CR03686-2021

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

☐ Preliminary Information Statement

☑ Definitive Information Statement

2. Name of Registrant as specified in its charter

MEGAWORLD CORPORATION

3. Province, country or other jurisdiction of incorporation or organization

Metro Manila

4. SEC Identification Number

167423

5. BIR Tax Identification Code

000-477-103

6. Address of principal office

30th Floor, Alliance Global Tower 36th Street cor. 11th Avenue Uptown Bonifacio, Taguig City

Postal Code

1634

7. Registrant's telephone number, including area code

(632) 8894-6300/640

8. Date, time and place of the meeting of security holders

18 June 2021, 9:00 a.m. by livestream access via https://megaworldcorp.com/asm2021

9. Approximate date on which the Information Statement is first to be sent or given to security holders

May 21, 2021

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

Atty. Sherwin C. De Joya

Address and Telephone No.

10th Floor, Two World Square, 24 Upper McKinley Rd, McKinley Hill, Taguig City 1634 / 88946300

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	31,868,244,872
Preferred	6,000,000,000

13. Are any or all of registrant's securities listed on a Stock Exchange?

☑ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange - Common and Preferred Shares

MEGAWORLD

Megaworld Corporation
MEG

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting
References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	Jun 18, 2021
Type (Annual or Special)	Annual
Time	9:00 AM
Venue	by livestream access via https://megaworldcorp.com/asm2021
Record Date	May 21, 2021

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

Other Relevant Information
NONE

Filed on behalf by:

Name	Anna Michelle Llovido
Designation	Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-1S
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

[ ] Preliminary Information Statement
[X] Definitive Information Statement

2. Name of Registrant as specified in its charter: **MEGAWORLD CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization
Metro Manila

4. SEC Identification Number: **167423**

5. BIR Tax Identification Code: **000-477-103**

6. Address of principal office
30th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City 1634

7. Registrant's telephone number, including area code: **(632) 8894-6300/6400**

8. Date, time and place of the meeting of security holders
18 June 2021, 9:00 a.m.
by livestream access via https://megaworldcorp.com/asm2021

9. Approximate date on which the Information Statement is first to be sent or given to security holders
21 May 2021

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
Common	**31,868,244,872**
Preferred	**6,000,000,000**
Total	**37,868,244,872**[1]

11. Are any or all of registrant's securities listed on the Philippine Stock Exchange?

Yes [X] **No [ ]**

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange **Common and Preferred Shares**

[1] As of May 20, 2021.

MEGAWORLD

30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City 1634

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS
Megaworld Corporation

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Annual Meeting") of Megaworld Corporation (the "Company") will be held on **18 June 2021** at **9:00 a.m.** to be conducted virtually, through the link <https://www.megaworldcorp.com/asm2021> that can be accessed through the Company's website, with the following agenda:

1. Call to Order
2. Proof of Notice and Determination of Quorum
3. Approval of Minutes of the Previous Annual Meeting held on 24 August 2020
4. Annual Report of Management
5. Appointment of External Auditors
6. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management
7. Election of Directors
8. Other Matters
9. Adjournment

Stockholders of record as of **21 May 2021** will be entitled to notice of, and to vote at, the Annual Meeting.

Pursuant to Article 1, Sections 4 and 6 of the Company's Amended By-Laws and Sections 57 and 23 of the Revised Corporation Code and to conform with the government's regulation on social distancing and prohibition on mass gatherings, the Company decided to hold the Annual Meeting via remote communication, and allow the stockholders to cast their votes by remote communication or in *absentia,* or by proxy.

To participate in the Annual Meeting, stockholders must register from 9:00 AM of **28 May 2021** until 5:00 PM of **11 June 2021**. The procedure for participation via remote communication and in *absentia* are contained in the Information Statement.

Stockholders who wish to appoint proxies may submit proxy instruments until 5:00 PM of **11 June 2021,** to the Office of the Corporate Secretary at the 20th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City or by email to corporatesecretary@megaworldcorp.com. Validation of proxies shall be held on 16 June 2021. A sample proxy form will be enclosed in the Information Statement for your convenience.

Makati City, Philippines, May 20, 2021.

ANNA MICHELLE T. LLOVIDO
Corporate Secretary

EXPLANATION OF AGENDA ITEMS

1. **Call to Order**

The meeting will be formally opened at approximately 9:00 o'clock in the morning.

2. **Certification of Notice and Quorum**

The Corporate Secretary will certify that the written notice for the meeting was duly sent to stockholders of record, including the date of publication and the newspapers where the notice was published. The Corporate Secretary will also certify that a quorum exists, and the Stockholders representing at least a majority of the outstanding capital stock, present in person or by proxy, shall constitute a quorum for the transaction of business.

Pursuant to Article 1, Sections 4 and 6 of the Company's Amended By-Laws and Sections 57 and 23 of the Revised Corporation Code which allow voting through remote communication or *in absentia* by the stockholders, Stockholders may register by submitting requirements via email at corporatesecretary@megaworldcorp.com and vote through remote communication or *in absentia* on the matters for resolution at the meeting. A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum.

Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the 2021 Annual Meeting for complete information on remote participation or voting in absentia, as well as on how to join the livestream for the 2021 Annual Meeting.

3. **Approval of Minutes of the Previous Annual Meeting**

The minutes of the meeting held on 24 August 2020 are available at the Company's website, https://www.megaworldcorp.com/.

4. **Annual Report of Management**

The performance of the Company in 2020 will be reported.

5. **Appointment of External Auditors**

The election of the external auditor for the ensuing year will be endorsed to the stockholders for approval. The external auditor conducts an independent verification of the Company's financial statements and provides an objective assurance on the accuracy of its financial statements.

6. **Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management**

The actions of the Board and its committees were those taken since the annual stockholders' meeting on 23 August 2020 until 17 June 2021. They include the approval of agreements, projects, investments, treasury-related matters, matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, and other similar activities of the Company. The acts of the officers were those taken to implement the resolutions of the Board or its committees or made in the general conduct of business.

7. **Election of Directors**

Nominees for election of seven (7) members of the Board of Directors, including two (2) independent directors, will be submitted for election by the stockholders. The profiles of the nominees to the Board of Directors are provided in the Information Statement.

8. **Other Matters**

Other concerns or matters raised by stockholders will be discussed.

9. **Adjournment**

Upon determination that there are no other matters to be considered, the meeting shall be adjourned.

SAMPLE ONLY
PROXY
MEGAWORLD CORPORATION
2021 STOCKHOLDERS' MEETING

I/WE hereby name and appoint ______________________________________, or in his absence, the Chairman of the meeting, as my/our proxy at the annual stockholders' meeting of **MEGAWORLD CORPORATION** ("Megaworld") to be held on 18 June 2021 and/or at any postponement or adjournment thereof, and/or any annual stockholders' meeting of Megaworld, which appointment shall not exceed five (5) years from date hereof.

In particular, I/We hereby direct my/our said proxy to vote all my/our shares on the agenda items set forth below as I/We have expressly indicated by marking the same with an "X".

Items No.	**Subject**	**Action**		
		For	**Against**	**Abstain**
3.	Approval of Minutes of the Previous Annual Meeting held on 24 August 2020			
5.	Appointment of External Auditors			
6.	Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management			
7.	Election of Directors			
	a. Andrew L. Tan			
	b. Katherine L. Tan			
	c. Kingson U. Sian			
	d. Enrique Santos L. Sy			
	e. Jesus B. Varela			
	f. Cresencio P. Aquino			
	g. Roberto S. Guevara			
FULL DISCRETION				

______________________________ ______________________________
PRINTED NAME OF STOCKHOLDER AUTHORIZED SIGNATORY

THIS PROXY SHOULD BE SUBMITTED UNTIL 5:00 PM OF 11 June 2021, TO THE OFFICE OF THE CORPORATE SECRETARY AT 20TH FLOOR, ALLIANCE GLOBAL TOWER, 36TH STREET CORNER 11TH AVENUE, UPTOWN BONIFACIO, TAGUIG CITY OR BY EMAIL TO CORPORATESECRETARY@MEGAWORLDCORP.COM.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

THIS PROXY DOES NOT NEED TO BE NOTARIZED.
(Partnerships, Corporations and Associations must attach certified resolutions designating their proxies/representatives and authorized signatories)

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders

Date of meeting	:	18 June 2021
Time of meeting	:	9:00 a.m
Place of meeting	:	To be called and presided by the Presiding Officer in Taguig City and to be conducted virtually by remote communication via https://megaworldcorp.com/asm2021
Approximate distribution date of this statement	:	21 May 2021[1]
Complete mailing address of the principal office of the registrant	:	30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City 1634

The Company is not soliciting proxies. We are not asking you for a proxy. Neither are you required to send us a proxy.

Dissenters' Right of Appraisal

There is no proposed corporate action in the agenda for the annual meeting of stockholders that will grant appraisal rights pursuant to the Revised Corporation Code of the Philippines to dissenting stockholders.

Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances: 1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; 2) in case the corporation decides to invest its funds in another corporation or business or for any purpose outside of the primary purpose for which it was organized; (3) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and 4) in case of merger or consolidation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares. **A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.** Failure to make the demand within the 30-day period shall be deemed a waiver of the appraisal right. From the time of the demand until either the abandonment of the corporate action in question or the purchase of the dissenting shares by the Company, all rights accruing to the dissenting shares shall be suspended, except the stockholder's right to receive payment of the fair value thereof. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder,

[1] Pursuant to SEC Notice dated 20 April 2020, digital copies of the Information Statement, Management Report, Annual Report, and other relevant documents will be made available at the Company's website: https://www.megaworldcorp.com/asm2021 and through the PSE Edge.

upon surrender of the stock certificate(s) representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If the fair value is not determined, within sixty (60) days from the date the corporate action was approved by the stockholders, it will be determined by three (3) disinterested persons (one chosen by the Company, another chosen by the dissenting stockholder and the third to be chosen jointly by the Company and the stockholder). The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. Upon payment by the Company of the awarded price, the dissenting stockholder shall forthwith transfer his shares to the Company.

No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings.

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

No director or officer of the Company, or any nominee for election as a director of the Company, or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

No director of the Company has informed it in writing that he intends to oppose any action to be taken by the Company at the annual meeting of stockholders.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

Number of Shares Outstanding

As of 30 April 2021, the Company had outstanding shares of **32,370,865,872** common stock and 6,000,000,000 voting preferred stock. Each common share and preferred share are entitled to one (1) vote.

Record Date of Meeting

All stockholders on record as of 21 May 2021 will be entitled to notice of, and to vote at, the annual meeting of stockholders.

Manner of Voting

Pursuant to Article 1, Sections 4 and 6 of the Company's Amended By-Laws, Sections 23 and 57 of the Revised Corporation Code, and SEC Memorandum Circular No. 06, Series of 2020 allowing voting through remote communication or in absentia, stockholders may now participate in the 2021 Annual Meeting by remote communication and cast their votes in absentia. A stockholder may cast his/her votes by remote communication or *in absentia* until 5:00 pm of 11 June 2021. A stockholder voting remotely or *in absentia* shall be deemed present for purposes of quorum. Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the 2021 Annual Meeting for complete information on voting via remote participation or voting in absentia, as well as on how to join the livestream for the 2021 Annual Meeting.

Cumulative Voting Rights

Each stockholder shall be entitled to one (1) vote with respect to all matters to be taken up during the annual meeting of stockholders. With respect to the election of the members of the board of directors of the Company, each stockholder shall have cumulative voting rights. Cumulative voting entitles each stockholder to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or distribute them on the same principle among as many nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Voting Stock as of 31 March 2021

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common Preferred	Alliance Global Group, Inc. (AGI)[1] 7/F 1880 Eastwood Avenue, Eastwood City, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City	Alliance Global Group, Inc.[2]	Filipino	14,310,483,058 6,000,000,000	37.79% 15.84%
Total				20,310,483,058	53.63%
Common	PCD Nominee Corporation (Filipino), G/F MKSE Bldg., 6767 Ayala Ave., Makati	Participants of the PCD composed of custodian banks and brokers.	Filipino	6,191,259,467	16.35%
Common	New Town Land Partners, Inc. (NTLPI)[3], 26th Floor, Alliance Global Tower 36th Street cor. 11th Avenue Uptown Bonifacio, Taguig City 1634	New Town Land Partners, Inc.[4]	Filipino	5,668,530,324	14.97%
Common	PCD Nominee Corporation (Non-Filipino), G/F MKSE Bldg., 6767 Ayala Ave., Makati	Participants of the PCD composed of custodian banks and brokers.[5]	Filipino	4,492,757,697[6]	11.86%

[1] The Chairman of the Board of AGI, Mr. Andrew L. Tan, is also Chairman of the Board and President of the Company.
[2] The Board of Directors of AGI has voting and investment power over shares of stock held by AGI in the Company. AGI authorizes its Chairman, or in his absence, the Chairman of the Meeting, to vote shares of stock held in the Company.
[3] NTLPI is an Affiliate of the Company.
[4] The Board of Directors of NTLPI has voting and investment power over shares of stock held by NTLPI in the Company. NTLPI authorizes the Chairman of the Board of the Company, or in his absence the Chairman of the Meeting, to vote shares of stock held by NTLPI in the Company.
[5] Among the PCD participants, HSBC owns 2,187,396,047 shares, representing 5.77 percent of the Company's outstanding capital stock.
[6] Figure includes shares owned by HSBC.

Common	PCD Nominee Corporation (Non-Filipino), G/F MKSE Bldg., 6767 Ayala Ave., Makati	The Hongkong and Shanghai Banking Corp. Ltd. – Clients (HSBC)[1]	Non-Filipino	2,187,396,047	5.77%

Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's voting stock known to the Company.

<u>Security Ownership of Management as of 30 March 2021</u>

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership*	Citizenship	Percent of Class
Directors/Nominees				
Common	Andrew L. Tan	1	Filipino	.0000%
		1,891,632[2]	Filipino	.0049%
		20,310,483,058[3]	Filipino	52.6273%
		5,668,530,324[4]	Filipino	14.9670%
Common	Cresencio P. Aquino	1	Filipino	.0000%
Common	Kingson U. Sian	1	Filipino	.0000%
		612,500[5]	Filipino	.0001%
Common	Katherine L. Tan	1,891,632	Filipino	.0049%
		1[6]	Filipino	. 0000%
Common	Jesus B. Varela	1	Filipino	.0000%
Common	Roberto S. Guevara	1	Filipino	.0000%
Common	Enrique Santos L. Sy	80,553	Filipino	.0002%
CEO and Four Most Highly Compensated Officers				
Common	Andrew L. Tan	Same as above		
Common	Lourdes T. Gutierrez-Alfonso	806,271	Filipino	.0021%
		167,973[7]	Filipino	.0004%
Common	Francisco C. Canuto	369,054	Filipino	.0009%
Common	Philipps C. Cando	0	Filipino	n/a
Common	Giovanni C. Ng	0	Filipino	n/a
Other Executive Officers				
Common	Maria Victoria M. Acosta	0	Filipino	n/a
Common	Noli D. Hernandez	0	Filipino	n/a
Common	Kevin Andrew L. Tan	367,205[8]	Filipino	.0009%
Common	Maria Carla T. Uykim	0	Filipino	n/a

[1] HSBC is a participant of the PCD. The beneficial owners of the shares held by HSBC are not known to the Company.
[2] Indirect ownership; shares beneficially owned by spouse Katherine L. Tan.
[3] Indirect ownership; shares held by Alliance Global Group, Inc., which normally authorizes Andrew L. Tan, in his capacity as Chairman of the Company, or in his absence the Chairman of the meeting, to vote AGIs common shares in the Company.
[4] Indirect ownership; shares held by NTLPI which normally authorizes Andrew L. Tan, in his capacity as Chairman of the Company, or in his absence the Chairman of the meeting, to vote NTLPIs common shares in the Company.
[5] Shares are lodged with PCD Nominee Corporation.
[6] Indirect ownership; shares beneficially owned by spouse Andrew L. Tan.
[7] Shares are lodged with PCD Nominee Corporation.
[8] Shares are lodged with PCD Nominee Corporation.

