alphaland
CORPORATION

ANNUAL REPORT 2021

Alphaland Baguio Mountain Lodges

Balesin Island Club

The Alpha Suites

ABOUT US

Alphaland Corporation, a Philippine property development company, is managed by the RVO Capital Ventures Group.

We are unique in that we are very selective in the property development projects that we undertake. We focus only on high-end and top-of-the-line projects.

We do not intend to be, and will never be, all things to all people.

ALPHALAND — UNIQUE!

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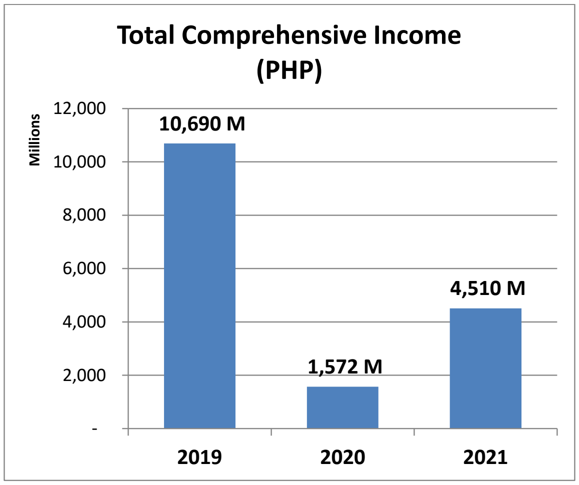
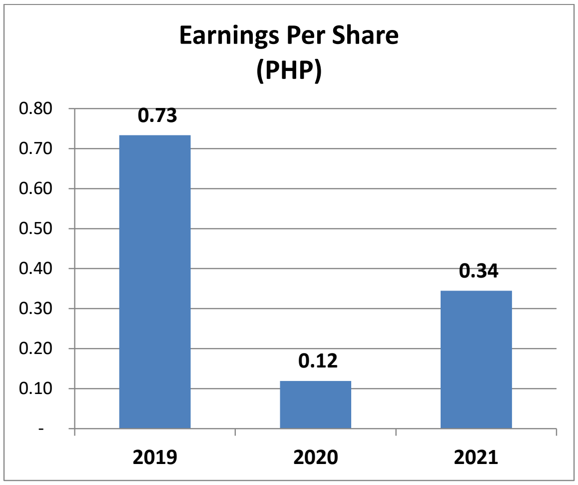
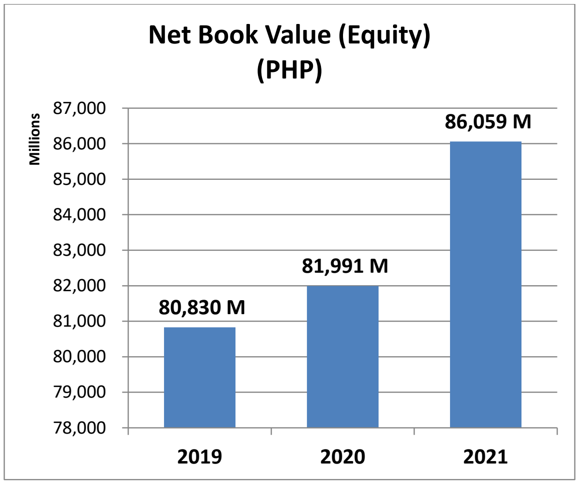
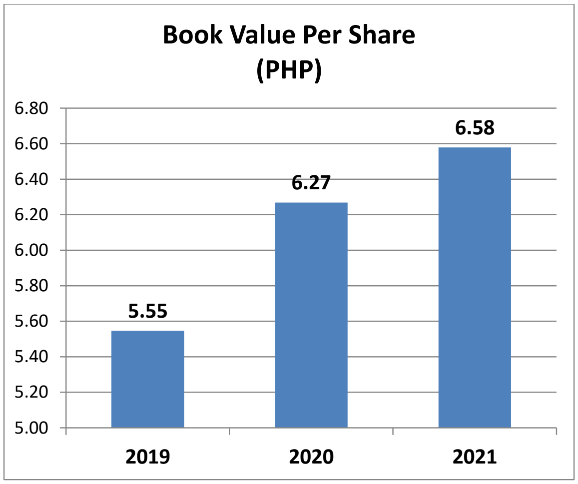
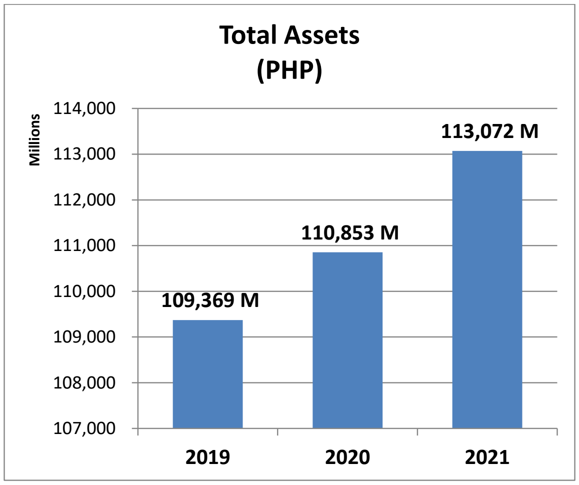

Total Comprehensive Income
(PHP)
Millions
12,000
10,000
8,000
6,000
4,000
2,000
-
10,690 M
1,572 M
4,510 M
2019
2020
2021


Earnings Per Share
(PHP)
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
-
0.73
0.12
0.34
2019
2020
2021


Net Book Value (Equity)
(PHP)
Millions
87,000
86,000
85,000
84,000
83,000
82,000
81,000
80,000
79,000
78,000
80,830 M
81,991 M
86,059 M
2019
2020
2021


Book Value Per Share
(PHP)
6.80
6.60
6.40
6.20
6.00
5.80
5.60
5.40
5.20
5.00
5.55
6.27
6.58
2019
2020
2021


Total Assets
(PHP)
Millions
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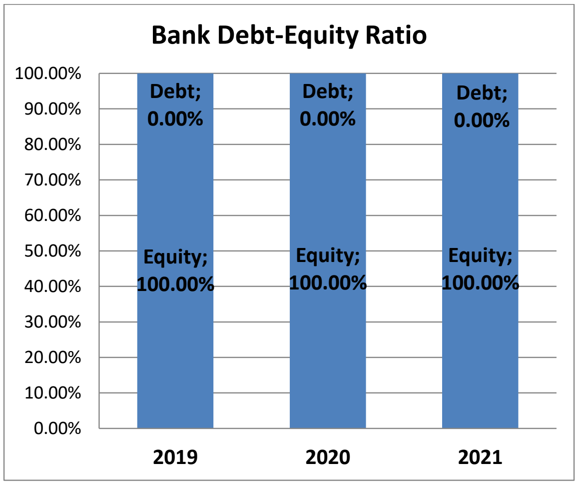
113,000
112,000
111,000
110,000
109,000
108,000
107,000
109,369 M
110,853 M
113,072 M
2019
2020
2021


Bank Debt-Equity Ratio
100.00%
90.00%
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
Debt; 0.00%
Equity; 100.00%
Debt; 0.00%
Equity; 100.00%
Debt; 0.00%
Equity; 100.00%
2019
2020
2021

OFFICE OF THE CHAIRMAN

DENNIS O. VALDES	ROBERTO V. ONGPIN	MICHAEL A.P.M. ASPERIN	ANNA BETTINA ONGPIN
PRESIDENT	CHAIRMAN AND CEO	COO & BALESIN ISLAND CLUB CEO	VICE CHAIRMAN

March 3, 2022

Dear Shareholders,

Despite the COVID pandemic that swept through the country in 2021, Alphaland Corporation did relatively well. As we celebrated 10 years since we inaugurated Balesin Island Club, we also celebrated record patronage from our members and guests.

During the month of December 2021, Balesin had its highest revenues ever, at Php120 million. During the holiday period between Christmas and New Year, we had almost a thousand members and guests every day on the island.

The scourge of the pandemic notwithstanding, Alphaland Corporation had a good year. Revenue increased by 51% over last year, and net comprehensive income also increased by 187% over last year. The financial charts on page 5 of this annual report show our financial performance for the year. While we are a long way from the pre-pandemic levels, Alphaland has continued its winning ways.

Leading the way was Alphaland Baguio Mountain Lodges (ABML) where, despite weather problems, we sold a record 54 lodges during the year as compared to only 6 the year before. Since we began this project five years ago, we have now sold a total of 102 lodges. Of this number, 78 have been finished and are now being enjoyed by their homeowners.

The vegetation, especially the Benguet pine trees, is now flourishing and one immediately smells the scent of the Benguet pine as you drive along the property.

The market reception of Alphaland Baguio Mountain Lodges has been wonderful, without any marketing effort on Alphaland's part. The homeowners tell their friends how beautiful Alphaland Baguio Mountain Lodges are, and they simply continue to visit and buy.

At the beginning of this year, we started to develop a new area north and east of the Clubhouse, which we have christened "Pines Place." Pines Place will have a second Clubhouse, about four times the size of the existing one. It will have 28 large suites, 3 restaurants (Spanish, Italian, and Japanese) which can together seat as many as 300 people, a cozy bar, and a large entertainment area with karaoke, billiards, and table tennis.

The most spectacular element of Pines Place will be a state-of-the-art Spa, which will occupy one entire floor. In addition to a heated indoor pool, it will have massage facilities, sauna, and Turkish baths. The Spa will be a most welcome addition to ABML—a great place to hang out and enjoy life, amidst Baguio's cool climate.

Truly, we have achieved what we set out to do at Alphaland Baguio Mountain Lodges: recreate the way Baguio used to be, 50 years ago!

Balesin Island Club and Alphaland Makati Place had a satisfactory year, despite the challenges of the pandemic.

Our 250-suite hotel, The Alpha Suites, continues to be rated the No. 1 hotel in Metro Manila by Tripadvisor, the world's largest travel platform. This is a ranking of which we are very proud.

Aegle Wellness Center, due to the huge increase in COVID-19 testing and vaccination services, also had a good year.

Today, Alphaland remains uniquely debt-free and we are sitting on cash deposits of about Php1.5 billion. Thus, in spite of the difficulties presented by the pandemic in 2021, your company's financial health continues to be robust.

Turning to Balesin International Gateway (BIG), our 750-hectare property on Patnanungan Island (which is only 21 nautical miles away from Balesin), we continue to have a cautious approach. In 2022, we will only complete Alpha Beach Club, which will be a nice day-use facility for our Balesin members and guests who can travel in the morning by any of our sea craft, our Cessnas, or our helicopters to enjoy the day in Alpha Beach Club and return to Balesin before sunset. We do not intend to build villas in BIG this year. Our members and guests can continue to use the villas in Balesin. Alpha Beach Club is only a 10-minute helicopter ride from Balesin, and a bit more than an hour on our fast sea craft.

Regarding Balesin itself, we intend to focus on three projects this year, all aimed at extracting the benefits from the Php50 billion of value that we have created in Balesin.

First, we will be launching an International Marketing Campaign for Balesin, which shall be anchored by extensive TV spots on CNN International, all meant to introduce Balesin to the world. We are putting the finishing touches on a reinvigorated International Membership Plan for non-Philippine resident members to enjoy Balesin. We shall be announcing the details shortly.

Second, in collaboration with our friend Scott Cooper, we shall be inaugurating the Balesin Football Center (BFC). This center is intended to be one of the world's top venues for soccer tournaments, North American and European soccer groups' winter training facilities, and youth training camps.

For this purpose, we will be replacing our existing soccer pitch with FIFA-approved, state-of-the-art artificial turf, and building a grandstand which can be expanded modularly. We shall also be expanding our existing Sports Center to accommodate facilities for BFC.

Soccer is inarguably the most popular sport in the world, with total revenues in excess of US$30 billion. Balesin wants a piece of that pie! There are many football centers in Europe and North America, but not one has resort facilities as extensive as Balesin.

Third, we will be renovating and relaunching Aegle Wellness Center. This facility, which we constructed five years ago, has lagged behind in performance, especially when compared to other wellness centers around the world. In addition to recently hiring an experienced Wellness Executive to manage Aegle, we are in the process of refurbishing and upgrading Aegle's facilities, so that it becomes one of the most desirable wellness centers in the world. None of the prestigious international wellness centers are as well-endowed with resort facilities as Balesin Island Club.

I am also pleased to announce the incorporation of the Alphaland Climate Change Foundation. This will be your corporation's modest contribution to defeating climate change and making sure that our children and grandchildren continue to live in a sustainable world.

So, as you can see, despite the travails brought upon this world by the COVID pandemic, we at Alphaland continue to plan for the future and dream of a better world. We have achieved quite a bit during these past 10 years, but we plan to do much more in the next 10 years!

Sincerely yours,

ROBERTO V. ONGPIN
Chairman

NICHOLAS BELASCO
GENERAL MANAGER
THE CITY CLUB

MA. LOURDES A. TORRES
VP - HUMAN RESOURCES
& ADMINISTRATION

ENRICO SISON
SVP - DESIGN

CRISTINA ZAPANTA
SVP - FINANCE

JERIC POSIO
VP - FINANCIAL
PLANNING

ENGR. RODRIGO JERUSALEM
HEAD OF PROPERTY
MANAGEMENT

SUSAN ACUÑA
HEAD OF LEASING

SENIOR MANAGEMENT

BENEDICT FRANCIS VALDECAÑAS, MD
MEDICAL DIRECTOR
AEGLE WELLNESS CENTER

ATTY. JASON ALBA
GENERAL COUNSEL

PRIMO AGUAS
HEAD OF INFORMATION TECHNOLOGY

PEDMARK JULIAN MADRIDEJOS
SENIOR ASSISTANT GENERAL MANAGER
THE ALPHA SUITES

ELIGIO RAMOS
ASSISTANT GENERAL MANAGER
ALPHALAND AVIATION,
GENERAL MANAGER
ALPHAFORCE SECURITY

FRANCES CAMILLE TAN
VP - PURCHASING & LOGISTICS

Mary Ann (Evans) Ramos
General Manager

Row 1: (L-R) Rico Landicho (AGM for North Villages Operations), David Chua (SAGM for Food and Beverage), Mary Ann Evans Ramos (General Manager), Rodrigo Jerusalem (Head of Property Management & Technical Operations), Cipriano Francisco (AGM for Housekeeping)

Row 2: (L-R) Vincent Robert Da Silva (Restaurant Manager), Dennis Adan (Balesin Royal Villa and Phuket Village Manager), Arnel Toledo (Bali Village Manager), Reneboy Esmael (Mykonos Village Manager)

BALESIN MANAGEMENT STAFF

Row 3: (L-R) Francis Michael Esteban (Purchase Requisitions Manager), Jason De Vera (Front Office Manager), Luisa Frances Banta (Concierge & Store Manager), Rodel Patricio (Tang Palace Restaurant Manager)

Row 4: (L-R) Bryan Romasanta (Regency Private Villa Manager), Engr. Vincent Manatad (Sr. Manager for Technical Operations), Victorio Reyes, Jr. (Head Chef), Jerry Peñaflor (Landscaping Manager/Assistant to the Chairman for Balesin Operations), Jose Benito Alvarez (Sports & Recreation Manager), Bernie Bagares (Clubhouse Restaurant Manager)

ALPHALAND BAGUIO MOUNTAIN LODGES

BREATHTAKING VIEW FROM
ALPHALAND BAGUIO MOUNTAIN LODGES PROJECT SITE

alphaland BAGUIO MOUNTAIN LODGES

Alphaland Baguio Mountain Lodges is a master-planned development of 300 lodge-style log homes, situated on an 82-hectare property. The development is just 9 kilometers north of Baguio City on Ambuklao Road, which is now fully paved and is only a 15-minute drive from Baguio City proper. The development also offers two helipads.

The site enjoys lush Benguet pine forest and totally pollution-free mountain air. In addition to about 10,000 Benguet pine trees on the property (some over a hundred years old), we maintain a nursery for another 50,000 pine trees, all of which will be eventually planted all over the property, making it one of the most lush pine forests in all of Benguet.

There are two designs and floor plans to choose from, and the homes are sited to maximize the views of the surrounding pine-forested mountains. The free-standing, individual log homes offer 6 bedrooms each, while quadruplexes house the 3-bedroom homes; all are fully furnished. Each home is constructed from western cedar or pine logs imported from Scandinavia. The entire property is secured by an 8-foot concrete perimeter fence, with 12 security outposts.

The master plan was completed by EcoPlan of Florida in the U.S., the same master planner for Balesin Island. The lodges are sold individually as horizontal condominiums, where the land is proportionately owned by all 300 homeowners. This allows for the optimization of the locations and views of all of the home sites.

Each quadruplex or cluster of 5 to 8 individual homes has its own water cistern that collects rainwater from the roof of each building. Landscaping is provided and maintained by Alphaland, to the usual superior Alphaland standard.

On the main Ambuklao Road part of the property, we will construct a commercial center consisting of several pine log units, which we will provide rent-free to the best restaurants and popular shops in Baguio, as well as a laundromat for the convenience of our homeowners.

We have also completed the mini sports center, which has been used for wedding receptions in addition to sports and recreation. In addition, we have a 1.5 km hiking trail. We also have a horseback riding trail with ponies from Wright Park.

MINI SPORTS CENTER

VIEW FROM CLUBHOUSE INN OUTDOOR

In 2021 we began site work on the location of the second clubhouse, called Pines Place, which will sit at an elevation of approximately 4,600 feet (1,400 meters). Pines Place will have a total area of 4,000 square meters and will include Spanish, Italian, and Japanese restaurants, a spa, and an entertainment area with billiards and mahjong tables, karaoke/movie room, and lounge bar. Pines Place will also have 28 guest suites ranging from 42 sqm to 84 sqm, all with views of the surrounding mountains and Baguio City. These fully furnished suites, each with a fireplace and finished in a style matching that of the log homes, will be available for sale as condominium units.

RIPRAP STONEWORK

CLUBHOUSE INN INDOOR DINING AREA

FINISHED HOME CLUSTER

CLUBHOUSE INN SCENIC ELEVATOR

VIEW OF SURROUNDING MOUNTAINS

VIEW FROM MODEL E DECK

VIEW FROM CLUBHOUSE INN
OUTDOOR DINING AREA

MOUNTAIN VIEW FROM CLUBHOUSE INN

3-BEDROOM QUADRUPLEX LODGE

MODEL E MASTER BEDROOM

MODEL E

MODEL E LIVING ROOM

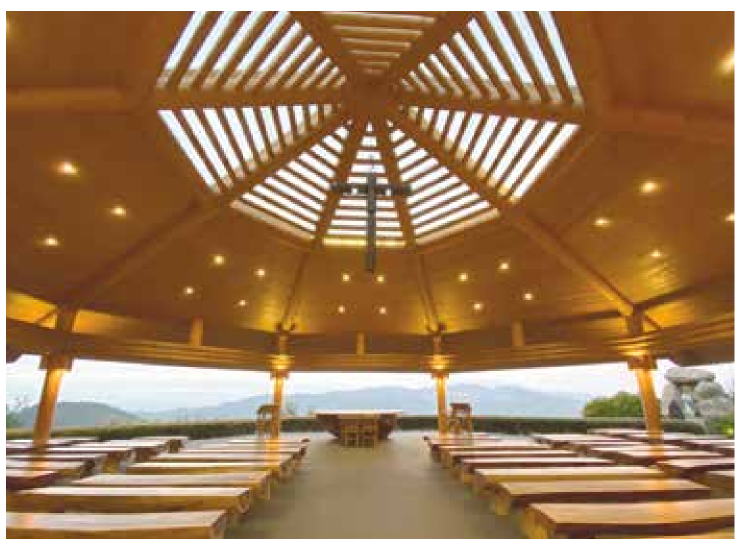
MODEL E DINING AREA

MODEL E MAIN DECK

MODEL E DEN

PINES PLACE

FRONT VIEW OF THE CHAPEL



INSIDE VIEW OF THE CHAPEL

NURSERY FOR 50,000 PINE TREES

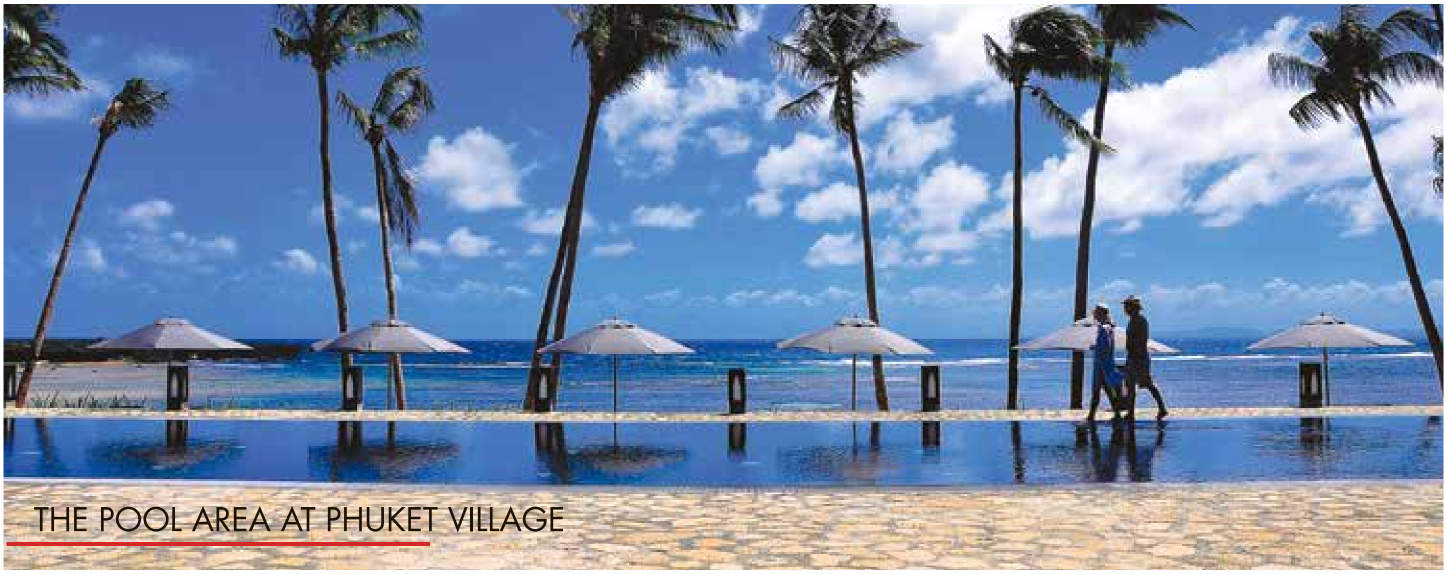
FLOWER NURSERY

CHAPEL ALTAR

HELIPAD

Tahik Farm
Cove Deck
Mykonos Village
Thanassis Taverna
Poseidon Lounge
Aegle Wellness Center
Tang Palace
Balesin Private Villa 4-Bedroom
Balesin Private Villa 8-Bedroom
Balesin Sea Salt Beds
Balesin Private Villa 6-Bedroom
Rico's Hideaway
Julian's Oyster Bar
Seafood Farm, Crab Farm
Kaingin Farm
Seafood Shack

ALPHALAND BALESIN ISLAND CLUB


THE POOL AREA AT PHUKET VILLAGE

alphaland
BALESIN ISLAND CLUB

Balesin is an exclusive, world-class island resort off the east coast of the Philippines, for members only. It is the flagship project of Alphaland Corporation. Balesin Island sits in the Pacific Ocean, 29 nautical miles off the eastern coast of Luzon. It is 20 minutes' flight time from Manila, 30 minutes from Clark, and 25 minutes from Sangley, on Alphaland's private fleet of airplanes, which are boarded at Alphaland's private terminals at these airports. Balesin Island is about 500 hectares in size, of which fewer than 50 hectares (about 9%) will ever be developed. The majority of the island is undisturbed, original tropical rainforest. The island is ringed by more than seven kilometers of white-sand beach.

The resort redefines the Asian luxury beach experience, which is characterized by excellent service, and provides a comprehensive array of facilities, for an endlessly varied and evolving lifetime experience for its members.

Balesin Island Club offers a number of complimentary villa nights a year depending on the type of membership. Members and their guests can choose to use these complimentary nights at any of the villages or at the clubhouse suites, which are designed for larger families.

Balesin is also home to the M/Y "Obsessions" superyacht for the use of its members and guests. The 38.5-meter aluminium-hulled vessel was built by the world-renowned Heesen Yachts in Holland and is the pride of their fleet. The yacht has four beautifully decorated staterooms, all with en-suite bathrooms, and is often chartered for full-day trips to the surrounding Polillo Island group, as well as for sunset cruises around the island, dinners, and photo shoots.

Balesin's E.L. Tordesillas Airport, named after the founder of the original resort, has a 1.5 kilometer-long concrete runway, built to international aviation standards, that can accommodate regional aircraft and private jets. The club recently invested in runway lights with Area Navigation (RNAV) approach capability, so it can now operate as a 24-hour aerodrome. The club operates its own fleet of aircraft to bring guests to and from the island, and has operated a capacity of 1,000+ seats a day during peak periods. A key aspect of the flight experience are our own private terminals at the Ninoy Aquino International Airport (NAIA) and at Clark International Airport, which are much more convenient—and luxurious—than the crowded public Domestic Terminals.

The Club's accommodations consist of seven villages, each inspired by world-renowned destinations: Balesin, Bali, Costa del Sol, Mykonos, Phuket, St. Tropez, and Toscana. Each village is a distinct experience, and effectively a resort in itself. Each is designed and executed authentically, from architecture and interiors to landscaping and cuisine. The emphasis of the design is on privacy and exclusivity. Many of the accommodations are stand-alone villas, while the suites are also very private.

The Balesin Royal Villa is a majestic structure that is an ideal venue for large family and social gatherings, weddings, and corporate retreats. The Royal Villa's upper floor offers four spacious Maharlika suites, accessible via private elevator, with their own private decks and Jacuzzis. On the ground floor are ten villa-type suites with private entrances, as well as a luxuriously appointed Salon opening out onto a sweeping deck with two pools overlooking the sea.

The Balesin Private Villas offer casual luxury in 8-, 6-, and 4-bedroom private homes for extended families or corporations. Situated on pristine beachfront lots with a view of the sunset, the Private Villas feature stunning infinity pools with adjoining jetted whirlpools, fully equipped kitchens, billiard rooms and lounges with bar, karaoke rooms, cozy libraries, home offices, and expansive, skylit living and dining areas with indoor greenscape centerpieces. Each bedroom suite has an unobstructed view of the pool and beach, and includes an en-suite bathroom and private outdoor shower.

AERIAL VIEW OF THE BALESIN ROYAL VILLA

THE BALESIN PRIVATE VILLA INFINITY POOL

M/Y OBSESSIONS

RUNWAY LIGHTS

BALESIN REGENCY PRIVATE VILLAS

The Balesin Regency Villas are four private villas that offer 20, 12, 6, and 14 bedrooms, respectively. The 20-bedroom Regency Villa A offers 12 keys (8 two-bedroom suites and 4 one-bedroom suites) with a capacity of 68 people; the 12-bedroom Regency Villa B offers 12 keys (with 12 one-bedroom suites) with a capacity of 42 people; the 6-bedroom Regency Villa C offers 6 keys (all one-bedroom suites) with a capacity of 20 people; and the 14-bedroom Regency Villa D offers 14 keys (all one-bedroom suites) with a capacity of 50 people. Much like the Balesin Private Villas, the Regency Villas are situated on choice beachfront lots with infinity pools, and feature expansive living and dining areas, billiard rooms and lounges, libraries, and stunning ocean and sunset views. The Private Villas and Regency Villas are maintained and serviced by the Club.

THE BALESIN REGENCY PRIVATE VILLA A

THE BALESIN REGENCY PRIVATE VILLA B

THE BALESIN MAIN CLUBHOUSE

MYKONOS DOME

THE BALESIN 8-BEDROOM PRIVATE VILLA

THE BALESIN ROYAL VILLA

COSTA DEL SOL CASA GRANDE

PHUKET SALATHIP

THE BALESIN SALA

TOSCANA VILLAGE

ST. TROPEZ VILLAGE

NUSA DUA BAR IN BALI VILLAGE

BALESIN LEGACY VILLAS

The Balesin Legacy Villas will be located on the southern part of the island, on eight waterfront lots totaling 3.75 hectares. This location, between Phuket and Costa del Sol villages, is home to scenic rock formations and an unobstructed view of Lamon Bay. There will be eight villas—four 6-bedroom villas and four 8-bedroom villas. Each 4,000 sqm parcel will house a luxuriously furnished villa with its own infinity pool, seaside cabanas with deck cantilevered over the water, fully equipped kitchen, entertainment area with billiards, table tennis, and mahjong, library, office, and expansive living and dining areas.

