year.

Return on asset increased in the six months ended 30 June 2022 compared to that of the six months ended 30 June 2021 due to the higher annualized income for the 2022 and lower asset base.

Return on equity increased due primarily to the higher annualized income recorded for the period.

**Material Changes to the Company's Balance Sheet as of June 30, 2022 compared to December 31, 2021 (increase/decrease of 5% or more)**

Cash and cash equivalents including short term and long-term investments and investments at amortized costs decreased from ₱62,011 million as of 31 December 2021 to ₱49,652 million as of 30 June 2022 or a 20% decrease due primarily to the settlement of the USD 370 million debt in June.

Receivables including current portions thereof decreased slightly by 2% from ₱71,234 million as of 31 December 2021 to ₱69,748 million as of 30 June 2022 due primarily to due to a collection for the period.

Real estate inventories increased by 5% from ₱49,597 million as of 31 December 2021 to ₱51,945 million as of 30 June 2022 due to project launches during the period.

Project development costs increased by 32% from ₱1,274 million as of 31 December 2021 to ₱1,681 million as of 30 June 2022 due to advances for the period.

Property and equipment increased by 42% from ₱2,317 million as of 31 December 2021 to ₱3,294 million as of 30 June 2022 due to additions for the period.

Pension assets increased by 6% from ₱283 million as of 31 December 2021 to ₱300 million as of 30 June 2022 due to actuarial adjustments.

Other assets, cost to obtain contract including current portions thereof increased by 8% from ₱7,416 million as of 31 December 2021 to ₱7,720 million as of 30 June 2022 due primarily to increase in prepaid expenses during the period.

Current portion of security deposits and advance rent increased by 13% from ₱1,729 million as of 31 December 2021 to ₱1,956 million as of 30 June 2022 due new tenants.

Income tax payable decreased by 95% from ₱50 million as of 31 December 2021 to ₱3 million as of 30 June 2022 due to settlement for the period.

Dividends payable decreased by 100% from ₱16 million as of 31 December 2021 to nil as of 30 June 2022 due to settlement for the period.

Contract liabilities including non-current portion increased by 18% from ₱1,802 million as of 31 December 2021 to ₱2,122 million as of 30 June 2022 due increase in collection made from reservation sales and for projects awaiting constructions.

Notes payable including current portion decreased by 11% from ₱107,931 million as of 31 December 2021 to ₱95,706 million as of 30 June 2022 due primarily to the payment of the dollar note amounting to USD 370 million in June.

Deferred tax liabilities – net increased by 18% to ₱5,818 million as of 30 June 2022 from ₱4,935 million as of 31 December 2021 due to an increase in temporary difference that will result to a potential tax liability for the period.

Other noncurrent liabilities decreased by 20% from ₱3,521 million as of 31 December 2021 to ₱2,818 million as of 30 June 2022 due primarily to the decrease in noncurrent portion of liabilities for purchase land, deferred output tax, and security deposits.

## **Material Changes to the Company's Statement of income for the 1st semester of 2022 compared to the 1st semester of 2021 (increase/decrease of 5% or more)**

Revenue from real estate sales of ₱8,809 million for the six months ended 30 June 2022, a decrease of 21% from ₱11,113 million for the six months ended 30 June 2021 primarily attributable to the decrease in the overall completion rate of sold inventories of all its business units as a result of the surge in the covid virus that slowed down construction activities in certain areas especially in the provincial area. We are also seeing the impact of the extended payment terms granted to buyers during the pandemic.

Rental income increased by 35% from ₱3,640 million for the six months ended 30 June 2021 to ₱4,935 million for the six months ended 30 June 2022. The increase was primarily attributable to higher occupancy and the increase in rates for the period including the upside from the higher sales of variable rental based tenants. In addition, a new mall was opened during the period Vista Mall Davao which contributed to the increase in the revenue.

Interest income from installment contract receivable and investments slightly increased by 2% from ₱965 million for the six months ended 30 June 2021 to ₱985 million for the six months ended 30 June 2022. The increase was primarily attributable the decrease in interest income from investments to ₱378 million offset by the increase in the interest income from installment contract receivables to ₱607 million for the six months ended 30 June 2022.

Income from parking, hotel, forfeitures, mall administrative and processing fees and others increased by 13% from ₱1,156 million for the six months ended 30 June 2021 to ₱1,307 million for six months ended 30 June 2022. The increase was primarily attributable to the increase of 21% from income from mall administrative and processing fees to ₱807 million for the six months ended 30 June 2022 and the significant increase in parking fees to ₱61 million for the six months ended 30 June 2022 from just ₱20 million same period last year. Hotel operations also posted an increase of 12% to ₱42 million for the six months ended 30 June 2022.

Cost of real estate sales decreased by 28% from ₱5,166 million for the six months ended 30 June 2021 to ₱3,743 million for the six months ended 30 June 2022 primarily due to the decrease in the overall recorded sales of Vista Land's business units and cost savings from various cost saving initiatives implemented.

Operating expenses decreased by 9% from ₱4,641 million for the six months ended 30 June 2021 to ₱4,230 million for the six months ended 30 June 2022 with increases of the following: a decrease in advertising and promotion from ₱180 million for the six months ended 30 June 2021 to ₱95 million for the six months ended 30 June 2022 due to the impact of digital marketing and maximization of social media, a decrease in occupancy costs from ₱341 million for the six months ended 30 June 2021 to ₱208 million for the six months ended 30 June 2022 and a decrease in commission from ₱491 million for the six months ended 30 June 2021 to ₱339 million in the six months ended 30 June 2022.