Common	Rafael Antonio S. Perez	0	Filipino	n/a
Common	Graham M. Coates	0	British	n/a
Common	Jennifer L. Romualdez	0	Filipino	n/a
Common	Kimberly Hazel A. Sta. Maria	0	Filipino	n/a
Common	Cherryll B. Sereno	0	Filipino	n/a
Common	Anna Michelle T. Llovido	0	Filipino	n/a
Common	Nelileen S. Baxa	0	Filipino	n/a
Common	All directors and executive officers as a group	4,295,193 (direct)		0.01133%

Voting Trust Holders of 5% or More

The Company is not aware of the existence of persons holding more than five percent (5%) of the Company's common shares under a voting trust or similar agreement.

Changes in Control

There has been no change in the control of the Company since it was incorporated in 1989.

Board of Directors and Senior Management

Background of Directors and Executive Officers

The overall management and supervision of the Company is undertaken by the Board of Directors ("Board"). Currently, the Board consists of seven members, of which three are independent directors. All of the directors were elected at the Company's annual stockholders meeting on August 24, 2020, and will hold office until their successors have been duly elected and qualified.

Information concerning the background of the directors and executive officers of the Company is provided in pages 28 to 35 of the Company's Management Report.

Procedure for Nomination and Election of Independent Directors

Pursuant to Article II, Section 2 of the Company's Amended By-Laws, the nomination and election of independent directors shall be conducted in accordance with SRC Rule 38.

SRC Rule 38 provides that the nomination and election of independent directors shall be conducted in accordance with the following rules:

1. Nomination of independent directors shall be conducted by the Corporate Governance Committee prior to a stockholders' meeting. All recommendations shall be signed by nominating stockholders and shall bear the conformity of the nominees.
2. The Corporate Governance Committee shall pre-screen the nominees and prepare a final list of candidates.
3. The final list of candidates shall contain the business and/or professional experience of the nominees for independent directors, which list shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nominees for independent directors shall be identified in such report including any relationship to the nominees.
4. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent directors. No other nominations shall be entertained after the final list of

candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

5. The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Company in its by-laws, subject to pertinent laws, rules and regulations of the Commission.
6. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure those independent directors are elected during the stockholders' meeting.
7. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

Nominees

Directors are elected annually by the stockholders at the annual stockholders' meeting to serve until the election and qualification of their successors. The Corporate Governance Committee composed of Cresencio P. Aquino as Chairman, Roberto S. Guevara and Jesus B. Varela as members accepts nominees to the Board of Directors, including nominees for independent director. The Committee is responsible for screening and qualifying the list of nominees. The following is the complete and final list of nominees and candidates for members of the Board of Directors:

1. Andrew L. Tan
2. Katherine L. Tan
3. Kingson U. Sian
4. Enrique Santos L. Sy
5. Jesus B. Varela – Independent Director
6. Cresencio P. Aquino – Independent Director
7. Roberto S. Guevara– Independent Director

Independent Directors

This year's nominees for directors include three (3) persons who qualify as independent directors. Mr. Luke Tan nominated Mr. Jesus B. Varela as independent director while Ms. Maria Rosario Justo nominated Messrs. Cresencio P. Aquino and Roberto S. Guevara as the two other independent directors. Ms. Justo and Messrs. Tan, Varela, Garcia and Guevara are not related by consanguinity or affinity up to the fourth civil degree.

Significant Employees

While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management.

Family Relationships

Chairman and President Andrew L. Tan is married to Director Katherine L. Tan. Their son, Kevin Andrew L. Tan, is presently the Executive Vice President and Chief Strategy Officer of the Company and is also a director and Corporate Secretary of Alliance Global Brands, Inc. and a director of publicly listed subsidiaries Empire East Land Holdings, Inc. and Global-Estate Resorts, Inc. and Director, Chief Executive Officer and Vice Chairman of parent company, Alliance Global Group, Inc.

Involvement in Certain Legal Proceedings

The Company is not aware of the occurrence, as of the date hereof and during the past five (5) years preceding this date, of any of the following events which it believes to be material to the evaluation of the ability or integrity of any of its directors, nominees for election as director, or executive officers:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject in his personal capacity to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Related Transactions

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with its affiliates. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

Transactions with related parties include investments in and advances granted to or obtained from subsidiaries, associates and other related parties. Other related parties include joint venture partners (See Note 10 to the Audited Financial Statements, Advances to/from Landowners and Joint Ventures) and investees which investments are accounted for at cost and other entities which are owned and managed by investors/owners of the Company (See Note 11 to the Audited Financial Statements, Investments in and Advances to Associates and Other Related Parties). Advances granted to joint venture partners are in the nature of cash advances made to landowners under agreements covering the development of parcels of land, which are to be used for pre-development expenses such as relocation of existing occupants. Repayment of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the landowner's share in saleable lots or in the form of cash to be derived from sales of the landowner's share in the saleable lots and residential and condominium units. The commitment for cash advances under the agreements has been fully granted by the Company.

Advances granted to and obtained from subsidiaries, associates and other related parties are for purposes of working capital requirements. For more information, see Note 27 to the Audited Financial Statements.

Other related party transactions include collections from sales of land made in prior years to an associate company on an instalment basis. As part of the transaction, the related party entered into a management agreement with the Company, whereby the Company provides overall administration services in relation to the property.

The Company avails of marketing services of Eastwood Property and Holdings, Inc. ("EPHI"), a wholly-owned subsidiary of Empire East Land Holdings, Inc. ("EELHI"), Megaworld Newport Property Holdings, Inc. ("MNPHI") and Megaworld Land, Inc. ("MLI"), which acts as a manager and leasing agent for the commercial properties of the Company. (See Note 27 to the Audited Financial Statements, Related Party Transactions). As consideration for said marketing services, the Company pays commission based on contracted terms. Commission expenses charged by EPHI, MNPHI and MLI are based on prevailing market rates.

Other than those disclosed in the Company's Financial Statements, the Company has not entered into any other related party transactions.

Resignation/Disagreement

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Compensation of Directors and Executive Officers

Summary Compensation Table

Aggregate compensation paid to the Company's Chief Executive Officer and the four most highly compensated executive officers as a group for the last two fiscal years and the estimate for the ensuing year are as follows:

Name and Principal Position	Year	Salary	Other Variable Pay	Total Annual Compensation
Andrew L. Tan, President and CEO				
Lourdes T. Gutierrez-Alfonso, Chief Operating Officer				
Philipps C. Cando, SVP for Operations				
Giovanni C. Ng, SVP, Management Analyst				
Francisco C. Canuto, SVP, Treasurer				
President and 4 Most Highly Compensated Officers	Actual 2019	P88.3 Million	P46.0 Million	P134.3 Million
	Actual 2020	P88.3 Million	P23.0 Million	P111.3 Million
	Projected 2021	P88.3 Million	P23.0 Million	P111.3 Million
All Other Officers and Directors as a Group	Actual 2019	P196.0 Million	P68.2 Million	P264.2 Million
	Actual 2020	P191.6 Million	P38.4 Million	P230.0 Million
	Projected 2021	P191.6 Million	P38.4 Million	P230.0 Million

Compensation of Directors

The members of the Board receive a standard per diem for attendance in Board meetings. In 2020 and 2019, the Company paid a total of Php700,000 for each year, for directors' per diem. For 2021, the Company has allocated Php800,000 for directors' per diem. Other than payment of the per diem, there are no arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the year ended December 31, 2020 and the ensuing year, for any service provided as a director.

Name of Directors	Year	Salary	Total Annual Director's Per Diem
Andrew L. Tan		Per diem	
Katherine L. Tan		Per diem	
Kingson U. Sian		Per diem	
Enrique Santos L. Sy		Per diem	
Jesus B. Varela		Per diem	
Cresencio P. Aquino		Per diem	
Roberto S. Guevara		Per diem	
Total Annual Director's Per Diem	2019		700,000
	2020		700,000
	2021		800,000

Employment Contracts and Termination of Employment and Change-in-Control Arrangement

Executive officers are appointed by the Board to their respective offices. The Company does not enter into employment contracts with its executive officers. Other than benefits available under the Company's retirement plan, there is no compensatory plan or arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

Options Outstanding

There are executive officers of the Company who were granted options to subscribe to common shares of the Company pursuant to the Company's Employee Stock Option Plan approved by the Board and stockholders of the Company in 2012.

Name	No. of Outstanding Options	No. of Options Exercised	Date of Grant	Exercise Price	Market Price at Date of Grant
President and 4 Most Highly Compensated Officers	80,000,000	0	Various Dates	Php1.773054*	Php 2.54*
All Other Officers and Directors as a Group	20,000,000	0	Various Dates	Php2.4173535*	Php3.42*

*Average prices

The Company's Employee Stock Option Plan is intended to (i) enable qualified employee who are largely responsible for the further growth and development of the Company to participate in the growth of the Company; (ii) encourage the long-term commitment of such employees; and (iii) motivate such employees to continue their efforts in contributing to the long-term financial success of the Company.

The Company has not adjusted the exercise price of the option since the last grant and issuance on 11 June 2014.

Independent Public Accountants

The Board of Directors of the Company, in consultation with the Audit Committee composed of Jesus B. Varela as Chairman and Cresencio P. Aquino and Andrew L. Tan as members, will recommend to the stockholders the engagement of Punongbayan & Araullo as external auditors of the Company for 2020.

In compliance with SEC Memorandum Circular No. 8, Series of 2003, which was subsequently incorporated in SRC Rule 68, paragraph 3(b)(iv), and the Company's Manual of Corporate Governance, which require that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier, Mr. Renan A. Piamonte of Punongbayan and Araullo was designated as handling partner for the audit of the financial statements of the Company starting the year ending 31 December 2016. Punongbayan & Araullo was also the auditor of the Company for 2020, 2019 and 2018.

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

Representatives of Punongbayan & Araullo are expected to be present at the Annual Meeting of stockholders. They will have the opportunity to make a statement if they desire to do so and, are expected to be available to respond to appropriate questions.

Financial Information

Financial Statements of the Company and its subsidiaries as of 31 December 2020 and 2019, the Interim Financial Statements of the Company as of 31 March 2021, and the Management's Discussion and Analysis of Results of Operations and Financial Condition for the corresponding periods are contained in the Company's Annual Report to Stockholders and are incorporated herein by reference.

Action with Respect to Reports

The minutes of the annual meeting of stockholders held on 24 August 2020 will be submitted to the Company's stockholders for approval. The minutes will refer to the adoption of stockholders' resolutions pertaining to, among others, the following matters:

1. Approval of Minutes of the Previous Annual Meeting
2. Amendment of Sections 4 and 6, Article I and Section 3, Article II of the Company's Amended By-Laws
3. Appointment of External Auditors
4. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management
5. Election of Directors

The approval or disapproval of the Minutes will constitute merely an approval or disapproval of the correctness of the Minutes but will not constitute an approval or disapproval of the matters referred to in the Minutes.

Other Proposed Action

The stockholders will be asked to ratify all resolutions of the Board of Directors and the Board Committees and acts of Senior Management adopted during the period covering 23 August 2020 through 17 June 2021. These include, among others, the following matters:

1. Appointment of Contract Signatories
2. Application for Permits, Licenses, Clearances, Accreditations and Registration for Projects
3 Registration of Master Deeds and Restrictions covering Projects
4. Operation of Bank Accounts and other Bank Transactions
5. Appointment of Proxies and Nominees
6. Development, Marketing and Operation of Projects
7. Approval of Plans and Titling of Projects
8. Property Acquisitions, Dispositions, Leases, and Joint Ventures
9. Declaration of Cash Dividends
10. Sale of Motor Vehicles
11. Holding of 2021 Annual Meeting of Stockholders
12. Application for, and renewal of, corporate permits, licenses and accreditations.

These also include the approval of the amended By-Laws and the internal procedures for participation in meetings and voting through remote communication or in absentia, approval of agreements, projects, investments, treasury-related matters, and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, and other similar activities of the Company. The acts of the officers were those taken to implement the resolutions of the Board or its committees or made in the general conduct of business.

Voting Procedures

<u>Vote Required</u>

In the election of directors, the seven (7) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall be elected at least two (2) independent directors in the Company's board of directors.

<u>Method of Counting of Votes</u>

Each common share entitles the person in whose name it is registered in the books of the Company to one vote with respect to all matters to be taken up during the annual meeting of stockholders. In the election of directors, each holder of common share may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

There will be seven (7) persons to be elected to the Company's board of directors, including two (2) independent directors. In the event that the number of nominees to the board of directors should exceed the number of board seats, voting shall be done by ballot. However, if the number of nominees to the board of directors will not exceed the number of board seats, voting will be done by a show of hands. Election inspectors duly appointed for the meeting shall be responsible for counting the number of votes, subject to validation by representatives of Punongbayan & Araullo, the Company's external auditors.

Stockholders may cast their votes by remote communication or in *absentia,* or by proxy. A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum. Please refer to Annex "A" on the Procedures and

Requirements for Voting and Participation in the 2021 Annual Meeting for complete information on voting via remote participation or voting in absentia, as well as on how to join the livestream for the 2021 Annual Meeting.

The Company shall provide, without charge, to each stockholder a copy of its annual report on SEC Form 17-A, upon written request addressed to Megaworld Corporation, Attention: The Corporate Secretary, 20th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City 1634.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on May 20, 2021.

MEGAWORLD CORPORATION

By:

FRANCISCO C. CANUTO
Senior Vice President and Treasurer

MANAGEMENT REPORT

BUSINESS

Overview

The Company is one of the leading property developers in the Philippines and is primarily engaged in the development of large scale mixed-use planned communities, or community townships, that comprise residential, commercial and office developments and integrate leisure, entertainment and educational/training components. Founded in 1989, the Company initially established a reputation for building high quality residential condominiums and commercial properties located in convenient urban locations with easy access to offices as well as leisure and entertainment amenities in Metro Manila. Beginning in 1996, in response to demand for the lifestyle convenience of having quality residences in close proximity to office and leisure facilities, the Company began to focus on the development of mixed-use communities, primarily for the middle-income market, by commencing the development of its Eastwood City project. In addition, the Company engages in other property related activities such as project design, construction oversight and property management.

The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses as well as office projects and retail space. The Company has the following three primary business segments: (i) real estate sales of residential developments (ii) leasing of office space, primarily to Business Process Outsourcing ("BPO") enterprises and retail space and (iii) management of hotel operations. The Company's consolidated revenues for the year ended 31 December 2020 were ₱43 billion compared to ₱67 billion for the year ended 31 December 2019. Real estate sales of residential developments accounted for 57%. of the Company's consolidated revenues in 2020 and 63% in 2019. Rental income from leasing operations accounted for approximately 30%. of the Company's consolidated revenues in both 2020 and 25% in 2019. The Company's consolidated net profit for the year ended 31 December 2020 was ₱10.6 billion compared to ₱19.3 billion for the year ended 31 December 2019.

As of 31 December 2020, the Company owns or has development rights to over 4,300 hectares of land located throughout the Philippines.

The Company was voted among Asia's Best Property Companies by the Euromoney Best Asian Companies Awards for 2003, 2004 and 2005. The Company also received the following awards for excellence from Euromoney: the Philippines' Best in Corporate Governance in 2003; among Asia's Most Improved Companies in 2005; and among Asian Companies with the Most Convincing and Coherent Strategy in 2005. In 2004, the Company received the Agora Awards for Marketing Company of the Year; was voted among Asia's Best Managed Companies and the Philippines' Best in Investor Relations by Finance Asia Best-managed Asian Companies Awards; and was voted the Philippines' Best in Investor Relations, Best Website and the Philippines' Best in Clearest Corporate Strategy by Asia Money Polls. In addition, the Company was voted among the Philippines' Superbrands in the Superbrands Awards 2004/2005. In each of 2008 to 2012, the Company was awarded Best Managed Philippine Company and Best Investor Relations by FinanceAsia; in 2009, FinanceAsia also recognised the Company with an Asia's Best Managed Company award. In 2012, the Company was awarded Best Mid-Cap Company by FinanceAsia, and was also recognised by Corporate Governance Asia for Best Investor Relations. In 2013, the Company garnered awards for Asia's Best CEO, Best

Investor Relations and Best CSR from Corporate Governance Asia's Asian Excellence Awards. It was also recognised as Asia's Icon on Corporate Governance during the 9th Corporate Governance Asia Recognition Awards. The Alpha Southeast Asia also recognised the company as Most Organised Investor Relations, Best Senior Management IR Support and Strong Adherence to Corporate Governance. Similarly, the Company also garnered the gold award for Investor Relations, Corporate Governance and Financial Performance in the 2013 Asset Excellence in Management and Governance Awards. In 2014, the Company was recognised as the Philippines' Best Company for Leadership – Property Management by IAIR. It was also awarded as Asia's Best CEO and Best Investor Relations in the 2014 Corporate Governance Asia's 4th Asian Excellence Awards and again the following year, 2015. In 2017, the Company received 73 awards from both local and international award-giving bodies. The Company received three best developer awards, three executive awards, 37 project awards, nine corporate awards, 11 CSR awards and 10 communication awards. Dr. Andrew L. Tan received the hall of fame award as Property Man of the Year at the Property and Real Estate Awards and was awarded the Special Achievement Award at the Asia Pacific Entrepreneurship Awards. In 2018, the Company received a total of 100 awards including over 40 awards from prestigious international award-giving organizations.