THE BALESIN MARQUEE

Completed in 2019, The Balesin Marquee is the ultimate venue for grand affairs with its beachfront location, versatility, and space that's perfect for styled events, making it the location of choice for large weddings, as well as for big reunions and corporate functions. It offers a capacity of up to 600 guests for a banquet setup, and up to 1,000 guests for a theater-style setup.

BALESIN LEGACY VILLAS

THE BALESIN MARQUEE COCKTAIL AREA

THE BALESIN MARQUEE

BALESIN FOOTBALL CENTER

In 2022 we will launch the Balesin Football Center, an elite, specialized football complex that caters to professional teams and clubs worldwide. The Center will offer superior football facilities and equipment for visiting teams from across the globe, perfect for pre-season and mid-season breaks.

The Balesin Football Center will feature a state-of-the-art football pitch that boasts a high-tech woven system designed for professional players. This patented technology provides superior playing performance and durability. The same woven system is used by leading football clubs including Atletico Madrid, AFC Amsterdam, Atlanta United, and the Asian Football Confederation (AFC). This FIFA-preferred football turf offers the highest standards for professional teams.

The Center will also feature a grandstand that has a 100-seat capacity and an available media deck tower for quality coverage of fixtures on the pitch.

The Center will also leverage the facilities of the Balesin Sports Center for comprehensive strength and conditioning and other indoor team and individual requirements. The fitness facilities are conveniently located within direct proximity of the football stadium.

The Center will also partner with Aegle Wellness Center and its state-of-the-art medical facility, which offers various programs for recovery and rehabilitation using the latest technology available to medical science.

With its world-class football complex, fitness, recovery, and rehabilitation facilities, Balesin Football Center will make an ideal year-round, warm-weather training venue, offering unmatched privacy, seclusion, and exclusivity.

CORPORATE MEMBERSHIPS

Balesin Island Club now offers Corporate memberships. Heretofore, the focus had been only on individual memberships, so the Club had Gold, Diamond, and Platinum memberships, but nothing set up specifically for corporations. Our Corporate membership allows for up to 10 nominees and 70 free villa nights per year, and is therefore a great deal for corporations.

INTERNATIONAL MARKETING CAMPAIGN

Currently, only about 2% of Balesin's members are international members living overseas; this as-yet untapped market represents a significant opportunity to augment Balesin's membership base. In 2022, we will launch an international marketing campaign to broaden awareness of Balesin Island Club around the world, specifically targeting affluent markets in Asia, North America, and Europe. A linchpin of this campaign will be a two-month TV and online ad campaign in partnership with CNN, centering around the very effective Balesin "Unique in the World" video.

AQUACULTURE PROJECTS

In addition to our current giant crab and sea bass farms, we've been raising vannamei shrimp in five Picnic Grove ponds. The vannamei shrimp species originated in Vietnam, but now makes up more than half of the Philippines' current shrimp exports. In just a few months, the shrimp fry in our ponds have grown to almost 50 grams each, and are now available in all of Balesin's restaurants. We have also begun farming sea bass, pompano, bangus, Lapu-Lapu, and samaral.

BALESIN SEAFOOD FARM

AQUACULTURE FARM

NORTH POINT SEAFOOD FARM

BALESIN BOUNTY

BALESIN VANNAMEI SHRIMP

GREEN BALESIN

Alphaland utilized revolutionary technologies and concepts in developing Balesin Island Club. In any island development, the main challenge is water supply. The concrete runway serves as a rainwater catchment, collecting over 200 million liters per year into man-made lakes. The harvested water is processed into potable water via ultrafiltration, and is then distributed around the island. We are planning to establish a solar power plant on the island in order to reduce our carbon footprint. We have received more than 20 proposals from solar panel suppliers, but still have not been able to make a deal. But we continue to try.

ONE OF THE BALESIN RESERVOIRS

The island also produces most of its own food, which is made possible by the abundant water. The original fishing community that continues to live on the island supplies the fish served in its restaurants, and also staffs the aquaculture facilities, which we have expanded threefold. Our star performer is the vannamei shrimp which thrive in Balesin's waters. In our fish ponds today, we grow lapu-lapu, sea bass, samaral, bangus, pompano, and danggit, plus fresh-water hito and dalag.

The banana plantations on the island produce a surplus, which is sent to the mainland and marketed there. In addition, 40,000 coconut trees on the island, with more planted every year, provide an ample supply of coconuts. Today, we have more than 60,000 coconut trees, many of them planted along the roads from seedlings that we cultivate in Patnanungan, the other island that we are developing. Compact, high-technology organic vegetable farms established near the airport yield the produce needed by the island's restaurants, although some items (like rice and meats) will always be brought in from the mainland, as we would rather not clear forest to accommodate these. We have also started expanding our organic farms several-fold. As a result, we are now harvesting a bounty of vegetables. Balesin is actually more than self-sufficient now in vegetables.

We have several thousand calamansi trees on the island, many planted years ago, and they now yield a harvest of about 100 kilos of fruit every other week. Peanuts seem to thrive on the island and from them we can make many products, including peanut butter and peanut jam. Our peanuts are harvestable after only three months and, henceforth, our peanut harvest will grow exponentially.

CRAB AND FISH FARM

We have been combing the mainland for a good supply of fruit seedlings for our fruit orchards, and have now planted some 10,000 fruit trees. We have also planted several varieties of lemons. Other fruits that we have planted include avocado, guyabano, rambutan, langka, sweet oranges, satsuma, dalandan, pomelo (including several varieties imported from Vietnam), atis, makopa, mabolo, lanzones, and many other varieties. In a few years from now, they will be bearing fruit and we will be able to walk through the orchards and pick fruit from them. We also grow delicious watermelons.

The Balesin honey bee apiary produces the very popular organic honey, which has a unique, not-so-sweet taste. The bees love the flora on the island, particularly the coconut trees.

The Balesin salt beds continue to produce the finest sea salt, which has become a member favorite. The seawater around Balesin is pristine, thus enabling us to produce an unusually pure quality of sea salt.

Location and ambiance are keys to Balesin Island's overall vision. In this regard, the resort's architectural design remains in harmony with its natural surroundings. This was achieved by partnering with one of the world's pre-eminent hospitality master planners, EcoPlan, of Florida, USA. EcoPlan has ensured that each structure never overwhelms its environment in any way.

As part of our drive toward sustainability and ecological responsibility, we have replaced all our plastic drinking straws with biodegradable paper straws. We have also replaced plastic water bottles with our own refillable glass bottles of Balesin purified water, which has passed all required sanitary and laboratory tests.

In addition, Balesin has zero emissions of waste water into the sea around it. From the start, each of Balesin's villages had a sewage treatment facility. In 2017, we completed the construction of a state-of-the-art central Sewage Treatment Plant (STP), where all the waste water and sewage from the individual villages is treated. The STP plant cost us Php40 million, but it was worth every penny.

We are proud to maintain the highest standards of environmental protection, which have guided us from the beginning of Balesin Island Club.

BIODEGRADABLE PAPER STRAWS

BALESIN ISLAND PURE WATER

BALESIN BOUNTY'S SEA SALT

BALESIN SEA SALT BEDS

BONNIE'S BIRDS AT THE BALESIN PLAYGROUND

SPORTS AND RECREATION

- Archery - Archery Range
- Badminton - Indoor Court at the Sports Center
- Basketball - Indoor and outdoor Basketball Courts at the Sports Center
- Biking - Mountain bikes and tandem bikes are available for rent at the Sports Center
- Billiards - Sports Center
- Bird Watching - The Aviary
- Boating - Motorboats and Paraw sailboats may be rented at the Aquatic Sports Center; the M/Y Obsessions super yacht may be chartered for outings, dinners, and photo shoots
- Children's Indoor Playroom - Sports Center
- Children's Outdoor Playground
- E.L. Tordesillas Library, Main Clubhouse
- Electric scooters - Available for rent at the Sports Center
- Fishing - Deep sea, on board the M/Y Obsessions or on one of our motorized "bangka" (outrigger boat), or gallery fishing at Fish Fun or North Point
- Gardening - Balesin has Organic Vegetable Farms
- Gym - Sports Center, fitness coach is also available on a per hour basis upon request
- Horseback Riding - Horses and ponies are available for rent at the Stables beside the Sports Center (Island Trail Rides, Beach Trails, practice rides at the bullring)
- Karaoke - Upon request at the Tabacalera Lounge
- Kayaking - Aquatic Sports Center
- Mixed Martial Arts, with trainer - Sports Center
- Poker and other board games - Poker Rooms, Main Clubhouse
- Rock Climbing Wall - Sports Center
- Sailing, Paraw (native boat) - Aquatic Sports Center
- SCUBA Diving - Aquatic Sports Center
- Snorkeling - Snorkeling gear is available for rent at the Aquatic Sports Center, snorkeling tours
- Soccer - Soccer pitch, across the Sports Center
- Standup Paddle Boarding - Paddle boards are available for rent at the Aquatic Sports Center
- Sunbathing - The main beach and all pool areas are provided with sun loungers
- Surfing (seasonal) - Surfing lessons are available when there are safe and manageable waves either at Phuket Village or Fish Fun
- Swimming - The Clubhouse has a lagoon pool, three outdoor whirlpools, and a kiddie pool; each village has one or more pools while Poseidon has an indoor/outdoor infinity pool; The Balesin Spa also has a lap pool
- Tabacalera Cigar Divan, Main Clubhouse
- Table Tennis (Ping Pong) - Sports Center
- Tennis - Indoor and outdoor Tennis Courts at the Sports Center
- Beach Volleyball - Balesin Clubhouse beach area
- Wakeboarding or Waterskiing - Aquatic Sports Center
- Windsurfing - Aquatic Sports Center

DINING

- Breakfast buffet, Main Clubhouse Lounge
- Filipino, Main Clubhouse Lounge, Balesin Dining Room, Verandah, Balesin Sala
- Fish "catch-it-yourself" at Fish Fun and Family Picnic Grove
- French at St. Tropez Village
- German at Bürgerbräu Bierstube, Main Clubhouse
- Greek at Thanassis Taverna and Cove Deck, Mykonos Village, and Poseidon, Mykonos Beach Villas
- Indonesian at Bali Warung and Nusa Dua Bar
- Italian at Toscana Village
- Korean at Han Gang, Main Clubhouse
- Japanese at Sakura, Main Clubhouse

- Spanish at the Restaurante Español and Tapas Bar, Costa del Sol Village
- Steak at Mark's Steak House, Main Clubhouse
- Thai at Salathip, Phuket Village
- Vietnamese at Ao Dai, Main Clubhouse
- Mongolian BBQ and mixed grill for lunch and cocktails for sunset at Rico's Hideaway
- Seafood at Seafood Sarap, Balesin Seafood Shack, and Fish Fun
- Oysters at Julian's Oyster Bar, Rico's Hideaway
- Private Dining - Michelle's and Anna's at Main Clubhouse, Private Dining Rooms at Bali, Phuket, St. Tropez, Costa del Sol Village, Toscana, and Mykonos Village
- Cocktails - The Main Clubhouse has three bars, the Pool bars serve the swimming pools and the beach, and the sala of each village has a bar with general cocktails and drinks and wines unique to its theme. The open-air Nusa Dua bar at Bali village sits on stilts on the water.

SPA & WELLNESS
- Massage (various types) - The Balesin Spa
- Sauna and Steam Bath - The Balesin Spa
- Aegle Wellness Center, adjacent to Mykonos Beach Villas
- Thalassotherapy, Aegle Wellness Center

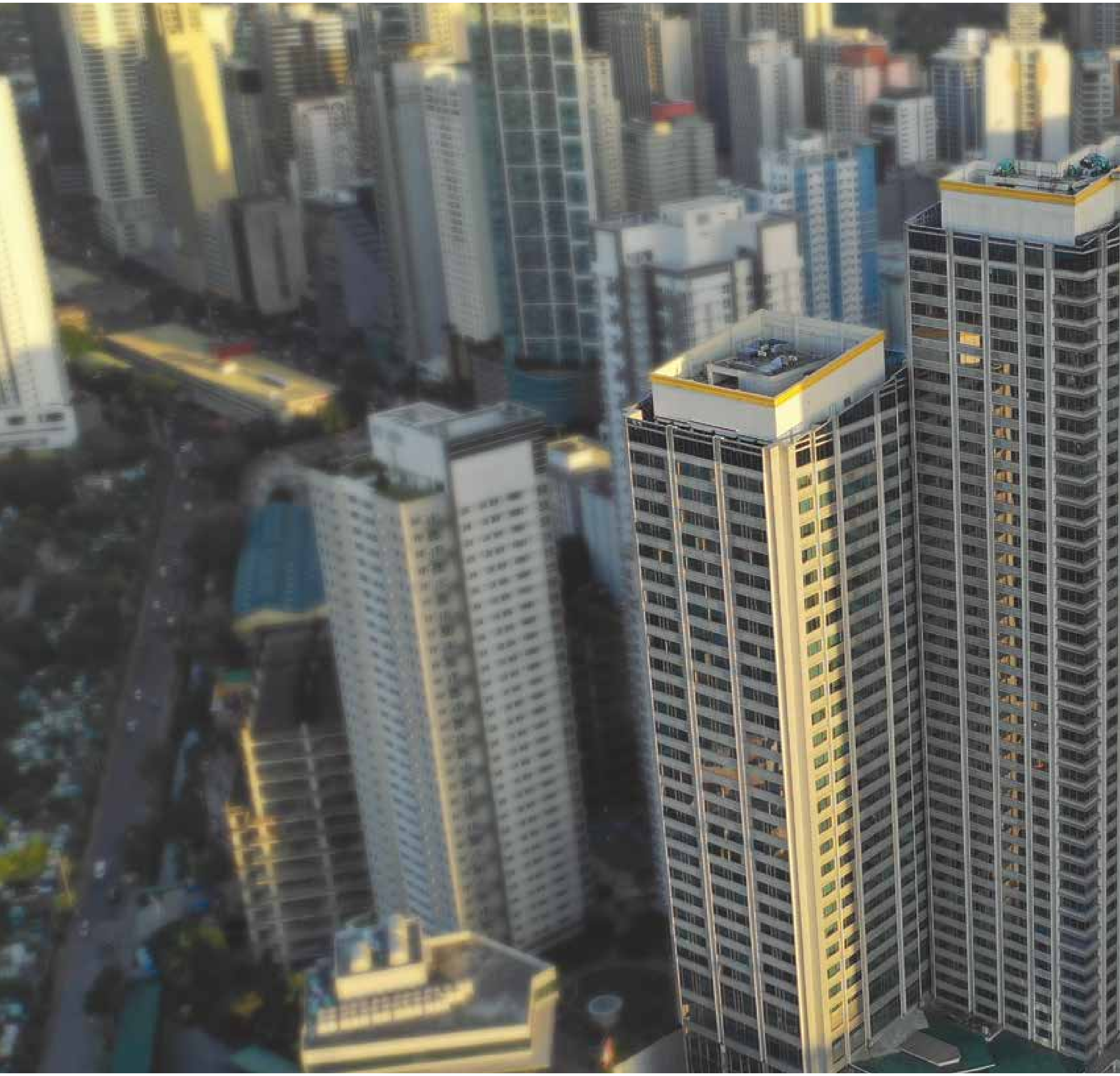
AMENITIES
- Concerts and Performances - Clubhouse Performance Theatre, Main Clubhouse; The Balesin Marquee
- Haircuts and grooming - Salon & Barber Shop, Main Clubhouse
- Locker Rooms (Men's and Women's) - Main Clubhouse and Sports Center
- Meeting and Conference facilities - Function Rooms, Main Clubhouse; The Balesin Royal Villa; The Balesin Marquee
- Shopping - Sundries and souvenirs at Balesin Souvenir Shop, Main Clubhouse; beach essentials at Balesin Swim and Balesin Boutique, Main Clubhouse; all-natural, high-quality specialty food items at Balesin Bounty
- Worship - The Balesin Chapel offers regular Catholic Masses on Sundays, and other days of Catholic observance. It is open all day for private prayer, and available for weddings and other occasions.

TRANSPORTATION
- Golf cart rides - All over the island
- Jeepney rides - All over the island
- Van rides - All over the island
- Coaster rides - All over the island
- Bicycles and E-bikes - Available for rent at the Sports Center

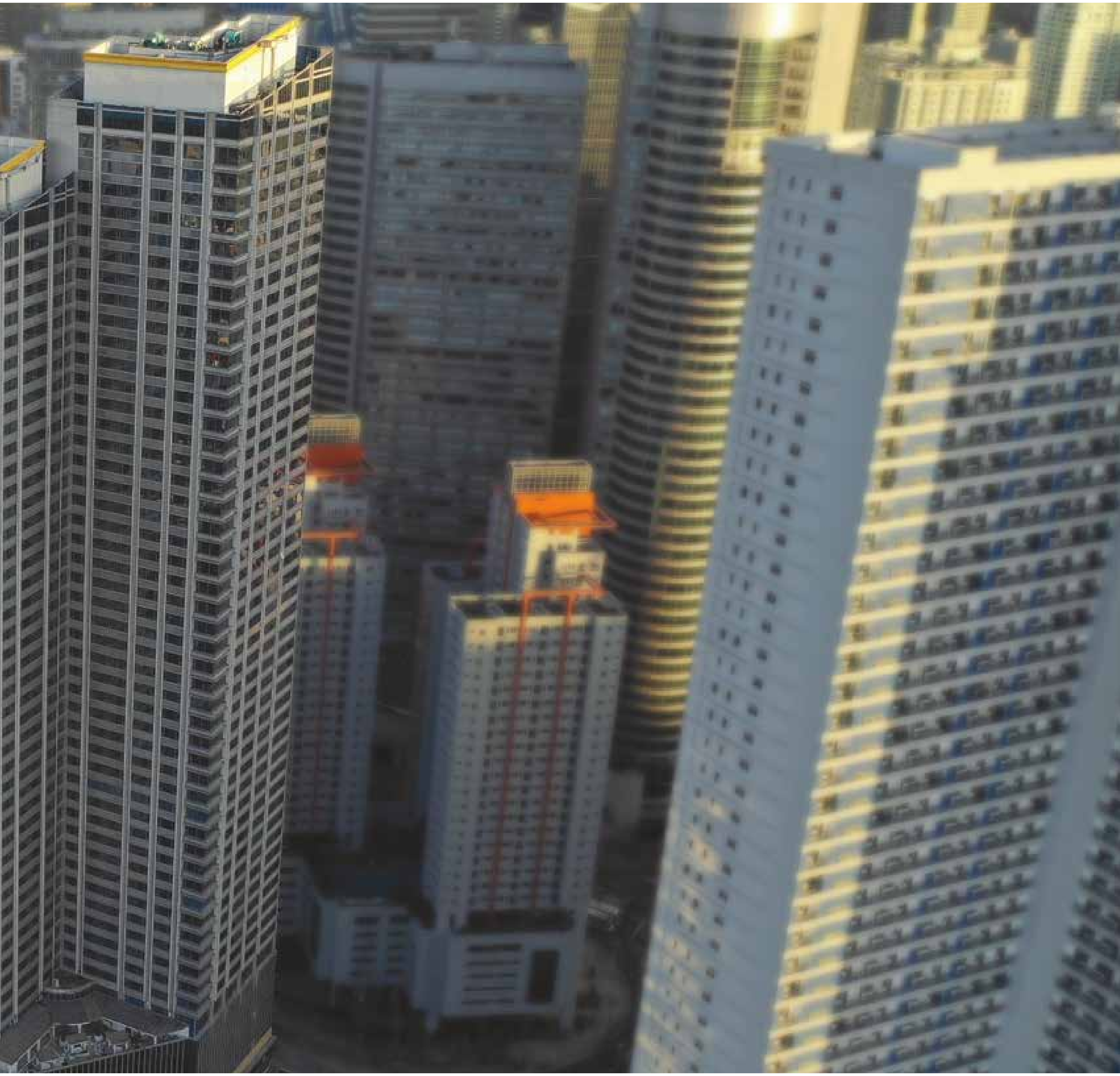
BALESIN BOUTIQUE

ÁO DÀI VIETNAMESE RESTAURANT

BÜRGERBRÄU BIERSTUBE



ALPHALAND MAKATI PLACE



THE MARKETPLACE SUPERMARKET

alphaland
MAKATI PLACE
7232 AYALA AVENUE

Recent years' economic growth has resulted in the expansion of Makati's vibrant Central Business District. Alphaland Makati Place, located on a premium one-hectare property along Ayala Avenue Extension, near office buildings, schools, shopping centers, hospitals, and community areas, leads the charge.

Alphaland Makati Place is a state-of-the-art office, residential, and leisure complex that offers an integrated lifestyle solution in one dynamic complex. Every detail is planned for efficiency, sustainability, and enjoyment.

It consists of 1 corporate and 2 residential/hotel towers atop the six-storey podium. The first three floors of the podium are home to an upscale public shopping center, high-end supermarket, world-class restaurants, and service hubs. The upper three floors of the podium house The City Club, an exclusive urban sport and leisure membership club and business haven. The City Club also houses Aegle Wellness Center, a center for longevity and holistic health. Atop the six-storey podium are the 256 units that compose The Alpha Suites luxury serviced residences, the 244 condominium units that make up The Residences at Alphaland Makati Place, and the 34-storey Alphaland Corporate Tower.

Alphaland Makati Place is the only complex in the Central Business District to present such a comprehensive living solution. It is designed by the well-established Hong Kong architectural and engineering practice, Wong & Ouyang, and the leading architectural firm in the Philippines, Casas + Architects. This complete community is designed to cut down on commuting to enable residents and guests to save time and energy, and minimize traffic, all in secure, private surroundings.

FULLY FITTED KITCHEN AND DINING AREA AT THE RESIDENCES AT ALPHALAND MAKATI

Alphaland Makati Place is designed from the ground up with state-of-the-art building management, automation, and security, as well as energy-efficient mechanical, electrical, and sanitary systems. The complex consumes far less water and energy than comparable buildings, minimizing carbon emissions and unnecessary costs, while still achieving a high level of comfort. Moreover, the complex offers five levels of underground parking, which reduces the urban "heat island effect". The project is registered under the United States Green Building Council (USGBC) rating system, which administers the Leadership in Energy and Environmental Design (LEED).

BON PHO & ROLL RESTAURANT

To keep Alphaland Makati Place 100% free from COVID-19, the following have been implemented:

- Continuous monitoring of the guidelines of Philippine and global public health authorities (including the World Health Organization) for health and safety protocols
- Screening all City Club members and guests, and Aegle Wellness Center clients, for COVID-19 risks by having them complete travel and health questionnaires prior to entering, and Alpha Suites guests prior to check-in
- Alpha Suites guests are also required to present a negative same-day antigen swab test result prior to check-in
- Mandatory temperature check, hand sanitization, and use of disinfecting footbath upon entry
- Compulsory wearing of face masks and face shields by all staff and guests within the building complex
- Provision of hand sanitizers at the Front Desk and at our restaurant takeout stations
- Enforcement of physical distancing in elevators and common areas of the hotel
- Heightened sanitation of all public areas and surfaces every 30 minutes

alphaland

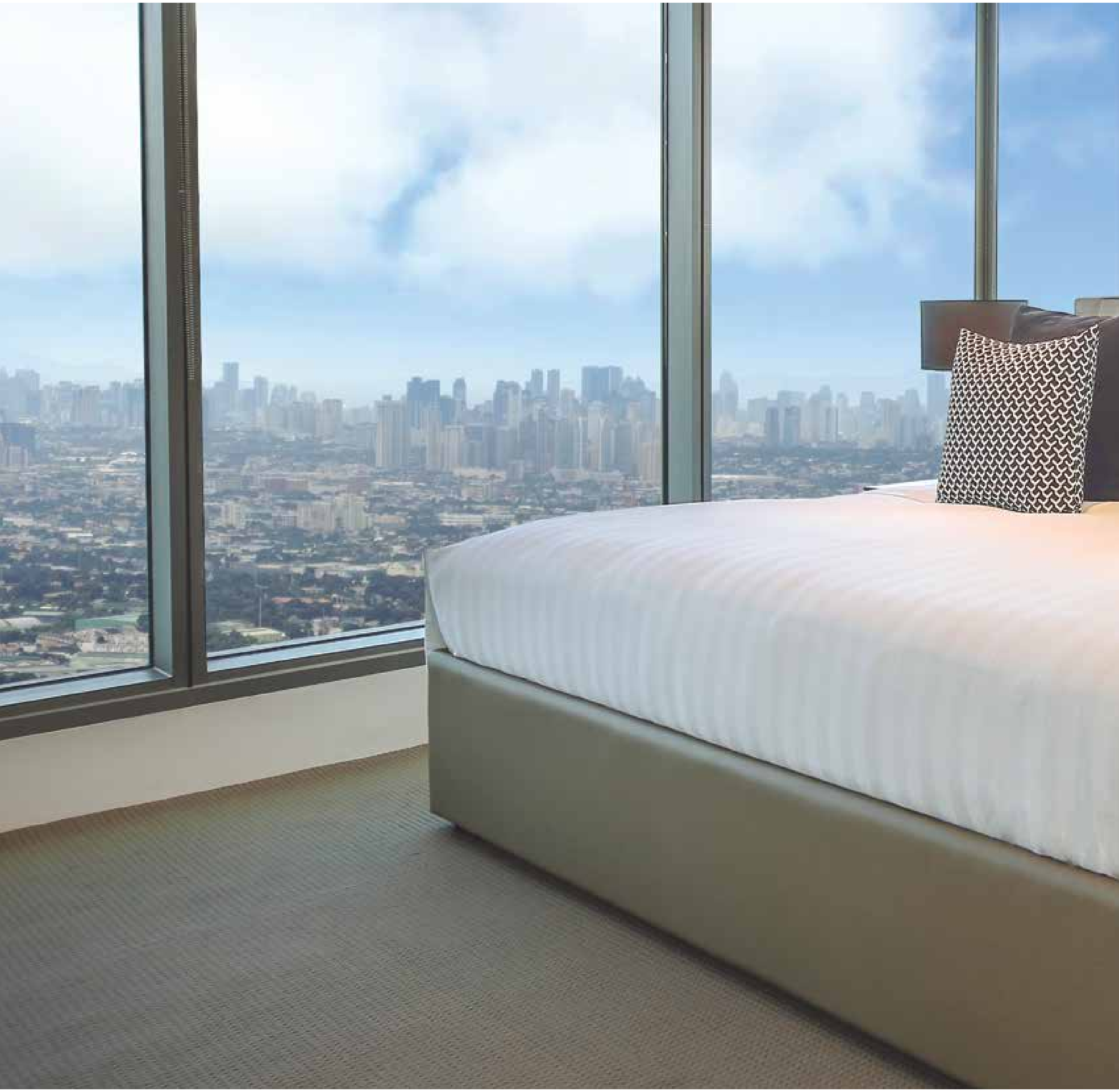
CORPORATE TOWER

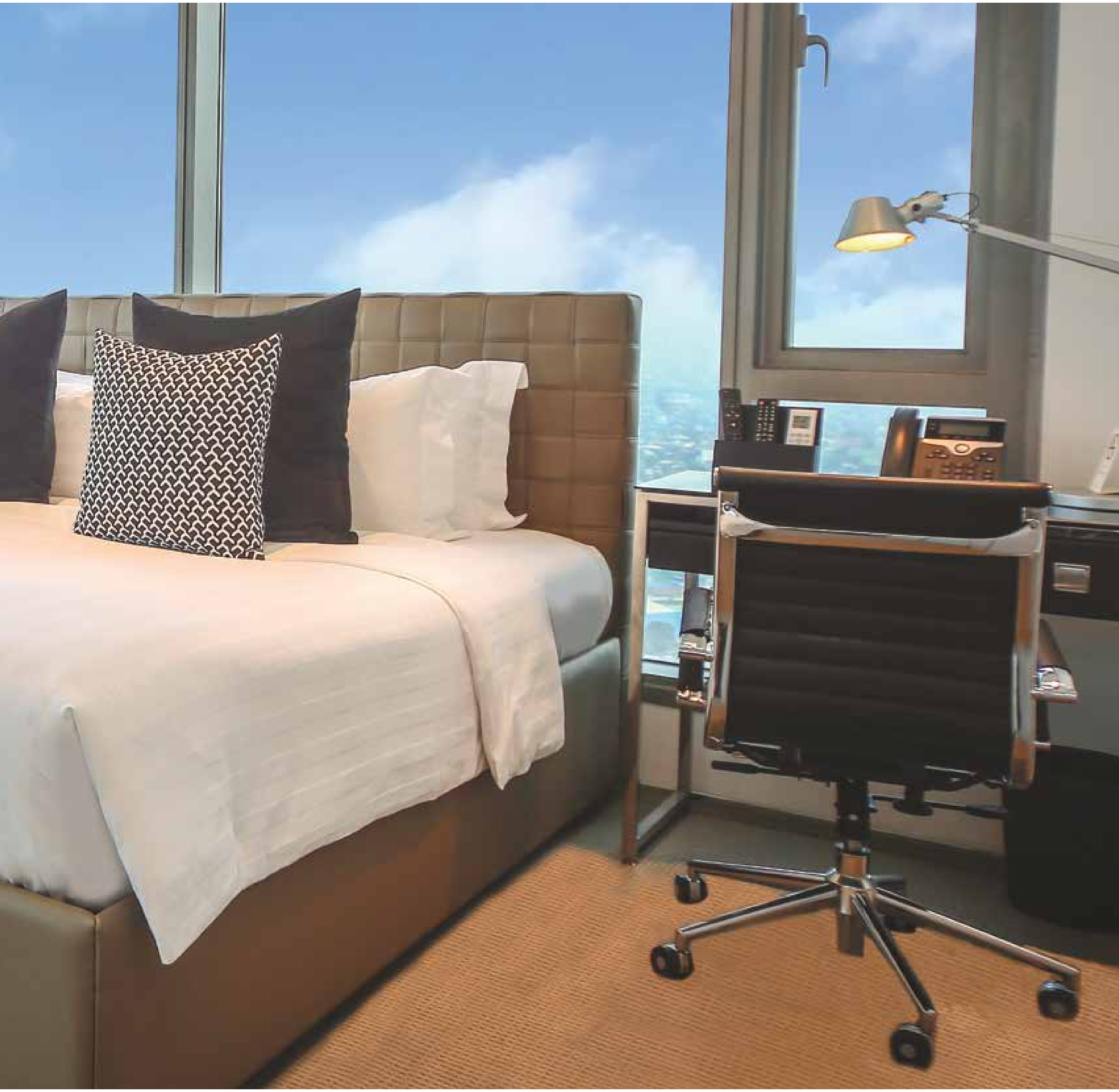
The Alphaland Corporate Tower is a 34-storey, Grade AAA office building located in the heart of Makati's Central Business District on prestigious Ayala Avenue. Part of the Alphaland Makati Place complex, it offers total leasable space of 26,582 sqm, a panoramic view from each floor, and a total of 27 floors, each with a floor plate of 950 sqm.