Interest and other financing charges increased by 10% from ₱2,585 million for the six months ended 30 June 2021 to ₱2,840 million for the six months ended 30 June 2022. The increase was primarily attributable to the lower capitalization for the period.

Provision for income tax increased by 46% from ₱650 million for the six months ended 30 June 2021 to ₱952 million for the six months ended 30 June 2022 primarily due to the higher taxable base for the period coming from the higher contribution of the commercial segment and higher income segment residential sales.

Net income increased by 11% to ₱4,276 million for the six months ended 30 June 2022 from ₱3,840 million for the six months ended 30 June 2021.

For the 1st semester of 2022, except for the impact of the COVID-19 pandemic, there were no other 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.

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

## **PART II - OTHER INFORMATION**

### **Item 3. 6-months of 2022 Developments**

**A.** New Projects or Investments in another line of business or corporation.

*None*

**B.** Composition of Board of Directors

Manuel B. Villar, Jr.	Chairman of the Board
Manuel Paolo A. Villar	Vice Chairman, President & CEO
Cynthia J. Javarez	Director, Treasurer & CRO
Frances Rosalie T. Coloma	Director
Camille A. Villar	Director
Justina F. Callangan	Independent Director
Romulo L. Neri	Independent Director
Gemma M. Santos	Corporate Secretary

**C.** Performance of the corporation or result/progress of operations.

*Please see unaudited Financial Statements and Management's Discussion and Analysis.*

**D.** Declaration of Dividends.

**P0.0250 per share Regular Cash Dividend**

Declaration Date: September 30, 2021

Record date: October 15, 2021

Payment date: October 29, 2021

**P0.0500 per share Regular Cash Dividend**

Declaration Date: September 30, 2020

Record date: October 16, 2020

Payment date: October 30, 2020

**P0.2646 per share Regular Cash Dividend**

Declaration Date: September 30, 2019

Record date: October 16, 2019

Payment date: October 31, 2019

**P0.2252 per share Regular Cash Dividend**

Declaration Date: September 28, 2018

Record date: October 15, 2018

Payment date: October 29, 2018

**P0.1342 per share Regular Cash Dividend**

Declaration Date: September 29, 2017

Record date: October 16, 2017

Payment date: October 30, 2017

**P0.1185 per share Regular Cash Dividend**

Declaration Date: September 28, 2016

Record date: October 13, 2016

Payment date: October 28, 2016

**P0.1357 per share Regular Cash Dividend**

Declaration Date: September 15, 2015

Record date: September 30, 2015

Payment date: October 15, 2015

**P0.11858 per share Regular Cash Dividend**

Declaration Date: September 15, 2014

Record date: March 31, 2015

Payment date: October 24, 2014

**₱0.102 per share Regular Cash Dividend**

Declaration Date: September 11, 2013

Record date: September 26, 2013

Payment date: October 22, 2013

**₱0.0839 per share Regular Cash Dividend**

Declaration Date: September 17, 2012

Record date: October 02, 2012

Payment date: October 26, 2012

**₱0.04 per share Special Cash Dividend**

Declaration Date: June 15, 2012

Record date: July 02, 2012

Payment date: July 26, 2012

- E.** Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements.

*None.*

- F.** Offering of rights, granting of Stock Options and corresponding plans thereof.

*None.*

- G.** Acquisition of additional mining claims or other capital assets or patents, formula, real estate.

*Not Applicable.*

- H.** Other information, material events or happenings that may have affected or may affect market price of security.

*None.*

Transferring of assets, except in normal course of business.

*None.*



**Item 4. Other Notes as of 6-months of 2022 Operations and Financials.**

- I.** Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size, or incidents.

*None.*

- J.** Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period.

*There were no changes in estimates of amounts reported in prior interim period or prior financial years that have a material effect in the current interim period.*

- K.** New financing through loans/ issuances, repurchases and repayments of debt and equity securities.

*See Notes to Financial Statements and Management Discussion and Analysis.*

- L.** Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

*See Notes to Financial Statements and Management Discussion and Analysis.*

- M.** The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations.

*None.*

- N.** Changes in contingent liabilities or contingent assets since the last annual statement of financial position date.

*None.*

- O.** Existence of material contingencies and other material events or transactions during the interim period

*None.*

- P.** Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

*None.*

- Q.** Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

*None.*

- R.** Material commitments for capital expenditures, general purpose and expected sources of funds.

*The movement of capital expenditures being contracted arose from the regular land development and construction requirements which are well within the regular cash flow budget coming from internally generated funds.*

- S.** Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/income from continuing operations.

*As of June 30, 2022, no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the 6-months of 2022 financial statements.*

- T.** Significant elements of income or loss that did not arise from continuing operations.

*None.*

- U.** Causes for any material change/s from period to period in one or more line items of the financial statements.

*None.*

- V.** Seasonal aspects that had material effect on the financial condition or results of operations.

*None.*

- W.** Disclosures not made under SEC Form 17-C.

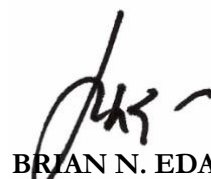
*None.*

## SIGNATURES

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

**Vista Land & Lifescapes, Inc.**  
Issuer

By:



**BRIAN N. EDANG**  
CFO & Head Investor Relations

Date: August 15, 2022