The Company ended 2019 as the most awarded real estate company in the Philippines, amassing a total of 133 awards--- the most number of recognitions it received in its entire 30-year history. This includes over 57 awards from prestigious international award-giving organizations.

The Company's common shares were listed on the PSE in 1994 and as of 31 December 2020, the Company had a market capitalisation of ₱186 billion.

Foreign sales contributed approximately 15%, 25% and 24% to the Company's consolidated sales and revenues for the years 2020, 2019 and 2018, respectively. The percentage of sales broken down by major markets is as follows:

Market	2020	2019	2018
North America	50%	31%	23%
Europe	26%	20%	18%
Asia	7%	48%	57%
Middle East	17%	1%	2%
Total	100%	100%	100%

Current Property Development Projects

The Company's current development projects are mostly mixed-use township developments that typically have residential, office, and commercial components. These projects are located in key areas throughout the Philippines. The objective of each of the mixed-use developments is to provide an integrated community with high quality "live-work-play-learn" amenities within close proximity to each other. For each development, the Company's real estate strategy is to lease all office and commercial properties and sell all residential units. Where the Company is not able to sell 100% of its residential units, upon completion of the residential project, it rents these unsold units on a lease-to-own basis or pursuant to a lease with an option to buy. The location of each of the Company's township developments, together with their respective sizes in hectares, is set out in the following map and each project is described below.

Eastwood City

Eastwood City is the first township to implement the Company's "live-work-play-learn" concept. Its 18.50-hectare community property in Libis, Quezon City has 19 completed luxury condominium towers, 10 first-class corporate office buildings, and a modern IT park. The planning of Eastwood City adopts an integrated approach to urban planning, with an emphasis on the development of the

Eastwood City Cyberpark to provide offices with infrastructure such as high-speed telecommunications and 24-hour power supply that support BPO and other technology-driven businesses. The township provides education/training, restaurants, leisure and retail facilities and residences. It is currently home to more than 25,000 residents and 55,000 workers. Eastwood city is also home to the four-level Eastwood Mall — a shopping and dining destination which has been declared the “Best Shopping Center” by the Philippine Retailers Association. Eastwood City has three malls and around 500 commercial and retail shops.

Forbes Town Center

Forbes Town is located in a 5-hectare land in Bonifacio Global City, Taguig, Metro Manila adjacent to the Manila Golf Club, Manila Golf and Country Club, the Forbes Park residential subdivision and Dasmariñas Village. Forbes Town has 12 residential towers which house more than 3,500 residential units. Upon completion, Forbes Town is expected to consist of residential, retail and entertainment properties. The focal point of activity in the township is Forbes Town Road, a retail strip with 37 restaurants and shops that cater to the diverse needs of the residents of the community’s three Bellagio towers, six towers of Forbeswood Heights, two towers of Forbeswood Parklane, and the 53-storey Eight Forbes Town Road. This is connected to another Fort Bonifacio landmark, Burgos Circle, a leisure spot with residential condominiums and a small park. These commercial centers along with each of the condominiums’ convenient location and top- notch resort-style amenities form a lifestyle of absolute leisure.

McKinley Hill

McKinley Hill is a community township located on approximately 50 hectares of land in Fort Bonifacio, Taguig City, Metro Manila. McKinley Hill consists of office, residential, retail, educational, entertainment and recreational centers. The residential zone consists of subdivision lots for low-density single-detached homes, clusters of low-rise residential garden villas and residential condominiums. The office properties will include the McKinley Hill Cyberpark which is a PEZA-designated IT special economic zone. Tenants of the office properties will largely comprise of software developers, data encoding and conversion centers, call centers, system integrations, IT and computer system support. The leisure and entertainment zone will consist of bars, restaurants, specialty shops, cinemas and sports complex. Three international schools, the Chinese International School, the Korean International School and Enderun College, a hotel management institution affiliated with Les Roches of Switzerland, comprise the “learn” component of the township. McKinley Hill is also home to the British Embassy and the Korean Embassy.

Newport City

Newport City is a community township located on 25 hectares of land at the Villamor Air Base, Pasay City, Metro Manila, across from the NAIA Terminal 3 and adjacent to the Villamor golf course. It will be targeted towards tenants and buyers who consider proximity to the NAIA Terminal 3 an advantage. The residential zone consists of eight to nine-storey medium-rise buildings. The corporate zone comprised of office buildings. The Company expects to establish a PEZA special economic zone cyberpark at Newport City. The leisure and entertainment zone consist of bars, restaurants, retail and tourist oriented shops, which are designed to complement the office and residential buildings in the community township. Newport City is home to Resorts World Manila, which is a leisure and entertainment complex comprising gaming facilities, restaurants, hotels and shopping outlets. The hotel zone comprises the Marriott Hotel, Maxims Hotel, Holiday Inn Express Hotel, Hilton Hotel Manila and Sheraton Manila managed by Travellers International Hotel Group, Inc. and Megaworld Hotels’ Belmont Hotel Manila and Savoy Hotel Manila.

McKinley West

The Company is developing McKinley West on a 34.5-hectare portion of the JUSMAG property in Fort Bonifacio which is directly beside Forbes Park and Manila Polo Club and across McKinley Hill in Taguig, Metro Manila. The development of McKinley West is another joint venture undertaking with

BCDA. McKinley West will have rows of luxury residential estates, some of which will have their own swimming pools and other amenities. The upscale residential enclave will be supplemented by a modern business district of sustainable office buildings, an international school, and a commercial center. These will all be complemented by open spaces and greenery. Ingress and egress points of the estate are conveniently located along Lawton Avenue which connects Fort Bonifacio to Pasay City and Makati City.

The Mactan Newtown

The Company's first township venture outside Luzon, Mactan Newtown is a mixed-use development on a 30-hectare property near Shangri-La's Mactan Resort and Spa in Mactan, Cebu. Mactan Newtown combines high-end office towers, luxury condominiums, leisure amenities, retail shops, a school, and upscale hotels. It will also have its own exclusive, world-class beach club at the township's beachfront, and sports facilities at the 11-hectare beachfront property formerly known as Portofino Beach. It is also near the Mactan-Cebu International Airport, making the township ideal for residence, business or leisure. The first phase of the project is expected, on completion, to comprise high-tech BPO offices, retail centers, luxury condominiums, leisure facilities and beach resort frontage. The Mactan Newtown is approximately 10 minutes away from the Mactan-Cebu International Airport, the Philippines' second largest airport. Soon to rise are 5 hotels, two of which are at the beachfront.

Uptown Bonifacio

Uptown Bonifacio is an approximately 15.4-hectare property in Fort Bonifacio in Taguig, Metro Manila. Modeled after the most progressive cities around the world – Paris, London, Milan, New York and Tokyo, Uptown Bonifacio is comprised of a residential portion in the northern part of Fort Bonifacio, and a portion for mixed-use, comprising office and retail space. It is well placed to cater to the fast - paced lives of today's young professionals and growing families. Set in the heart of Fort Bonifacio, the township will be close to several of the new central business district's ("CBD") popular landmarks, such as Forbes Town, Burgos Circle, the Mind Museum, Bonifacio High Street, and The Fort Strip. First class health care and education will never be far with St. Luke's Medical Center and the institutional zone mere footsteps away. Within the township is a complete community of its own: live luxuriously in the residences of Uptown Bonifacio; work in the top grade office sites; and play at its very own high-end commercial center, Uptown Place Mall. The township is easily accessible via Kalayaan Avenue, C-5 Road and EDSA.

Boracay Newcoast

Boracay Newcoast is a 150-hectare mixed-use leisure and resort development. It is envisioned to be the next world-class tourism destination in the paradise island. Soon to rise in the tropical tourism development are luxury and boutique hotels, commercial and retail district, upscale villas, and an exclusive residential village. Among the first residential towers to rise is Oceanway Residences, a cluster of mid-rise condominiums offering amazing views of the Sibuyan Sea, Mt. Luho, the island's highest peak, as well as the Fairways & Bluewater Golf Course. Aside from Oceanway Residences, among the upcoming projects here include four hotels and an Ibiza-inspired commercial and retail strip, all the more making it the most anticipated destination in Boracay.

Twin Lakes

Twin Lakes is a 1,200-hectare mixed-use leisure and resort community that raises the bar of living in Tagaytay. The tourism estate features the best of Europe at the first residential cluster called The Vineyard Residences, which is composed of three mid-rise condominium towers named after famous grape varieties: Shiraz, Merlot, and Chardonnay. Twin Lakes also has a unique mixed-use community development called The Vineyard, which spans 177-hectare of natural landscape that offers the perfect view of the famous Taal Volcano, along with a view of the man-made lake within the estate. The Vineyard will have its own sports club and spa, wedding venue, and the 10-hectare vineyard that will produce real grapes that can be processed, stored, and aged in its very own chateau. The township will also have commercial and retail hubs (The Village and Lakeshore Town Center), a university park, as well as a nature park. Other developments in Twin Lakes include a retirement community, wellness center, hotel and chateau, among others. With these developments, one can enjoy both the natural and man-made wonders at Twin Lakes.

Iloilo Business Park

Iloilo Business Park is a mixed-planned community in a 72-hectare property in Mandurriao, Iloilo. When completed, it will be a mixed-use business, tourism, commercial and residential hub with a residential community, BPO office buildings, hotels, a convention center, retail centers and a lifestyle center, all at the heart of Iloilo, a new growth center in the Visayas. The entire Iloilo Business Park development was registered as a special economic zone with the Government, which allows it to benefit from a tax holiday period as well as other incentives for investors. It also features The Street of Festive Walk, a 1.1-kilometer retail strip inspired by outlet shops in America and envisioned to be the longest shop-and-dine street outside of Metro Manila. Iloilo Business Park has launched 5 residential condominium developments to date – One Madison Place Luxury Residence, Lafayette Park Square, The Palladium, the tallest building in the region at 22 storeys high, Saint Dominique and Saint Honore. With Iloilo Business Park, the Company aims to transform Western Visayas into the next central district in the region.

Suntrust Ecotown

Sitting on a 350-hectare land in Tanza, Cavite, the Suntrust Ecotown will be the Company’s first mixed-use development with an industrial park, also a first in the country. The industrial park is the country’s first to be accredited by PEZA with lifestyle amenities. It is also positioned to be the major hub for world-class light to medium export-oriented industries, residential, commercial, and institutional establishments in the south. At Suntrust Ecotown, 111 hectares will be allotted for the industrial park, another 40 hectares is dedicated for the expansion of the industrial park and the integration of lifestyle amenities such as a hotel, commercial and retail hubs, driving range, mini golf course, putting greens, swimming pool, jogging path, basketball and badminton courts, and open parks, and another 200 hectares of future development that may include residential and other recreational facilities.

Davao Park District

Davao Park District is the Company’s first township development in Mindanao, specifically on an 11-hectare property along S.P. Dakudao Loop in Lanang, Davao City which used to be the Lanang Golf and Country Club. The township is envisioned to be Mindanao’s new central business district, by being a center for BPO and other corporate entities over the next seven years. Also located in Davao Park District are the themed residential condominiums that will be built by Suntrust Properties, Inc., a wholly-owned subsidiary of the Company. The township will also have a lifestyle mall, commercial and retail strips, open parks, a lagoon, and a school. The first office tower to rise is the iconic 15-storey Davao Finance Center, which was completed in 2018. The first tower in One Lakeshore Drive, a 4-tower condominium cluster, started selling in 2014.

Southwoods City

Southwoods City is the largest and only fully-integrated township with a golf course located in the south of Metro Manila. The 561-hectare property is a mixed-use development that features the Jack Nicklaus-designed Manila Southwoods Golf and Country Club, a central business district, a mall, schools, a church, and a medical facility among others. It maintains its suburban feel while being conveniently accessible via the South Luzon Expressway. Within Southwoods City is Pahara, a 26-hectare residential village consisting of over 600 lots, each having a spectacular view of the golf course and the Laguna de Bay. Pahara, which is a Bengali term for hills, was named due to its landscape and terrain. This residential village has a Mediterranean-inspired architectural theme with green open spaces and its own clubhouse, swimming pool, function halls, children’s playground, an outdoor circuit gym, and parks.

Alabang West

Alabang West is a 62-hectare township located at the heart of Alabang's leisure, business and commercial district. It delivers the glitz and glamor of Beverly Hills by offering high-end shopping boutiques and world-class amenities, all in a posh neighborhood. It is easily accessible to and from Metro Manila via the South Luzon Expressway and the Daang Hari Exit. Alabang West has a 1.3-kilometer commercial and retail row inspired by Hollywood's famous Rodeo Drive and an exclusive Alabang West Village that features over 700 residential lots. The village will have a clubhouse with badminton and basketball courts, function rooms, game room, a fitness center, and an infinity pool.

ArcoVia City

Envisioned as an environment-friendly community, the 12.4-hectare ArcoVia City is located along the C-5 Road in Pasig City. A main "green" feature of the township is the approximately 1,000 trees that will be planted around the development. This greening feature will help provide an outdoor thermal comfort for the future residents, workers, tenants and visitors of the township. Sustainable buildings registered under Leadership in Energy and Environmental Design (LEED) are the standard of office developments in this township, with the first two to rise designed by world-renowned architectural firm Skidmore, Owings & Merrill. Other green features of ArcoVia City are a rainwater catchment facility, a network of bicycle lanes, and wide tree-lined sidewalks. Aside from office towers, the township will have residential condominiums, a lifestyle mall, retail and commercial strips, and open parks.

The Upper East

The Upper East sits on a 34-hectare property in Bacolod City, Negros Occidental and is bound by Burgos Avenue on the north, Lopez Jaena Street on the west, the Circumferential Road on the east, and is just across the New Government Center. Modeled after New York City's Upper East Side district, its prime location is geared to be Bacolod's own version of an upscale lifestyle district where residential condominiums, malls and commercial centers, BPO office towers, tourism and leisure facilities as well as recreational parks and open spaces are integrated to create an exciting Live-Work-Play township, which the company pioneered in the Philippines.

Northill Gateway

Northill Gateway will rise in the northern part of Bacolod, where the famous Sugar Road was built. Sitting on a 53-hectare property along the new Circumferential Road on the boundaries of Talisay City and Bacolod City, it has direct access to the new Bacolod-Silay Airport. It will rise in an area that has a direct link to The Upper East via the Circumferential Road. Northill Gateway is envisioned to be a refreshing lifestyle district that will house upscale residential villages, mixed-use office and retail developments, leisure and recreational amenities as well as institutional facilities. The Company is constructing a 'commercial town center' on the Bacolod side of the rising Northill Gateway township occupying around 7.5 hectares, the Northill Town Center will be a sprawling horizontal commercial development composed mostly of stand-alone two-storey structures of retail shops and dining establishments, surrounded by landscaped parks and open spaces. The town center, which will be accessible along the Bacolod-Silay Airport Access Road, will also have a central plaza, an events venue, 'pasalubong' centers featuring local Negrense delicacies, a supermarket, and wellness and sports facilities.