Completed in early 2018, the Corporate Tower was fully leased by mid-2018. Each tenant is entitled to ten City Club shares (worth Php 1.5 million each for a total of Php 15 million) at no cost. The tower offers four high-speed elevators, an all-granite and marble entrance lobby, 100% backup genset, and the exclusive Top of the Alpha events venue on the penthouse floor, with its own private elevator.

LOBBY

ALPHALAND CORPORATE TOWER





PENTHOUSE BEDROOM

THE ALPHA SUITES FRONT DESK

THE ALPHA SUITES
MAKATI

In late 2017, Alphaland decided to convert its unsold inventory in The Residences at Alphaland Makati Place into luxury serviced apartments. The Alpha Suites serviced residences was launched in May 2018, and is wholly owned and operated by Alphaland Corporation. Composed of 256 suites, it offers several different room types: 1-Bedroom, 2-Bedroom, 2-Bedroom Deluxe, 3-Bedroom, two Penthouses, and a two-level Presidential Suite.

Each suite offers bespoke furniture, top-of-the-line appliances, and premium bathroom fixtures. Every unit has a fully equipped kitchen with dishwasher as well as automated lights, window shades, TV lift, and air conditioning; laundry washer and dryer; minibar; and a safe, with the larger units also including a wine chiller. Fixtures for the suites were handpicked from leading global brands, such as Philippe Starck and Electrolux.

Guests of The Alpha Suites have full access to the 50+ facilities and amenities of The City Club, located in the same building, including the nine world-class restaurants, expansive swimming pool, indoor tennis, badminton, basketball and squash courts, 500-square meter gym, business facilities, etc.

Despite its very recent entry into the hotel market as an independent, non-affiliated property, The Alpha Suites has been ranked

LAGOON-STYLE SWIMMING POOL

the #1 hotel in Makati and Metro Manila on Tripadvisor, the world's leading travel platform, since July 2019.

As we navigate through the new normal of travel, The Alpha Suites remains committed to maintaining the highest standards of hospitality while reinventing the way we deliver guest experiences for a safe and worry-free stay at your five-star home in the city.

Here are the specific steps that we are implementing as part of our commitment to keeping The Alpha Suites 100% free of COVID-19:

- Continuous monitoring of the guidelines of Philippine and global public health authorities (including the World Health Organization) for health and safety protocols
- Screening all guests for COVID-19 risks by having them complete travel and health questionnaires prior to check-in
- COVID-19 antigen swab testing of guests according to the existing guidelines
- Mandatory temperature check, hand sanitization, and use of disinfecting footbath upon entry to hotel
- Compulsory wearing of face masks and face shields by all staff and guests within the building complex, and wearing of disposable gloves by our front-line staff
- Provision of hand sanitizers at the Front Desk and at our restaurant takeout stations
- Enforcement of physical distancing in elevators and common areas of the hotel
- Heightened sanitation of all public areas and surfaces every 30 minutes
- UV treatment of all suites prior to check-in to ensure the elimination of harmful pathogens on room surfaces
- Increased frequency of disinfection of all high-touch areas in the suites
- Application of door seal to ensure that the suite has not been accessed by anyone after sanitation by Housekeeping

TYPICAL LIVING & DINING AREA
IN A 1-BEDROOM SUITE


SAKURA
桜

THE CITY CLUB AT ALPHALAND MAKATI PLACE

THE CITY CLUB ATRIUM

THE CLUB LOUNGE

THE CITY CLUB
alphaland ◆ MAKATI PLACE

All rolled into one, like no other! The City Club is a three-hectare lifestyle hub for leisure, entertainment and business options in the heart of Makati's Central Business District. No other club offers all these options in one place.

The City Club is an integral component of Alphaland Makati Place. All tenants of Alphaland Corporate Tower and unit owners at The Residences at Alphaland Makati Place are automatically members of The City Club, while non-residents may also purchase memberships. The Alpha Suites guests also have full access to the club's facilities. Located along Ayala Avenue, it occupies the top three floors of the six-storey podium of Alphaland Makati Place, with an area of 30,000 square meters. It is located within walking distance of many major corporations, residential buildings, and commercial establishments in the Central Business District. This provides convenience from work, home, and everywhere in between.

The City Club houses nine specialty restaurants where you can choose from a variety of international cuisines. Among them are A Taste of France (French), Balesin Islander (Filipino), Costa del Sol (Spanish), Tang Palace (Chinese), Mark's Prime Rib (Steak House), Sakura (Japanese), Mykonos (Greek), Salathip (Thai), and Toscana Ristorante Italiano (Italian). These are complemented by

MOVIE THEATER/AUDITORIUM

SCREENING ROOM

LIBRARY

the Tabacalera Cigar Divan, where members can enjoy the finest cigars and single-malt whiskies, and TWG Tea Lounge, serving the finest luxury tea in the world. In 2020 we opened the Currywurst Meister deli, which offers authentic German charcuterie, breads, and condiments.

Doing business outside the office is never a problem at The City Club. The Club's Business Center includes meeting and conference rooms that provide an ideal working environment. The Club offers Wi-Fi and a state-of-the-art fiber optic network to ensure that members stay connected anywhere around the club's premises. Function rooms are also available for intimate events, from corporate functions to weddings and banquets, and a 76-seat auditorium is popular for seminars and presentations.

CLUB LOUNGE

BOARDROOM

CONFERENCE ROOM

BANQUET HALL

LAGOON-STYLE SWIMMING POOL

GYM

No club is complete without a pool, and The City Club has its lagoon-style swimming pool with additional areas for laps. To ensure social distancing, only ten people are allowed in the swimming pool at any given time.

Children also get to enjoy The City Club's child-friendly facilities, which include a kids' swimming pool, indoor playground, and activity area. Other facilities such as game rooms, KTV rooms, a screening room, and a Wii room provide recreational activities that the entire family can enjoy.

In addition, The City Club has an extensive array of amenities dedicated to your health and wellness needs. Apart from its swimming pools, Aegle Wellness Center, The Alpha Spa, and a fully equipped 500-square meter gym, sports enthusiasts will enjoy the indoor courts for basketball, tennis, badminton, and squash, and the high-definition virtual golf simulator. For those who want to revitalize their minds and bodies, studios for Pilates, aerobics, and yoga can also be found in the Club. There is also a boxing ring and martial arts studio for those who enjoy more strenuous activities.

HIGH-DEFINITION VIRTUAL GOLF SIMULATOR

SQUASH COURT

PILATES STUDIO

MYKONOS GREEK RESTAURANT

COSTA DEL SOL SPANISH RESTAURANT

TOSCANA RISTORANTE ITALIANO

BALESIN ISLANDER FILIPINO RESTAURANT

SALATHIP THAI RESTAURANT

TANG PALACE CHINESE RESTAURANT

SAKURA JAPANESE RESTAURANT

A TASTE OF FRANCE

MARK'S PRIME RIB

CLUB AMENITIES

- Indoor Tennis Court
- Indoor Basketball Court
- Badminton Courts
- Boxing Ring
- Squash Court
- Gym
- Billiard Tables
- Table Tennis Room
- Aerobics & Yoga Studio
- Martial Arts Studio
- Pilates Studio
- Dance Studios
- Aegle Wellness Center
- The Alpha Spa
- Swimming Pool
- Pool Sunbathing Deck
- High-Definition Virtual Golf Simulator
- Health Bar
- Meeting and Conference Rooms
- Movie Theater/Auditorium
- Library
- Business Center
- Banquet Hall
- Private Function Rooms
- Chinese Function Rooms
- Private Dining Rooms
- The Boardroom
- Large Function Rooms
- Tabacalera Cigar Divan
- Outdoor Activity Area
- Game Room
- Club Lounge
- Barber Shop
- KTV Rooms
- Screening Room
- Poolside Restaurant & Al Fresco Bar
- Restaurants:
  — Sakura Japanese restaurant
  — Salathip Thai restaurant
  — Tang Palace Chinese restaurant
  — A Taste of France
  — Costa del Sol Spanish restaurant
  — Toscana Ristorante Italiano
  — Mark's Prime Rib
  — Balesin Islander Filipino restaurant
  — Mykonos Greek restaurant
- Currywurst Meister deli
- TWG Lounge
- Children's Indoor Play Area
- Pro Shop
- Physical Therapy Studio
- Outdoor Playground
- Children's Pool
- Snack Bar
- Barbecue Area

TWG LOUNGE

CURRYWURST MEISTER DELI

THE RESIDENCES AT ALPHALAND MAKATI PLACE

TYPICAL UNIT AT THE RESIDENCES AT ALPHALAND MAKATI PLACE

TYPICAL DINING AREA AT THE RESIDENCES AT ALPHALAND MAKATI PLACE

THE RESIDENCES alphaland MAKATI PLACE

Dubbed "the home of the future", The Residences at Alphaland Makati Place incorporates the limitless possibilities of future-receptive technology into residents' daily lives through the incorporation of fiber optic infrastructure.

The Residences at Alphaland Makati Place, a meticulously designed complex that ensures a natural fusion of aesthetics and efficiency, offers fully fitted and fully furnished, state-of-the-art Ayala Avenue apartments. The strategic location of the complex makes it a perfect home for dynamic executives, young families, and upwardly mobile singles. The complex incorporates high-speed fiber optic infrastructure, ensuring that it will be technologically advanced for years to come.

Each unit in The Residences at Alphaland Makati Place comes with a resident membership in The City Club, whose top-of-the-line facilities are dedicated to fulfilling the most demanding lifestyle needs.

LIVING AREA INSIDE A UNIT AT THE RESIDENCES AT ALPHALAND MAKATI PLACE

TYPICAL BEDROOM OF A 2-BEDROOM UNIT AT THE RESIDENCES AT ALPHALAND MAKATI

THE BIRD'S NEST WRAPAROUND OUTDOOR TERRACE

The Top of the Alpha is Manila's premier destination for upscale bar & lounge entertainment and private events. The venue features a magnificent view from every part of the 34th floor penthouse of the Alphaland Corporate Tower in Makati.

Top of the Alpha has an L-shaped music lounge where well-known jazz bands have performed, a Tabacalera Cigar Divan featuring the country's finest hand-rolled cigars and single-malt Scotch and Cognac pairings, and an open-air wraparound terrace for dining and lounging with a spectacular view of the metropolis. It also has three beautifully designed private rooms featuring large TV monitors where you can view the live bands or your choice of music in a plush, private setting.

INTIMATE EVENT AT THE TOP OF THE ALPHA

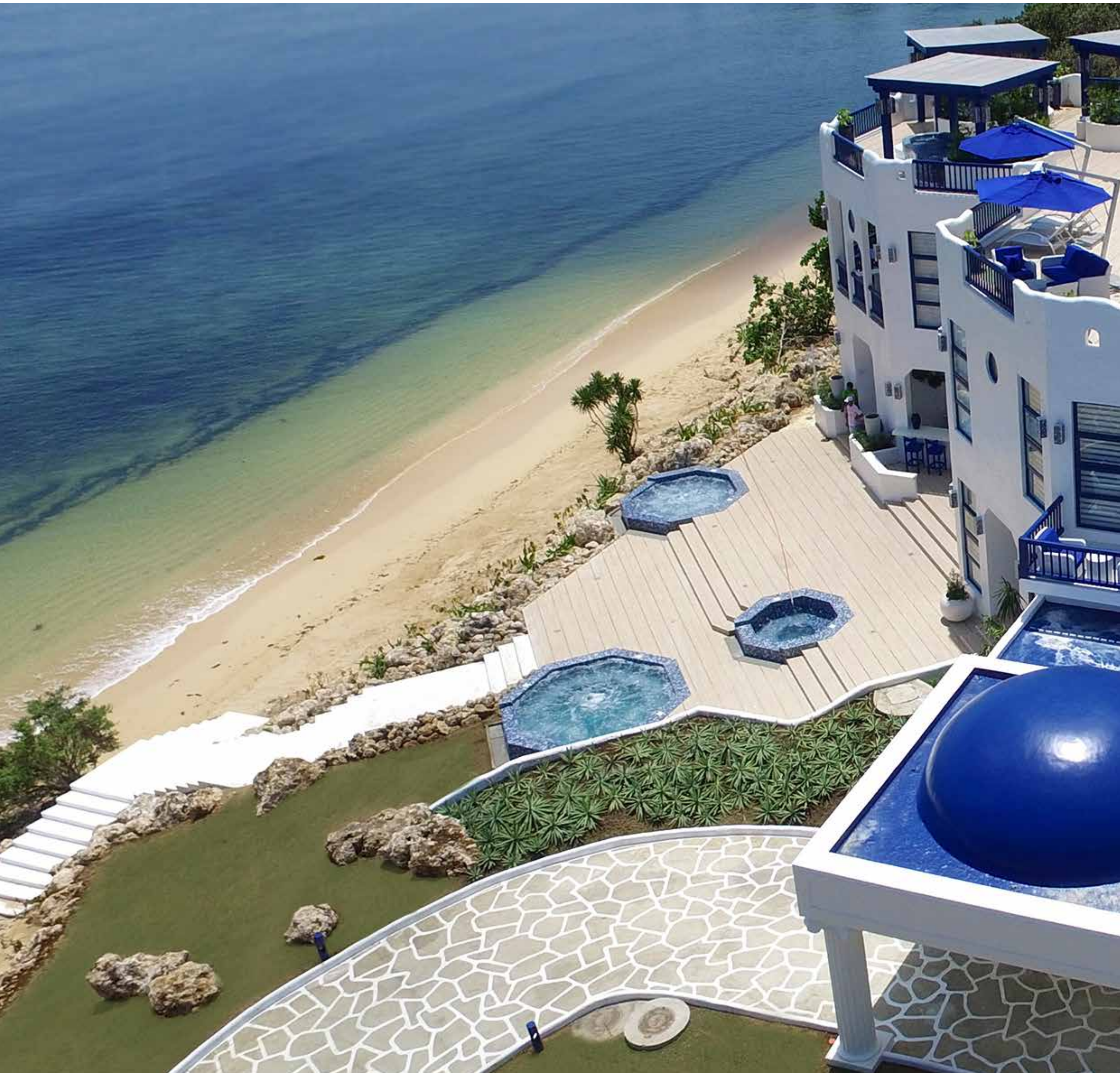
PRIVATE ROOM A

TABACALERA CIGAR DIVAN

Top of the Alpha is also a premier private events venue serving refined continental cuisine and fine wines and spirits, with live acoustic music and the beautiful view of the metro as its backdrop.

PIANO LOUNGE

SKY LOUNGE



AEGLE WELLNESS CENTER AT BALESIN ISLAND CLUB

AEGLE WELLNESS CENTER AT THE CITY CLUB

Aegle Wellness Center is a state-of-the-art integrative health and wellness center purposely set in two complementary sites—a five-star city-center facility and an exclusive island resort setting—to nurture and sustain our unique and bespoke wellness programs.

AEGLE WELLNESS CENTER

Named after the Greek goddess of radiant good health, Aegle illustrates the marriage of science and health—Aegle being the daughter of Aesculapius, the god of medicine, and Epione, the goddess of soothing of pain. Aegle is the sister of Panacea, the goddess of medicines, and Hygeia, goddess of health.

Aegle is devoted to the maintenance of health through lifestyle modification based on cutting-edge technology from the basic sciences such as cell physiology, molecular biology, and human genomics. Protocols are hinged on the four foundations of wellness: natural detoxification, weight management, ageing medicine, and holistic health.

Complementing the limitations of Western medicine with the preventive health values of traditional healing, Aegle provides multi-faceted programs to address health concerns ranging from treatment of lifestyle diseases, to enhancing function and athletic performance, to providing support for prevention of terminal illness.

Leading Aegle's acclaimed medical team is Dr. Benedict Valdecañas, the country's leading authority in the field of Sports and Regenerative Medicine. The city-center facility of Aegle Wellness Center, which is located at The City Club, began operations in late 2015, while its second center, located adjacent to the Mykonos Beach Villas in Balesin Island Club, opened its doors in April 2016. The Aegle facility at Balesin offers Thalassotherapy as a centerpiece of its wellness programs.

In 2022, Aegle will launch partnerships and reciprocal programs with the leading European and North American medi-spas, offering bespoke wellness holidays in Aegle-Balesin for clients seeking a world-class spa experience in a luxurious island setting.

SERVICES AND PROGRAMS

- Professional Assessment & Evaluation
- Professional Age Management Consults
- Exercise Instruction, Initiation, Integration,
- and Physical Therapy
- Nutritional Consults, Weight Management,
- and Support
- Life Coaching
- Mindfulness Coaching
- Thalassotherapy (Aegle-Balesin only)
- Post-COVID Rehabilitation Program
- Laboratory Assessment
  - COVID-19 Reverse Transcription Polymerase Chain Reaction, Rapid Antigen, and Rapid Antibody Testing
  - Complete Blood Analysis and Serum Chemistry
  - Body Composition Analysis (BCA)
  - Metabolic Analysis Testing
  - Food Sensitivity Testing
  - Genomic Analysis
  - Hormonal Assay
  - Micronutrient Assay
  - Cancer Markers
  - Toxicology Scan
  - Gut Microbiome Analysis
  - Oxidative Stress
  - Neurotransmitter Assay
  - Amino Acid Assay
  - Cardiovascular
  - Chronic Fatigue Syndrome
  - Ancillary Assessment
  - Plethysmography
  - Live Blood Analysis

TREATMENTS

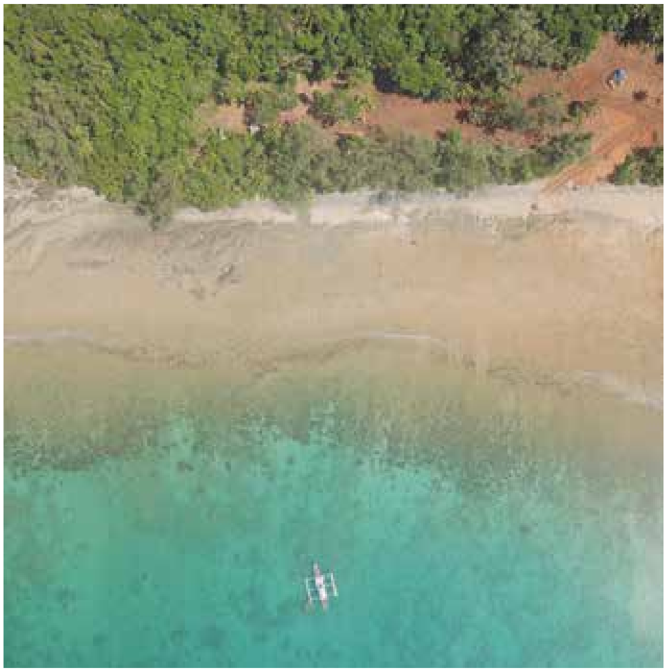
- Hyperbaric Oxygen Therapy (HBOT)
- Colon Hydrotherapy
- Intravenous Detoxification
- Intravenous Supplementation

AESTHETIC TREATMENTS

- Skin Renewals
- Skin Regeneration & Remodeling
- Body Reshaping
- FaceFitness and FaceFitness Luxe

AEGLE'S AWARD-WINNING HYPERBARIC OXYGEN THERAPY

PATNANUNGAN ISLAND



AERIAL VIEW OF THE ONGOING CONSTRUCTION OF AIRSTRIP

BALESIN INTERNATIONAL GATEWAY

Alphaland has acquired 732 hectares on Patnanungan Island, which is only 21 nautical miles north of Balesin. Between Balesin and Patnanungan it takes only ten minutes by helicopter, five minutes by our Cessnas, and half an hour by a fast ferry.

We plan to build a full international airport facility with a runway of 2,500 meters, which will accommodate even wide-body jets, although we are targeting only the Airbus 320s that fly around the region.

We have always envisioned making Balesin directly accessible to international flights. With the establishment of the Balesin Gateway International Airport, our international members and guests will be able to bypass the congestion of NAIA in Manila and fly directly to Balesin from Tokyo, Seoul, Taipei, Hong Kong, Bangkok, Singapore, and Jakarta, and even Sydney, all cities that will be the target of our aggressive international marketing of Balesin Island Club.

Because the island has fresh ground water, we also plan to build an 18-hole championship golf course and 5 luxury hotels, as well as 1,834 beachfront and golf course homes. So that we do not end up with a mish-mash of designs and are able to preserve the pristine character of the land, we will design and build each individual home. The homes can be directly owned by individuals and companies who would like to acquire their own beach houses. We have partnered with EcoPlan (the same master planner of Balesin Island) to finalize the master plan for the island, and continue to work on obtaining the necessary permits and regulatory approvals.

In 2022, we will build and launch Alpha Beach Club on the southern shore of the property, which will feature a Sala where guests can relax and dine. Alpha Beach Club will also feature a 1,700+ sqm lagoon-style pool with an island and a bridge, a children's pool, a barbecue/grilling area and bar, and rustic, native-style dining huts. Balesin members and their guests will be able to visit Alpha Beach Club as a day-use facility.

DISTANCE FROM BALESIN TO PATNANUNGAN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BALESIN INTERNATIONAL GATEWAY MASTER PLAN

Master Plan Highlights:

- 732-hectare project site (approximately 1.5 times the size of Balesin Island)
- Five luxury hotels
    - Oceanview rooms
    - World-class spas
    - Ballrooms sized to hold a variety of events
- 1,834 residential units
    - Single-family residential
    - Multi-family
- Resort-branded residential
- International airport with 2,500-meter long runway
- 18-hole championship golf course
    - Par 72
    - 7,150 yards
    - World-class practice facilities
- Commercial village
- Environmental and sustainable components

Legend:

A. Beachfront Hotel (220 Rooms & 100 Branded Residential)
B. Beachfront Hotel (210 Rooms & 17 Branded Residential)
C. Beachfront Hotel (230 Rooms)
D. Beachfront Hotel (200 Rooms)
E. Beachfront Hotel (220 Rooms)
F. Single Family Residential
G. Multi-family Residential (Blocks of 12 Units)
H. Multi-family Residential (Blocks of 8 Units)
I. Multi-family Residential (Blocks of 4 Units)
J. Future Residential (Proper Topography not yet Available)
K. Residential Beach Club
L. Golf Clubhouse and Sports Club
M. 18-hole Championship Golf Course
N. Golf Practice Area
O. Golf Course Halfway House
P. Commercial Center
Q. Waterfront Restaurants & Retail
R. Hotel Watersports Center
S. Airport Terminal with Hangars
T. 2,500-meter Long Runway
U. Infrastructure and Maintenance Center
V. Jetty and Hydrofoil Terminal
W. Employee Housing Village
X. Landscape Nursery
Y. Retention Pond
Z. Lagoons
AA. Renewable Energy Center with Wind Farm

EUROCOPTER EC-130B4 HELICOPTER

CESSNA 208B GRAND CARAVAN

ATR 72-500 AIRCRAFT

Alphaland Aviation's fleet of aircraft includes two 68-seater ATR 72-500s and two 9-seater Cessna 208B Grand Caravans, as well as a 5-passenger Eurocopter EC-130B4 helicopter.

In 2022, we will acquire an 8-passenger AgustaWestland AW139 helicopter, a twin-engine aircraft known for its solid safety record and workhorse performance as a Coast Guard, offshore transport, and maritime patrol aircraft.

ARRIVALS LOUNGE

DEPARTURES LOUNGE

VIEW OF CLARK HANGAR

DISTANCE FROM MANILA TO CLARK

ALPHALAND CLARK HANGAR AND LOUNGE

Alphaland's private hangar and lounge at Clark International Airport in Pampanga has allowed us to offer additional and more convenient flights for Balesin members who live in the northern part of Metro Manila and in Central Luzon. In addition to our usual service from NAIA, we now schedule flights to and from Clark to avoid the air traffic and runway congestion at NAIA.

LIA'S ORCHARD AT BALESIN ISLAND CLUB

ANNUAL COASTAL CLEANUP

Corporate Social Responsibility

ALPHALAND CLIMATE CHANGE FOUNDATION

The Alphaland Climate Change Foundation is a private, non-profit foundation focused on preventing, reversing, and/or mitigating the adverse effects of climate change in order to promote the social and economic welfare of current and future generations of Filipinos.

COMMUNITY DEVELOPMENT PROGRAMS

Balesin Island Club supports the island's residents through various community development programs. One of the program's main thrusts is the hiring of local residents to train with and eventually become part of the island's workforce. The club employs its staff from a community of around 2,000 people.

The children of these workers also become scholars of Balesin Island Club. Eventually, upon reaching high school, they may choose to take their "on-the-job training" (OJT) in the club, effectively becoming skilled workers in the luxury hospitality industry.

BALESIN INTEGRATED SCHOOL

The Balesin Integrated School is an island-based school that serves the needs of the children of Balesin Island's local residents. Founded in 1999, it is a direct beneficiary of Alphaland Corporation. The company regularly donates materials and supplies during the Christmas holidays and other special occasions. Aside from supporting the school through charitable donations and funding teacher salaries, Alphaland also grants scholarships to deserving students, many of whom continue their further education at top universities on the mainland.

ANNUAL OUTREACH PROGRAMS

Every December, Alphaland Corporation shares its blessings with those less fortunate through a yearly outreach program. The beneficiaries of this annual event are the residents of the local Balesin island community. Members from various Alphaland departments are chosen to fly to the island for a day of fellowship and camaraderie. While on the island, they pack Christmas ham and fruit baskets, attend a thanksgiving Mass, and share a simple yet meaningful meal in celebration of the true meaning of the season. The children of the local residents are also treated to a magic show, parlor games, and loot bags.