Sta. Barbara Heights

Sta. Barbara Heights is a 173-hectare mixed-use development has 34 hectares allocated for residential lots, which offer a backdrop of a nearby natural lake and rolling hills in Sta. Barbara, Iloilo. The township is adjacent to the historic Santa Barbara Church and Convent and the Iloilo Golf Course and Country Club, the oldest golf course in Asia. Sta. Barbara Heights will have a direct access to the road leading to the Iloilo International Airport via the Iloilo International Avenue, a six-lane "spine" highway featuring rows of mixed-use and commercial buildings, retail shops, restaurants, boutique hotels and institutional facilities. Half of the entire development is allocated for the Sta. Barbara

Heights Residential Estates, a residential village with three phases offering around 1,000 lots. The village will feature a five-hectare Village Center with amenities that include a 260-meter swimming pool, tennis and basketball courts, children's park and picnic ground overlooking a lake beside the Iloilo Golf and Country Club.

Capital Town

The Capital Town is 35.6-hectare prime property beside the provincial capital of the City of San Fernando, Pampanga, 21st integrated urban township by the Company set to become the newest Central Business District of the North. It is situated at the heart of San Fernando, Pampanga, where Pampanga Sugar Development Company (PASUDECO) used to operate.

Its existence then became a catalyst for the exponential growth of the city. Backed by PASUDECO's rich history, culture and heritage, the development of Capital Town will be at the forefront of business and progress as the area enters new phase of growth in moving forward while preserving its values.

Westside City

Westside City will be the second site of Resorts World Manila in the Philippines. The 31-hectare leisure and entertainment township at the booming Entertainment City in Parañaque will also have international hotels, a luxury mall, and residential condominiums. The launch of Westside City marked the Company's 20th integrated urban township, the most by any developer in the country. The township will also be home to the Company's upscale residential condominiums, a luxury mall as well as international hotel brands such as The Westin Hotel of the Starwood Asia Pacific Hotels & Resorts Group, Hotel Okura Manila of the Okura Hotels & Resorts, the Genting Grand and Crockfords Tower of the Genting Group, and Kingsford Hotel. These hotels will have a total of around 1,500 rooms. Part of the Company's vision for Westside City is to become the "Broadway of Asia" as the township highlights facilities for the performing arts. It will be home to the Philippines' first Grand Opera House that has a total capacity of approximately 3,000 persons.

Maple Grove

Maple Grove is a 140-hectare property in General Trias, Cavite. This vast property will be developed into another world-class mixed-use development, where relaxation and nature perfectly blend with the urban lifestyle. Just 45 minutes away from Makati and other Metro Manila CBDs via Coastal Road and Cavitex, Maple Grove is at the entry point of the booming industrial and residential center of the Cavite-Batangas corridor. The Company is allocating ₱10-billion in the next 10 years to develop Maple Grove. The township will have an eclectic mix of residential, retail, office and institutional components.

Eastland Heights

Through its subsidiary, Global-Estate Resorts Inc., the Company is building Eastland Heights, an 'integrated lifestyle community' in Antipolo, Rizal on an expansive 640 hectares of land along Marcos Highway with some areas overlooking Metro Manila's panoramic skyline. The vast property has its own iconic 36-hole golf course and country club, which will occupy around 20% of the entire development. It is also known for its rolling terrains on the foot of the scenic Sierra Madre Mountain Range. The Company is spending ₱5-billion to develop Eastland Heights in the next five to seven years. Aside from the golf course, the community will have residential, commercial and retail, and institutional components such as a school.

The Hamptons Caliraya

The Hamptons Caliraya is located in Lumban-Cavinti, Laguna, surrounding Lake Caliraya, The Hamptons Caliraya is a 300-hectare development set to feature a lakeside residential villages and villas, a town center, two 18-hole golf courses and clubhouse, and a Marina Club that offers a wide range of water sports activities such as boating, jet ski and kayaking, as well as a shophouse district and resort hotel district.

Highland City

Together with its subsidiary, Empire East Land Holdings, Inc., the Company is set to masterplan this 24-hectare property located at the convergence of Pasig City and Cainta, Rizal. This master-planned township, envisioned to be the first-ever "elevated city" in the Philippines, will be integrated with a lifestyle mall, retail arcades, mixed-use towers, a church, an expansive green park, and an exclusive sports club—raising the standards of urban living in the east side of Metro Manila.

Arden Botanical Estate

The Company, along with its subsidiary Global-Estate Resorts Inc., is jointly developing a 251-hectare property located at the boundary of Trece Martires and the municipality of Tanza in Cavite. Surrounded by natural rivers, the Arden Botanical Estate will have several residential and leisure villages, commercial areas, sports and adventure parks, and a mixed-use district. The expansive development, which will be curated to engage and stimulate the senses, will be highlighted by flower gardens and green parks.

Lucky Chinatown

Located at the heart of Binondo, the world's oldest Chinatown, Lucky Chinatown is strategically located near Manila's historic and cultural sites such as Intramuros, Manila City Hall and the National Museum. This 3-hectare property will have residential condominium projects, lifestyle mall, hotel, and a museum that perfectly blends history and modernity.

Business Strategy

The Company's objective is to increase its profitability and maintain its leading position as a major property developer in the Philippines, specifically in the middle residential condominium market and the market for BPO-related office developments.

Subsidiaries and Associates[1]

As of December 31, 2020, the Company holds interests in the following subsidiaries and associates:

Subsidiaries and Associates	Date of Incorporation	Percentage Ownership
Subsidiaries		
Megaworld Land, Inc.	May 26, 1994	100%
Prestige Hotels & Resorts, Inc.	February 16, 1999	100%
Mactan Oceanview Properties and Holdings, Inc. ...	August 16, 1996	100%
Megaworld Cayman Islands, Inc.	August 14, 1997	100%
Richmonde Hotel Group International Ltd...............	June 24, 2002	100%
Eastwood Cyber One Corporation	October 21, 1999	100%
Megaworld Cebu Properties, Inc…………………….	February 6, 2002	100%
Megaworld Newport Property Holdings, Inc.	October 6, 2003	100%
Oceantown Properties, Inc…………………………..	August 15, 2006	100%
Piedmont Property Ventures, Inc…………………….	August 28, 1996	100%
Stonehaven Land, Inc…………………………………	August 21, 1996	100%
Streamwood Property, Inc…………………………….	August 21, 1996	100%
Suntrust Properties, Inc……………………………….	November 14,1997	100%

[1] Please refer to pages 1 to 5 of the attached Audited Financial Statements ended December 31, 2020 for a complete list.

Arcovia Properties, Inc. ………………………………	March 28, 1985	100%
Luxury Global Hotels and Leisure, Inc………………	July 17, 2013	100%
Global One Integrated Business Services, Inc…….	September 25, 2014	100%
Luxury Global Malls, Inc……………….…………...	September 18, 2014	100%
Davao Park District Holdings, Inc...........................	April 14, 2014	100%
Belmont Newport Luxury Hotels, Inc………………...	March 5, 2015	100%
Global One Hotel Group, Inc…………………………	May 4, 2015	100%
Landmark Seaside Properties, Inc…………………..	January 6, 2011	100%
San Vicente Coast, Inc……………………………….	March 7, 2016	100%
Hotel Lucky Chinatown, Inc…………………………	October 19, 2018	100%
Savoy Hotel Manila, Inc……………………………...	March 1, 2018	100%
Savoy Hotel Mactan, Inc…………………………….	December 13, 2018	100%
Kingsford Hotel Manila, Inc…………………………..	January 10, 2020	100%
Agile Digital Ventures, Inc…………………………….	June 3, 2020	100%
Megaworld Bacolod Properties, Inc………………….	May 12, 1918	91.55%
Empire East Land Holdings, Inc……………………..	July 15, 1994	81.73%
Global-Estate Resorts, Inc…………………………..	May 18, 1994	82.32%
Megaworld Central Properties Inc.	September 15, 2005	76.55%
Megaworld Capital Town, Inc………………………...	June 26, 2012	76.28%
Soho Café and Restaurant Group, Inc……………..	February 15, 2005	75%
Manila Bayshore Property Holdings, Inc……….….	October 14, 2011	68.03%
La Fuerza, Inc. ………………………………………..	January 24, 1958	66.67%
Megaworld-Daewoo Corporation …………………...	November 29, 1996	60%
Northwin Properties, Inc……………………………..	December 14, 2016	60%
Gilmore Property Marketing Associates, Inc………..	September 5, 1996	52.14%
Megaworld Resort Estates, Inc………………………	April 30, 2007	51%
Megaworld-Globus Asia, Inc………………………….	March 17, 1995	50%
Integrated Town Management Corporation…………	March 25, 2002	50%
Maple Grove Land, Inc………………………………..	July 20, 2016	50%

Associates

Bonifacio West Development Corporation………….	November 15, 2001	46.11%
Suntrust Home Developers, Inc.	January 18, 1956	34%
Palm Tree Holdings & Development Corporation....	August 15, 2005	40%

Set out below is a description of each subsidiary or associate and its main activity.

Empire East Land Holdings, Inc. is a publicly-listed company that is engaged in the development and marketing of affordable housing projects either in the form of condominium communities or house-and-lot packages, and to a limited extent, commercial and office space and mixed-use complexes.

Global-Estate Resorts, Inc. is a publicly-listed company which is engaged in diversified portfolio including integrated tourism estates development; horizontal residential subdivision lots and residential/commercial complexes; residential communities integrated with golf, resort and other leisure-related and commercial complexes; residential, office and commercial high rise; business park; and low cost housing.
Suntrust Home Developers, Inc. is a publicly-listed company which owns interests in a property management company.

Megaworld Land, Inc. provides a leasing service to the Company by locating tenants for rental properties and coordinating relations with brokers primarily in relation to the Eastwood Cyberpark.

Prestige Hotels & Resorts, Inc. owns and operates Richmonde Hotel located in Ortigas Center, Pasig City, Eastwood Richmonde Hotel located in Eastwood, Bagumbayan, Quezon City and Richmonde Hotel located in Mandurriao, Iloilo City.

Mactan Oceanview Properties and Holdings, Inc. was organized to develop a resort property in Cebu.

Megaworld Cayman Islands, Inc. was incorporated in the Cayman Islands to act as a promoter and entrepreneur, carry on the business as a financier, broker, dealer, agent, and importer and to undertake investments, financial, trading and other operations.

Richmonde Hotel Group International Ltd. was incorporated in the British Virgin Islands to undertake various investments on behalf of the Company and engage in trading, hotel, restaurant and related businesses.

Eastwood Cyber One Corporation was set up as a special purpose entity to own and develop certain Business Process Outsourcing (BPO) rental properties located in the Eastwood City CyberPark.

Megaworld Cebu Properties, Inc. was organized primarily to act as a principal agent or broker, on commission basis or otherwise, and to acquire by purchase or lease, construct, manage or sell real estate properties.

Megaworld Newport Property Holdings, Inc. provides a sales and marketing service for development of the Newport City projects.

Oceantown Properties, Inc. is a company that was incorporated to own land in Mactan, Cebu.

Piedmont Property Ventures, Inc. was incorporated on 28 August 1996 and was acquired by the Company in 2008.

Stonehaven Land, Inc. was incorporated on 21 August 1996 and was acquired by the Company in 2008.

Streamwood Property, Inc. was incorporated on 21 August 1996 and was acquired by the Company in 2008.

Suntrust Properties, Inc. which was incorporated on 14 November 1997, is a company that is engaged in the development of affordable real estate projects.

Arcovia Properties, Inc. is engaged primarily in real estate activities which include leasing out of real properties.

Luxury Global Hotels and Leisure, Inc. was formed to own, lease and manage hotels.

Global One Integrated Business Services, Inc. was incorporated on 25 September 2014 and is engaged in BPO business.

Luxury Global Malls, Inc. was incorporated on 18 September 2014 and is engaged in BPO business.

Davao Park District Holdings, Inc. is engaged in the real estate business and was incorporated on 14 April 2014.

Belmont Newport Luxury Hotels, Inc. is engaged in owning, leasing, operation and management of hotels.

Global One Hotel Group, Inc. is engaged in owning, leasing, operation and management of hotels.

Landmark Seaside Properties, Inc. is engaged primarily in real estate activities.

San Vicente Coast, Inc. is engaged primarily in real estate activities.

Hotel Lucky Chinatown, Inc. is engaged in owning, leasing, operation and management of hotels.

Savoy Hotel Manila, Inc. is engaged in owning, leasing, operation and management of hotels.

Savoy Hotel Mactan, Inc. is engaged in owning, leasing, operation and management of hotels.

Kingsford Hotel Manila, Inc. is engaged in owning, leasing, operation and management of hotels.

Agile Digital Ventures, Inc. is engaged in e-commerce through PICK.A.ROO, an online platform and the first premium all in-one, on-demand lifestyle delivery app.

Megaworld Bacolod Properties, Inc. is engaged primarily in real estate activities.

Megaworld Central Properties Inc. was formed to provide sales services in respect of residential units in the Manhattan Garden City project.

Megaworld Capital Town, Inc. is engaged in real estate business and was incorporated on 26 June 2012 and was acquired by the Company in 2017.

Soho Café and Restaurant Group, Inc. is engaged primarily in business of restaurants, cafes, cocktail bars, lounges, inns, apartments, private clubs and other allied businesses.

Manila Bayshore Property Holdings, Inc. was organized to engage in real estate development. It started commercial operations on 1 January 2012.

La Fuerza, Inc. is engaged in the real estate business, including leasing of real estate properties.

Megaworld-Daewoo Corporation is a joint venture between the Company and Daewoo Corporation which developed three residential condominium towers in Eastwood City.

Northwin Properties, Inc. was incorporated on 14 December 2016 and is engaged primarily in real estate activities.

Gilmore Property Marketing Associates, Inc. was incorporated on 5 September 1996 primarily to act as a principal agent or owner, on commission basis or otherwise, and to acquire, lease and construct or dispose of buildings and other real estate properties.

Megaworld Resort Estates, Inc. is a company that was incorporated to engage in the real estate business.

Megaworld-Globus Asia, Inc. was formed to develop and sell “The Salcedo Park”, a twin-tower residential condominium project located in Makati City which has been completed.

Integrated Town Management Corporation is a company that was incorporated to develop, sell, lease and hold for investment or otherwise, real estate properties to establishing or pursuing the business of owning, developing, managing, administering or otherwise dealing in any and all kinds of real property whether used for residential office, industrial, or commercial/retail purposes, and in relation thereto, nursery/plant growth building and to provide or render management and specialized technical services to the owners or users of such real property.

Maple Grove Land, Inc. is engaged primarily in real estate activities.

Bonifacio West Development Corporation is engaged in real estate business and was incorporated on 15 November 2001.

Palm Tree Holdings & Development Corporation is a company that was acquired in connection with its landholdings adjacent to the Company's Eastwood City township. It is currently engaged in the real estate business.

Neither the Company nor any of its subsidiaries have, during the past 3 years, been the subject of a bankruptcy, receivership or similar proceeding, or involved in any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

MARKET PRICE INFORMATION

The common shares of the Company are traded on the Philippine Stock Exchange ("PSE") under the symbol of MEG. The Company's common stock was first listed on the PSE on June 15, 1994.

The following table sets out, for the periods indicated, the high and low sales price for the Company's common shares as reported on the PSE:

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2019	High	5.89	6.17	6.54	4.98
	Low	4.72	5.15	4.30	3.97
2020	High	4.45	3,45	3.30	4.15
	Low	1.86	2.35	2.84	2.88
2021	High	4.30			
	Low	3.30			
5/19/21	Close	2.82			

Market price of the Issuer's Shares as at 29 December 2020 was ₱4.08 per share.

HOLDERS

As of 31 March 2021, the Company had 2,427 shareholders of record. The following table sets forth the twenty largest shareholders of the Company as of 31 March 2021.

Rank	Name of Stockholder	Number of Common Shares	Number of Voting Preferred Shares	Percentage of Ownership
1.	Alliance Global Group, Inc.	14,310,483,058		37.7851%
			6,000,000,000	15.8423%
2.	PCD Nominee Corporation (Filipino)	6,191,259,467		16.3473%
3.	New Town Land Partners, Inc.	5,668,530,324		14.9671%
4.	PCD Nominee Corporation (Non-Filipino)	4,492,757,697		11.8626%

5.	First Centro, Inc.	873,012,500		2.3051%
6.	Richmonde Hotel Group International Limited	420,000,000		1.1090%
7.	Megaworld Cebu Properties, Inc.	143,000,000		0.3776%
8.	Simon Lee Sui Hee	8,845,200		0.0234%
9.	OCBC Securities Phils., Inc. (FAO: Santiago J. Tanchan, Jr.)	7,371,000		0.0195%
10.	Luisa Co Li	5,525,697		0.0146%
11.	Evangeline Abdullah	5,400,000		0.0143%
12.	Jasper Karl Tanchan Ong	5,370,300		0.0142%
13.	Winston Co	5,180,760		0.0137%
14.	Luis Ang and/or Teresa W. Ang	4,000,000		0.0106%
15.	Luis Ang &/or Lisa Ang	3,785,532		0.0100%
16.	Lucio W. Yan	3,780,000		0.0100%
17.	Alberto Mendoza &/or Jeanie C. Mendoza	2,587,454		0.0068%
18.	Luis Ang and/or Teresa W. Ang	2,529,345		0.0067%
19.	Tiong Lam Ku &/or Nelson O. Ku	2,520,000		0.0067%
20.	Vicente de Vera	2,098,826		0.0055%

DIVIDENDS AND DIVIDEND POLICY

The payment of dividends, either in the form of cash or stock, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company with its capital unimpaired, which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends paid in cash are subject to the approval by the Board of Directors. Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose.

Cash dividends amounting to ₱1.19 billion, ₱2.39 billion and ₱1.99 billion were declared on the Company’s common shares in 2020, 2019 and 2018, respectively. The dividends were paid in January 2021, July 2019 and July 2018, respectively. Cash dividends were declared on the Company’s Series “A” Preferred Shares in 2020, 2019 and 2018 in the amount of ₱600,000 for each year. The dividends were paid in January 2021, July 2019 and July 2018.

The Company declares cash dividends to shareholders of record usually in the first half of each year. These dividends are paid from unrestricted retained earnings. The Company intends to maintain an annual cash dividend payment ratio of 20% of its net income from the preceding year, subject to the requirements of applicable laws and regulations and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. The Company’s Board of Directors may, at any time, modify its dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

The following securities were issued as exempt from the registration requirements of the Securities Regulation Code (SRC) and therefore have not been registered with the SEC:

(a) In 2013, the Company issued US$250,000,000 worth of corporate notes due in 2023 with a coupon of 4.25%. UBS acted as sole global coordinator and bookrunner for the issue. The corporate notes are listed in the Singapore Exchange Securities Trading Limited.

(b) In 2018, the Company issued US$200,000,000 worth of perpetual bonds with a coupon of 5.375%. JP Morgan acted as Sole Bookrunner. The perpetual bonds are listed in the Singapore Exchange Securities Trading Limited.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

There are seven (7) members of the Company's Board of Directors, three (3) of whom are independent directors. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director [SRC Rule 38]. All directors were elected during the annual meeting of stockholders held on 24 August 2020, and will hold office until their successors have been duly elected and qualified. All the incumbent directors have been nominated for election to the Board of Directors of the Company for the ensuing calendar year.

Information concerning the background of the directors/nominees for directors and executive officers of the Company indicating their principal occupation or employment and their business experience for the past five (5) years is provided below.

The table sets forth each member of the Company's Board as of 31 March 2021.

Name	**Age**	**Citizenship**	**Position**
Andrew L. Tan	71	Filipino	Director, Chairman, President and CEO
Katherine L. Tan	69	Filipino	Director
Kingson U. Sian	59	Filipino	Director and Executive Director
Enrique Santos L. Sy	71	Filipino	Director
Jesus B. Varela	64	Filipino	Independent Director
Cresencio P. Aquino	67	Filipino	Independent Director
Roberto S. Guevara	69	Filipino	Independent Director

The table below sets forth the Company's executive officers in addition to its executive directors listed above as of 31 March 2021.

Name	**Age**	**Citizenship**	**Position**
Lourdes T. Gutierrez-Alfonso	57	Filipino	Chief Operating Officer
Kevin Andrew L. Tan	41	Filipino	Executive Vice President and Chief Strategy Officer
Francisco C. Canuto	63	Filipino	Senior Vice President, Chief Finance Officer, Treasurer, Compliance Officer, Corporate Information Officer and Chief Audit Executive
Noli D. Hernandez	50	Filipino	Executive Vice President for Sales and Marketing
Giovanni C. Ng	46	Filipino	Senior Vice President and Finance Director
Philipps C. Cando	62	Filipino	Managing Director for Operations

Maria Victoria M. Acosta	59	Filipino	Senior Vice President for International Marketing and Leasing
Maria Carla T. Uykim	44	Filipino	Head of Corporate Advisory and Compliance
Rafael Antonio S. Perez	52	Filipino	Head of Human Resources and Corporate Admin.
Graham M. Coates	56	British	Head of Megaworld Lifestyle Malls
Jennifer L. Romualdez	51	Filipino	Senior Vice President and Head for Operations Division
Kimberly Hazel A. Sta. Maria	40	Filipino	Assistant Vice President for Corporate Communications and Advertising
Cherryll B, Sereno	41	Filipino	Chief Risk Officer
Anna Michelle T. Llovido	42	Filipino	Corporate Secretary
Nelileen S. Baxa	42	Filipino	Assistant Corporate Secretary

Andrew L. Tan
Chairman of the Board/President

Mr. Tan is the founder of the Company and has served as its Chairman and President since its incorporation in 1989. He pioneered the live-work-play-learn model in real estate development through the Company's integrated township communities, fueling the growth of the business process outsourcing (BPO) industry. He embarked on the development of integrated tourism estates through publicly-listed Alliance Global Group, Inc. and Global-Estate Resorts, Inc., which he both chairs, while continuing to focus on consumer-friendly food and beverage and quick service restaurants. Mr. Tan serves as Chairman of the Board of Empire East Land Holdings, Inc., a publicly-listed subsidiary of the Company, and Suntrust Properties, Inc., a subsidiary engaged in the development and marketing of affordable housing projects. He also serves in the boards of other Megaworld subsidiaries including Eastwood Cyber One Corporation, Megaworld Land, Inc., Megaworld Central Properties Inc., Megaworld Bacolod Properties, Inc., Mactan Oceanview Properties and Holdings, Inc., Megaworld Newport Property Holdings, Inc. and Richmonde Hotel Group International Limited. He is also the Chairman of Emperador Inc., a public-listed company which owns Emperador Distillers, Inc., the leading brandy manufacturer and distributor in the Philippines. Mr. Tan is Chairman of Megaworld Foundation, the Company's corporate social responsibility arm, which primarily focuses on the promotion of education through scholarship programs for financially handicapped but deserving students, and supports causes that promote poverty alleviation, people empowerment, social justice, good governance and environmental conservation. He is a director of Travellers International Hotel Group, Inc., which owns Resorts World Manila, and the food and beverage companies, Emperador Distillers, Inc. Alliance Global Brands, Inc. and Golden Arches Development Corporation.

Katherine L. Tan
Director

Ms. Tan has served as Director of the Company since 1989. She is concurrently a Director and Treasurer of publicly-listed Alliance Global Group, Inc. and Emperador Inc. She has extensive experience in the food and beverage industry and is currently Director and Corporate Secretary of The Bar Beverage, Inc. and Director and President of Andresons Global, Inc., Raffles & Company, Inc., The Andresons Group, Inc. and Choice Gourmet Banquet, Inc. She is also a Director and Treasurer of Alliance Global Brands, Inc. and Emperador Distillers, Inc.

Kingson U. Sian
Director and Executive Director

Mr. Sian has served as Director of the Company since April 13, 2007. He joined the Megaworld Group in September 1995 as Senior Vice President and is currently Executive Director of the Company. He is concurrently Director, President and Chief Operating Officer of publicly-listed Alliance Global Group, Inc. and Travellers International Hotel Group, Inc. He is the Chairman and President of Prestige Hotels & Resorts, Inc. and Luxury Global Hotels and Leisure, Inc., the Senior Vice President of Megaworld Land, Inc. and the President of Eastwood Cyber One Corporation. Mr. Sian was formerly a

Vice President of FPB Asia Ltd/First Pacific Bank in Hong Kong from 1990 to 1995. Prior to that, he was connected with Citicorp Real Estate, Inc. in the United States from 1988 to 1990. Mr. Sian graduated from the University of the Philippines with the degree of Bachelor of Science in Business Economics. He obtained his Master's Degree in Business Administration for Finance and Business Policy from the University of Chicago.

Enrique Santos L. Sy
Director

Mr. Sy has served as Director of the Company since July 2009. He was formerly a Vice President for the Corporate Communications & Advertising Division of the Company until his retirement in March 2011. He is concurrently a Director of publicly-listed Empire East Land Holdings, Inc. and a Director of Eastin Holdings, Inc. and First Oceanic Property Management Inc. He is also a Director and the Corporate Secretary of Asia Finest Cuisine, Inc. and Soho Café & Restaurant Group, Inc. and Corporate Secretary of Empire East Communities, Inc. Mr. Sy previously worked as Advertising Manager of Consolidated Distillers of the Far East, Inc., Creative Director of AdCentrum Advertising, Inc., Copy Chief of Admakers, Inc. and Peace Advertising Corporation, and Creative Associate of Adformatix, Inc. Mr. Sy graduated with honors from the Ateneo de Manila University with the degree of Bachelor of Arts in Communication Arts.

Jesus B. Varela
Independent Director

Mr. Varela has served as Director of the Company since June 2016. He concurrently serves as independent director in the boards of publicly-listed, Global-Estate Resorts, Inc. and Travellers International Hotel Group, Inc. He is also the Chairman of the Philippine Chamber of Commerce and Industry, GS1 Philippines (Barcode of the Philippine), and New Lights Technologies, Inc. He is the President and CEO of the Advancement of Workers' Awareness Regarding Employment (AWARE) Foundation, Inc., and President of Foundation for Crime Prevention, Philippine Greek Business Council and Philippine Peru Business Council. He is also the Director General of the International Chamber of Commerce Philippines (ICC-Philippine), Receiver of J-Phil Marine Shipping Inc., and Member of the Committee for Accreditation of Cargo Surveying Companies. Mr. Varela has more than twenty years of experience in the fields of marketing, human resources, international labor affairs, agriculture, and commerce, among others. He has done executive work with the Department of Agriculture, National Food Authority Council, Philippine Genetics, Inc., National Irrigation Administration, Philippine Planters Products, National Agri- Business Corporation, Agriculture Anti-Smuggling Task Force, and Nautical Highway Board. He served as Labor Attaché to Kobe, Japan, to the Commonwealth of Northern Marianas Island, and to Athens. Mr. Varela obtained his bachelor's degree in Economics from Ateneo De Manila University. He attended training courses in Labor Administration and Policy Formulation under the International Labor Organization/ARPLA program, the Corporate Planning Course at the Center for Research Communication, Foreign Exchange Training by Metro Bank and Forex Club of the Philippines, Systems Analysis by the Presidential Management Staff, Asian Productivity Seminar and other in-house seminars conducted by the Department of Labor and the Development Academy of the Philippines.

Cresencio P. Aquino
Independent Director

Atty. Aquino is currently the Managing Partner of The Law Firm of CP Aquino & Partners. He concurrently serves as independent director in the boards of publicly-listed, Global-Estate Resorts, Inc. and Empire East Land Holdings, Inc. He is a graduate of the San Sebastian College Manila with degrees in Bachelor of Arts and Bachelor of Laws. Atty. Aquino has extensive experience in both the public and private sectors as Director of Clark Development Corporation from 2012 to 2016., Independent Director of Suntrust Home Developers, Inc. from 2009 to 2012, Corporate Legal Counsel of MBF Card and One Card Corporation from June 1998 to May 2004, Special Assistant and Chief Legal Counsel of the Government Service Insurance System from September 1992 to June 1998, Director of the Meat Packaging Corporation of the Philippines from September 1992 to June 1998, Personnel and Administrative Manager, Corporate Secretary and Chief Legal Counsel of ComSavings Bank from September 1992 to June 1998, and Executive Director of the Department of Interior and Local Government ("DILG") from 1988 to 1992, and concurrently Ex-Officio Commissioner of the DILG with the Housing and Land Use Regulatory Board also for the same period. Atty. Aquino He was formerly an Associate Professor with the San Sebastian College. Atty. Aquino has been a member of the Integrated Bar of the Philippines since 1978 and is also a member of the Capitol Bar Association, Knights of Columbus, and the Lawyers League of the Philippines.

Roberto S. Guevara
Independent Director

Mr. Guevara has been an Independent Director of the Company since June 20, 2001. He is Chairman of the Board of Directors of Seed Capital Ventures, Inc. He serves on the board of other companies, such as G & S Transport Corporation, a licensee of Avis Car Rentals, Guevent Industrial Development Corporation, and Investment and Capital Corporation of the Philippines, and as Independent Director of First Centro, Inc., Honeycomb Builder and Kalahi Realty, Inc. Mr. Guevara graduated from San Beda College in 1974, and received graduate degree from the Asian Institute of Management and a post graduate course at the Institute for Management Development (IMD), in Lausanne, Switzerland.

Lourdes T. Gutierrez-Alfonso
Chief Operating Officer

Ms. Gutierrez joined the Company in 1990. She is the Company's Chief Operating Officer and is a member of the Company's Management Executive Committee. Ms. Gutierrez has extensive experience in real estate and a strong background in finance and marketing. A certified public accountant by profession, she previously held the position of Senior Executive Vice President for Finance and Administration in the Company. Ms. Gutierrez is Chairman of the property management company, First Oceanic Property Management, Inc. She serves as director in numerous affiliate companies including publicly-listed Global-Estate Resorts, Inc. and Suntrust Properties, Inc., Twin Lakes Corporation, Southwoods Mall, Inc., Mactan Oceanview Properties and Holdings, Inc., Megaworld Resort Estates, Inc., Megaworld Cebu Properties, Inc., Oceantown Properties, Inc., Megaworld Bacolod Properties, Inc., Eastwood Cyber One Corporation, Davao Park District Holdings, Inc., and Prestige Hotels & Resorts, Inc. She is currently the Chairman of Belmont Newport Luxury Hotels, Inc., Megaworld Global-Estate, Inc., Savoy Hotel Manila, Inc. She is also a trustee and a Corporate Secretary of Megaworld Foundation, Inc.

Kevin Andrew L. Tan
Executive Vice President and Chief Strategy Officer

Mr. Tan holds the rank of Executive Vice President and Chief Strategy Officer of the Company. He previously held the position of Senior Vice President for Commercial Division which markets and operates the Megaworld Lifestyle Malls including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill and Burgos Circle at Forbestown Center, both in Fort Bonifacio, California Garden Square in Mandaluyong City, Newport Mall at Resorts World Manila in Pasay City, Lucky Chinatown Mall in Binondo, Manila and Uptown Mall in Bonifacio Global City. He is the Chief Executive Officer and Vice Chairman of public-listed company, Alliance Global Group, Inc. He is also the concurrently a Director of publicly-listed companies, Empire East Land Holdings, Inc., Emperador Inc. and Global-Estate Resorts, Inc. and of Eastwood Cyber One Corporation, Uptown Cinemas, Inc., Megaworld Central Properties Inc., Twin Lakes Corporation, Megaworld Land, Inc., Townsquare Development, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He is also a trustee and a Executive Director of Megaworld Foundation, Inc. Mr. Tan obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific.

Francisco C. Canuto
Senior Vice President, Chief Finance Officer, Treasurer, Compliance Officer, Corporate Information Officer and Chief Audit Executive

Mr. Canuto joined the Company in 1995. He is a Certified Public Accountant and currently holds the rank of Senior Vice President and Treasurer of the Company and is Senior Assistant to the Chairman. He is a member of the Company's Management Executive Committee. He holds a bachelor's degree in Commerce major in Accounting and a Master's Degree in Business Administration. He is concurrently Director of Megaworld Global-Estate, Inc. and Eastwood Property Holdings, Inc., Director and Corporate Secretary of Megaworld Central Properties, Inc. and Director and Treasurer of Megaworld Cebu Properties, Inc., Twin Lakes Corporation, Oceantown Properties, Inc., Megaworld Resort Estates, Inc., Megaworld Land, Inc., Megaworld-Daewoo Corporation, Eastwood Cyber One Corporation, and Prestige Hotels & Resorts, Inc. He serves as a Director and President of Arcovia Properties, Inc., Lucky Chinatown Cinemas, Inc., Festive Walk Cinemas, Inc., Southwoods Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc. and Gilmore Property Marketing Associates, Inc. He is also the President of Megaworld Foundation, Inc. Before joining the Company, he worked as Audit Manager of SGV & Company and Controller of Federal Express Corporation.