BALESIN COASTAL CLEANUP VOLUNTEERS

ANNUAL COASTAL CLEANUP

Alphaland Balesin Island Club participates in the annual International Coastal Cleanup, the world's largest volunteer event on behalf of ocean health. This event is dedicated to improving beaches, coastal areas, and their surroundings. In 2021, the International Coastal Cleanup in Balesin was carried out by a small group of Balesin Private Villa residents, accompanied by Balesin Island Club employees.

BOARD OF DIRECTORS

ROBERTO V. ONGPIN
Chairman & CEO

Mr. Ongpin was elected Director and Chairman of the Board on November 11, 2009. He is also the Chairman of Atok-Big Wedge Company, Inc., and former Director of San Miguel Corporation, PAL Holdings, Inc. and Petron Corporation. In Hong Kong, he was the Non-Executive Director of Shangri-La Asia and was the Deputy Chairman of the South China Morning Post, both listed on the Hong Kong Stock Exchange. He was also a Director of Forum Energy PLC (United Kingdom). Mr. Ongpin graduated cum laude in Business Administration from the Ateneo de Manila University, is a certified public accountant, and has an MBA from Harvard Business School.

ANNA BETTINA ONGPIN
Vice Chairman

Ms. Ongpin was elected Director of the Company on 19 March 2014 and served as President of the Company from May 31, 2016 to January 30, 2020. She became Vice Chairman of the Company effective February 1, 2020. She is also a Director of Atok-Big Wedge Co., Inc. (AB), and a Director and Vice Chairman of both Alphaland Balesin Island Club, Inc. and The City Club at Alphaland Makati Place, Inc. Ms. Ongpin has more than 30 years of communications, marketing, project management, and operations experience in the management consulting and media fields. She holds a Bachelor's Degree in Political Science from Wellesley College.

DENNIS O. VALDES
President

Mr. Valdes has been a Director since 2011. He became the President of the Company effective February 1, 2020. He is also a director of Atok-Big Wedge Co., Inc. (AB). His previous work experience includes 14 years with PhilWeb Corporation, ten years with the Inquirer Group of Companies, and six years with The NutraSweet Company. He is a certified public accountant, graduated magna cum laude in Business Administration and Accountancy from the University of the Philippines, and has an MBA degree from the Kellogg School of Management, Northwestern University.

ERIC O. RECTO
Vice Chairman

Mr. Recto is also presently the Vice Chairman and President of Atok-Big Wedge Co., Inc., the Chairman of the Philippine Bank of Communications in 2012. He is presently Chairman and President of Bedfordbury Development Corporation; Chairman and President of Optimum Dev't. Holdings Phils., Inc.; Independent Director of Aboitiz Power Corporation and Philippine H2O; Director of DITO CME Holdings Corp. (formerly ISM Communications Corporation); and a Member of the Board of Supervisors of Acentic GmbH.

Mr. Recto served as Undersecretary of Finance of the Republic of the Philippines from 2002 to 2005, in charge of handling both the International Finance Group and the Privatization Office. Before his stint with the government, he was Chief Finance Officer of Alaska Milk Corporation and Belle Corporation. Mr. Recto has a degree in Industrial Engineering from the University of the Philippines as well as an MBA from the Johnson School, Cornell University.

SENATOR JUAN EDGARDO M. ANGARA
Director

Sen. Angara has been a legislator of the Republic of the Philippines for the past 16 years—first as Representative of Aurora Province from 2004 to 2013, and then as Senator from 2013 to the present. He has authored or sponsored more than 200 laws, focused on education, health, tax reform, and jobs generation. He is now advocating a "Tatak Pinoy" or proudly Filipino industrialization policy. Mr. Angara was recognized as one of The Outstanding Young Men (TOYM) for government service and legislation in 2010. He graduated from the London School of Economics, earned his Law Degree from the University of the Philippines, and his Masters in Law from Harvard Law School.

JAIME J. BAUTISTA
Director

Mr. Bautista was elected Director of the Company on Sept 17, 2019. He is presently a Member of the Board of Trustees of the University of the East, Member of the Board of Trustees of the UE Ramon Magsaysay Memorial Medical Center, Member of the Board of Trustees of the International School of Sustainable Tourism, Independent Director of Airspeed International Corporation, Independent Director of Nickel Asia Corp., Independent Director of Belle Corp., Independent Director of Premium Leisure Corp., Independent Director of Gothong Southern Shipping Corp., Member of the board of Directors of Philippine Bank of Communications, Member of the Board of Directors of Cosco Capital Corp. and President of Skal International Makati. He was previously President and Chief Operating Officer of Philippine Airlines, Inc, President and Director of PAL Holdings, Inc., and Treasurer and Director of Macroasia Corp. He started his career with Sycip, Gorres, Velayo and Company and held various management positions in the Lucio Tan Group of Companies. Mr. Bautista, a certified public accountant, graduated from Colegio de San Juan de Letran with a degree of Bachelor of Science in Commerce, major in Accounting.

FLORENTINO M. HERRERA III
Independent Director

Mr. Herrera was elected Independent Director on June 20, 2018. He is the founding partner of Herrera Teehankee & Cabrera Law Offices (established in 1986). He was formerly a Partner of one of the largest law offices in the Philippines. He has been engaged in the general practice of law for the past 44 years specializing in corporate law practice as counsel for various companies. Among others, he serves as Senior Adviser of CVC Asia Pacific Limited (since April 2014). He is a Director of Philippine Airlines, Inc. (since 2014), Lufthansa Technik Philippines (LTP) (since 2017) (Corporate Secretary of LTP from 2000 to 2016). He is the Corporate Secretary of MacroAsia Corporation (since 2014) and Allianz PNB Life Insurance, Inc. (since 2016). Atty. Herrera holds a Bachelor of Arts in Political Science degree and a Bachelor of Laws degree (Cum Laude, Salutatorian) both from the University of the Philippines.

FRANCISCO ED. LIM

Director

Mr. Lim is a Senior Legal Counsel of Angara Concepcion Regala & Cruz Law Offices (ACCRALAW); former President of the Financial Executives Institute of the Philippines (FINEX) and continue to serve FINEX as VP for External Affairs; former President of the Management Association of the Philippines (MAP) and continues to serve MAP as the Vice Chairman of the Membership Committee and Management Man of the Year Search Committee, and Co-Chairman of the National Issues Committee. He previously served as President, CEO and Director of Philippine Stock Exchange, Inc. (PSE), President & CEO of Securities Clearing Corporation of the Philippines (SCCP) and President of the Shareholders' Association of the Philippines (SharePHIL).

He is a Director of Converge Information and Communications Technology Solutions, Inc. (a Publicly Listed Company) and Alphaland Corporation and Independent Director of The Insular Life Assurance Co., Ltd, Union Bank of the Philippines and First Philippine Holdings Corporation. He is also a Trustee of SharePhil, CIBI Foundation, Inc., Judicial Reform Initiative, Inc., Financial Executives Institute of the Philippines (FINEX), Chairman and Trustee of FINEX Research Foundation, Inc., Vice Chairman of FINEX Academy, Inc., and a Fellow of the Institute of Corporate Directors.

He is a member of the Integrated Bar of the Philippines, Philippine Bar Association, New York State Bar Association, the American Bar Association, and Advisory Committee for the Asian Principles of Business Restructuring Project of the III and Asian Business Law Institute.

He is a Law Professor at the School of Law, Ateneo de Manila University and School of Law of San Beda University. He is a Co-Chairperson of the Sub-Committee of the Philippine Supreme Court on E-Commerce Law and a member of the Sub-Committee on Commercial Courts and Committee on the Revision of the Rules of Court of the Philippine Supreme Court. He is the Chairman of the Commercial Law Department and professorial lecturer of the Philippine Judicial Academy.

Among his most recent awards are: "Elite Practitioner" in Capital Markets and Dispute Resolution (2020-2022) by Asialaw Profiles; "Benchmark Litigation Star" (2021) and "Benchmark Litigation Asia-Pacific Dispute Star" (2020) in Commercial and Transactions, Government & Regulatory, Insolvency, and White-collar Crime by Benchmark Litigation Asia-Pacific; "Leading Lawyer" in Banking and Finance: Capital Markets, and Dispute Resolution (2020-2021) by Chambers Asia-Pacific, Chambers and Partners; "Leading Lawyer" in Capital Markets and Tax (2020-2021) by The Legal 500 Asia Pacific; "A-List Re: Philippines' Top 100 Lawyers" (2018-2020) by Asia Business Law Journal (Vantage Asia); "Lawyer of the Year – Philippines" by Benchmark Litigation, Asia-Pacific Awards 2019; Chairman's Merit Award FINEX Foundation 2020; "Market Leader: Banking and Mergers & Acquisitions" (2019-2020) by the International Finance Law Review (IFLR1000; "Ranked Lawyer" in Corporate and Finance (2017-2021) by the Chambers Global, Chambers & Partners; "Commended External Counsel of the Year" by the In-House Community Counsels (2016-2020); "Deal Maker of the Year" by Thomson Reuters Asian Legal Business Philippine Law Awards 2017; Punong Gabay Award from the Philippine Council of Deans and Educators (PCDEB); Professorial Chair in Commercial Law from the Philippine Supreme Court, Philippine Judicial Academy and the Metrobank Foundation, Inc.; Certificate of Commendation from the Supreme Court of the Philippines; and Certificate of Appreciation from Capital Market Institute of the Philippines.

He is a co-author of the "The Philippine Competition Act: Salient Points and Emerging Issues."

Atty Lim has Bachelor of Arts (cum laude) and Bachelor of Philosophy (magna cum laude) degrees from University of Santo Tomas; Bachelor of Laws (Second Honors), Ateneo de Manila University; Master of Laws from the University of

University; Master of Laws (Second Honors), Ateneo de Manila University; Master of Laws from the University of Pennsylvania, USA; Fellow, Institute of Corporate Directors (ICD).

MARIO A. ORETA
Director

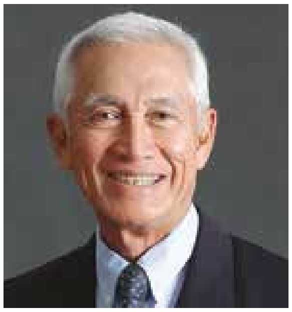
Mr. Oreta was elected Director on November 11, 2009. He served as President of the Company from 2009 to 2017. He is also Director of The City Club at Alphaland Makati Place, Inc. He graduated with honors from the Ateneo De Manila University with a degree in Bachelor of Laws and immediately joined the law firm of Siguion Reyna, Montecillo and Ongsiako after graduating from law school. He is the managing partner of The Law Firm of Mario Oreta and Partners.

LORENZO V. TAN
Director

Mr. Tan was elected Director on June 20, 2018. He was Vice Chairman from 2018 to 2019. He is the incumbent President & CEO of Yuchengco-owned House of Investments, Inc. He is a prominent banker who served as the President and Chief Executive Officer of Rizal Commercial Banking Corporation from 2007 to 2016; Prior to that, he also served as President and CEO of Sun Life of Canada (Philippines), Inc., the Philippine National Bank, and the United Coconut Planters Bank. Mr. Tan is currently serving as Director of Smart Communications, Inc., Digitel Telecommunications, EEI Corp., Sun Life Grepa Financial, Inc., iPeople, Inc., Malayan Insurance Company, Inc., Manila Memorial Park Cemetery, Inc., PetroEnergy Corporation; Philippine Realty and Holding Corporation (Philrealty) and Hi-Eisai Pharmaceutical Inc.; Also serves as Director for Honda Cars Philippines and Isuzu Manila, Inc.; Director, President and CEO of RCBC Realty Corporation and San Lorenzo Ruiz Investment Holdings and Services, Inc. He holds the Vice Chairmanship of the Pan Malayan Management and Investment Corporation (PMMIC), and TOYM Foundation; Member of the Board of Trustees at De La Salle Zobel. Other past experiences include: Managing Director of Primeiro Partners, Inc., Chairman of Asian Bankers Association (ABA); President of Bankers Association of the Philippines (BAP). Mr. Tan is a Certified Public Accountant in Pennsylvania, USA and in the Philippines, graduated from De La Salle University, with a Bachelor of Science degree in Accounting and Commerce and holds a Master of Management degree from the J.L. Kellogg Graduate School of Management in Evanston, Northwestern University.

GILBERTO EDUARDO GERARDO C. TEODORO, JR.
Independent Director

Mr. Teodoro was elected Independent Director for the company on June 20, 2018. He is the Chairman of Sagittarius Mines, Inc. from 2015 to present and Indophil Resources Inc. from 2017 to present. He is also a Director of Canlubang Sugar Estate from 1991 to present and Philippine Geothermal Production Co., Inc. from 2012 to present. He is currently the Chairman and President of Bolam Holdings, Inc., Branko Holdings, Inc. and WIPSIAE Holdings, Inc. He studied law at the University of the Philippines and graduated with a Dean's Medal for Academic Excellence. He topped the 1989 Philippine Bar Examination. He obtained his Masters of Laws degree from Harvard Law School in Cambridge, Massachusetts, United States and passed the State Bar of New York.



MARGARITO B. TEVES
Independent Director

Mr. Teves was elected Independent Director on August 31, 2011. He is also an Independent Director of Alphaland Balesin Island Club, Inc., and The City Club at Alphaland Makati Place, Inc. Mr. Teves is currently the Chairman of Think Tank, Inc., and Managing Director of the Wallace Business Forum. He was formerly Secretary of the Department of Finance, Landbank President and CEO, and a Member of the House of Representatives (representing the 3rd District of Negros Oriental). He obtained a Higher National Diploma (HND) in Business Studies, equivalent to a BSC in Business Economics, from the City of London College, and a Master of Arts (MA) in Development Economics from the Center for Development Economics, Williams College, Massachusetts, USA. He was also conferred an Honorary Degree, Doctor of Laws, by Williams College, and named Senior Adviser to the China-Asean Economic and Culture Research Center and Visiting Professor at the Guilin University of Electronic Technology in China.

DENNIS A. UY
Director

Mr. Uy is the Founder, Chairman, and CEO of UDENNA Corporation, his holding company with a diverse business portfolio that includes interests in the retail and distribution of petroleum products and lubricants, shipping and logistics, property development, education, food, gaming and tourism, infrastructure, telecommunications, and energy.

He is the Chairman of Phoenix Petroleum Philippines, Inc., the country's leading independent oil company. He is Chairman of Chelsea Logistics Holdings Corporation, a dominant player in the shipping and logistics industry.

He is Chairman of UDENNA Land, Inc., developer of real estate projects such as Clark Global City, Calaca Industrial Seaport Park, and UDENNA Tower. He is Chairman of PH Resorts Group Holdings Corp., developer of The Emerald in Mactan, Cebu currently under development. He is Chairman and President of UDENNA Infrastructure Corp., Chairman of Enderun Colleges, Inc. and Chairman of Eight-8-Ate Holdings, Inc., owner and operator of Conti's Bakeshop & Restaurant and Wendy's.

He is the Chairman and CEO of Dito Telecommunity Corporation and Chairman of Dito CME Holdings Corp., Udenna's foray into the communication, media, and entertainment space.

He is Chairman and Director of UC38 LLC which has a 45% participating interest in the Malampaya Deep Water to Gas Project which is the largest producing gas field in the Philippines.

He is also the Vice Chairman of Atok-Big Wedge Co., Inc.

Mr. Uy is also Chairman of Phoenix Philippines Foundation, UDENNA Foundation, Siklab Atleta Pilipinas Sports Foundation, and LIFE Fund. He was appointed Presidential Adviser on Sports in 2016, and has been an Honorary Consul of Kazakhstan to the Philippines since 2011. Mr. Uy is a graduate of De La Salle University with a degree in Business Management.

JOSE RAMON T. VILLARIN, SJ
Independent Director

Fr. Villarin was elected Independent Director on June 20, 2018 and is presently the Executive Director of the Manila Observatory. He served as President of Ateneo de Manila University and Xavier University (2005-2020). At present, he is Chairman of Synergeia, an NGO for public education reform, and Vice Chairman of the Scientific Community/Academe of the National Resilience Council. He is also on the international advisory board of Sophia University (Japan). His past engagements include membership in the boards of AIM and Ramon Magsaysay Foundation. Mr. Villarin has a degree in physics from the Ateneo de Manila University, a master's in physics from Marquette University (Wisconsin), and a doctorate in atmospheric sciences from Georgia Tech (Atlanta).

GREGORIO T. YU

Independent Director

Mr. Yu was elected Independent Director on June 20, 2018 and is presently the Chairman of Auto Nation Group, Inc., Cats Automobile Corp. and Nexus Technology Inc. He is also the Vice Chairman and Director of Sterling Bank of Asia. Mr. Yu is also a director of various private institutions, among which are CATS Asian Cars, Inc and American Motorcycles, Inc. He is also a Director of Unistar Credit and Finance Corporation, Philippine Bank of Communication, Glyph Studios, Inc., Prople BPO Inc., WSI Corporation, and Jupiter Systems Corporation.

He is also an Independent Director of Glacier Megafridge, EEI Corporation, DITO CME Holdings Corporation, APO Agua Infrastructura Inc., Philequity Management Inc., Vantage Financial Corporation (formerly E-business Services, Inc. and Vantage Equities Inc.

He is also a Board Member of Ballet Philippines and The Manila Symphony Orchestra since 2009.

He received his MBA from the Wharton School of the University of Pennsylvania in 1983 and his Bachelor of Arts in Economics (Honors Program) Summa Cum Laude from De La Salle University in 1978.

CONSOLIDATED FINANCIAL STATEMENTS

alphaland CORPORATION

March 3, 2022

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS"

The management of **Alphaland Corporation and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020, and 2019 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible in overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ROBERTO V. ONGPIN
Chairman and Chief Executive Officer

DENNIS O. VALDES
President

CRISTINA B. ZAPANTA
Senior Vice President for Finance

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REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

BDO Towers Valero (formerly Citibank Tower)
8741 Paseo de Roxas
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Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Alphaland Corporation and Subsidiaries
Alphaland Makati Place
7232 Ayala Ave. ext. cor. Malugay Street
Makati City

Opinion

We have audited the accompanying consolidated financial statements of Alphaland Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended December 31, 2021, 2020 and 2019, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years ended December 31, 2021, 2020 and 2019 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of financial reporting relief issued and approved by the Philippine Securities and Exchange Commission (SEC) (see Note 2).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report for the year ended December 31, 2021 is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

REYES TACANDONG & CO.

EMMANUEL V. CLARINO
Partner
CPA Certificate No. 27455
Tax Identification No. 102-084-004-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 27455-SEC Group A
Issued January 28, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-005-2019
Valid until October 16, 2022
PTR No. 8851704
Issued January 3, 2022, Makati City

March 3, 2022
Makati City, Metro Manila

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, except for Book Value per Share)

	Note	December 31 2021	2020
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱1,171,738**	₱769,657
Trade and other receivables	6	**2,730,123**	1,110,323
Advances to related companies	17	**3,983,186**	4,111,702
Land and development costs and parking lots for sale	7	**2,773,582**	3,193,200
Club shares for sale	10	**1,071,311**	1,074,311
Other current assets	8	**1,196,483**	1,204,504
Total Current Assets		**12,926,423**	11,463,697
Noncurrent Assets			
Club shares for sale - net of current portion	10	**29,939,589**	30,437,589
Investment in and advances to an associate	9	**12,349**	12,349
Investment properties	11	**60,053,684**	58,776,917
Property and equipment	12	**9,963,624**	10,006,474
Other noncurrent assets	13	**176,463**	155,496
Total Noncurrent Assets		**100,145,709**	99,388,825
		₱113,072,132	₱110,852,522
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	14	**₱3,126,802**	₱2,939,216
Advances from related companies	17	**2,529,749**	2,342,111
Customers' deposits	18	**180,933**	107,980
Income tax payable		**624,352**	453,828
Total Current Liabilities		**6,461,836**	5,843,135
Noncurrent Liabilities			
Customers' deposits - net of current portion	18	**80,105**	120,519
Retirement liability	21	**94,809**	73,258
Net deferred tax liabilities	22	**19,988,067**	22,641,102
Other noncurrent liabilities		**388,291**	183,221
Total Noncurrent Liabilities		**20,551,272**	23,018,100
Total Liabilities		**27,013,108**	28,861,235

(Forward)

	Note	December 31 2021	2020
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	16	**₱2,702,323**	₱2,702,323
Additional paid-in capital		**12,909,581**	12,909,581
Retained earnings	16	**61,016,926**	56,828,021
Other comprehensive income:			
Cumulative unrealized valuation gain on club shares for sale	10	**23,136,500**	23,482,648
Revaluation surplus	12	**3,664,880**	3,428,674
Accumulated remeasurement gain on retirement liability	21	**34,744**	46,325
		103,464,954	99,397,572
Less:			
Parent Company's shares held by a subsidiary	16	**16,881,220**	16,881,220
Cost of treasury shares	16	**524,283**	524,283
		86,059,451	81,992,069
Noncontrolling interests		**(427)**	(782)
Total Equity		**86,059,024**	81,991,287
		₱113,072,132	₱110,852,522
Book Value per Share	23	**₱6.579**	₱6.268

See accompanying Notes to Consolidated Financial Statements.

*Book value per share is computed based on number of shares outstanding. This information is intended as additional information for management reporting purposes only.

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, except for Earnings per Share)

	Note	2021	2020	2019
		Years Ended December 31		
REVENUES	19			
Real estate sales		**₱2,057,501**	₱1,034,902	₱1,115,616
Service income		**516,074**	399,695	530,538
Rental income	18	**336,323**	491,802	853,183
Interest income	5	**21,116**	28,072	26,545
Others		**95,449**	43,702	50,454
		3,026,463	1,998,173	2,576,336
COSTS AND EXPENSES	20			
Cost of real estate sold		**1,058,732**	452,170	552,587
Cost of services		**598,773**	608,213	761,631
General and administrative		**844,065**	964,780	1,121,855
		2,501,570	2,025,163	2,436,073
OTHER INCOME (CHARGES)				
Gain on fair value changes of investment properties	11	**1,605,797**	4,131,609	18,286,157
Finance costs	15	**(2,371)**	(2,593)	(192,058)
Net accounting loss on sale of Southgate Tower	11	**–**	–	(7,003,266)
Others - net		**21,813**	32,702	(6,284)
		1,625,239	4,161,718	11,084,549
INCOME BEFORE INCOME TAX		**2,150,132**	4,134,728	11,224,812
PROVISION FOR (BENEFIT FROM) INCOME TAX	22			
Current		**288,057**	154,250	826,587
Deferred		**(2,366,078)**	1,285,165	2,565,137
		(2,078,021)	1,439,415	3,391,724
NET INCOME		**4,228,153**	2,695,313	7,833,088
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent years (net of tax):				
Unrealized valuation gain (loss) on club shares for sale	10	**(26,831)**	(1,129,004)	2,322,730
Revaluation gain	12	**107,409**	–	538,277
Effect of change in tax rate		**213,303**	-	-
Remeasurement gain (loss) and other adjustments on retirement liability	21	**(11,581)**	5,368	(4,393)
		282,300	(1,123,636)	2,856,614
TOTAL COMPREHENSIVE INCOME		**₱4,510,453**	₱1,571,677	₱10,689,702

(Forward)

	Note	2021	2020	2019
		Years Ended December 31		
Net income attributable to:				
Equity holders of the Parent Company		**₱4,227,798**	₱2,701,823	₱7,831,868
Noncontrolling interests		**355**	(6,510)	1,220
		₱4,228,153	₱2,695,313	₱7,833,088
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**₱4,510,098**	₱1,578,187	₱10,688,482
Noncontrolling interests		**355**	(6,510)	1,220
		₱4,510,453	₱1,571,677	₱10,689,702
Total Comprehensive Income Per Share*				
Based on weighted average number of shares outstanding	23	**₱0.345**	₱0.120	₱0.733

See accompanying Notes to Consolidated Financial Statements.

*Total comprehensive income per share is computed based on weighted average number of shares outstanding. This information is intended as additional information for management reporting purposes only.

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

		Years Ended December 31		
	Note	**2021**	2020	2019
CAPITAL STOCK	16			
Balance at beginning of year		**₱2,702,323**	₱2,842,174	₱2,842,174
Reclassification to additional paid-in capital		**–**	(139,851)	–
Balance at end of year		**2,702,323**	2,702,323	2,842,174
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**12,909,581**	12,769,730	12,769,730
Reclassification from capital stock		**–**	139,851	–
Balance at end of year		**12,909,581**	12,909,581	12,769,730
RETAINED EARNINGS				
Balance at beginning of year		**56,828,021**	53,419,451	45,295,494
Net income		**4,227,798**	2,701,823	7,831,868
Dividends	16	**(523,216)**	–	–
Reclassification adjustments	10	**373,397**	524,285	184,842
Amortization of revaluation surplus		**110,926**	182,462	107,247
Balance at end of year		**61,016,926**	56,828,021	53,419,451
OTHER COMPREHENSIVE INCOME				
Cumulative Unrealized Valuation Gain on Club Shares for Sale	10			
Balance at beginning of year		**23,482,648**	25,057,294	22,891,678
Reclassification adjustments		**(319,317)**	(445,642)	(157,114)
Unrealized valuation gain (loss)		**(26,831)**	(1,129,004)	2,322,730
Balance at end of year		**23,136,500**	23,482,648	25,057,294
Revaluation Surplus	12			
Balance at beginning of year		**3,428,674**	3,577,428	3,103,638
Effect of change in tax rate		**213,303**	–	–
Revaluation gain		**107,409**	–	538,277
Amortization of revaluation surplus		**(84,506)**	(148,754)	(64,487)
Balance at end of year		**3,664,880**	3,428,674	3,577,428
Accumulated Remeasurement Gain on Retirement Liability	21			
Balance at beginning of year		**46,325**	40,957	45,350
Remeasurement gain (loss) and other adjustments		**(11,581)**	5,368	(4,393)
Balance at end of year		**34,744**	46,325	40,957
		26,836,124	26,957,647	28,675,679

(Forward)

	Note	2021	2020	2019
		Years Ended December 31		
PARENT COMPANY'S SHARES HELD BY A SUBSIDIARY				
Balance at beginning and end of year	16	**(₱16,881,220)**	(₱16,881,220)	(₱16,881,220)
TREASURY STOCK				
Balance at beginning of year	16	**(524,283)**	(1,214)	(1,214)
Additions		**–**	(523,069)	–
Balance at end of year		**(524,283)**	(524,283)	(1,214)
NONCONTROLLING INTERESTS				
Balance at beginning of year		**(782)**	5,728	4,508
Share in net income (loss)		**355**	(6,510)	1,220
Balance at end of year		**(427)**	(782)	5,728
		₱86,059,024	₱81,991,287	₱80,830,328

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

		Years Ended December 31		
	Note	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱2,150,132**	₱4,134,728	₱11,224,812
Adjustments for:				
Gain on fair value changes of investment properties	11	**(1,605,797)**	(4,131,609)	(18,286,157)
Depreciation and amortization	12	**339,920**	376,731	355,243
Retirement benefits	21	**21,551**	17,059	15,000
Interest income	5	**(21,116)**	(28,072)	(26,545)
Finance costs	15	**2,371**	2,593	192,058
Unrealized foreign exchange losses (gains)		**(1,119)**	8,240	741
Impairment loss on trade and other receivables	6	–	8,457	6,732
Gain on sale of aircraft	12	–	(4,430)	–
Net accounting loss from sale of Southgate Tower	11	–	–	7,003,266
Operating income before working capital changes		**885,942**	383,697	485,150
Decrease (increase) in:				
Trade and other receivables		**(1,642,707)**	466,084	172,544
Land and development costs and parking lots for sale		**770,418**	46,260	(193,864)
Other current assets		**7,227**	142,004	470,144
Increase (decrease) in:				
Trade and other payables		**183,785**	(486,467)	(1,250,712)
Customers' deposits		**32,539**	(48,305)	4,063
Other noncurrent liabilities		**194,517**	136,534	(11,723)
Net cash generated from (used in) operations		**431,721**	639,807	(324,398)
Income taxes paid		**(117,533)**	(206,198)	(387,761)
Interest received		**26,010**	32,966	31,439
Retirement benefits paid	21	–	(4,217)	–
Net cash provided by (used in) operating activities		**340,198**	462,358	(680,720)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Sale of club shares		**469,434**	723,048	111,309
Investment property	11	**–**	–	4,464,286
Property and equipment		**–**	–	26,540
Decrease (increase) in:				
Advances to related companies		**128,516**	(584,598)	(407,725)
Other noncurrent assets		**(8,339)**	34,578	25,302
Additions to:				
Property and equipment	12	**(163,959)**	(120,355)	(129,596)
Club shares for sale		**–**	(4,288)	(1,500)
Investment properties	11	**(22,532)**	(3,055)	(47,836)
Software	13	**(270)**	(1,106)	(3,458)
Net cash provided by investing activities		**402,850**	44,224	4,037,322

(Forward)

	Note	Years Ended December 31 2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	16	**(₱523,216)**	₱–	₱–
Increase (decrease) in advances from related companies		**187,638**	(207,107)	2,303,967
Payments of:				
Leases		**(5,991)**	(5,211)	(4,335)
Finance costs		**(1,311)**	(1,584)	(330,808)
Long-term debt		–	–	(5,322,427)
Net cash used in financing activities		**(342,880)**	(213,902)	(3,353,603)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,119**	(8,240)	(741)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**401,287**	284,440	2,258
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and cash equivalents	5	**769,657**	494,184	110,157
Restricted cash	8	**10,142**	1,175	382,944
		779,799	495,359	493,101
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and cash equivalents	5	**1,171,738**	769,657	494,184
Restricted cash	8	**9,348**	10,142	1,175
		₱1,181,086	₱779,799	₱495,359

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Matters**

Corporate Information

Alphaland Corporation (ALPHA or Parent Company) is a holding company incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 19, 1990. The principal business of ALPHA and its subsidiaries (collectively referred to as the "Group") is real property development.