Noli D. Hernandez
Executive Vice President for Sales and Marketing

Mr. Hernandez joined the Company in February 1994 as a property consultant. He is currently an Executive Vice President for Sales and Marketing. Mr. Hernandez rose from the ranks in the Company, starting out as a property consultant then becoming Sales Manager, Assistant Vice President, Senior Assistant Vice President, Vice President and Senior Vice President for Marketing. Mr. Hernandez graduated from the University of the Philippines with a degree of Bachelor of Science in Political Science. He serves as Director and President of Megaworld Cebu Properties, Inc. and President of the Newtown School of Excellence in the Mactan Newtown development of the Company.

Giovanni C. Ng
Senior Vice President and Finance Director

Mr. Ng, is a Senior Vice President and Finance Director of the Company. He serves as director in Eastwood Property Holdings, Inc., Oceantown Properties, Inc., Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, Inc., Valle Verde Properties, Inc., Lucky Chinatown Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc., Mactan Oceanview Properties and Holdings, Inc. and New Town Land Partners, Inc. He also serves as Treasurer of publicly-listed Empire East Land Holdings, Inc. and Adams Properties, Inc. and Townsquare Development, Inc. He is also a Director and Corporate Secretary of Megaworld Land, Inc. Previously, he worked as Analyst Associate in Keppel IVI Investments. Mr. Ng obtained his bachelor's degree in Quantitative Economics from the University of Asia and the Pacific, graduating summa cum laude in 1995.

Philipps C. Cando
Managing Director for Operations

Mr. Cando is a licensed civil engineer who has over 28 years of experience in project development and construction management. Mr. Cando joined the Company in 1994 as a construction manager and eventually rose to become head of the Company's project management team. Prior to joining Megaworld, Mr. Cando was employed for over 12 years in construction design and consultancy firms, Arenas-Tugade Associates and Massive Design Group. During his more than 15 years with the Company, Mr. Cando was responsible for the construction management of over thirty-three (33) project developments of the Company including residential and office condominium projects, hotel, mall and retail complexes as well as large scale mixed-use developments such as McKinley Hill and Eastwood City. He now heads the Company's Operations Division and responsible for the construction development of large scale developments to include, Newport City, Forbes Town Center at Global City, Manhattan Garden City at Araneta Center, Cityplace at Binondo and Bonifacio Uptown. Mr. Cando serves as Director and President of Oceantown Properties, Inc.

Maria Victoria M. Acosta
Senior Vice President for International Marketing

Ms. Acosta is Senior Vice President for International Marketing. She joined the Company in September 1999. Prior to her appointment, she had twenty years of marketing experience in real estate and consumer products with other companies. Ms. Acosta was Executive Vice President and Chief Operating Officer of Empire East Land Holdings, Inc. from 1997 to 1998 and was Executive Director for Marketing from 1996 to 1997. Earlier, she also served as Senior Vice President and General Manager of Raffles & Co., Inc. She is concurrently Director and Corporate Secretary of Eastwood Property Holdings, Inc. and Corporate Secretary of Gilmore Property Marketing Associates, Inc.

Maria Carla T. Uykim
Head of Corporate Advisory and Compliance

Ms. Uykim is the head of the Corporate Advisory and Compliance of Megaworld Corporation and a member of the Management Executive Committee. She is primarily responsible for the special projects group which handles the negotiation and documentation of the Company's various land acquisitions, joint venture agreements and other corporate transactions. She also heads the property registration group, which is in charge of the registration of the Company's real estate projects, including the deeds of restriction, and issuance of the certificates of title for the individual units or lots and the intellectual property group, which handles the registration, protection and enforcement of the Company's trademarks. She is concurrently the Corporate Secretary of San Vicente Coast, Inc., Northwin Properties, Inc. and Maple Grove Land, Inc. and a Director and Corporate Secretary of Luxury Global Malls, Inc. and Mactan Oceanview Properties and Holdings, Inc. She joined the Company in April 2007 as a Senior Manager of the Corporate Management Department and handled buyer's concerns, including documentation of sales transactions, labor and human resources issues, and the registration and protection of intellectual property. Prior to joining the Company, Atty. Uykim was an Associate at Andres Marcelo Padernal Guerrero and Paras law offices from August 2005 to April 2007, where she specialized in labor and corporate law, and at ACCRA Law from February 2003 to January 2004, where she practiced immigration law. She also served as Chief of Staff of Congresswoman Remedios L. Petilla from July 2004 until June 2005. Atty. Uykim obtained her Juris Doctor Degree from the Ateneo De Manila School of Law and is a graduate of the double degree program of De La Salle University, with a Bachelor of Arts in Psychology and a Bachelor of Science in Marketing Management.

Rafael Antonio S. Perez
Head for HR and Corporate Admin. Division

Mr. Perez joined the Company in June 2008 as head of the Human Resources Division. He is currently the Vice President for Human Resources & Corporate Administration Division. He is concurrently the President and Managing Director of Global One Integrated Business Services, Inc. and Luxury Global Malls, Inc. Mr. Perez graduated Cum Laude from the Philippine Normal University with the degree of Bachelor of Arts in Psychology.

Graham M. Coates
Head of Megaworld Lifestyle Malls

Mr. Coates, is a British national, he has an extensive international management experience in numerous culturally diverse locations such as Asia (twenty years), Europe (eight years) and the United States (four years). He joined the company in January 2019. Throughout his career, he has demonstrated a record of sustained profitable growth, building world-class organizations and driving change for global, multinational and family-owned corporations and entrepreneurial companies worldwide. Graham is skilled in P&L, Operations, Merchandising, Marketing, Customer Development, Business Development and Logistics. He brings with him a wealth of experience that cuts through many retail formats and cross functions. He has the unique advantage of being familiar with all retail formats, together with a solid perspective of mall and landlord operations.

Mr. Coates is the President of the Coates Charity Foundation, a non-profit organization set up several years ago to support Christian missionaries, students, fellow church members and others in need. He is the Vice President and board member of HAND Philippines, an offshoot of HAND International, a Christian humanitarian aid organization that uses its resources and efforts on helping the rehabilitation needs of the natural disaster-stricken areas in the Philippines, an example being Typhoon Yolanda victims.

Jennifer L. Romualdez
Senior Vice President and Head for Operations Division

Ms. Romualdez, prior to her appointment to her current position in Megaworld in February 2020, served the Company for nine years, from 1995 to 2004, in various capacities in the areas of procurement, contracts, interior design and special projects. She was previously the Senior Vice President of the Operations Division of Global Estate-Resorts, Inc. (GERI), Megaworld's subsidiary and the country's biggest developer of master-planned integrated lifestyle communities (ILCs) oriented toward tourism. She headed the development of GERI's various projects and ILCs, including Boracay Newcoast in Boracay Island; Twin Lakes in Alfonso, Batangas, near Tagaytay; Southwoods City on the boundaries of Cavite and Laguna; Eastland Heights in Antipolo, Rizal; and Sta. Barbara Heights in Mandurriao, Iloilo. From 2006 to 2011, she served different companies in various roles—Corporate Director for Quantity Surveying and Tender of Ding Feng (Shanghai) Real Estate Development Co., Ltd.; Assistant Director for Marketing - Interior Design and Graphics of Ho Cheng (China) Co., Ltd.; and Consultant for the HCG Beijing Flagship Showroom project. Ms. Romualdez graduated from the University of the Philippines Diliman with a B.S. Architecture degree. She completed and passed the Philippine Licensure Examination for Architects in 1993.

Kimberly Hazel A. Sta. Maria
Assistant Vice President for Corporate Communications and Advertising

Ms. Sta. Maria holds the rank of Assistant Vice President and heads the Corporate Communication and Advertising Division of the Company. She joined the Company in 2002 as Head Writer and is responsible for the creative conceptualization and production of advertising and marketing campaigns and materials for the Company's projects. Ms. Sta. Maria is a *cum laude* graduate of the University of the Philippines Manila and holds a bachelor's degree in Organizational Communication.

Cheryll B. Sereno
Chief Risk Officer

Ms. Sereno is the Chief Risk Officer. She joined the Company in November 2017 and currently heads the Opportunity and Risk Management department. Her responsibilities include identification and assessment of business risks and ensuring that the Company continuously develop risk management strategies that are aligned with its corporate goals and objectives. Prior to joining the Company, Ms. Sereno worked in the field of external audit, finance and has extensive experience handling Enterprise Risk Management and Business Continuity Management for the real estate industry. She graduated from Ateneo de Naga University with the degree of Bachelor of Science in Accountancy. Ms. Sereno is a Certified Public Accountant and a Certified Business Continuity Professional.

Anna Michelle T. Llovido
Corporate Secretary

Ms. Llovido is the Corporate Secretary of the Company and has held this position since August 2014. She concurrently serves as Senior Corporate Legal Counsel of Emperador Distillers, Inc. Ms.

Llovido is an experienced in-house counsel with core practice in labor and intellectual property law. Prior to her employment in Emperador Distillers, Inc., Ms. Llovido was a Manager at Reeves & Associates International Corporation and was charged with the management of its Philippine representative office. She also served as Legal Counsel to Transnational Diversified Group, Inc. from May 2008 to September 2009 where she serviced the legal requirements of over 30 companies engaged in total logistics, ship management, air and travel services, and information and communications technology. She was an Associate Lawyer at Tantoco Villanueva De Guzman & Llamas law offices from April 2006 to April 2008. Ms. Llovido obtained her bachelor's degrees in Laws in 2004 and Hotel and Restaurant Management in 1999 from the University of Santo Tomas.

Nelileen S. Baxa
Assistant Corporate Secretary

Ms. Baxa is currently a Senior Accounting Manager of Megaworld Corporation. She is a Certified Public Accountant with over eighteen (18) years of experience in the fields of accounting and finance. Ms. Baxa concurrently serves as a Director of Bordeaux Properties, Inc., Langham Properties, Inc., Rowenta International, Inc., and Venetian Properties, Inc. Ms. Baxa obtained her Bachelor's Degree in Accountancy from the University of Sto. Tomas.

EXTERNAL AUDIT FEES AND SERVICES

The external auditors of the Company and its subsidiaries billed the amounts of Php19,613,109 in 2020, Php18,844,740 in 2019, and Php16,774,367 in 2018 in fees for professional services rendered for the audit of the Company and its subsidiaries' annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2020, 2019 and 2018.

Except as disclosed above, no other services were rendered or fees billed by the external auditors of the Company for the years 2020, 2019, and 2018.

The Board of Directors, after consultation with the Audit Committee, recommends to the stockholders the engagement of the external auditors of the Company. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the Philippine Securities and Exchange Commission, and affiliation with a reputable foreign partner. The professional fees of the external auditors of the Company are approved by the Company's Audit Committee after approval by the stockholders of the engagement and prior to the commencement of each audit season.

CORPORATE GOVERNANCE

Compliance with Leading Practices on Corporate Governance

Pursuant to the Company's corporate governance manual, its Board created each of the following committees and appointed board members thereto.

Audit Committee

The Audit Committee is responsible for ensuring that all financial reports comply with internal financial management and accounting standards, performing oversight financial management functions, pre-approving all audit plans, scope and frequency and performing direct interface functions with internal and external auditors. On 3 October 2012, the Board approved the Audit Committee Charter which provide for the purpose, membership, structure, operations, duties and responsibilities of the Audit Committee. The Company's Audit Committee has three members, two of whom are independent directors. An independent director serves as the head of the committee, the members of the Audit Committee are Jesus B. Varela, Chairman, Cresencio P. Aquino and Andrew L. Tan, members.

Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the Board in the performance of its corporate governance responsibilities. It also oversees the implementation, review and periodic evaluation of the corporate governance framework It also recommends continuing relevant education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance, as well as establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers. It is also responsible for determining the nomination and election process for the Corporation’s directors and the general profile of board members and ensures that this process is conducted in accordance with qualifications prescribed by Philippine law and the Company’s Manual on Corporate Governance, the members of the Corporate Governance Committee are Cresencio P. Aquino, Chairman, Roberto S. Guevara and Jesus B. Varela, members.

Board Risk Oversight Committee

The Board Risk Oversight Committee is responsible for the development, evaluation, and oversight of the Corporation’s Enterprise Risk Management system to ensure its functionality and effectiveness. It also advises the Board on its risk appetite levels and risk tolerance limits, and reviews the company’s risk appetite levels and risk tolerance limits based on changes and developments in the business. The Company’s Board Risk Oversight Committee consists of three members, including at least one independent director, the members of the Board Risk Oversight Committee are Cresencio P. Aquino, Chairman, Roberto S. Guevara and Enrique Santos L. Sy, members.

Related Party Transaction Committee

The Related Party Transaction Committee is responsible for reviewing all material related party transactions of the company. This Committee shall evaluate on an ongoing basis the existing relations between and among business and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured, and evaluate all material RPTs to ensure that these are not undertaken on more favourable economic terms The Company’s Related Party Transaction Committee consists of three members, including at least one independent director, the members of the Related Party Transaction Committee are Cresencio P. Aquino, Roberto S. Guevara and Enrique Santos L. Sy, members.

Evaluation System

The Company has designated a Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of its Manual on Corporate Governance. The Compliance Officer has established an evaluation system, patterned after the CG Scorecard of the Institute of Corporate Directors to measure or determine the level of compliance by the Company with its Manual.

Deviations from Manual and Sanctions Imposed

In 2020, the Company substantially complied with its Manual on Corporate Governance and did not materially deviate from its provisions. No sanctions were imposed on any director, officer or employee on account of non-compliance with the Company’s Manual on Corporate Governance.

Plan to Improve Corporate Governance

Pursuant to SEC Memorandum Circular No. 6, Series of 2009 and as further amended by SEC Memorandum Circular No.9, Series of 2014, the Company revised its Manual of Corporate Governance to make the same compliant with the Revised Code of Corporate Governance. The Company was also revised its Manual of Corporate Governance to comply with SEC Memorandum

Circular No. 19, Series of 2016 and will continue to adopt best practices in Corporate Governance as may be prescribed by the Commission.

FINANCIAL INFORMATION

Financial Statements of the Company and its subsidiaries (the “Group”) as of 31 December 2020 and 2019 and Interim Financial Statements as of 31 March 2021 are attached hereto and incorporated herein by reference.

Management’s Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of December 31, 2020 versus December 31, 2019

Megaworld, the country’s largest developer of integrated urban townships, saw its net income decline by 45.13% to Php10.59 billion in 2020 from Php19.30 billion last year.

The Group’s weaker earnings was traced mainly due to COVID-19 pandemic affecting the core businesses. Net income attributable to parent company stood at Php9.89 billion, lower by 44.87% from Php17.93 billion last year.

Megaworld’s consolidated revenues decreased by 35.42% from Php67.31 billion in 2019 to Php43.47 billion in 2020.

Development. Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and commercial lot, comprising 57.18% of total revenues. Real estate sales decreased by 41.65%, amounting to Php24.86 billion and Php42.60 billion for the years 2020 and 2019, respectively. The Group’s registered sales mostly came from the following projects: San Antonio Residence, Maple Grove Commercial District, The Florence, Albany Kingsley, Bayshore Residential Resort 2 Phase 2, The Palladium at Iloilo Business, One Eastwood Avenue Tower 1&2, Uptown Parksuites Tower 2, Park McKinley West, Gentry Manor, Eastwood Global Plaza Luxury Residence and Bayshore Residential Resort 2.

Leasing**.** The Group’s rental businesses, comprising of office and lifestyle mall leasing, registered a 23.08% decline, reaching Php12.93 billion in 2020 from the previous year’s Php16.81 billion. This contributed 29.75% of the total consolidated revenues for the first nine months of the year.

Hotel Operations**.** The Group’s revenues attributable to hotel operations posted an amount of Php1.48 billion during 2020 with a decrease of 41.73% from Php2.54 billion last year.

Total costs and expenses amounted to Php32.88 billion, a decrease by 31.52% from Php48.02 billion last year. Interest and other charges – net decreased by 10.15%, amounting to Php2.93 billion this year from Php3.26 billion in 2019. Tax expense in 2020 amounting to Php3.35 billion resulted to a decrease of 44.95% from 2019 reported amount of Php6.08 billion due to lower taxable income.

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

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

Financial Condition

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statements of Financial Position reflects stable financial growth. Total resources as at December 31, 2020 amounted to Php375.69 billion, posting an increase of 7.45% compared to Php349.63 billion as at December 31, 2019.

The Group shows steady liquid position as at December 31, 2020 by having its current assets at Php210.67 billion as against its current obligations at Php72.72 billion. Current assets posted an increase of 10.59% from December 31, 2019 balance of Php190.51 billion. Current obligations reflected an increase of 26.37% from December 31, 2019 balance of Php57.54 billion.

Cash and cash equivalents increased by 73.85% from Php23.10 billion in 2019 to Php40.17 billion in 2020. Current and non-current trade and other receivables – net decreased by 2.17%, amounting to Php43.84 billion as at December 31, 2020 compared to Php44.81 billion as at December 31, 2019. Contract assets increased by 3.96%, amounting to Php19.38 billion as at December 31, 2020 compared to Php18.64 billion as at December 31, 2019. Inventories increased by 3.20% from Php102.85 billion in 2019 to Php106.13 billion in 2020. This includes raw land for residential development and property development cost reclassified due to adoption PFRS 15 and PIC Q&As 2018-11, 2018-15 and 2018-12. Investment properties – net increased by 3.69% amounting to Php114.98 billion in December 31, 2020 from Php110.89 billion in December 31, 2019. This includes raw land and property development cost for office and commercial development reclassified due to adoption of PIC Q&As 2018-11, 2018-15 and 2018-12.

Trade and other payables amounted to Php23.11 billion and Php19.31 billion as at December 31, 2020 and December 31, 2019, respectively, reflecting a 19.71% increase. Contract liabilities increased by 12.09%, amounting to Php5.84 billion as at December 31, 2020 compared to Php5.21 billion as at December 31, 2019. Total current and non-current customers' deposits as at December 31, 2020 amounted to Php14.69 billion compared Php13.80 billion as at December 31, 2019 with 6.44% increase.

The interest-bearing loans and borrowings current and non-current amounted to Php45.58 billion and Php51.26 billion for December 31, 2020 and December 31, 2019, respectively, reflecting an 11.08% decrease. Bonds payable increase by 63.59%, amounting to Php40.28 billion as at December 31, 2020 compared to Php24.62 billion as at December 31, 2019. Total other liabilities amounted to Php17.91 billion from Php14.66 billion as at December 31, 2020 and December 31, 2019, respectively, translating to an increase of 22.19%.

Total Equity (including non-controlling interests) increased by 3.74% from Php204.87 billion as at December 31, 2019 to Php212.53 billion as at December 31, 2020.

The top five (5) key performance indicators of the Group are shown below:

	December 31, 2020	December 31, 2019
Current Ratio*1	2.90:1.00	3.31:1.00
Debt to Equity Ratio*2	0.40:1.00	0.37:1.00
Net Debt to Equity Ratio*3	0.22:1.00	0.26:1.00

	December 31, 2020	December 31, 2019
Return on Assets*4	3.00%	6.00%
Return on Equity*5	5.00%	10.00%

**1 – Current Assets / Current Liabilities*
**2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)*
**3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)*
**4 – Net Profit / Average Total Assets*
**5 – Net Profit / Average Equity (Computed using figures attributable only to parent company shareholders)*

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

Material Changes in the Year 2020 Financial Statements
(Increase/decrease of 5% or more versus December 31, 2019)

Statements of Financial Position

73.85% increase in cash and cash equivalents
Proceeds from issuance of dollar bonds

7.19% decrease in financial assets at fair value through other comprehensive income
Due to changes in the fair value of shares

6.49% decrease in prepayments and other non-current assets – net
Due to lower other current assets

6.44% increase in advances to landowners and joint ventures
Primarily due additional advances made to joint venture partner

10.06% increase in deferred tax assets
Due to higher deferred tax assets on taxable temporary differences

19.71% increase in trade and other payables
Due to higher payables to suppliers and contractors and cash dividends payable

11.08% decrease in interest-bearing loans and borrowings - net
Due to principal payments

63.59% increase in bonds payable
Due to issuance of bonds during the year

12.09% increase in contract liabilities - net
Represents excess of collection over the progress of work

33.84% decrease in income tax payable
Mainly due to lower taxable income

6.44% increase in customers' deposits - net
Pertains to amounts received from customers for sale of residential lots and condominium units not yet qualified for sales recognition

33.33% decrease in redeemable preferred shares – current and non-current
Due to redemption of preferred shares

7.77% increase in deferred tax liabilities – net
Pertains to tax effects of taxable and deductible temporary differences

34.40% decrease in retirement benefit obligation
Due to changes in actuarial assumptions

22.19% increase in other liabilities – net
Mainly contributed by sales commission payable

*(**Increase/decrease of 5% or more versus December 31, 2019)***

Statements of Income

41.65% decrease in sales
Mainly due to lower sales bookings resulting from temporary suspension of project construction activities during enhanced community quarantine period (ECQ)

23.08% decrease in rental income
Decrease in rental was due to lower revenue from mall rentals because of slowdown in foot traffic resulting from pandemic related concerns

41.73% decrease in hotel operations
Due to lower check-ins of hotels due to government implementation of travel restrictions and pandemic related concerns

18.78% increase in equity share in net earnings of associates
Mainly due to incurred losses of an associate

21.12% decrease in interest and other income – net
Mainly due to lower interest and other income recognized in the current year and non-recurring gain recognized in prior year

41.02% decrease in cost of sales
Due to lower sales bookings and lower project completion resulting from temporary suspension of construction activities

30.27% decrease in cost of hotel operations
Represents direct costs attributable to hotel operations

14.82% decrease in operating expenses
Decrease in operating and administrative expenses resulting from pandemic related concerns

10.15% decrease in interest and other charges- net
Due to higher day-one loss and loss on cancellation recognized in prior year

44.95% decrease in income tax expense
Due to lower taxable income and tax effects of deductible temporary differences

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

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group’s liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

There were no known material events subsequent to the end of the period that have not been reflected in the Group's Financial Statements as at the third quarter of 2020.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statement, the same in the current year consolidated financial statements as at the third quarter of 2020.

There are no commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements.

There were no other material issuances, repurchases or repayments of debt and equity securities.

Results of Operations

(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of December 31, 2019 versus December 31, 2018

Megaworld, the country's largest developer of integrated urban townships, registered a net income of Php19.30 billion in 2019, up 21.87% compared to Php15.83 billion the previous year. Excluding non-recurring gains of Php691.03 million, net income grew 17.51% to a new record high of Php18.61 billion during the year. Net income attributable to parent company stood at Php17.93 billion in 2019 up 17.91% from Php15.21 billion the year before.
Consolidated revenues grew at a robust pace of 17.21% to Php67.31 billion in 2019 from Php57.43 billion in 2018. The healthy growth was underpinned by the strong performances of all of its key businesses.

Development. Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and residential lots, comprising 63.29% of total revenues. Real estate sales remained steady with a 12.01% increase, amounting to Php42.60 billion and Php38.04 billion for the years 2019 and 2018, respectively. The Group's registered sales mostly came from the following projects: Maple Grove Commercial District, San Antonio Residence, Uptown Parksuites Tower 1 & 2, Gentry Manor, The Florence, One Pacific Residence, Bayshore Residential Resort 1&2, One Manchester Place, Uptown Ritz Residence, Greenbelt Hamilton Tower 2, Grand Westside Hotel, Eight Newtown Boulevard, Salcedo Sky Suites, One Eastwood Avenue Tower 2, Kingsford Hotel Bayshore, St. Moritz Private Estate, Eighty One Newport Boulevard and Manhattan Plaza Tower 1.

Leasing**.** The company's rental businesses, comprising of office and lifestyle mall leasing, strongly contributed to the topline, soaring 17.87% to Php16.81 billion in 2019 from the previous year's Php14.26 billion. This contributed 24.98% of the total consolidated revenues during the year.

Hotel Operations**.** The Group's revenues attributable to hotel operations posted an amount of Php2.54 billion in 2019 with an increase of 67.42% from Php1.52 billion for the same period last year.

Total costs and expenses amounted to Php48.02 billion, an increase by 15.90% from Php41.43 billion last year. Interest and other charges – net decreased by 1.05%, amounting to Php3.26 billion this year from Php3.30 billion in 2018. Tax expense in 2019 amounting to Php6.08 billion resulted to an increase of 9.69% from 2018 reported amount of Php5.54 billion due to higher taxable income.

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

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

Financial Condition

The Group maintains a prudent financial policy as it engages in a more competitive and challenging environment. The Group's Statements of Financial Position reflects stable financial growth. Total resources as at December 31, 2019 amounted to Php349.63 billion, posting an increase of 8.48% compared to Php322.29 billion as at December 31, 2018.

The Group shows steady liquid position as at December 31, 2019 by having its current assets at Php190.51 billion as against its current obligations at Php57.54 billion. Current assets posted an increase of 8.77% from December 31, 2018 balance of Php175.15 billion. Current obligations reflected an increase of 21.39% from December 31, 2018 balance of Php47.40 billion.

Cash and cash equivalents increased by 31.70% from Php17.54 billion in 2018 to Php23.10 billion in 2019. Current and non-current trade and other receivables – net increased by 28.34%, amounting to Php44.81 billion as at December 31, 2019 compared to Php34.91 billion as at December 31, 2018. Contract assets decreased by 16.13%, amounting to Php18.64 billion as at December 31, 2019 compared to Php22.23 billion as at December 31, 2018. Inventories increased by 2.17% from Php100.66 billion in 2018 to Php102.85 billion in 2019. This includes raw land for residential development and property development cost reclassified due to adoption PFRS 15 and PIC Q&As 2018-11, 2018-15 and 2018-12. Investment properties – net increased by 7.53% amounting to Php110.89 billion in December 31, 2019 from Php103.12 billion in December 31, 2018. This includes raw land and property development cost for office and commercial development reclassified due to adoption of PIC Q&As 2018-11, 2018-15 and 2018-12. Property and equipment – net amounted to Php6.70 billion, 8.63% higher from year-end 2018 balance of Php6.17 billion.

Trade and other payables amounted to Php19.34 billion and Php15.03 billion as at December 31, 2019 and 2018, respectively, reflecting a 28.73% increase. Contract liabilities decreased by 2.89%, amounting to Php5.21 billion as at December 31, 2019 compared to Php5.37 billion as at December 31, 2018. Total current and non-current customers' deposits as at December 31, 2019 amounted to Php13.80 billion compared Php11.81 billion as at December 31, 2018 with 16.86% increase.

The interest-bearing loans and borrowings current and non-current amounted to Php51.26 and Php50.64 billion for December 31, 2019 and 2018, respectively, reflecting a 1.22% increase. Bonds payable decreased by 1.90%, amounting to Php24.62 billion as at December 31, 2019 compared to Php25.10 billion as at December 31, 2018. Total other liabilities amounted to Php14.62 billion from Php11.72 billion as at December 31, 2019 and 2018, respectively, translating to a 24.73% increase.

Total Equity (including non-controlling interests) increased by 8.54% from Php188.74 billion as at December 31, 2018 to Php204.87 billion as at December 31, 2019 due to the Group's continuous profitability.

The top five (5) key performance indicators of the Group are shown below:

	December 31, 2019	December 31, 2018
Current Ratio *1	3.31:1.00	3.69:1.00
Debt to Equity Ratio *2	0.37:1.00	0.40:1.00
Net debt to equity *3	0.26:1.00	0.31:1.00

	December 31, 2019	December 31, 2018
Return on Assets *4	5.74%	5.22%
Return on Equity *5	10.48%	9.97%

**1 – Current Assets / Current Liabilities*

**2 – Interest Bearing Loans and Borrowings and Bonds Payable / Equity*

**3 - Net Debt / Equity (Net debt is total debt less cash and cash equivalents)*

**4 – Net Profit / Average Total Assets*

**5 – Net Profit / Average Equity (Computed using figures attributable only to parent company shareholders)*

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

Material Changes in the Year 2019 Financial Statements
(Increase/decrease of 5% or more versus December 31, 2018)

Statement of Financial Position

31.70% increase in cash and cash equivalents
Mainly pertains to higher cash that is generated internally and net proceeds from debt issuance during the year

28.34% increase in trade and other receivables – net
Primarily due to additional sales for the period

16.13% decrease in contract assets
Represents excess of progress of work over the right to an amount of consideration

30.09% increase in advances to contractors and suppliers
Represents advance payments to contractors and suppliers

75.85%increase in investment in associates - net
Due to additional subscription made during the year

7.53% increase in investment properties – net
Mainly includes completed properties for lease and raw land and property development cost for office and commercial development reclassified due to adoption of PIC Q&As 2018-11, 2018-15 and 2018-12

8.63% increase in property and equipment – net
Represents additional costs incurred for hotel buildings

8.39% increase in deferred tax assets – net
Due to higher deferred tax assets on taxable temporary differences

28.73% increase in trade and other payables
Due to higher payables to suppliers and contractors

16.86% increase in customers' deposits – current and non-current
Pertains to amounts received from customers for sale of residential lots and condominium units not yet qualified for sales recognition

25.00% decrease in redeemable preferred shares – current and non-current
Due to redemption of preferred shares

24.43%increase in income tax payable
Mainly due to higher taxable income

19.86% increase in deferred tax liabilities – net
Pertains to tax effects of taxable and deductible temporary differences

50.83% increase in retirement benefit obligation
Additional accrual of retirement plan of employees

24.73% increase in other liabilities – current and non-current
Mainly contributed by subscription payable to an associate, additional security deposits and advance rent from new tenants

8.54% increase in equity
Due to the Group's continuous profitability

*(**Increase/decrease of 5% or more versus December 31, 2018)***

Statements of Income

12.01% increase in real estate sales
Due to higher sales recognized for the period

17.87% increase in rental income
Due to aggressive expansion of the Group's leasing portfolio, escalation of rental rates and high demand for office space from BPO Companies

67.42% increase in hotel operations
Due to increase in hotel occupancy rates and opening of new hotels

163.73% decrease in equity share in net earnings (losses) of associates
Mainly due to losses incurred by associates

53.90% increase in interest and other income – net
Primarily due to higher interest and other income recognized for the current period

13.93% increase in cost of real estate sales
Due to increase in real estate sales

68.28% increase in cost of hotel operations
Represents direct costs attributable to hotel operations

23.72% increase in operating expenses
Due to increase in other administrative and corporate overhead expenses

9.69% increase in tax expense
Due to higher taxable income and tax effects of deductible temporary differences

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

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

There were no known material events subsequent to the end of the period that have not been reflected in the Group's Financial Statements for the year 2019.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statement, the same in the current year consolidated financial statements as at 2019. There are no commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements.

There were no other material issuances, repurchases or repayments of debt and equity securities.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

Results of Operations

(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of December 31, 2018 versus December 31, 2017

Megaworld, the country's largest developer of integrated urban townships, saw its net income grow by 16.55% to Php15.84 billion in 2018 from Php13.59 billion (excluding non-recurring gains of Php113.07 million) the previous year. Net income attributable to parent company ended at Php15.22 billion by end of December 2018, a 16.78% jump from Php13.03 billion in 2017 (excluding Php113.07 million non-recurring gain).

Consolidated revenues grew by 14.87% to Php57.44 billion in 2018 from the previous year's Php50.00 billion (excluding Php113.07 million non-recurring gain).