The registered office address of ALPHA is at Alphaland Makati Place, 7232 Ayala Ave. ext. cor. Malugay Street, Makati City.

The consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years ended December 31, 2021, 2020 and 2019 were approved and authorized for issuance by the Executive Committee of the Board of Directors (BOD) on March 3, 2022.

ALPHA's Legal Subsidiaries as at December 31, 2021, 2020, and 2019

Company	Place of Incorporation	Nature of Business	Percentage of Ownership
Alphaland Southgate Tower, Inc. (ASTI)	Philippines	Real property development	100
Alphaland Balesin Island Resort Corporation (ABIRC)	Philippines	Real property development	100
Alphaland Makati Place, Inc. (AMPI) [(a)]	Philippines	Real property development	100
Alphaland Baguio Mountain Log Homes, Inc. (ABMLHI)	Philippines	Real property development	100
Alphaland Balesin International Gateway, Inc. (ABIGI)	Philippines	Real property development	100
Alphaland Reclamation Corporation (ARC)	Philippines	Real property development	100
2258 Blue Holdings, Inc. (Blue Holdings) [(a)]	Philippines	Holding company	100
Alphaland Southgate Restaurants, Inc. (ASRI) [(a)]	Philippines	Restaurant operations	100
Alphaland International, Inc. (AII)	Philippines	Holding company	100
Alphaland Aviation, Inc. (AAI)	Philippines	Aviation	100
Alphaland Aviation - Pampanga, Inc. (AAPI) [(b)]	Philippines	Aviation	100
Aegle Wellness Center, Inc. (AWCI)	Philippines	Wellness center	100
Alphaland International, Inc. - BVI	British Virgin Islands	Holding company	100
Alphaland International, Inc. - Seychelles	Seychelles	Holding company	100
Superface Enterprises Limited	Hongkong	Holding company	100
Aegle Drugstore Inc. (ADI)	Philippines	Pharmacy	100
Choice Insurance Brokerage, Inc. (CIBI) [(d)]	Philippines	Insurance brokerage	100
Alphaforce Security Agency, Inc. (ASAI)	Philippines	Security agency	80
Redstone Mountain Holdings Inc. (RMHI)	Philippines	Holding company	100
Lodgepole Holdings, Inc. (LHI)	Philippines	Holding company	100
Mt. Baguio Holding Estates Inc. (MBHEI)	Philippines	Holding company	100
Top of the Alpha, Inc. (Top of the Alpha) [(c)]	Philippines	Restaurant operations	100
The Alpha Suites, Inc. (Alpha Suites) [(c)]	Philippines	Real estate company	100
Pinecrest Holdings, Inc. (PHI)	Philippines	Holding company	100

(a) Through ASTI
(b) Through AAI
(c) Through AMPI
(d) Through Blue Holdings

In 2021 and 2020, the country experienced the Corona Virus Disease (COVID-19) pandemic, resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. Management has assessed that the effect of the global pandemic in the country did not have a significant impact on the Group's financial position as at December 31, 2021 and 2020. The Group's operations and financial performance is dependent on future developments, including the timeliness and effectiveness of government initiatives to control the spread of the virus and mitigate its impact.

On January 28, 2020, the BOD of CIBI approved a resolution to shorten the corporate life of the CIBI to eight years from the date of incorporation or November 6, 2020. Accordingly, CIBI changed its basis of accounting from the going concern basis to the liquidation basis.

No adjustment to the assets and liabilities of CIBI is considered necessary as management has assessed that the remaining assets can pay for the remaining liabilities and operating expenses until the dissolution of CIBI. As at December 31, 2021, CIBI is in the process of obtaining the required regulatory approvals for the dissolution.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), as modified by the application of financial reporting relief issued and approved by the Philippine Securities and Exchange Commission (SEC) in response to the COVID-19 pandemic. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

In December 2020, the SEC issued Memorandum Circular (MC) No. 34, Series of 2020, which further extended the deferral of application of the provisions of Philippine Interpretations Committee (PIC) Question & Answer (Q&A) No. 2018-12 with respect to accounting for significant financing component and exclusion of land in the calculation of percentage of completion (POC) and IFRIC Agenda Discussion on over time transfers of constructed goods under PAS 23, *Borrowing Cost*, for another period of three years or until 2023.

The Group opted to avail the relief in connection with the accounting for significant financing component and borrowing cost. The impact of the application of such financial reporting relief is discussed in "Adoption of Amendments to PFRS and PIC Issuances Issued but Not Yet Effective or Adopted" section of notes to the consolidated financial statements.

Measurement Bases

The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All amounts are rounded to the nearest thousands unless otherwise stated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the following:

- Club shares for sale which are designated at fair value through other comprehensive income (FVOCI);
- Investment properties which are measured at fair value; and

- Serviced residences and aircrafts presented under "Property and equipment" account which are stated at revalued amount.

Historical cost is generally based on the fair value of the consideration given in exchange of assets and fair value of the consideration received in exchange for incurring a liability.

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 Group uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Notes 10, 11, 12 and 25.

Adoption of Amendment to PFRS and PIC Issuances
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendment to PFRS and PIC issuances which the Group adopted effective for annual periods beginning on or after January 1, 2021:

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021. The Group applied the practical expedient in its financial statements for the year ended December 31, 2020.

Due to the continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19 related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The 2021 amendment is mandatory for entities that elected to apply the previous amendment. Accordingly, the Group has applied the amendment in the current year consolidated financial statements.

- *PIC Q&A 2018-12 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-05) - Treatment of Uninstalled Materials in the Calculation of POC* – The PIC Q&A provides guidance in recognizing revenue using a cost-based input method. Customized materials should be included in the measurement of the progress of work while materials that are not customized should be excluded.

- *PIC Q&A 2018-12-H Accounting for Common Usage Service Area (CUSA) Charges* – The PIC Q&A provides guidance in assessing whether a real estate developer is acting as a principal or agent in certain services to its tenants. The assessment considers the indicators of when an entity controls the specified service (and is, therefore, a principal) such as whether the entity is primarily responsible for fulfilling the promise to provide the service, whether the entity has inventory risk and whether the entity has discretion in establishing the price.

- *PIC Q&A 2018-12-E Treatment of Land in the Determination of the POC* – The PIC Q&A clarified that the cost of the land should be excluded in measuring the POC of performance obligation and should be accounted for as fulfillment cost.

- *PIC Q&A 2020-05 Accounting for Cancellation of Real Estate Sales* – Under this PIC Q&A the sales cancellation and repossession of the property may be accounted by using any of the three approaches (a) the repossessed property is recognized at fair value less cost to repossess; (b) the repossessed property is recognized at fair value plus repossession cost; or (c) the cancellation is accounted for as a modification of the contract where the Group will have to reverse the previously recognized revenues and related costs. The approach selected shall be applied consistently.

The adoption of the foregoing amendment to PFRS 16 and PIC issuances did not have any material effect on the consolidated financial statements. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

Amendments to PFRS and PIC Issuances in Issue But Not Yet Effective or Adopted
Relevant amendments to PFRS and PIC issuances which are not yet effective and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments 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 an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are fist applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

    - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is 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 the lender on the other's behalf. The amendments apply 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 amendments. Earlier application is permitted.

    - Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgments*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier 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 a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry* – In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of International Financial Reporting Standards 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

On December 15, 2020, the SEC issued SEC MC No. 34, Series of 2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the real estate industry until December 31, 2023.

The Group availed of the SEC relief with respect to accounting for borrowing costs. The adoption of this guidance would have an impact on land and development costs, property and equipment, deferred taxes and the opening balance of retained earnings in the year of adoption.

- PIC Q&A 2018-12-D, *PFRS 15 Implementing Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-04)*. On December 15, 2020, the SEC issued SEC MC No. 34-2020 providing relief to the real estate industry by deferring the application of "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.

  The Group availed of the SEC relief with respect to accounting for significant financing component. The adoption of this guidance would have an impact to the interest income (expense), revenue from real estate sales, contract assets, income tax and the opening balance of retained earnings in the year of adoption. The Group is still assessing if the mismatch between the POC and right to an amount of consideration constitutes a significant financing component.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS and PIC issuances, except for the potential impact of accounting for borrowing costs and assessing if the transaction price includes a significant financing component, is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to elements evidencing control.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Noncontrolling interests (NCI) represent the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the parent and are separately disclosed in the consolidated statements of comprehensive income. NCI pertains to the equity interest in ASAI as at and for the years ended December 31, 2021, 2020 and 2019.

Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.

If the Parent Company loses control over a subsidiary, it derecognizes the assets including goodwill, liabilities and NCI in the subsidiary. The Parent Company recognizes the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the consolidated statements of comprehensive income.

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.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any resulting gain or loss is recognized in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using settlement date accounting.

Initial Recognition. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification of Financial Instruments. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at FVOCI. The classification of a financial asset largely depends on the Group's business model and the contractual cash flow characteristics of the instrument.

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2021 and 2020, the Group does not have financial assets and liabilities at FVPL.

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Included in this category are cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), advances to related companies, restricted cash (presented under "Other current assets" account), advances to an associate and refundable deposits (presented under "Other noncurrent assets" account).

Financial Assets at FVOCI. Equity securities which are not held for trading may be irrevocably designated at initial recognition under the FVOCI category.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, financial assets at FVOCI are measured at fair value with unrealized gains or losses recognized in other comprehensive income. These fair value changes are accumulated in equity and are not reclassified to profit or loss in subsequent periods. On disposal of these equity securities, any cumulative valuation gains or losses will be reclassified to retained earnings.

Classified under this category are the Group's club shares for sale.

The Group does not have debt instruments measured at FVOCI as at December 31, 2021 and 2020.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

This category includes trade and other payables (excluding deposits from sale of real estate, statutory payables and unearned rental income), advances from related companies and customers' deposits.

Impairment of Financial Assets at Amortized Cost

The Group records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Group measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at reversal date.

Trade Receivables. The Group has applied the simplified approach in measuring the ECL on trade receivables. Simplified approach requires that ECL should always be based on the lifetime ECL. Therefore, the Company 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 that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Other Financial Instruments Measured at Amortized Cost. For these financial assets, the Group applies the general approach in determining ECL. The Group recognizes an allowance based on either the 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

A financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- 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
- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or 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. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements 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 assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Land and Development Costs and Parking Lots for Sale
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Costs include:

- Cost of the land;
- Construction and development costs; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated specifically identifiable costs to complete and the estimated costs to sell.

Other Current Assets
This account mainly consists of advances to contractors and suppliers, the excess of input value-added tax (VAT) over output VAT, creditable withholding taxes (CWT), supplies and prepayments.

Advances to Contractors and Suppliers. Advances to contractors and suppliers represent advance payments on goods and services to be incurred in connection with the Group's projects and operations. These are charged to expense or capitalized to projects in the consolidated statements of financial position, upon actual receipt of services or goods. These are considered as nonfinancial instruments as these will be applied against future billings from contractors and suppliers. Advance payments to contractors and suppliers, relating to the portion of projects that are classified as investment property and advance payments that will be applied against future billings beyond 12 months from the reporting date, are presented as part of "Other noncurrent assets" account in the consolidated statements of financial position.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the taxation authority is included as part of “Other current assets” account in the consolidated statements of financial position.

CWT. CWT represents the amount withheld by the Group’s customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWT is stated at its net realizable amount.

Supplies. Supplies are valued at the lower of cost and NRV. Cost is determined using the weighted average method and includes expenditures incurred in acquiring the supplies and bringing them to their existing location and condition. NRV is the current replacement cost.

Prepayments. Prepayments are expenses not yet incurred but paid in advance. Prepayments are apportioned over the period covered by the payment and charged to the appropriate account in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Interests in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

The Group recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

Investment in an Associate

An associate is an entity in which the Group has significant influence. Investment in an associate is carried at its estimated recoverable value since the associate is in the process of liquidation. Dividends received are recognized in profit or loss.

The financial statements of the associate are prepared for the same reporting period as the Group.

Investment Properties

Investment properties comprise of completed properties and land for future development held by the Group to earn rentals or for capital appreciation, or both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred and if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date as determined by independent appraisers. Gains and losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which these arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy on property and equipment up to the date of change in use.

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

Property and Equipment

Property and equipment, except land, serviced residences and aircrafts, are stated at cost less accumulated depreciation, amortization and impairment in value, if any. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to profit or loss in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

The Group adopted the revaluation model in measuring its serviced residences and aircrafts.

Under the revaluation model, serviced residences and aircrafts are initially recorded at cost and subsequently measured at fair value. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Additions subsequent to the last appraisal date are stated at acquisition cost.

A revaluation increase is recorded initially in other comprehensive income and accumulated to the revaluation surplus in equity. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. A revaluation decrease is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in revaluation surplus in equity in which case the decrease is recognized in other comprehensive income.

Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Each part of the property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the depreciable assets. The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

Asset Type	Number of Years
Serviced residences	50
Aircrafts	15 to 25
Buildings	20 to 40
Transportation equipment	2 to 5
Machinery, equipment and tools	2 to 15
Office furniture and equipment	2 to 5
Leasehold improvements	2 to 10 or lease term, whichever is shorter

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

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

Construction in progress, which includes cost of construction and other direct costs, is stated at cost and is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are reclassified to a specific category of property and equipment when the construction and other related activities necessary to prepare the assets for their intended use are completed and the assets are available for use.

Fully depreciated assets are retained in the accounts until these are no longer in use.

Deferred Input VAT

In accordance with the Revenue Regulations (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of input VAT) in each of the calendar months exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods whichever is higher.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Deferred input VAT also includes the VAT on the unpaid portion of availed services. Deferred input VAT that is expected to be realized within 12 months after the financial reporting period are classified as current assets, otherwise these are classified as noncurrent assets.

Software

Software is measured initially at cost. Software is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, software is measured at cost less accumulated amortization and any impairment loss.

Amortization of software is computed on a straight-line basis over the estimated useful life of five years.

The amortization period and method are reviewed periodically to ensure that these are consistent with expected pattern of economic benefits from the intangible assets.

Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses at each reporting date whether there is an indication that an asset 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 the higher of an asset's or cash generating unit's (CGU) 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 from other 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 assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any 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 a revaluation increase. 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.

Goodwill. The Group assesses whether there are any indicators that goodwill is impaired at each financial reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU, to which the goodwill relates.

Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Incremental costs directly attributable to the issue of new capital stock are recognized as a deduction, net of tax, from the equity.

Retained Earnings

Retained earnings represent the cumulative balance of the Group's results of operations, reclassification adjustments on disposal of club shares for sale and amortization of revaluation surplus, net of dividend distribution, if any.

Parent Company's Shares Held by a Subsidiary
Parent Company's shares which are held by a subsidiary are treated similar to treasury shares and recognized and deducted from equity at cost. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

Treasury Stock
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of comprehensive income 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 as additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

Other Comprehensive Income
Other comprehensive income comprises of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to cumulative unrealized valuation gain on club shares for sale, revaluation surplus and accumulated remeasurement gain on retirement liability.

Revenue Recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group has generally concluded that it is the principal in its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized.

Real Estate Sales. Revenue from sale of completed projects is recognized at a point in time when the customer obtains control of the assets. Revenue from sale of real estate projects that are under pre-completion stage are generally recognized over time during the construction period (or POC). In measuring the progress of its performance obligation over time, the Group uses the output method, i.e. revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical portion of the contract work.

The Group accounts for any cash received from buyers as "Contract liabilities" account in the consolidated statements of financial position when the related performance obligation for which payment was made has not yet been performed. Excess of collections over satisfied performance obligation is also classified as contract liabilities. Contract liabilities are reduced by the amount of revenue recognized during the reporting period. Receivables that are conditional upon the performance of other obligations are recognized as "Contract assets" (presented under "Trade and other receivables" account) in the consolidated statements of financial position. Contract assets are reclassified to trade receivables upon completion of the performance obligation.

For sale of condominium units and preferred shares under a single contract to sell, the selling price is allocated to each component. Collections received are applied pro-rata based on the selling price of the condominium unit, net of VAT and interest, and the selling price of the preferred share.

Air Transport, Medical and Security Services. These are recognized at a point in time when the related service has been rendered.

Room Revenues. Revenue is recognized at a point in time i.e., when the room facilities are used and the related services are rendered.

Rental Income. Rental income from operating leases is recognized on a straight-line basis over the term of the lease. Contingent rent income is recognized when it arises. This also includes common utilities, services and maintenance charges, as well as other incidental income in providing the service.

Interest Income. Interest income is recognized as the interest accrues taking into account the effective yield on the assets.

Other Income. Income from other sources is recognized at a point in time i.e., when earned during the period.

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Cost of Real Estate Sold. Cost of real estate sold is recognized consistent with the revenue recognition method applied. Cost of real estate properties sold before the completion of the project is determined based on actual costs and project estimates of building contractors and technical staff.

Contract costs include all direct materials and labor costs and those direct costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Cost of Services. Cost of services is recognized as expense when services are rendered.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business. These are expensed as incurred.

Finance Costs. Finance costs are recognized as they accrue. This includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated in an effective interest rate basis.

Employee Benefits

Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefit Costs. The Group has an unfunded, non-contributory defined benefit plan covering all qualified employees. Retirement benefit costs are actuarially determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements, and interest expense in profit or loss. Interest is calculated by applying the discount rate to the retirement liability.

Current service costs pertain to the increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses and return on plan assets are recognized immediately in other comprehensive income in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The defined retirement benefits obligation is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

The Group as a Lessee. At the commencement date, the Group recognizes right-of-use (ROU) assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value, in which case the lease payments associated with those leases are recognized as an expense in profit or loss on a straight-line basis. For leases with lease terms of 12 months or less but with an option to extend the lease, the management assesses whether there is reasonable certainty that the Group will extend the lease, by considering all relevant facts and circumstances that create an economic incentive for the lessee to extend or terminate the lease, to determine the appropriate lease term.

ROU Assets. At commencement date, the Group measures ROU assets at cost which is comprised of the following:

a) the amount of the initial measurement of lease liabilities;
b) any lease payments made at or before the commencement date less any lease incentives received;
c) any initial direct costs; and
d) an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets.

Lease Liabilities. At commencement date, the Group measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability consist of the following:

a) fixed payments, including in-substance fixed payments;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) amounts expected to be payable by the lessee under residual value guarantees; and
d) the exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Group as a Lessor. Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rent income. Contingent rents are recognized as revenue in the period in which these are earned.

Borrowing Costs

Borrowing costs are capitalized if these are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded. All other borrowing costs are expensed in the period these occur.

Foreign Currency Denominated Transactions

Transactions denominated in foreign currencies are initially recorded in Philippine Peso using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency using the rate of exchange prevailing at the reporting date. Foreign exchange differences between the rate at transaction date and settlement date or reporting date are credited to or charged against profit or loss. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of initial transactions.

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 the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred Tax. Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes except for:

- When it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or

- When the taxable temporary difference is associated with interests in subsidiaries or associates and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), only if it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 end of reporting period.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in other comprehensive income or directly in equity.

Related Parties and Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period these arise.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Date

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

3. **Significant Judgment, Accounting Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRS requires management to exercise judgment, make estimates and use assumptions that affect amounts of assets, liabilities, income and expenses reported in the consolidated financial statements. The judgment, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgment

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Recognizing Revenue from Real Estate Sales. The recognition of revenue at a point in time requires certain judgment on when the customer obtains control over the promised goods and services. In determining whether control has been transferred to the customer, the Group considers the following indicators:

- The Group has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

For real estate sales recognized over time, the Group recognizes revenue using POC method. This method requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections and credit standing of the buyers. The POC of development is determined based on engineer's judgment and estimates on the physical portion of contract work done and that the development is beyond the preliminary stage.

Real estate sales recognized amounted to ₱2,057.5 million, ₱1,034.9 million and ₱1,115.6 million in 2021, 2020 and 2019, respectively (see Note 19).

Determining the Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Group, functional currency has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates.

Determining the Classification of Lease Commitments - The Group as a Lessor. The Group entered into a number of operating lease agreements as a lessor. The Group has determined that it retains substantially all the risks and rewards of ownership of the assets being leased out under operating lease agreements.

The Group recognized rent income amounting to ₱336.3 million, ₱491.8 million and ₱853.2 million in 2021, 2020 and 2019, respectively (see Note 18).

Determining the Classification of Lease Commitments and Appropriate Lease Term - The Group as a Lessee. The Group has lease agreements for the use hangar premises. The Group recognizes ROU assets and lease liabilities based on the present value of lease payments over the lease term using the Group's incremental borrowing rate, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

The Group has exercised significant judgment in determining 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 in any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The leases for hangar premises are renewable upon mutual agreement by both parties which are to be covered by a separate and new lease agreement. In June 2021, the Group renewed its existing long-term lease contracts for hangar premises for another five-year period. The original scope of the lease remained unchanged.

Management assessed that the substance of such lease term extension constitutes a modification of the existing lease and thus accounted the renewal as a lease modification effective on the date of agreement of both parties. Accordingly, the Group remeasured the existing lease liability to include the lease payments covered by the new lease using a revised discount rate.

ROU assets amounted to ₱24.2 million and ₱10.4 million as at December 31, 2021 and 2020, respectively. Lease liabilities amounted to ₱26.5 million and ₱12.1 million as at December 31, 2021 and 2020, respectively (see Note 18).

Determining the Fair Value and Classification of Investments in Clubs' Preferred Shares. The Group establishes fair value by using recent arm's length market transactions between market participants. The fair value of investments in preferred shares of the Clubs is determined based on the current cash selling price to third parties.

The Group assesses the number of shares the can be disposed within 12 months after reporting date based on its marketing strategies and classified such as current assets. All remaining shares are classified as noncurrent.

The Group's investments in club's preferred shares classified as club shares for sale amounted to ₱31,010.9 million and ₱31,511.9 million as at December 31, 2021 and 2020, respectively, of which ₱1,071.3 million and ₱1,074.3 million are classified as current assets as at December 31, 2021 and 2020, respectively (see Note 10).

Determining Control, Joint Control or Significant Influence over an Investee Company. Control is presumed to exist when an investor has power over the investee, 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. On the other hand, joint control is presumed to exist when the investors contractually agreed to share control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has assessed it has control over its subsidiaries and joint control in its joint arrangement.

The Group has a 50% interest in Alphaland Heavy Equipment Corporation (AHEC) as at December 31, 2021 and 2020. The Group accounts for this investment as an associate since management has assessed that there is no joint control between the parties.

Determining the Classification of a Joint Arrangement. The joint venture agreement with Boy Scouts of the Philippines (BSP) is accounted for as a joint operation since the parties that have joint control of the arrangement, have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Determining Transfers. Transfers between investment properties, land and development costs and property and equipment of the Group are made after determining that 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 commencement of development with a view to sale. These transfers are recorded using the carrying amounts of the investment properties, land and development costs and property and equipment at the date of change in use.

Evaluating Legal Contingencies. There are on-going litigations involving the Group which management believes would not have a material adverse impact on the Group's financial position and results of operations. The estimate of the probable costs for the resolution of possible claims have been developed in consultation with legal counsel handling the Group's defense in these matters and is based upon an analysis of potential results (see Note 26).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial 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.

Recognizing Revenue and Cost. The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and cost. Revenue and cost from sale of real estate recognized based on the POC are measured principally on the basis of the estimated completion of physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

Revenue from AMPI's sale of condominium units and preferred shares under a single contract to sell are allocated to each component using the residual method.

The fair value of the preferred shares is measured at its current cash selling price to third parties on a stand-alone basis and the fair value of the condominium unit is the residual amount of the transaction price.

Revenue recognized based on POC amounted to ₱2,057.5 million, ₱1,034.9 million and ₱1,115.6 million in 2021, 2020 and 2019, respectively (see Note 19). Cost recognized based on POC amounted to ₱1,058.7 million, ₱452.2 million and ₱552.6 million in 2021, 2020 and 2019, respectively (see Note 20).

Assessing the Impairment Losses on Trade and Other Receivables and Advances to an Associate and Related Companies. The Group determines allowance for impairment losses based on ECL.

The Group estimates ECL on trade receivables and contract assets using a provision matrix that is based on days past due for groupings of various customer segments that have similar loss patterns. Depending on the diversity of its debtor's base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

The Group's advances to an associate and related companies are noninterest-bearing and repayable on demand. These credit exposures are considered to be in default when there is evidence that the related party is in significant financial difficulty such that it will not have sufficient liquid assets to repay its obligation upon demand. This is assessed based on a number of factors including key liquidity and solvency ratios. After taking into consideration the associate and related parties' ability to pay depending on the sufficiency of liquid assets, financial support from stockholders, and available forward-looking information, the risk of default of the related parties are assessed to be minimal.

No impairment loss on trade and other receivables was recognized in 2021. Impairment losses recognized on trade and other receivables amounted to ₱17.3 million and ₱6.7 million in 2020 and 2019, respectively. The Group recognized a reversal of allowance for impairment losses amounting to ₱8.8 million in 2020 (see Note 6).

Allowance for impairment loss on trade and other receivables amounted to ₱44.9 million as at December 31, 2021 and 2020 (see Note 6).

The aggregate carrying amount of trade and other receivables and advances to an associate and related companies amounted to ₱6,714.3 million and ₱5,223.0 million as at December 31, 2021 and 2020, respectively (see Notes 6, 9 and 17).

Determining the NRV of Land and Development Costs and Parking Lots for Sale. The Group writes down the carrying amount of land and development costs and parking lots for sale whenever the NRV becomes lower than cost due to changes in market prices or other causes. The NRV of projects under construction is assessed with reference to market price at reporting date for similar completed property, less estimated costs to complete the construction and estimated costs to sell. The carrying amount is reviewed regularly for any decline in value.

The carrying amount of land and development costs and parking lots for sale amounted to ₱2,773.4 million and ₱3,193.2 million as at December 31, 2021 and 2020, respectively (see Note 7).

Estimating the Useful Lives of Property and Equipment and ROU Assets. The Group estimates the useful lives of the property and equipment and ROU assets based on the period over which these assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

In 2019, the estimated useful life of serviced residences was changed from 35 years to 50 years to reflect the change in the Group's assessment of the expected economic benefits of the serviced residences and to align the useful life adopted by the industry. This resulted to a reduction of ₱8.3 million in depreciation expense of the Group in 2019 (see Note 12).

There is no change in the estimated useful lives of other depreciable property and equipment and ROU assets in 2021 and 2020. The aggregate carrying amount of depreciable property and equipment and ROU assets amounted to ₱9,960.1 million and ₱9,990.1 million as at December 31, 2021 and 2020, respectively (see Notes 12 and 13).

Estimating the Residual Value of Aircrafts under Property and Equipment. The Group estimates the residual value of the aircrafts (presented under property and equipment) based on industry data on the asset's realizable value at the end of its useful life. The residual value are reviewed periodically and estimated on a collective assessment reviewing industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded depreciation expenses for any period would be affected by changes in these factors and circumstances.

In 2021, the Group applied a 20% of residual value on cost of its passenger aircrafts based on factors such as historical experience, expected level of usage, and policies adopted by other comparable airlines within the industry. The change in accounting estimate has been applied on a prospective basis from January 1, 2021. The effect of the above change in estimate on depreciation expense in the current and future periods are ₱16.3 million and ₱182.8 million, respectively (see Note 12).

Assessing Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets other than investment properties whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount.

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 can materially affect the consolidated financial statements.

No impairment loss on nonfinancial assets was recognized in 2021, 2020 and 2019. The carrying amounts of nonfinancial assets are as follows:

		(In Thousands)	
	Note	**2021**	2020
Other current assets*	8	**₱1,187,135**	₱1,194,362
Investment in an associate	9	**11,326**	11,326
Property and equipment	12	**9,963,624**	10,006,474
Other noncurrent assets**	13	**147,492**	125,149

**Excluding restricted cash.*
***Excluding noncurrent portion of receivables and refundable deposits.*

Determining the Fair Value of Investment Properties. The Group engaged an independent appraiser to determine the fair value of its investment properties. The fair values of investment properties were mainly based on the valuation performed in 2021, 2020 and 2019. The fair values of the land were determined using sales comparison and land development approach. Sales comparison approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. If there is limited data within the area, the independent appraiser considers the expansion of the research on properties considered comparable. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element. Land development approach is basically a discounting process wherein the present worth of the potential value of the property as "raw" land for subdivision purposes may be estimated. The fair value of properties held for lease was determined using income capitalization approach which considers income and expense data relating to the property being valued and estimated it through capitalization process. Capitalization relates income, usually a net income figure, and a defined value type by converting an income amount into a value estimate.

Further information about the assumptions made in measuring fair values of investment properties are discussed in Note 11.

Gain on fair value changes which was recognized in the consolidated statements of comprehensive income amounted to ₱1,605.8 million, ₱4,131.6 million and ₱18,286.2 million in 2021, 2020 and 2019, respectively. Carrying amounts of investment properties amounted to ₱60,053.7 million and ₱58,776.9 million as at December 31, 2021 and 2020, respectively (see Note 11).

Determining the Fair Value of Property and Equipment Measured at Revalued Amount. The Group engaged an independent appraiser to determine the fair value of its serviced residences and aircrafts. The fair value of the serviced residences was determined by an independent appraiser using income capitalization approach which considers income and expense data relating to the property being valued and estimated it through capitalization process. Capitalization relates income, usually a net income figure, and a defined value type by converting an income amount into a value estimate. The fair value of aircraft was determined using the cost approach which involves gathering of cost data from original import commercial invoices as well as comparable sources of similar aircraft.

Further information about the assumptions made in measuring fair values of serviced residences and aircrafts are discussed in Note 12.

The revaluation surplus recognized in the equity section of the consolidated statements of financial position amounted to ₱3,664.9 million and ₱3,428.7 million as at December 31, 2021 and 2020, respectively. The aggregate carrying amount of serviced residences and aircraft carried at fair value amounted to ₱9,661.0 million and ₱9,704.5 million as at December 31, 2021 and 2020, respectively (see Note 12).

Determining Retirement Benefit Liability. The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 to the consolidated financial statements.

Retirement benefit cost amounted to ₱21.5 million, ₱17.1 million and ₱15.0 million in 2021, 2020 and 2019, respectively. Retirement liability amounted to ₱94.8 million and ₱73.3 million as at December 31, 2021 and 2020, respectively (see Note 21).

Assessing the Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The amount of deferred income tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

Recognized deferred tax assets of the Group amounted to ₱58.9 million and ₱90.2 million as at December 31, 2021 and 2020, respectively. Unrecognized deferred tax assets amounted to ₱127.2 million and ₱202.7 million as at December 31, 2021 and 2020, respectively (see Note 22). Management believes that it is not probable that sufficient taxable income will be available to allow all these deferred tax assets to be utilized.

4. Joint Operation

On June 30, 2008, AMPI and BSP entered into a Joint Venture Agreement to develop the Malugay Property into a first class commercial development to be known as Alphaland Makati Place (the "Project") whereby BSP shall contribute the Malugay Property while AMPI shall contribute the improvements (the "Development Costs") and its exclusive right (the "Leasehold Rights") over the Malugay Property, as well as to provide all necessary funds, equipment, materials, construction works, expertise and related undertakings for the development of the Project.

The Project consists of three high-end residential towers atop an upscale six-storey podium, the bottom half of which is a shopping center and the top half a City Club for urban sports and leisure. The Project also includes a Boy Scout Convention Center as provided in the Joint Venture Agreement. Towers 1 and 2 were completed in 2016 while Tower 3 was completed in 2017.

AMPI and BSP agreed to share at 85% and 15%, respectively, of the total gross floor area of completed and disposable units in the Project. The 85% share of AMPI shall include The City Club and the 15% share of BSP shall include the Boy Scout Convention Center.

On June 2, 2011, BSP sold the Malugay Property to AMPI for a total consideration of ₱600.0 million. The amount of consideration paid to BSP was then contributed by BSP to the development of the Project. The Leasehold Right was effectively terminated when AMPI acquired the land from BSP in June 2011. Despite the sale, the Joint Venture remained and the partners continued the 85:15 Sharing Scheme. The partners have amended the Joint Venture Agreement accordingly.

On September 8, 2015, the Parties executed a Supplement to the Joint Venture Agreement. The Supplement expressly enumerates the specific units in the Project that constitute the BSP Share with respect to the Podium, Tower 1, Tower 2 and Parking Slots. The Supplement further provides that the BSP Share in Tower 3 shall be determined in another Supplement.

The Group accounts for the joint venture arrangement as a joint operation. As at December 31, 2021 and 2020, the Group recognized its share in the development costs of the Project (excluding the costs related to the City Club - see Note 7) in the following accounts:

		(In Thousands)	
	Note	**2021**	2020
Land and development costs and parking lots for sale	7	**₱489,622**	₱504,448
Investment properties	11	**13,883,696**	13,820,220
		₱14,373,318	₱14,324,668

5. Cash and Cash Equivalents

This account consists of:

	(In Thousands)	
	2021	2020
Cash on hand and in banks	**₱1,071,101**	₱99,506
Short-term placements	**100,637**	670,151
	₱1,171,738	₱769,657

Cash in banks earn interest at prevailing bank deposit rates.

Short-term placements are made for varying periods of up to three months, depending on the immediate cash requirements of the Group and earn interest ranging from 0.75% to 2.5%, 2.0% to 6.5% and 1.05% to 1.5% in 2021, 2020 and 2019, respectively.

Sources of interest income recognized by the Group are as follows (see Note 19):

		(In Thousands)		
	Note	**2021**	2020	2019
In-house financing	7	**₱10,793**	₱13,102	₱20,172
Trade and other receivables	6	**5,328**	10,108	1,909
Cash and cash equivalents		**4,282**	3,934	4,154
Restricted cash	8	**713**	928	310
		₱21,116	₱28,072	₱26,545

6. Trade and Other Receivables

This account consists of:

	Note	(In Thousands) 2021	2020
Trade receivables from:			
Real estate sales		**₱1,030,599**	₱469,078
Air transport services	17	**323,890**	311,012
Sale of club shares	10	**179,984**	119,970
Tenants	18	**22,344**	50,468
Contract assets		**399,217**	75,331
Nontrade	17	**204,075**	52,465
Advances to officers and employees		**15,750**	11,587
Others		**599,178**	65,326
		2,775,037	1,155,237
Less allowance for impairment losses		**(44,914)**	(44,914)
		₱2,730,123	₱1,110,323

Receivables from sale of real estate are interest-bearing and have terms of up to five years.

Receivables from air transport services are unsecured, noninterest-bearing and are due and demandable.

Receivables from the sale of the club shares have terms ranging from one to five years. Noncurrent portion of these receivables are presented under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 13). Amortization of interest on these receivables amounting to ₱5.3 million, ₱10.1 million and ₱1.9 million in 2021, 2020 and 2019, respectively (see Note 5).

Receivables from tenants are noninterest-bearing and are generally on a 30-day term.

Nontrade receivables pertain to advances to related companies. Advances to related companies are unsecured, noninterest-bearing and are due and demandable (see Note 17).

Advances to officers and employees are for business purposes, noninterest-bearing and are subject to liquidation.

Other receivables mainly consist of SSS claims and miscellaneous receivables.

Allowance for impairment losses mainly pertain to receivables from several lessees of ASTI and unit buyers of AMPI that are at least 90 days past due.

Movements of allowance for impairment losses are as follows:

	(In Thousands)		
	2021	2020	2019
Balance at beginning of year	**₱44,914**	₱36,457	₱29,725
Provisions	–	17,286	6,732
Reversal	–	(8,829)	–
	–	8,457	6,732
Balance at end of year	**₱44,914**	₱44,914	₱36,457

Reversal of impairment loss in 2020 pertains to receivables from tenants assigned to the buyer of Alphaland Southgate Tower.

7. Land and Development Costs and Parking Lots for Sale

This account consists of the following:

	(In Thousands)	
	2021	2020
Land and development costs:		
Alphaland Baguio Mountain Lodges	**₱2,076,861**	₱2,380,708
Balesin Private Villa	**207,099**	308,044
Alphaland Makati Place	**212,112**	226,938
Parking lots for sale	**277,510**	277,510
	₱2,773,582	₱3,193,200

Deposit from the sale of real estate amounted to ₱236.0 million and ₱411.6 million as at December 31, 2021 and 2020, respectively (see Note 14).

<u>Alphaland Baguio Mountain Lodges</u>

Movements in the land and development costs pertaining to the Alphaland Baguio Mountain Lodges Project are as follows:

		(In Thousands)	
	Note	**2021**	2020
Balance at beginning of year		**₱2,380,708**	₱2,438,378
Cost of real estate sold	20	**(934,975)**	(196,208)
Transfers from investment properties	11	**350,800**	–
Development costs		**280,328**	138,538
Balance at end of year		**₱2,076,861**	₱2,380,708

The Alphaland Baguio Mountain Lodges Project pertains to 24.5 hectares of land situated in Benguet that is currently being developed as horizontal condominium for sale.

The property was previously classified as investment properties. Areas that are being developed as horizontal condominium for sale were reclassified to land and development costs. In 2021 additional areas with carrying amount of ₱350.8 million were reclassified to this account (see Note 11).

In 2021, 2020 and 2019, capitalized depreciation included as part of development costs amounted to ₱4.0 million, ₱4.1 million and ₱5.2 million, respectively (see Note 12).

On October 25, 2018, the Housing and Land Use Regulatory Board (HLURB) issued a license to sell (LTS) the Alphaland Baguio Mountain Lodges Phase I project. In 2020, the Group applied for a certificate of registration and LTS with the Department of Human Settlements and Urban Development - Cordillera Administrative Region Office in relation to the Alphaland Baguio Mountain Lodges Phase II project.

ABMLHI also sells log homes under an in-house financing arrangement at 25% and 30% down payment in 2021 and 2020, respectively, payable monthly over a maximum of 5 years with interest rate at 9% per annum. Interest earned from real estate sales under the in-house financing arrangement amounted to ₱10.8 million, ₱13.1 million and ₱20.2 million in 2021, 2020 and 2019, respectively (see Note 5).

Balesin Private Villa

Movements in land and development costs pertaining to the Balesin Private Villa project are as follows:

		(In Thousands)	
	Note	**2021**	2020
Balance at beginning of year		**₱308,044**	₱372,211
Cost of real estate sold	20	**(123,757)**	(255,962)
Additions:			
Development costs		**22,812**	109,301
Forfeited sales		**–**	82,494
Balance at end of year		**₱207,099**	₱308,044

In 2020, the Group forfeited a sale with related cost amounting to ₱82.5 million, resulting to a loss on forfeiture amounting to ₱67.6 million. This was recognized in the consolidated statements of comprehensive income under "Other gains (losses)" account.

Alphaland Makati Place

Movements in land and development costs pertaining to the Alphaland Makati Place project are as follows:

		(In Thousands)	
	Note	**2021**	2020
Balance at beginning of year		**₱226,938**	₱226,938
Forfeited sales	27	**18,013**	75,921
Transfer to property and equipment	12	**(18,013)**	(75,921)
Cost adjustment		**(14,826)**	–
Balance at end of year		**₱212,112**	₱226,938

The Alphaland Makati Place Project, which is a joint venture with BSP (see Note 4), is located on a one-hectare lot along Ayala Avenue Extension corner Malugay Street, Makati City. Alphaland Makati Place consists of three residential towers atop a six-storey podium comprising of a shopping center and the City Club for sports and leisure (see Note 11). Towers 1 and 2 were completed in 2016 while Tower 3 was completed in 2017.

Project costs classified as land and development costs pertains to the Group's proportionate interest in the three residential towers of Alphaland Makati Place that are intended for sale. The cost of Tower 3 was reclassified to "Investment properties" when the Group subsequently leased out the property to third parties (see Note 11).

A number of condominium units of AMPI are now operated as serviced residences under "The Alpha Suites." Accordingly, the costs of these units were transferred to "Property and equipment" account (see Note 12).

The Group started the pre-selling of condominium units in October 2011 for Tower 1 and in November 2013 for Tower 2. The terms and conditions of the contract to sell (CTS) involve the sale of one condominium unit and one City Club share, i.e., a preferred share of The City Club at Alphaland Makati Place, Inc. (TCCAMPI), in which ownership of the condominium unit and the City Club share are inseparable. Under the CTS, the components are sold under a single selling price with downpayment payable upon signing of the CTS and the unpaid balance payable in monthly installments for a period of three years from date of CTS. Ownership of the City Club share will allow the buyer to enjoy the amenities and facilities of the City Club.

The HLURB issued the permanent LTS to AMPI for the sale of condominium units in Tower 1 of Alphaland Makati Place on October 9, 2012 and for the sale of condominium units in Tower 2 on May 27, 2014.

As discussed in Note 4, on September 8, 2015, the Parties executed a Supplement to the Joint Venture Agreement enumerating the specific units in the Project that constitute the BSP Share with respect to the Podium, Tower 1, Tower 2 and Parking Slots.

In 2021 and 2020, the Group repossessed units with related cost amounting to ₱18.0 million and ₱75.9 million respectively. The gain (loss) on forfeiture amounting to ₱17.4 million and (₱19.1 million) in 2021 and 2020, respectively, was recognized in the consolidated statements of comprehensive income under "Other gains (losses)" account.

The repossessed condominium units in 2021 and 2020 were utilized for the Group's serviced residences operations and therefore were subsequently transferred to "Property and equipment" account (see Note 12).

Parking Lots for Sale

Movements in parking lots for sale are as follows:

	(In Thousands)	
	2021	2020
Balance at beginning of year	**₱277,510**	₱272,695
Additions due to forfeited sales	–	4,815
Balance at end of year	**₱277,510**	₱277,510

8. Other Current Assets

This account consists of:

		(In Thousands)	
	Note	**2021**	2020
Advances to contractors and suppliers	26	**₱500,245**	₱409,047
Input VAT		**422,159**	504,972
CWT		**125,072**	112,031
Supplies		**72,201**	77,395
Prepayments		**55,056**	33,909
Accrued rent		**12,402**	57,008
Restricted cash		**9,348**	10,142
		₱1,196,483	₱1,204,504

Advances to Contractors and Suppliers
Advances to contractors and suppliers represent advance payments to contractors for the construction and development of the Group's projects and are recouped upon every progress billing payment depending on the percentage of accomplishment. Advances to contractors and suppliers, relating to the portion of the project that is classified as investment property and to advance payments that will be applied against future billings beyond 12 months from the reporting date, amounting to ₱4.0 million and ₱4.1 million as at December 31, 2021 and 2020, respectively, are presented under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 13).

Input VAT
Input VAT arises from the acquisition of land and payments to suppliers and contractors for the acquisition of goods and development of the Group's projects.

Prepayments
Prepayments include prepaid rent, insurance and commissioning fees.

Restricted Cash
Restricted cash pertains to cash deposited with local banks pursuant to the Environmental Compliance Certificate issued to ABIRC relating to the rehabilitation of the Project-affected area throughout the construction and maintenance of the Island Club and ABMLHI's application for a certificate of registration and LTS with the Department of Human Settlements and Urban Development - Cordillera Administrative Region Office in relation to the completion of Alphaland Baguio Mountain Lodges Phase II project (see Note 7).

Interest income earned from restricted cash amounted to ₱713,371, ₱927,895 and ₱309,510 in 2021, 2020 and 2019, respectively (see Note 5).

9. Investment in and Advances to an Associate

This account consists of:

	Note	(In Thousands) 2021	2020
Investment in an associate		**₱11,326**	₱11,326
Advances to an associate	17	**1,023**	1,023
		₱12,349	₱12,349

Investment in an associate comprises of a 50% interest in AHEC whose principal activity is sale and lease of heavy equipment as at December 31, 2021 and 2020.

On April 5, 2013, the BOD of AHEC approved a resolution to shorten the corporate life of AHEC to four years. As at December 31, 2021, AHEC's liquidation is still in progress. The remaining carrying amount represents the Group's share in the residual net assets of AHEC.

Condensed financial information of the associate prepared on the historical basis of accounting are as follows:

	(In Thousands) 2021	2020
Assets	**₱46,540**	₱46,540
Liabilities	**23,888**	23,888
Net assets	**₱22,652**	₱22,652

The Group has not entered into any capital commitments in relation to its investment in AHEC and did not receive any dividends from the associate in 2021, 2020 and 2019.

10. Club Shares for Sale

This account consists of:

	(In Thousands) 2021	2020
Unquoted Clubs' preferred shares:		
Alphaland Balesin Island Club, Inc. (ABICI)	**₱25,348,400**	₱25,846,400
TCCAMPI	**5,662,500**	5,665,500
	₱31,010,900	₱31,511,900
Current	**₱1,071,311**	₱1,074,311
Noncurrent	**29,939,589**	30,437,589
	₱31,010,900	₱31,511,900

The preferred shares held by the Group are not required to gain control of the Clubs and are intended to be disposed of over time to third parties. The preferred shareholders are entitled to name one to 10 nominee per share, depending on the class of preferred share, to become a member and avail of the amenities and facilities of the Clubs, unless as otherwise required by applicable laws. They are not entitled to vote and be voted for in all meetings of the shareholders of the Clubs. The preferred shares have preference over the issuer's common shares in the distribution of assets in case of dissolution and liquidation.

The cost of the Group's investments in the preferred shares of ABICI and TCCAMPI includes the cash consideration and the cost incurred to complete the Clubs' facilities.

a. ABICI

On February 10, 2011, ALPHA, ABIRC and ABICI entered into a Development Agreement (DA) for the development and construction of a resort club (the "Island Club"). It is agreed that ABIRC will develop and construct the Island Club with ALPHA extending any financing required for the completion of the Island Club and its amenities in exchange for the ABICI shares. ABICI agrees that the excess of the construction costs over the par value of the shares issued by ABICI shall be treated as additional paid-in capital. Furthermore, it was clarified that the ownership of the Island Club, its facilities and amenities will be transferred to ABICI as cost is incurred. In 2015, approximately 98 hectares were committed for transfer to ABICI. The transfer of certificate of title was completed in 2018 (see Note 11).

On February 24, 2011, the SEC approved ABICI's Registration Statement on the Island Club Offer Shares for the primary offering of 391 of its Class "B" preferred shares and secondary offering of its 3,519 Class "B" preferred shares (Offer Shares or Tranche 1). In 2013, the SEC approved ABICI's Amended Registration Statement to increase its offer price from ₱2,000,000 per share to ₱3,000,000 per share. ABICI filed in 2013 a Second Amended Registration Statement to further increase its offer price to ₱5,000,000. As at December 31, 2021, the Group already withdrew its application with the SEC.

In 2012, ABIRC subscribed to additional Class "B" preferred shares of ABICI totaling 3,090 shares. As a consideration for the additional acquisitions of ABICI preferred shares, ABIRC entered into a Supplemental DA with ABICI in June 2012 increasing its obligation to complete the Island Club's facilities. By virtue of these additional subscriptions, ABIRC transferred investment properties to ABICI amounting to ₱453.3 million.

On November 12, 2012, the shareholders of ABICI approved an amendment to the ABICI's shareholder structure whereby additional 3,090 shares with a par value of ₱100 were split into 6,180 shares (Tranche 2) with a par value of ₱50 per share. As a result, ABIRC's subscription to the above 3,090 shares was converted to 6,180 shares. On January 31, 2013, the stock split was approved by the SEC.

On January 5, 2017, the SEC approved the increase in authorized capital stock of ABICI from ₱2.1 million divided into 14,000 common shares with par value of ₱100 per share, and 10,090 Class "B" preferred shares divided further into 3,910 Class "B-1" preferred shares with par value of ₱100 a share and 6,180 Class "B-2" preferred shares with par value of ₱50 a share to ₱3.0 million divided into 20,000 common shares with par value of ₱100 per share, and 15,000 Class "B" preferred shares divided further into 2,000 Class "B-1" preferred shares with par value of ₱100 per share, 12,000 Class "B-2" preferred shares with par value of ₱50 per share, and 1,000 Class "B-3" preferred shares with par value of ₱200 per share.

On May 31, 2017, ABIRC subscribed to additional 2,000 Class "B-2" preferred shares and 1,000 Class "B-3" (Tranche 3) preferred shares at a subscription price of ₱100 per share and ₱200 per share, respectively, or an aggregate amount of ₱400,000.

In April 2013, ABICI and ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI related to this agreement amounted to ₱1,575.5 million as at December 31, 2021 and 2020 (see Note 17). Starting 2015, ABICI already financed its own construction in the Island Club.

In 2019, sales of club shares includes 25 Class "B-1" preferred shares with carrying amount of ₱100.0 million at the date of transaction transferred to existing Balesin Island landowners under land-for-share swap in exchange for 5 hectares of land in Balesin Island, Polillo, Quezon (see Note 11).

The fair values of unsold shares as at December 31, 2021 and 2020 are as follows:

	2021		2020	
	Number of Shares	**Amount***	Number of Shares	Amount*
Tranche 1	**146**	**₱438,000**	312	₱936,000
Tranche 2	**11,964**	**24,910,200**	11,964	24,910,200
Tranche 3	**1,000**	**200**	1,000	200
		₱25,348,400		₱25,846,400

**Amounts in thousands.*

On December 20, 2021, the SEC approved the amendment to the Articles of Incorporation of ABICI further increasing its authorized capital stock from ₱3.0 million (divided into 20,000 Class "A" common shares with par value of ₱100 per share and 15,000 Class "B" preferred shares divided further into 2,000 Class "B-1" preferred shares with par value of ₱100 per share, 12,000 Class "B-2" preferred shares with par value of ₱50 per share, and 1,000 Class "B-3" preferred shares with par value of ₱200 per share) to ₱3.75 million (divided into 25,000 Class "A" common shares with par value of ₱100 per share and 16,000 Class "B" preferred shares divided further into 2,000 Class "B-1" preferred shares with par value of ₱100 per share, 12,000 Class "B-2" preferred shares with par value of ₱50 per share, 1,000 Class "B-3" preferred shares with par value of ₱200 per share and 1,000 Class "B-4" preferred shares with par value of ₱250 per share).

b. TCCAMPI

In October 2010, ASTI, AMPI and TCCAMPI entered into a DA for the development and construction of a City Club in Alphaland Makati Place. It is agreed that ASTI and/or AMPI will develop and construct the City Club with AMPI extending any financing required for its completion and amenities in exchange for the TCCAMPI shares.

On December 9, 2010, the SEC approved TCCAMPI's registration of an aggregate of 5,000 preferred shares, with issue price of ₱100 per share, comprising of 500 shares to be offered by way of primary offering and 4,500 shares by way of secondary offering.

In December 2010, ASTI, AMPI and TCCAMPI entered into a Supplemental DA to clarify that under the DA, it is AMPI who has the primary obligation to develop and construct the City Club. Moreover, it was clarified that, in consideration for the City Club's construction, TCCAMPI agrees to convert any and all advances provided by ASTI and AMPI to additional paid-in capital as cost is incurred. Furthermore, it was clarified that the ownership of the City Club, its facilities and amenities will be transferred to TCCAMPI as cost is incurred.

The City Club was fully completed in January 2014.

There are 3,775 and 3,777 unsold shares as at December 31, 2021 and 2020, respectively. As at December 31, 2021 and 2020, the fair value of unsold shares amounted to ₱5,662.5 million and ₱5,665.5 million, respectively.

Unrealized Valuation Gain on Club Shares for Sale

The Group's club shares for sale is marked-to-market using the fair value equivalent to the cash selling price of a recent sale to the public for the unquoted preferred shares.

Movements in the unrealized gain on club shares for sale are as follows:

	(In Thousands)	
	2021	2020
Balance at beginning of year	**₱23,482,648**	₱25,057,294
Reclassification adjustments	**(319,317)**	(445,642)
Unrealized valuation loss	**(31,566)**	(1,328,240)
Income tax effect	**4,735**	199,236
	(26,831)	(1,129,004)
Balance at end of year	**₱23,136,500**	₱23,482,648

Upon sale, the Group reclassified to retained earnings the cumulative valuation gain, gross of deferred tax, amounting to ₱373.4 million covering 169 shares, ₱524.3 million covering 354 shares and ₱184.8 million covering 49 shares in 2021, 2020 and 2019, respectively. Receivable arising from the sale of club shares amounted to ₱188.9 million and ₱131.1 million as at December 31, 2021 and 2020, respectively (see Notes 6 and 13). No dividends were recognized in 2021, 2020 and 2019.

11. Investment Properties

Movements in this account are as follows:

		(In Thousands)	
	Note	**2021**	2020
Balance at beginning of year		**₱58,776,917**	₱54,642,253
Fair value change		**1,605,797**	4,131,609
Transfers to:			
Land and development costs	7	**(350,800)**	–
Property and equipment	12	**(762)**	–
Additions:			
Capital expenditures		**20,345**	3,055
Purchases		**2,187**	–
Balance at end of year		**₱60,053,684**	₱58,776,917

Investment properties carried at fair value consist of the following:

	(In Thousands)	
	2021	2020
Alphaland Balesin Island Property	**₱24,784,042**	₱24,462,466
Alphaland Makati Place:		
Tower 3	**10,312,578**	10,269,446
Podium	**3,571,118**	3,550,774
Baguio Property	**7,780,492**	7,361,150
Patnangunan Property	**7,530,734**	7,178,377
Silang Property	**6,060,016**	5,940,000
Atimonan Property	**14,704**	14,704
	₱60,053,684	₱58,776,917

As at December 31, 2021 and 2020, the cumulative gain on fair value changes of the Group's investment properties, net of tax, amounted to ₱44,107.0 million and ₱39,860.2 million, respectively.

Alphaland Balesin Island Property
ABIRC acquired approximately 419 hectares of land in Balesin Island, Polillo, Quezon. Of the total land acquired, 5 hectares were acquired in 2019 via land-for-share swap with existing Balesin Island landowners in exchange for 25 Class "B-1" preferred shares with carrying amount of ₱100.0 million at the date of transaction (see Note 10). Approximately 98 hectares of the total land ownership were committed for transfer to ABICI in 2015. The transfer of certificate of title was completed in 2018 (see Note 10).

Areas that are being developed for sale were reclassified to "Land and development costs" account (see Note 7).

Alphaland Makati Place
This represents the Podium and Tower 3 at the Alphaland Makati Place. The Podium is currently operated as a mall and is for lease to third parties (see Notes 4 and 7).

Rent income earned from Alphaland Makati Place amounted to ₱336.3 million, ₱491.8 million and ₱688.5 million in 2021, 2020 and 2019, respectively. Direct costs related to rent income amounted to ₱78.9 million, ₱86.9 million and ₱118.7 million in 2021, 2020 and 2019, respectively, which mainly comprised of utilities and commissary costs (see Note 18).

Baguio Property
This consists of parcels of land, measuring approximately 86.7 hectares that are situated in Itogon, Benguet, just ten minutes from Baguio City by land. The Group is developing the property into the Alphaland Baguio Mountain Lodges.

The beneficial owner of the entire property is RVO, the majority shareholder and Chairman of ALPHA. The Group acquired the property at zonal value which is substantially below the appraised value. As a consideration to RVO for having sold the property at zonal value, RVO shall have a 15% interest, to be finalized upon conclusion of the project, without need of any further investment or equity infusion. The Group will shoulder all development costs required for the project.

Areas that are being developed as a horizontal condominium for sale was reclassified to land and development costs while areas where the clubhouse, chapel and other amenities are situated were reclassified to property and equipment.

In 2021, investment properties with a carrying amount of ₱350.8 million were reclassified to land and development costs (see Note 7).

The remaining areas allocated to investment properties as at December 31, 2021 and 2020 is 57.2 hectares and 61.9 hectares, respectively.

Patnanungan Property
ABIGI's parcels of land in Patnanungan, Quezon, measuring a total of 735.2 hectares, more or less, is reserved for future development.

Silang Property
ASTI's three parcels of land in Silang, Cavite, measuring a total of 30 hectares, more or less, is reserved for future development.

Atimonan Property
ABIRC's land in Atimonan, Quezon Province, measuring a total of 21,005 square meters, more or less, is reserved for future development.

Alphaland Southgate Tower
This property is a fully developed and operational 20-storey office tower building with a 6-storey podium known as Alphaland Southgate Tower with a land area of 9,497 square meters located at the corner of EDSA and Chino Roces Avenue in Makati City. It was declared an Information Technology Zone on January 12, 2009 by the Philippine Economic Zone Authority, pursuant to Presidential Proclamation No. 1692 dated December 22, 2008.

Rent income from Alphaland Southgate Tower including common utilities, services and maintenance charges amounted to ₱164.7 million in 2019. Direct costs related to rent income amounted to ₱35.4 million in 2019, which mainly comprised of utilities and commissary costs (see Note 18).

In March 2019, the Group sold the property for net proceeds of ₱4,464.3 million resulting to a net accounting loss of ₱7,003.3 million.

The fair values of the investment properties are based on valuations performed by accredited independent appraisers as at report date, except for Atimonan Property. Management evaluated that the carrying amount of the Atimonan property approximates its fair value as at reporting date since there were no significant changes in the condition of this property and economic environment between the last appraisal in 2015 and the report date.

Income Capitalization Approach
Alphaland Makati Place Tower 3 and Podium are valued using income capitalization approach. Income capitalization approach is a comparative approach, which considers income and expense data relating to the property being valued and estimated the value through a capitalization process. Capitalization relates income and a defined value type by converting an income amount into a value estimate.

This process may consider direct relationships (known as capitalization rates), yield or discount rates (reflecting measures of return on investment), or both.

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the entity's portfolios of investment properties are:

- *Stabilized net operating income (NOI):* calculation used to identify performance of an investment property that produces stable income. Stabilized NOI of Tower 3 is ₱605.7 million in 2021 and 2020. Stabilized NOI of Podium amounted to ₱67,968 in 2021 and 2020.

- *Capitalization rate:* rate used to estimate the potential return of the investment property. Capitalization rate for Tower 3 and Podium is 5% in 2021 and 2010.

Sensitivity Analysis. Generally, an increase (decrease) in stabilized NOI will result in an increase (decrease) to the fair value of investment property. An increase (decrease) in the capitalization rate will result in a decrease (increase) to the fair value of an investment property. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower capitalization rate resulting in a greater impact of a change in stabilized NOI than a higher capitalization rate.

The level of activities for these properties in 2021 and 2020 were held constant primarily due to the continuing pandemic. The estimation uncertainty caused by the pandemic resulted in a fair valuation with wide range of values. The Group considers the appropriate risk adjustment considering both the short and long-term impact of the pandemic to determine the point within the range that is most representative of fair value under current market conditions.

Market Data Approach

Project	Class of Property	Significant Unobservable Inputs	(Range) 2021	2020
Alphaland Balesin Island	Land	Price per square meter	**₱1,987-₱15,000**	₱1,500-₱13,500
		Value adjustments (for development)	**-10% to 10%**	-10% to 10%
Atimonan	Land	Price per square meter	₱1,200-₱3,600	₱1,200-₱3,600
		Value adjustments	40%-80%	40%-80%
Patnanungan	Land	Price per square meter	**₱601-₱1,500**	₱854-₱1,000
		Value adjustments	**-5% to 5%**	-35%

The significant unobservable inputs to fair valuation are as follows:

Price per square meter: estimated value prevailing in the real estate market depending on the location, area, shape and time element.

Value adjustments: adjustments are made to bring the comparative values in approximation to the investment properties taking into account external factors (market conditions, competitiveness, economic condition/demand/growth, time element) and internal factors (location, size/shape/prospective utility/terrain and development).

In valuing the land using sales comparison approach, records of recent sales and offerings of similar land are analyzed and comparisons were made for such factors as size, characteristic of the lot, location, quality and prospective use.

Sensitivity Analysis. The following factors were considered in determining the market value of the subject property:

- property location and neighborhood data
- present use of the property is either commercial/residential/agricultural
- quantitative market value adjustments based on external and internal factors
- highest and best use (commercial and residential building/resort and its allied development)

Significant increase (decrease) in price per square meter would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would also affect the fair value measurement.

Land Development Approach

	December 31, 2021	
Significant Unobservable Input	**Baguio**	**Silang**
Period of land development and selling program	**5 years**	**5-6 years**
Administrative/marketing cost	**7% of gross sales**	**12% of gross sales**
Interest rate selected for discounting	**10%**	**12%**
Developer's profit	**20% of development cost**	**20% of development cost**
Proposed selling price	**₱34,500 - ₱75,000 per unit***	**₱35,000 - ₱60,000 per sqm****
Calculated no. of subdivision lots	**300 lots**	**175 - 486 lots**
Land value/annual increment of land value	**25%**	**10%-20%**

**In thousands.*
***In absolute amounts.*

	December 31, 2020	
Significant Unobservable Input	Baguio	Silang
Period of land development and selling program	5 years	5 - 6 years
Administrative/marketing cost	7% of gross sales	12% of gross sales
Interest rate selected for discounting	10%	12%
Developer's profit	20% of development cost	20% of development cost
Proposed selling price	₱32,000 - ₱65,000 per unit*	₱29,000 - ₱50,000 per sqm**
Calculated no. of subdivision lots	300 lots	175 - 486 lots
Land value/annual increment of land value	25%	10%-20%

**In thousands.*
***In absolute amounts.*

Using the land development approach, the properties are treated as mixed-used subdivision development and the gross sales that may be expected from the proposed saleable lots are then estimated in accordance with the prevailing prices of comparable development subdivision lots within the immediate vicinity. Overhead and sales expenses, and developer's profit, the residual sales income is then attributed to the "raw" land value.

The valuation process consists of the following:

- Preparation of a subdivision study in accordance with the highest and best use concept (i.e. residential subdivision development) of the land;
- Establishment of total revenue or proceeds of sales of subdivision lots on the basis of what ready-to-build sites in similar subdivisions are selling;
- Determination of development costs consisting of clearing and grading, survey, titling services, construction of access roads, roadways, curbs and gutters, sewerage and drainage system, water supply and electrical distribution, rip-rapping and supervision and other contingency items considering current prices for construction materials, labor, contractor's profit and overhead expenses;
- Estimation of overhead and sales expenses such as broker's commissions, promotion and advertisement, administrative and collection, taxes and miscellaneous expenses.

Sensitivity Analysis. Significant increase (decrease) in land value, proposed selling price and calculated no. of lots would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in administrative and marketing costs and developer's profit would result in a lower (higher) fair value measurement.

12. Property and Equipment

The composition and movements of this account are presented below (in thousands):

		2021									
	Note	Serviced Residences*	Aircrafts*	Buildings	Transportation Equipment	Machinery, Equipment and Tools	Office Furniture, and Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost											
Balance at beginning of year		₱9,194,076	₱1,395,799	₱137,061	₱73,677	₱345,966	₱188,798	₱78,890	₱21,715	₱5,065	₱11,441,047
Additions		–	90,086	–	3,492	8,949	1,629	59,627	–	176	163,959
Appraisal		107,409	–	–	–	–	–	–	–	–	107,409
Transfer from investment properties	11	–	–	–	–	–	–	–	762	–	762
Transfer from land and development costs	7	18,013	–	–	–	–	–	–	–	–	18,013
Reclassifications		–	–	–	–	–	–	(99)	–	–	(99)
Balance at end of year		9,319,498	1,485,885	137,061	77,169	354,915	190,427	138,418	22,477	5,241	11,731,091
Accumulated Depreciation and Amortization											
Balance at beginning of year		483,504	401,885	29,570	57,318	256,958	128,697	76,641	–	–	1,434,573
Depreciation and amortization		185,921	73,085	4,118	8,738	15,087	22,333	23,670	–	–	332,952
Reclassifications		–	–	–	–	–	–	(58)	–	–	(58)
Balance at end of year		669,425	474,970	33,688	66,056	272,045	151,030	100,253	–	–	1,767,467
Net Carrying Amount		₱8,650,073	₱1,010,915	₱103,373	₱11,113	₱82,870	₱39,397	₱38,066	₱22,477	₱5,241	₱9,963,624

**At revalued amounts.*

		2020									
	Note	Serviced Residences*	Aircrafts*	Buildings	Transportation Equipment	Machinery, Equipment and Tools	Office Furniture, and Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost											
Balance at beginning of year		₱9,068,155	₱1,985,792	₱137,061	₱69,972	₱344,752	₱182,778	₱78,561	₱21,715	₱3,741	₱11,892,527
Additions		50,000	57,763	–	3,705	1,214	6,020	329	–	1,324	120,355
Disposal		–	(647,756)	–	–	–	–	–	–	–	(647,756)
Transfer from land and development costs	7	75,921	–	–	–	–	–	–	–	–	75,921
Balance at end of year		9,194,076	1,395,799	137,061	73,677	345,966	188,798	78,890	21,715	5,065	11,441,047
Accumulated Depreciation and Amortization											
Balance at beginning of year		298,498	419,756	26,376	46,743	245,401	103,547	54,038	–	–	1,194,359
Depreciation and amortization		185,006	111,246	3,194	10,575	11,557	25,150	22,603	–	–	369,331
Disposals		–	(129,117)	–	–	–	–	–	–	–	(129,117)
Balance at end of year		483,504	401,885	29,570	57,318	256,958	128,697	76,641	–	–	1,434,573
Net Carrying Amount		₱8,710,572	₱993,914	₱107,491	₱16,359	₱89,008	₱60,101	₱2,249	₱21,715	₱5,065	₱10,006,474

**At revalued amounts.*

The Group reclassified a number of condominium units of AMPI from "Land and development costs" to "Property and equipment" account due to the change in use of the property from condominium units for sale to a property operated as serviced residences.

In 2019, the Group changed the useful life of serviced residences from 35 years to 50 years, to reflect the change in the Group's assessment of the expected economic benefits of the asset and to align with the useful life adopted by the industry. This resulted to a reduction of ₱8.3 million in depreciation expense.

In 2020, the Group sold one of its aircrafts with a carrying amount of ₱518.6 million to its stockholder. The consideration received for the aircraft was 94,306,279 ALPHA shares amounting to ₱523.1 million, resulting to a gain of ₱4.4 million (see Note 16).

In 2021, the Group applied a 20% residual value on cost of its passenger aircrafts based on factors such as historical experience, expected level of usage, and policies adopted by other comparable airlines within the industry. The change in accounting estimate has been applied on a prospective basis from January 1, 2021 and will result to lower depreciation expense in the current and future periods of ₱16.3 million and ₱182.8 million, respectively.

Fair Value Measurement

The fair value of the Group's serviced residences as determined by an independent appraiser on February 4, 2022 using the Income Capitalization Approach and as adjusted for appropriate risk factor amounted to ₱8,650.1 million. The difference between the fair value and the carrying amount of the serviced residences amounting to ₱107.4 million in 2021 was recognized as revaluation increase. The fair value measurement for serviced residences has been categorized as Level 3 (significant unobservable inputs).

The fair value of the Group's aircrafts as determined by an independent appraiser on December 12, 2018 using Cost Approach amounted to ₱1,446.1 million. The fair value measurement for the Group's aircraft has been categorized as Level 3 (significant unobservable inputs). Management evaluated that the carrying amount of the aircrafts approximate its fair value as at reporting date.

The revaluation surplus recognized in the equity section of the consolidated statements of financial position amounted to ₱3,664.9 million and ₱3,428.7 million as at December 31, 2021 and 2020, respectively.

The carrying amount of property and equipment measured at revalued amounts had they been recognized at cost are as follows:

	(In Thousands)	
	2021	2020
Serviced residences	**₱3,880,734**	₱3,977,454
Aircrafts	**956,701**	931,469
	₱4,837,435	₱4,908,923

Income Capitalization Approach
Serviced residences was valued using income capitalization approach. Income capitalization approach is a comparative approach, which considers income and expense data relating to the property being valued and estimated the value through a capitalization process. Capitalization relates income and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalization rates), yield or discount rates (reflecting measures of return on investment), or both.

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the entity's serviced residences are:

- *Stabilized NOI:* calculation used to identify performance of a property that produces stable income. Stabilized NOI amounted to ₱443.3 million in 2021 and 2020.

- *Capitalization rate:* rate used to estimate the potential return of the property. The capitalization rate in the fair valuation is 5% in 2020 and 2019.

Sensitivity Analysis. Generally, an increase (decrease) in stabilized NOI will result in an increase (decrease) to the fair value of serviced residences. An increase (decrease) in the capitalization rate will result in a decrease (increase) to the fair value of serviced residences. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower capitalization rate resulting in a greater impact of a change in stabilized NOI than a higher capitalization rate.

The level of activities for these properties in 2021 and 2020 were held constant primarily due to the continuing pandemic. The estimation uncertainty caused by the pandemic resulted in a fair valuation with wide range of values. The Group considers the appropriate risk adjustment considering both the short and long-term impact of the pandemic to determine the point within the range that is most representative of fair value under current market conditions.

Cost Approach
In determining the fair value of aircrafts, cost data were gathered from original import commercial invoices and as well as the comparable sources of similar machinery and equipment and use of prices and other relevant information generated by market transaction involving similar asset. The fair value was determined by reference to the replacement cost translated at the current foreign exchange rate.

Sensitivity Analysis. Significant increase (decrease) in replacement cost and exchange rate would result in a significantly higher (lower) fair value measurement.

Further information about the assumptions made in measuring fair values is included in Note 25.

Depreciation and amortization arises from the following accounts:

		(In Thousands)		
	Note	**2021**	2020	2019
Property and equipment		**₱332,952**	₱369,331	₱348,667
ROU assets	18	**5,457**	4,535	4,535
Software	13	**1,511**	2,865	2,041
		₱339,920	₱376,731	₱355,243

Depreciation and amortization are allocated as follows:

	Note	(In Thousands) 2021	2020	2019
Cost of services	20	**₱260,242**	₱294,157	₱276,648
General and administrative expenses	20	**75,636**	78,434	73,436
Capitalized as part of land and development costs	7	**4,042**	4,140	5,159
		₱339,920	₱376,731	₱355,243

13. Other Noncurrent Assets

This account consists of:

	Note	(In Thousands) 2021	2020
Deferred input VAT		**₱100,433**	₱91,612
ROU assets	18	**24,240**	10,412
Refundable deposits		**20,015**	19,248
Prepayments		**14,611**	13,571
Receivables from sale of club shares	10	**8,956**	11,099
Advances to contractors and suppliers - net of current portion	8	**4,003**	4,149
Software		**2,205**	3,405
Others		**2,000**	2,000
		₱176,463	₱155,496

Refundable deposits include billing and meter deposits to Manila Electric Company (Meralco). These are refundable upon termination of service of Meralco.

The movements in software are as follows:

	Note	(In Thousands) 2021	2020
Cost			
Balance at beginning of year		**₱18,400**	₱17,294
Additions		**311**	1,106
Balance at end of year		**18,711**	18,400
Accumulated Amortization			
Balance at beginning of year		**14,995**	12,130
Amortization	12	**1,511**	2,865
Balance at end of year		**16,506**	14,995
Net Carrying Amount		**₱2,205**	₱3,405

14. Trade and Other Payables

This account consists of:

	Note	(In Thousands) 2021	2020
Trade		**₱1,423,232**	₱1,466,431
Accrued expenses:			
Construction costs		**261,591**	322,601
Others		**263,798**	130,841
Deposits from sale of real estate	7	**235,965**	411,616
Statutory payables		**377,035**	189,968
Retention payable	26	**270,485**	383,998
Nontrade		**61,153**	–
Unearned rental income	18	**16,070**	7,996
Current portion of lease liabilities	18	**6,917**	3,116
Others		**210,556**	22,649
		₱3,126,802	₱2,939,216

Trade payables are noninterest-bearing and are due for payment within 30 to 120 days.

Accrued expenses mainly pertain to accruals for development costs, capital gains tax, and general and administrative expenses which are generally settled within one year.

Noncurrent portion of deposits from sale of real estate amounted to ₱3.4 million as at December 31, 2021 and 2020 presented under "Other noncurrent liabilities" account in the consolidated statements of financial position.

Statutory payables consist of expanded withholding taxes and contributions to regulatory agencies. These are normally settled within the following month.

15. Long-term Debt

The Group settled the following long-term debt in 2019:

	Amount	Interest Rates
BDO Unibank, Inc.		
ALPHA	₱5,521,020	7.1% to 9.2%
ABMLHI	380,032	7.0%
BDO Leasing and Finance, Inc.		
AAPI	167,738	7.0% to 8.0%
AAI	130,141	7.04%
	₱6,198,931	

Capitalized interest and other financing costs on the loans amounted to ₱36.2 million and ₱146.0 million in 2019 (see Note 7). The rate used to determine the amount of borrowing cost eligible for capitalization was 1.35% as at December 31, 2019.

Finance costs recognized in the consolidated statements of comprehensive income are as follows:

	(In Thousands)		
	2021	2020	2019
Finance charges	**₱2,371**	₱2,593	₱13,645
Long-term debt	**–**	–	178,413
	₱2,371	₱2,593	₱192,058

Finance charges include interest on lease liabilities, bank charges, and accretion of customers' deposits.

16. Equity

Capital Stock

The composition of ALPHA's capital stock consisting of all common shares are as follows:

	2021		2020	
	Number of Shares	**Amount***	Number of Shares	Amount*
Authorized - ₱0.1 Par Value	**50,000,000,000**	**₱5,000,000**	50,000,000,000	₱5,000,000
Issued				
Beginning of year	**27,013,232,720**	**₱2,702,323**	28,411,738,420	₱2,842,174
Revisions to deed of subscriptions	**–**	**–**	(1,398,505,700)	(139,851)
End of year	**27,013,232,720**	**2,702,323**	27,013,232,720	2,702,323
Parent Company's shares held by a subsidiary				
Beginning and end of year	**(13,834,274,790)**	**(16,881,220)**	(13,834,274,790)	(16,881,220)
Treasury Stock				
Beginning of year	**(98,545,279)**	**(524,283)**	(4,239,000)	(1,214)
Additions	**–**	**–**	(94,306,279)	(523,069)
End of year	**(98,545,279)**	**(524,283)**	(98,545,279)	(524,283)
Outstanding	**13,080,412,651**	**₱2,178,040**	13,080,412,651	₱2,178,040

**In thousands.*

The total number of shareholders, which includes PCD Nominee Corporation, is 89 and 87 as at December 31, 2021 and 2020, respectively.

On January 2, 2020, a group of shareholders reduced the number of their subscribed ALPHA shares from 1,864,664,150 to 466,158,450. ALPHA and the shareholders executed a new Deed of Subscriptions (Deed) to supersede the previous Deed executed by the parties on June 11, 2018. This resulted to a decrease in capital stock and increase in additional paid-in capital amounting to ₱139.9 million.

Parent Company's Shares Held by a Subsidiary

On June 5, 2014, Alphaland Holdings (Singapore) Pte. Limited (AH) and Masrickstar Corporation (MC) on one hand, and another group affiliated with RVO including ALPHA and ASTI (collectively, the "RVO Group") entered into a Memorandum of Agreement (MOA) to settle a shareholder dispute. Pursuant to the MOA, ALPHA, through its 100%-owned subsidiary, ASTI acquired the shares of stock of ALPHA owned by AH, MC and Credit Suisse (Singapore) Limited (Credit Suisse), another shareholder, and received ₱2,500.0 million in cash in exchange for assets and liabilities mainly comprising of 100% ownership of Alphaland Makati Tower, Inc. (AMTI); 100% ownership of Alphaland Marina Corporation (AMC) including AMC's investment in preferred shares of Alphaland Marina Club, Inc. (AMCI); 50% ownership of Alphaland Bay City Corporation (ABCC), the joint venture company formed by ASTI and a group led by D.M. Wenceslao & Associates, Inc. (DMWAI) (the Wenceslao Group or "WG"); and 60% interest in the unincorporated joint venture between the Group and Akean Resorts Corporation and the additional parcels of land acquired by the Group with total area of approximately 10.81 hectares.

On October 17, 2014, these assets owned by the Group were transferred to Bedfordbury Development Corporation (BDC), a newly incorporated company owned by AH and MC. AH, MC and BDC will be collectively referred to as the "AH Group."

The Group's joint venture with WG is subject to litigation because of WG's actions in causing a delay in ASTI and AMC's construction and development of the Marina Club Project. With BDC's takeover of AMC and AMCI, BDC assumed the responsibility of handling the litigation with WG.

Pursuant to the implementation of the MOA discussed above, ASTI acquired shares of stock of ALPHA owned by AH, MC and Credit Suisse amounting to ₱16,818.0 million.

In 2017, ASTI acquired additional shares of stock of ALPHA owned by a minority shareholder amounting to ₱63.2 million.

<u>Treasury Shares</u>

In 2020, the Group sold one of its aircrafts with a carrying amount of ₱518.6 million to its stockholder. The consideration received for the aircraft was 94,306,279 ALPHA shares amounting to ₱523.1 million, resulting to a gain of ₱4.4 million (see Note 12).

<u>Retained Earnings</u>

Significant component of the retained earnings pertain to cumulative gain on fair value changes of investment properties, net of tax, amounting to ₱44,107.0 million and ₱39,860.2 million as at December 31, 2021 and 2020, respectively (see Note 11).

On March 3, 2021, the BOD of ALPHA resolved that ₱2.0 billion out of the retained earnings shall be appropriated to fund the corporate projects and programs to be identified and approved by the Executive Committee of the BOD.

On July 30, 2021 BOD of ALPHA approved the declaration of cash dividend of ₱523.2 million or ₱0.04 per share on all of the outstanding shares as of July 15, 2021, date of record. The dividend was paid in 2021.

17. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its related companies. The following tables summarize the transactions with the related companies and outstanding balance arising from these transactions:

			(In Thousands)			
			2021		2020	
	Nature of Transactions	Note	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Trade and other receivables						
Trade						
Related companies under common key management	Air transport services	6	**₱160,348**	**₱323,890**	₱89,889	₱311,012
Nontrade						
Related companies under common key management	Capital expenditures, debt servicing		**151,610**	**204,075**	–	52,465
				₱527,965		₱363,477
Advances to						
Associate -						
AHEC	Reimbursement of expenses		**₱–**	**₱1,023**	₱–	₱1,023
Related companies under common key management	Reimbursement of expenses		**₱–**	**₱3,983,186**	₱584,598	₱4,111,702
Trade and other payables						
Trade						
Related companies under common key management	Acquisition of properties		**₱–**	**₱647,301**	₱–	₱647,301
Advances from related companies						
Related companies under common key management	Advances		**₱–**	**₱2,023,976**	₱–	₱2,023,976
	Association dues	20	**38,982**	**38,982**	162,514	162,514
	Purchase of assets and reimbursement of expenses		**311,170**	**466,791**	–	155,621
				₱2,529,749		₱2,342,111

Other transactions of the Group with its related companies are as follows:

- As discussed in Note 11, RVO is the beneficial owner of certain investment properties (i.e. Baguio Property) acquired by the Group during 2015.

- In April 2013, ABICI and the ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI related to this agreement amounting to ₱1,575.5 million as at December 31, 2021 and 2020 is due and demandable (see Note 10).

Terms and Conditions of Transactions with Related Companies

Outstanding balances as of year-end are unsecured, noninterest-bearing and settlement occurs in cash or equity. The Group has not made any provision for impairment losses relating to the amounts owed by related companies.

Compensation of Key Management Personnel

The details of compensation of key management personnel, follow:

	(In Thousands)		
	2021	2020	2019
Short-term employee benefits	**₱91,882**	₱75,660	₱91,983
Post-employment benefits	**27,564**	18,935	24,804
	₱119,446	₱94,595	₱116,787

Stock Option Plan

The Company's Stock Option Plan was approved by the BOD of ALPHA on June 5, 2013, and by stockholders representing more than 2/3 of the outstanding capital stock of ALPHA during the annual meeting held on December 3, 2014. The Stock Option Plan Committee awarded stock options to key officers and employees of the Group from 2017 to 2019. The effectivity date of the grant is one year after an option is awarded to the employee. One-third (1/3) of the total number of shares covered by a grant to an employee shall vest upon the effectivity of the grant. Another 1/3 of the shares shall vest one year after the effectivity date and the remaining 1/3 of the shares shall vest two years after the effectivity date of the grant. Furthermore, the Stock Option Plan shall not vest until the listing of ALPHA shares in a stock exchange. The Stock Option Plan was approved by the SEC on July 24, 2019.

18. Leases

The Group as a Lessee

Hangar Leases

In June 2011, the Group and Civil Aviation Authority of the Philippines (CAAP) entered into a noncancellable lease agreement for the use of a portion of CAAP's hangar, including the appurtenant structures, with an aggregate land area of approximately 1,580 square meters for 10 years at ₱70 per square meter subject to an escalation rate of 10% per annum. In 2021, the lease was renewed for a period of five years subject to an escalation rate of 5% per annum. The original scope of the lease remained unchanged.

Management assessed that the substance of such lease term extension constitutes a modification of the existing lease and thus accounted the renewal as a lease modification effective on the date of agreement of both parties. Accordingly, the Group remeasured the existing lease liability to include the lease payments covered by the new lease using a revised discount rate.

In July 2016, the Group and Clark International Airport Corporation (CIAC) entered into a noncancellable lease agreement for the lease of structure and open space with a total area of 2,590 square meters, for 9 years. The agreement requires for a minimum guaranteed lease payment plus 20% of gross rental income from sub-lessees, if any, and is subject to an escalation rate of 10% per annum.

The incremental borrowing rate applied to the lease liabilities ranges from 3.19% to 7.05%, depending on the lease term.

The balance of and movements in ROU assets as at December 31 are as follows:

	Note	(In Thousands) 2021	2020
Cost			
Balance at beginning of year		₱19,482	₱19,482
Addition		19,285	–
Balance at end of year		38,767	19,482
Accumulated Amortization			
Balance at beginning of year		9,070	4,535
Amortization		5,457	4,535
Balance at end of year		14,527	9,070
Carrying Amount	13	₱24,240	₱10,412

The balance of and movements in lease liabilities are as follows:

	Note	(In Thousands) 2021	2020
Balance at beginning of year		₱12,133	₱16,335
Addition		19,285	–
Rental payments		(5,991)	(5,211)
Interest		1,060	1,009
Balance at end of year		26,487	12,133
Current portion	14	6,917	3,116
Noncurrent portion		₱19,570	₱9,017

Operating Lease - Group as a Lessor

AMPI entered into various operating lease agreements as a lessor covering mall and office spaces at Alphaland Makati Place for a period ranging from two to ten years which may be renewed or extended under such new or additional terms or conditions agreed by the parties. Upon inception of the lease agreements, tenants are required to pay certain amounts of deposits.

Tenants likewise pay either a fixed monthly rent, which is calculated with reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher. The terms of the lease agreements also provide for an increase in the rent generally at the rate of 5% to 7% escalation rate starting on the third year of the lease term for AMPI.

ASTI entered into various operating lease agreements as a lessor covering mall and office spaces at Alphaland Southgate Tower for a period ranging from one to ten years. The terms of the lease agreements also provide for an increase in the rent generally at the rate of 5% to 10% starting on the second year and annually thereafter for ASTI. As disclosed in Note 11, the Group sold Alphaland Southgate Tower in 2019.

Rent income and billings for common utilities, services and maintenance charges from Alphaland Southgate Tower and Alphaland Makati Place aggregated ₱336.3 million, ₱491.8 million and ₱853.2 million in 2021, 2020 and 2019, respectively (see Note 11). Direct costs related to rent income aggregated ₱78.9 million, ₱86.9 million and ₱154.1 million in 2021, 2020 and 2019, respectively, which mainly comprised of utilities and commissary costs (see Note 11).

As at December 31, 2021 and 2020, the Group's receivable from tenants amounting to ₱22.3 million and ₱50.5 million, respectively, were presented under "Trade and other receivables" account in the consolidated statements of financial position (see Note 6).

The Group's customers' deposits on lease contracts are as follows:

	(In Thousands)	
	2021	2020
Current	**₱180,933**	₱107,980
Noncurrent	**80,105**	120,519
	₱261,038	₱228,499

Customers' deposits on lease contracts are generally equivalent to six months rental and refundable at the end of the lease term. Current portion pertains to one year operating lease agreements while noncurrent portion pertains to two to five years' operating lease agreements.

The Group recognizes the customers' deposits at fair value. The fair value of the deposit is determined based on the prevailing market rate of interest for a similar loan. The excess of the principal amount of the deposit over its fair value is accounted for as deferred lease income and amortized on a straight-line basis. The deferred lease income amounted to ₱3.0 million as at December 31, 2021 and 2020, respectively, and is included under "Other noncurrent liabilities" account in the consolidated statements of financial position. Interest on the deposit is accounted for using the effective interest rate method.

Aside from customers' deposits paid by tenants, advance rentals generally equivalent to two months rental are also paid and included in the initial billing to tenants, which shall be applied to the monthly rental at the end of the lease term. Current portion of advance rentals amounted to ₱16.1 million and ₱8.0 million as at December 31, 2021 and 2020, respectively (see Note 14). Noncurrent portion amounting to ₱12.2 million and ₱22.6 million as at December 31, 2021 and 2020, respectively, are included under "Other noncurrent liabilities" account in the consolidated statements of financial position.

19. Revenues

This account consists of:

	Note	2021	2020	2019
		(In Thousands)		
Real estate sales of:				
Log homes		**₱1,700,358**	₱490,259	₱313,830
Private Villa		**357,143**	544,643	801,786
		2,057,501	1,034,902	1,115,616
Service income:				
Air transport services		**189,576**	84,237	202,110
Room revenues		**186,202**	243,021	171,567
Medical services		**103,678**	55,165	29,656
Security services		**36,618**	17,272	127,205
		516,074	399,695	530,538
Rental income	18	**336,323**	491,802	853,183
Interest income	5	**21,116**	28,072	26,545
Others		**95,449**	43,702	50,454
		₱3,026,463	₱1,998,173	₱2,576,336

Other revenues consist mainly of commission income and income from restaurant operations.

20. Costs and Expenses

Costs and expenses are classified in the consolidated statements of comprehensive income as follows:

	Note	2021	2020	2019
		(In Thousands)		
Cost of real estate sold -				
Land and development cost	7	**₱1,058,732**	₱452,170	₱552,587
Cost of services:				
Transportation		**₱192,425**	₱209,622	₱231,543
Depreciation and amortization	12	**185,921**	185,006	174,035
Utilities		**80,920**	86,901	154,621
Security services		**63,756**	25,916	19,340
Room services		**50,367**	66,880	115,317
Medical services		**22,744**	32,850	65,597
Others		**2,640**	1,038	1,178
		₱598,773	₱608,213	₱761,631

	Note	(In Thousands) 2021	2020	2019
General and administrative:				
Salaries and employees' benefits		**₱175,163**	₱154,024	₱249,713
Taxes and licenses		**98,938**	192,889	70,094
Service and professional fees		**88,895**	81,342	113,111
Depreciation and amortization	12	**75,636**	78,434	73,436
Utilities and rent		**69,663**	26,635	133,565
Sales and marketing		**55,450**	24,318	170,084
Representation		**44,098**	41,484	34,761
Travel and transportation		**37,957**	35,868	63,475
Repairs and maintenance		**32,131**	28,439	44,269
Insurance		**27,723**	20,055	11,597
Supplies		**9,012**	12,274	49,843
Communication		**5,850**	10,821	1,089
Association dues	17	**38,982**	162,514	–
Others		**84,567**	95,683	106,818
		₱844,065	₱964,780	₱1,121,855

Transportation expense, security services and medical services under "Cost of services" account includes depreciation amounting to ₱74.3 million, ₱109.2 million and ₱102.6 million in 2021, 2020 and 2019, respectively (see Note 12).

21. Retirement Liability

The Group has an unfunded defined benefit plan covering all its regular employees. Benefits are computed using an amount equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year. The retirement liability is determined using the projected unit credit method. The latest available actuarial report of the Company is as at December 31, 2020.

The components of the retirement benefit expense included in "Salaries and employees' benefits" presented under "General and administrative" account in the consolidated statements of comprehensive income are as follows:

	(In Thousands) 2021	2020	2019
Retirement benefit cost:			
Current service cost	**₱18,698**	₱13,912	₱12,463
Interest cost	**2,853**	3,147	2,537
	₱21,551	₱17,059	₱15,000

The components of retirement liability recognized in the consolidated statements of financial position and the changes in the present value of defined benefit obligation as at December 31 are as follows:

	(In Thousands)	
	2021	2020
Present value of defined benefit obligation:		
Balance at beginning of year	**₱73,258**	₱65,784
Current service cost	**18,698**	13,912
Interest cost	**2,853**	3,147
Remeasurement gain	**–**	(5,368)
Benefits paid	**–**	(4,217)
Balance at end of year	**₱94,809**	₱73,258

The accumulated remeasurement gain on retirement liability, net of deferred income tax, recognized in the equity section of the consolidated statements of financial position amounted to ₱34.7 million and ₱46.3 million as at December 31, 2021 and 2020, respectively.

Principal actuarial assumptions used to determine retirement benefit obligations are as follows:

	2021	2020
Discount rate	**4.85%-5.06%**	3.70% - 3.95%
Salary increase rate	**5.00%**	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

		(In Thousands)	
	Change in	Increase (Decrease)	
	Assumption	**2021**	2020
Discount rate	+1.00%	**(₱9,447)**	(₱7,941)
	-1.00%	**15,645**	9,794
Salary increase rate	+1.00%	**15,305**	9,577
	-1.00%	**(12,878)**	(7,934)

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	(In Thousands)	
	2021	2020
Within one year	**₱1,142**	₱10,518
After than one year but not more than five years	**33,211**	27,696
More than five years	**26,628**	33,285

The average duration of the defined benefit obligation at the end of year is 12.0 years and 13.0 years in 2021 and 2020, respectively.

22. Income Taxes

The provision for current income tax represents MCIT for AAI in 2021, AWCI and ABIGI in 2020 and ALPHA, AMPI, ABMLHI, ABIGI and AWCI in 2019, and RCIT for other companies within the Group.

For income tax purposes, full recognition is applied when more than 25% of the selling price of real estate sales has been collected in the year of sale. Otherwise, the installment method is applied.

The reconciliation of income tax computed at statutory tax rate to provision for (benefit from) income tax shown in the consolidated statements of comprehensive income follows:

	(In Thousands)		
	2021	2020	2019
Income tax computed at statutory tax rate	**₱587,923**	₱1,294,609	₱3,367,444
Effect of change in tax rate	**(2,601,059)**	–	–
Applied and expired NOLCO	**33,308**	48,608	148,802
Change in unrecognized deferred tax assets	**(4,418)**	17,670	(120,624)
Applied and expired MCIT	**180**	16,228	16,020
Additions to (reductions in) income tax resulting from:			
Nontaxable income	**(173,421)**	(6,133)	(1,500,808)
Nondeductible expenses and others	**80,350**	69,760	1,482,229
Interest income already subjected to final tax	**(1,064)**	(1,327)	(1,339)
	(₱2,078,021)	₱1,439,415	₱3,391,724

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) was approved and signed into law by the country’s President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

The Group, however, for financial reporting purposes, did not adopt the change in income tax rates in 2020. The benefit from the current and deferred income tax in 2021 includes an adjustment recognized in 2021 for provision for current and deferred tax in 2020 relation to the change in income tax rate. Details as follows:

	Current	Deferred	Total
Provision for income tax	₱300,408	₱376,235	₱676,643
Adjustment for effect of change in income tax rate in 2020	12,351	2,742,313	2,754,664
	₱288,057	(₱2,366,078)	(₱2,078,021)

The following are the components of the Group's net deferred tax liabilities:

	(In Thousands)	
	2021	2020
Deferred tax liabilities:		
Cumulative gain on fair value change of investment properties	**₱14,702,345**	₱17,082,954
Unrealized valuation gain on club shares for sale	**4,085,182**	4,143,997
Revaluation surplus	**1,043,731**	1,283,454
Accumulated depreciation for tax purposes	**174,720**	162,739
Capitalized borrowing costs	**26,325**	58,137
Remeasurement gain on retirement liability	**11,581**	–
Difference in rent income on operating lease due to use of straight-line basis of accounting	**3,101**	–
	20,046,985	22,731,281
Deferred tax assets:		
Accrued expense not yet deductible	**36,899**	44,278
Difference of POC between accounting and tax	**22,019**	32,494
Difference in rent income on operating lease due to use of straight-line basis of accounting	**–**	13,407
	58,918	90,179
	₱19,988,067	₱22,641,102

The following deferred tax assets were not recognized as it is not probable that sufficient taxable profit will be available to allow the benefit of the net deferred tax assets to be utilized in the future:

	(In Thousands)	
	2021	2020
NOLCO	**₱94,087**	₱159,472
Accrued rent	**12,942**	18,458
Allowance for impairment loss on receivables	**9,051**	9,407
Retirement liability	**7,914**	9,304
Unrealized foreign exchange losses	**2,134**	5,052
MCIT	**861**	954
Unearned income	**214**	63
	₱127,203	₱202,710

On September 30, 2020, the BIR issued RR No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, *Bayanihan to Recover as One Act*, allowing the net operating losses for the taxable years 2020 and 2021 to be carried over for the next five (consecutive taxable years immediately following the year of such loss. Consequently, NOLCO incurred in 2021 and 2020 amounting to ₱114.9 million and ₱223.1 million are allowed as deduction from future taxable income until 2026 and 2025, respectively.

The details of NOLCO, which can be claimed as deduction against future taxable income is shown below (in thousands).

Year Incurred	Beginning Balance	Incurred	Applied/ Expired	Ending Balance	Valid Until
2021	₱–	₱114,889	₱–	₱114,889	2026
2020	223,061	–	(6,256)	218,825	2025
2019	164,928	–	–	164,928	2022
2018	143,584	–	(143,584)	–	2021
	₱531,573	₱114,889	(₱149,840)	₱498,642	

The details of MCIT which can be claimed as deduction from income tax due are as follows (in thousands):

Year Incurred	Beginning Balance	Incurred	Applied/ Expired	Ending Balance	Valid Until
2021	₱–	₱87	₱–	₱87	2024
2020	190	–	–	190	2023
2019	742	–	(158)	584	2022
2018	22	–	(22)	–	2021
	₱954	₱87	(₱180)	₱861	

23. **Total Comprehensive Income Per Share and Book Value Per Share Computation**

Total comprehensive income per share is computed as follows:

	2021	2020	2019
(a) Total comprehensive income attributable to equity holders of the Parent Company (in thousands)	**₱4,510,098**	₱1,578,187	₱10,688,482
(b) Weighted average number of shares outstanding	**13,080,412,651**	13,166,860,073	14,573,224,623
Basic/diluted earnings per share (a/b)	**₱0.345**	₱0.120	₱0.733

The Group has no dilutive potential common shares outstanding, therefore basic earnings per share is the same as diluted earnings per share.

Book value per share is computed as follows:

	2021	2020
(a) Total equity (in thousands)	**₱86,059,024**	₱81,991,287
(b) Total number of shares outstanding at end of year	**13,080,412,651**	13,080,412,651
Book value per share (a/b)	**₱6.579**	₱6.268

The information presented above are intended as additional information for management reporting purposes only.

24. Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), advances to related companies, restricted cash (presented under "Other current assets" account), refundable deposits (presented under "Other noncurrent assets" account), advances to an associate, club shares for sale, trade and other payables (excluding deposits from sale, unearned rent income and statutory payables), customers' deposits and advances from related companies. The main purpose of these financial instruments is to provide funds for the Group's operations.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk and liquidity risk from the use of its financial instruments. The Group's exposure to foreign currency risk is minimal as it does not normally enter into transactions in currencies other than its functional currency. The BOD reviews and approves the policies for managing each of these risks.

Credit Risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the Parent Company, the Group does not offer credit terms without the specific approval of the Chief Finance Officer.

With respect to credit risk arising from the other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades with recognized third parties and related parties, there are no other concentrations of credit risk within the Group.

Credit Quality of Financial Assets. The credit quality of financial assets is managed by the Group using internal credit ratings such as high grade, standard grade, past due but not impaired and impaired.

High Grade - pertains to deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers accounts of good paying customers, with good credit standing and are not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies.

Standard Grade - other financial assets not belonging to high quality financial assets are included in this credit rating.

Past due but not impaired - pertains to financial assets where contractual payments are past due but the Group believes that impairment is not appropriate based on the probability of collection of amounts owed to the Group.

Impaired - pertains to financial assets for which the Group determines that it is probable that it will not be able to collect the amount due based on the contractual terms and agreements.

The table below shows the credit quality of the Group's financial assets as at year end:

	(In Thousands)					
	December 31, 2021					
		Neither Past Due nor Impaired			Past Due but	Past Due
	Total	High Grade	Standard Grade	Total	not Impaired	and Impaired
Financial Assets at Amortized Cost						
Cash and cash equivalents*	₱1,168,743	₱1,168,743	₱–	1,168,743	₱–	₱–
Trade and other receivables**	2,750,331	2,705,417	–	2,705,417	–	44,914
Advances to an associate and related companies	3,984,209	3,984,209	–	3,984,209	–	–
Restricted cash	9,348	9,348	–	9,348	–	–
Refundable deposits	20,015	20,015	–	20,015	–	–
	7,932,646	7,887,732	–	7,887,732	–	44,914
Financial Assets at FVOCI						
Unquoted Clubs' preferred shares	31,010,900	31,010,900	–	31,010,900	–	–
	₱38,943,546	₱38,898,632	₱–	₱38,898,632	₱–	₱45,046

**Excluding cash on hand amounting to ₱2,995.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱15,750 and ₱8,956, respectively.*

	(In Thousands)					
	December 31, 2020					
		Neither Past Due nor Impaired			Past Due but	Past Due
	Total	High Grade	Standard Grade	Total	not Impaired	and Impaired
Financial Assets at Amortized Cost						
Cash and cash equivalents*	₱767,808	₱767,808	₱–	₱767,808	₱–	₱–
Trade and other receivables**	1,154,749	1,109,835	–	1,109,835	–	44,914
Advances to an associate and related companies	4,112,725	4,112,725	–	4,112,725	–	–
Restricted cash	10,142	10,142	–	10,142	–	–
Refundable deposits	19,248	19,248	–	19,248	–	–
	6,064,672	6,019,758	–	6,019,758	–	44,914
Financial Assets at FVOCI						
Unquoted Clubs' preferred shares	31,511,900	–	31,511,900	31,511,900	–	–
	₱37,576,572	₱6,019,758	₱31,511,900	₱37,531,658	₱–	₱44,914

**Excluding cash on hand amounting to ₱1,849.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱11,587 and ₱11,099, respectively.*

The following are the aging analyses of financial assets as at year end:

	(In Thousands)						
	December 31, 2021						
			Past Due But Not Impaired				Past Due
	Total	Neither Past Due nor Impaired	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	And Impaired
Financial Assets at Amortized Cost							
Cash and cash equivalents*	**₱1,168,743**	**₱1,168,743**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables**	**2,750,331**	**2,705,417**	**–**	**–**	**–**	**–**	**44,914**
Advances to an associate and related companies	**3,984,209**	**3,984,209**	**–**	**–**	**–**	**–**	**–**
Restricted cash	**9,348**	**9,348**	**–**	**–**	**–**	**–**	**–**
Refundable deposits	**20,015**	**20,015**	**–**	**–**	**–**	**–**	**–**
	7,932,646	**7,887,732**	**–**	**–**	**–**	**–**	**44,914**
Financial Assets at FVOCI							
Unquoted Clubs' preferred shares	**31,010,900**	**31,010,900**	**–**	**–**	**–**	**–**	**–**
	₱38,943,546	**₱38,898,632**	**₱–**	**₱–**	**₱–**	**₱–**	**₱44,914**

**Excluding cash on hand amounting to ₱2,995.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱15,750 and ₱8,956, respectively.*

	(In Thousands)						
	December 31, 2020						
			Past Due But Not Impaired				Past Due
	Total	Neither Past Due nor Impaired	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	And Impaired
Financial Assets at Amortized Cost							
Cash and cash equivalents*	₱767,808	₱767,808	₱–	₱–	₱–	₱–	₱–
Trade and other receivables**	1,154,749	1,109,835	–	–	–	–	44,914
Advances to an associate and related companies	4,112,725	4,112,725	–	–	–	–	–
Restricted cash	10,142	10,142	–	–	–	–	–
Refundable deposits	19,248	19,248	–	–	–	–	–
	6,064,672	6,019,758	–	–	–	–	44,914
Financial Assets at FVOCI							
Unquoted Clubs' preferred shares	31,511,900	31,511,900	–	–	–	–	
	₱37,576,572	₱37,531,658	₱–	₱–	₱–	₱–	₱44,914

**Excluding cash on hand amounting to ₱1,849.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱11,587 and ₱11,099, respectively.*

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time. Management is responsible for liquidity, funding, as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The Group also maintains a balance between continuity of funding and flexibility. The policy of the Group is to first exhaust lines available from affiliated companies before local bank lines are availed. The Group seeks to manage its liquid funds through cash planning on a weekly basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Also, the Group only places funds in the money market which are exceeding the Group requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

The tables below summarize the maturity profile of the Group's financial liabilities based on undiscounted cash flows:

	(In Thousands) December 31, 2021					
	On Demand	**1–30 Days**	**31–60 Days**	**61–90 Days**	**More than 90 Days**	**Total**
Financial Liabilities						
Trade and other payables*	**₱432,743**	**₱2,064,989**	**₱–**	**₱–**	**₱–**	**₱2,497,732**
Customers' deposits	**180,933**	**–**	**–**	**–**	**80,105**	**261,038**
Advances from related companies	**2,529,749**	**–**	**–**	**–**	**–**	**2,529,749**
	₱3,141,868	**₱2,064,989**	**₱–**	**₱–**	**₱80,105**	**₱5,288,519**

**Excluding deposits from sale, unearned rent income, and statutory payables amounting to ₱629,070.*

	(In Thousands) December 31, 2020					
	On Demand	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Total
Financial Liabilities						
Trade and other payables*	₱409,763	₱1,919,873	₱–	₱–	₱–	₱2,329,636
Customers' deposits	107,980	–	–	–	120,519	228,499
Advances from related companies	2,342,111	–	–	–	–	2,342,111
	₱2,859,854	₱1,919,873	₱–	₱–	₱120,519	₱4,900,246

**Excluding deposits from sale, unearned rent income, and statutory payables amounting to ₱609,580.*

Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain additional advances from stockholders, adjust the return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2021 and 2020. The Group monitors capital using the monthly cash position report and financial statements. The Parent Company is not subject to externally imposed capital requirements.

The components of the Group's capital are as follows:

	(In Thousands)	
	2021	2020
Layer I:		
Capital stock	**₱2,702,323**	₱2,702,323
Additional paid-in capital	**12,909,581**	12,909,581
	15,611,904	15,611,904
Layer II:		
Retained earnings - operating income	**1,691,915**	(891,193)
Parent Company's shares held by a subsidiary	**(16,881,220)**	(16,881,220)
Treasury shares	**(524,283)**	(524,283)
	(15,713,588)	(18,296,696)

(Forward)

	(In Thousands)	
	2021	2020
Layer III:		
Unrealized valuation gain on club shares for sale	**₱23,136,500**	₱23,482,648
Revaluation surplus	**3,664,880**	3,428,674
Accumulated remeasurement gain on retirement liability	**34,744**	46,325
Retained earnings - gain on fair value change of investment properties	**58,563,124**	56,957,327
Retained earnings - others	**761,887**	761,887
	86,161,135	84,676,861
Total capital	**₱86,059,451**	₱81,992,069

- Layer I is composed of the Group's contributed capital;
- Layer II is composed of income from operations, excess of acquisition price over acquired interest and treasury shares; and
- Layer III is composed mainly of income from fair value changes of investment properties and unrealized valuation gain on club shares for sale.

25. Fair Value Measurements

The following table provides the fair value hierarchy of assets and liabilities measured at fair value:

		(In Thousands)				
		December 31, 2021				
				Fair value measurement using		
	Note	**Carrying Amount**	**Fair Value**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Measured at Fair Value						
Financial Assets -						
Club shares for sale	10	**₱31,010,900**	**₱31,010,900**	**₱–**	**₱31,010,900**	**₱–**
Nonfinancial Assets -						
Investment properties	11	**60,053,684**	**60,053,684**	**–**	**–**	**60,053,684**
Serviced residences	12	**8,650,073**	**8,650,073**	**–**	**–**	**8,650,073**
Aircrafts	12	**1,010,915**	**1,010,915**	**–**	**–**	**1,010,915**
Fair Values are Disclosed						
Financial Assets at Amortized Cost-						
Noncurrent trade receivables		**₱8,956**	**₱7,292**	**₱–**	**₱–**	**₱7,292**
Financial Liabilities -						
Customers' deposits		**261,038**	**212,538**	**–**	**–**	**212,538**

		(In Thousands)				
		December 31, 2020				
				Fair value measurement using		
	Note	Carrying Amount	Fair Value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Measured at Fair Value						
Financial Assets -						
Club shares for sale	10	₱31,511,900	₱31,511,900	₱–	₱31,511,900	₱–
Nonfinancial Asset -						
Investment properties	11	58,776,917	58,776,917	–	–	58,776,917
Serviced residences	12	8,710,572	8,710,572	–	–	8,710,572
Aircrafts	12	993,914	993,914	–	–	993,914
Fair Values are Disclosed						
Financial Assets at Amortized Cost -						
Noncurrent trade receivables	13	11,099	9,808	–	–	9,808
Financial Liabilities -						
Customers' deposits	18	228,499	201,930	–	–	201,930

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

Financial Assets (Excluding Club Shares for Sale, Noncurrent Trade Receivables and Customers' Deposits). Due to the short-term nature of these financial assets, the fair values approximate the carrying amount as at reporting date.

Club Shares for Sale. The fair values of club shares for sale were determined based on the current cash selling price to third parties.

Investment Properties. The fair values of the investment properties were based on valuations performed by accredited independent appraisers, as discussed in Note 11.

Serviced Residences. The fair values of the serviced residences were based on valuations performed by accredited independent appraisers, as discussed in Note 12.

Aircrafts. As at December 31, 2021 and 2020, the management has assessed that the carrying amount of the acquired aircrafts approximates its fair value. The fair value of the aircrafts as at December 31, 2018 was based on valuation performed by accredited independent appraisers, as discussed in Note 12.

Noncurrent Trade Receivables and Customers' Deposits. The fair values of noncurrent trade receivables and customers' deposits were determined by discounting the principal amounts using risk-free interest rates.

26. Commitments and Contingencies

Commitments

The Group entered into various construction contracts for the development of its projects (see Note 8). Total advances to contractors amounted to ₱504.2 million and ₱413.2 million as at December 31, 2021 and 2020, respectively (see Notes 8 and 13).

The significant construction contracts that gave rise to the advances are as follows:

	(In Thousands)		
Subsidiary	**2021**	2020	Nature
ABMLHI	**₱302,588**	₱207,776	Supply of labor, materials, equipment and all related construction works for Alphaland Baguio Mountain Lodges Project
AMPI	**82,403**	94,417	Civil, structural, masonry works and supply and installation of materials for Alphaland Makati Place

Retention Payable

Retention payable is based upon specifically identified construction contracts that stipulate the right of the Group to retain a portion of the progress billings of contractors. Depending on the terms of the contract, all retention payable shall be released to contractors upon 100% completion and acceptance of works normally within one year after completion. Total retention payable amounted to ₱270.5 million and ₱384.0 million as at December 31, 2021 and 2020, respectively (see Note 14). Significant contract with retention clause arises from the civil, structural and masonry works for Towers 1 to 3 and the construction of the Podium.

Contingencies

Outstanding Legal Cases

The dispute between the Group and with the WG (see Note 16), resulted to legal cases. However, the agreement signed by the major shareholders of ALPHA, as discussed in Note 16, includes the transfer of the Group's interest in ABCC, AMC and AMCI including the assumption by BDC of the responsibility of handling all litigation and/or settling all disputes with the WG.

There are certain lawsuits and claims filed by third parties against the Group which are either pending decision by the proper judicial bodies or under negotiation, the outcome of which are presently undeterminable.

Deficiency Tax Assessments

Alphaland Southgate Tower, Inc. On June 20, 2016, ASTI received deficiency VAT assessment for the taxable year 2014 and submitted a petition to dispute the claims. As at December 31, 2021, ASTI's appeal is pending before the Court of Tax Appeals (CTA) En Banc.

On October 7, 2021, ASTI received additional deficiency tax assessments mainly on excess retained earnings for taxable year 2014 and submitted a petition to dispute the claims. As at December 31, 2021, ASTI's appeal is pending before the Third Division of the CTA.

Alphaland Makati Place, Inc. On June 20, 2016, AMPI received deficiency VAT assessments. On January 15, 2020, the CTA issued a decision cancelling and setting aside the assessments. As at December 31, 2021, the Commissioner of Internal Revenue's appeal is pending before the CTA En Banc.

Alphaland Balesin Island Resort Corporation. On February 18, 2021, ABIRC received deficiency tax assessments mainly on income tax and VAT covering the taxable year 2015 and submitted a petition to dispute the claims. As at December 31, 2021, ABIRC's appeal is pending before the Third Division of the CTA.

In the opinion of the Group's management and in consultation with its legal counsel, the ultimate disposition of these cases, disputes and assessments will not have a material adverse impact on the financial position or results of operations of the Group.

27. Note to Consolidated Statements of Cash Flows

The Group's noncash activities are presented below:

		(In Thousands)		
	Note	**2021**	2020	2019
Forfeited sales:				
Land and development costs	7	**₱18,013**	₱75,921	₱–
Parking lots for sale	7	–	4,815	–
Club shares for sale	10	–	4,288	–
Recognition of:	18			
ROU assets		**19,285**	–	19,482
Lease liabilities		**19,285**	–	19,482
Transfers from investment properties to:	11			
Land and development costs	7	**350,800**	–	–
Property and equipment	12	**762**	–	–
Appraisal increase for serviced residences	11	**107,409**	–	–
Sale of aircraft in exchange of shares				
Property and equipment	12	–	514,443	–
Treasury shares	16	–	523,069	–
Cancelled sale -				
Land and development costs	7	–	82,494	–
Transfers from land and development costs to:	7			
Property and equipment	12	**18,013**	75,921	–
Land-for-share swap:				
Club shares for sale	10	–	–	100,000
Investment properties	11	–	–	100,000

The reconciliation of the Group's liabilities arising from financing activities is presented below:

	(In Thousands)			
	2020	**Cash Flows**	**Noncash Flows**	**2021**
Advances from related companies	**₱2,342,111**	**₱187,638**	**₱–**	**₱2,529,749**
Other noncurrent liabilities	**183,221**	**204,010**	**1,060**	**388,291**
	₱2,540,451	**₱391,648**	**₱1,311**	**₱2,933,159**

	(In Thousands)			
	2019	Cash Flows	Noncash Flows	2020
Advances from related companies	₱2,549,218	(₱207,107)	₱–	₱2,342,111
Other noncurrent liabilities	49,743	132,469	1,009	183,221
	₱2,614,080	(₱74,638)	₱1,584	₱2,540,451

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Banks

Philippine Bank of Communications

Banco De Oro Unibank, Inc.

East West Banking Corporation

Maybank Philippines, Inc.

Philippine National Bank

Sterling Bank of Asia

United Coconut Planters Bank

Bank of the Philippine Islands

Rizal Commercial Banking Corporation

Stock Transfer Agent

AB Stock Transfers Corporation

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Annual Report 2021

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