Development. Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and residential lots, comprising 66.22% of total revenues. Real estate sales remained steady with a 11.49% increase, amounting to Php38.04 billion and Php34.12 billion for the years 2018 and 2017, respectively. The Group's registered sales mostly came from the following projects: Maple Grove Commercial District, Uptown Parksuites Tower 1 & 2, The Venice Luxury Residences, The Florence, One Pacific Residence, Three Central, Uptown Ritz Residence, Salcedo Skysuites, San Antonio Residence, One Eastwood Avenue Tower 1 & 2, Noble Place, Eighty One Newport Boulevard, One Uptown Residence, Manhattan Plaza Tower 1, St. Moritz Private Estate Cluster 1 & 2, One Manchester Place, Marriott Courtyard Iloilo and Greenbelt Hamilton Tower 2.

Leasing**.** The Company's rental businesses, comprising of office and lifestyle mall leasing, strongly contributed to the topline, soaring 20.58% to Php14.26 billion in 2018 from the previous year's Php11.83 billion. This contributed 24.84% of the total consolidated revenues during the year.

Hotel Operations**.** The Group's revenues attributable to hotel operations posted an amount of Php1.52 billion in 2018 with an increase of 13.73% from Php1.34 billion for the same period last year.

Total costs and expenses amounted to Php41.43 billion, an increase by 13.78% from Php36.41 billion last year. Interest and other charges – net decreased by 14.65%, amounting to Php3.30 billion this year from Php3.86 billion in 2017. Tax expense in 2018 amounting to Php5.54 billion resulted to an increase of 36.44% from 2017 reported amount of Php4.06 billion due to higher taxable income.

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

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

Financial Condition

The Group maintains a prudent financial policy as it engages in a more competitive and challenging environment. The Group's Statements of Financial Position reflects stable financial growth. Total resources as at December 31, 2018 amounted to Php322.31 billion, posting an increase of 13.36% compared to Php284.32 billion as at December 31, 2017.

The Group shows steady liquid position as at December 31, 2018 by having its current assets at Php172.76 billion as against its current obligations at Php44.54 billion. Current assets posted an increase of 20.78% from December 31, 2017 balance of Php143.04 billion. Current obligations reflected a slight decrease of 0.55% from December 31, 2017 balance of Php44.79 billion.

Cash and cash equivalents increased by 6.77% from Php16.43 billion in 2017 to Php17.54 billion in 2018. Current and non-current trade and other receivables – net increased by 25.57%, amounting to Php32.28 billion as at December 31, 2018 compared to Php25.71 billion as at December 31, 2017. Contract assets increased by 39.71%, amounting to Php22.23 billion as at December 31, 2018 compared to Php15.91 billion as at December 31, 2017. Inventories increased by 13.71% from Php88.75 billion in 2017 to Php100.91 billion in 2018. This includes raw land for residential development and property development cost reclassified due to adoption PFRS 15 and PIC Q&As 2018-11, 2018-15 and 2018-12. Investment properties – net increased by 7.82% amounting to Php103.12 billion in December 31, 2018 from Php95.65 billion in December 31, 2017. This includes raw land and property development cost for office and commercial development reclassified due to adoption of PIC Q&As 2018-11, 2018-15 and 2018-12. Property and equipment – net amounted to Php6.17 billion, 19.33% higher from year-end 2017 balance of Php5.17 billion.

Trade and other payables amounted to Php15.05 billion and Php12.39 billion as at December 31, 2018 and 2017, respectively, reflecting a 21.49% increase. Contract liabilities increased by 12.04%, amounting to Php5.37 billion as at December 31, 2018 compared to Php4.79 billion as at December 31, 2017. Total current and non-current customers' deposits as at December 31, 2018 amounted to Php11.81 billion compared Php8.56 billion as at December 31, 2017 with 37.93% increase.

The interest-bearing loans and borrowings current and non-current amounted to Php50.64 and Php40.54 billion for December 31, 2018 and 2017, respectively, reflecting a 24.93% increase. Bonds payable decreased by 26.95%, amounting to Php25.10 billion as at December 31, 2018 compared to Php34.36 billion as at December 31, 2017. Total other liabilities amounted to Php11.72 billion from Php8.94 billion as at December 31, 2018 and 2017, respectively, translating to a 31.07% increase.

Total Equity (including non-controlling interests) increased by 15.29% from Php163.70 billion as at December 31, 2017 to Php188.73 billion as at December 31, 2018 primarily due to issuance of perpetual capital securities and the Group's continuous profitability.

The top five (5) key performance indicators of the Group are shown below:

	December 31, 2018	December 31, 2017
Current Ratio *1	3.88:1.00	3.25:1.00
Debt to Equity Ratio *2	0.40:1.00	0.46:1.00
Net debt to equity *3	0.31:1:00	0.36:1.00

	December 31, 2018	December 31, 2017
Return on Assets *4	5.22%	5.14%
Return on Equity *5	9.98%	9.79%

**1 – Current Assets / Current Liabilities*

**2 – Interest Bearing Loans and Borrowings and Bonds Payable / Equity*

**3 - Net Debt / Equity (Net debt is total debt less cash and cash equivalents)*

**4 – Net Profit / Average Total Assets*

**5 – Net Profit / Average Equity (Computed using figures attributable only to parent company shareholders)*

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

Material Changes in the Year 2018 Financial Statements
(Increase/decrease of 5% or more versus December 31, 2017)

Statement of Financial Position

6.77% increase in cash and cash equivalents
Mainly pertains to higher cash that is generated internally and net proceeds from debt issuance during the year

25.57% increase in trade and other receivables – net
Primarily due to additional sales for the period

39.71% increase in contract assets
Represents excess of progress of work over the right to an amount of consideration

13.71% increase in inventories
Mainly includes residential condominium units for sale and raw land for residential development and property development cost reclassified due to adoption PFRS 15 and PIC Q&As 2018-11, 2018-15 and 2018-12

11.70% increase in advances to contractors and suppliers
Represents advance payments to contractors and suppliers

16.63% increase in prepayments and other assets – current and non-current
This includes recognition of cost to obtain a contract (sales commission) due to adoption of PFRS 15 and recognition of derivative asset resulting from the cross-currency swap transaction

15.38% increase in advances to landowners and joint ventures
Due to additional advances made to landowners and co-venturer

14.21% decrease in investment in and advances to associates and other related parties
Due to reclassification of investments in associates to investment in subsidiaries

7.82% increase in investment properties – net
Mainly includes completed properties for lease and raw land and property development cost for office and commercial development reclassified due to adoption of PIC Q&As 2018-11, 2018-15 and 2018-12.

19.33% increase in property and equipment – net
Represents additional costs incurred for hotel buildings

245.50% increase in deferred tax assets
Due to higher deferred tax assets on taxable temporary differences

24.93% increase in interest-bearing loans and borrowings – current and non-current
Due to availment of new loans

26.95% decrease in bonds payable – current and non-current
Due to maturity of bonds

21.49% increase in trade and other payables
Due to higher payables to suppliers and contractors

12.04% increase in contract liabilities – current and non-current
Represents excess of collection over the progress of work

37.93% increase in customers' deposits – current and non-current
Pertains to amounts received from customers for sale of residential lots and condominium units not yet qualified for sales recognition

20% decrease in redeemable preferred shares – current and non-current
Due to redemption of preferred shares
6.09% decrease in income tax payable
Due to payment of prior year income tax due

31.07% increase in other liabilities – current and non-current
Mainly contributed by additional security deposits and advance rent from new tenants

52.13% increase in deferred tax liabilities – net
Pertains to tax effects of taxable and deductible temporary differences

9.58% increase in advances from associates and other related parties
Due to increase in advances arising from related party transactions

19.89% decrease in retirement benefit obligation
Mainly due to lower recognized liabilities on employee benefits

15.29% increase in equity
Primarily due to issuance of perpetual capital securities and the Group's continuous profitability

*(**Increase/decrease of 5% or more versus December 31, 2017)***

Statements of Income

11.49% increase in real estate sales
Due to higher sales recognized for the period and contribution of a new subsidiary

20.58% increase in rental income
Due to aggressive expansion of the Group's leasing portfolio, escalation of rental rates and high demand for office space from BPO Companies

13.73% increase in hotel operations
Due to increase in hotel occupancy rates and opening of new hotels

22.32% decrease in equity share in net earnings of associates
Mainly due to decrease in net income of associates

29.85% increase in interest and other income – net
Due to higher interest income

13.75% increase in cost of real estate sales
Due to increase in real estate sales

8.60% increase in cost of hotel operations
Represents direct costs attributable to hotel operations

16.07% increase in operating expenses
Due to increase in other administrative and corporate overhead expenses

14.65% decrease in interest and other charges-net
Due to effect of impairment loss recognize last year

36.44% increase in tax expense
Due to higher taxable income and tax effects of deductible temporary differences

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

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

There were no known material events subsequent to the end of the period that have not been reflected in the Group's Financial Statements for the year 2018.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statement, the same in the current year consolidated financial statements as at 2018. There are no commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements.

There were no other material issuances, repurchases or repayments of debt and equity securities.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In compliance with SEC Memorandum Circular No. 8, Series of 2003, which was subsequently incorporated in SRC Rule 68, paragraph 3(b)(iv), and the Company's Manual of Corporate Governance, which require that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier, Mr. Renan A. Piamonte of Punongbayan and Araullo was designated as handling partner for the audit of the financial statements of the Company starting the year ending 31 December 2016. Punongbayan & Araullo was also the auditor of the Company for 2020, 2019 and 2018.

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

Section 49 of the Revised Corporation Code

In compliance with Section 49 of the Revised Corporation Code, a copy of the Minutes of the previous annual stockholders' meeting is attached herein as **Annex "B".**

The attendance of the directors at the meetings of the Board of Directors for the year 2020 is as follows:

Name	No. of Meetings held during the year	No. of Meetings Attended	Percentage of Attendance
Andrew L. Tan	15	15	100%
Katherine L. Tan	15	15	100%
Kingson U. Sian	15	15	100%
Enrique Santos L. Sy	15	15	100%
Jesus B. Varela	15	15	100%
Cresencio P. Aquino	15	15	100%
Roberto S, Guevara	15	15	100%

The Company adopts a policy of full disclosure with regard to related party transactions. All terms and conditions of related party transactions are reported to the Board of Directors. The Company ensures that the transactions are entered on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required to be made before entering into transaction. No participation in the approval of the transaction. None of the Corporation's directors and officers have entered into self-dealing and related party transactions with or involving the Corporation in 2020.

The Company undertakes shall provide, without charge, to each stockholder a copy of its annual report on SEC Form 17-A, upon written request addressed to Megaworld Corporation, Attention: The Corporate Secretary, 10th Floor, Two World Square, 24 Upper McKinley Rd, McKinley Hill, Taguig City 1634

ANNEX "A"

MEGAWORLD CORPORATION

Procedures and Requirements for Voting and Participation in the 2021 Annual Stockholders' Meeting

Pursuant to Article 1, Sections 4 and 6 of the Company's Amended By-Laws, Sections 23 and 57 of the Revised Corporation Code, and SEC Memorandum Circular No. 06, Series of 2020 allowing voting through remote communication or in absentia, and to conform with the government's regulations on social distancing and prohibition on mass gatherings and to protect the safety of its stockholders during the COVID-19 pandemic crisis, Megaworld Corporation (the "Company") will dispense with the physical attendance of its stockholders for the 2021 Annual Stockholders' Meeting ("Annual Meeting"). Instead, the Company will conduct the Annual Meeting scheduled on 18 June 2021 at 9:00 AM by remote communication and will conduct electronic voting *in absentia*.

Only stockholders of record as of 21 May 2021 are entitled to participate and vote in the Annual Meeting.

The Company has adopted the following procedures and requirements to enable its stockholders to participate and vote in the Annual Meeting.

I. ONLINE REGISTRATION STEPS AND REQUIREMENTS

A. Stockholders may register from 9:00 AM of 28 May 2021 until 5:00 PM of 11 June 2021 to signify his/her/its intention to participate in the Annual Meeting by remote communication. The registration steps and requirements are available the Company's website: https://www.megaworldcorp.com/asm2021.

B. To register, stockholders shall submit the following requirements to the Office of the Corporate Secretary via email at corporatesecretary@megaworldcorp.com:

B.1 For Individual Stockholders –

(i) Scanned copy of stock certificate issued in the name of the individual stockholder;

(ii) Valid email address and active contact number;
(iii) Scanned copy of valid government-issued identification card; and
(iv) Recent photo of stockholder.

B.2 For Stockholders with Joint Accounts –

(i) Authorization letter signed by all stockholders indicating the name of the person authorized to cast the votes;
(ii) Scanned copy of stock certificate issued in the name of the joint stockholders;
(iii) Valid email address and active contact number of the authorized stockholder;
(iv) Scanned copy of valid government-issued identification card of the authorized stockholder; and
(v) Recent photo of the authorized stockholder.

B.3 For Stockholders under PCD Participant/Brokers Account or holding 'Scripless Shares'-

(i) Stockholders should coordinate with their broker and request for the full account name and reference number or account number they provided the Company;
(ii) Broker's Certification on the stockholder's number of shareholdings;
(iii) Valid email address and active contact number of the stockholder;

(iv) Scanned copy of valid government-issued identification card of stockholder; and
(v) Recent photo of stockholder.

B.4 <u>For Corporate Stockholders</u> –

(i) Secretary's Certificate attesting to the authority of the representative to vote the shares on behalf of the corporate stockholder;
(ii) Scanned copy of stock certificate issued in the name of the corporate stockholder;
(iii) Valid email address and active contact number of authorized representative;
(iv) Valid government-issued identification card of authorized representative; and
(v) Recent photo of stockholder.

C. The documents submitted will then be verified by the Office of the Corporate Secretary. The validation process will be completed by the Company no later than three (3) business days from the stockholder's receipt of an email from the Company acknowledging receipt of the stockholder's registration documents. Once validated, the stockholder will receive an email that his/her/its account has been verified and shall provide instructions for the stockholder's access to the Company's electronic voting and to access the Annual Meeting livestreaming link.

II. ELECTRONIC VOTING IN ABSENTIA

A. Duly registered stockholders have the option to vote for the matters contained in the agenda for the Annual Meeting through electronic voting *in absentia*. <u>The deadline for registration is 5:00 PM of **11 June 2021**.</u> Beyond this date, stockholders may no longer avail of the option to electronically vote *in absentia.*

B. After verification, the Company shall send a ballot to the registered stockholder through his/her/its e-mail address which shall contain all the agenda items for approval as indicated in the Notice of Meeting and the registered stockholder may vote as follows:

(1) For items other than Election of Directors, the registered stockholder has the option to vote: In Favor of, Against, or Abstain. The vote is considered cast for all the registered stockholder's shares.

(2) For the Election of Directors, the registered stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. The total number of votes the stockholder is allowed to cast shall be based on the number of shares he/she or it owns.

(3) Once voting on the agenda items is finished, the stockholder can proceed to submit the accomplished ballot via email to corporatesecretary@megaworldcorp.com.

(4) After the ballot has been submitted, the stockholder may no longer change his/her vote. The stockholder will receive a confirmation email that his/her/its vote has been recorded.

C. Thereafter, the Office of the Corporate Secretary, through election inspectors appointed for the meeting, shall tabulate all valid and confirmed votes cast through electronic voting, together with the votes through proxies, subject to validation by representatives of the Company's external auditors.

D. Registered stockholders shall have until 5:00 PM of **11 June 2021** to cast their votes *in absentia.* Stockholders will not be allowed to cast votes during the livestream of the Annual Meeting.

III. VOTING BY PROXY

A. For individual stockholders holding certificated shares of the Company – Download the proxy form that is available at **https://megaworldcorp.com/asm2021**.

B. For stockholders holding 'scripless' shares, or shares held under a PCD Participant/Broker – Download the proxy form that is available at https://www.megaworldcorp.com/asm2021. Stockholders are advised to coordinate with their brokers first for the execution of this type of proxy.

C. For corporate stockholders - Download the proxy form that is available at **https://megaworldcorp.com/asm2021**. A copy of the duly signed and notarized Secretary's Certificate must be submitted together with the proxy form. For reference, a sample Secretary's Certificate is also available at **https://megaworldcorp.com/asm2021**.

D. General Instructions on Voting by Proxy:

(1) Download and fill up the appropriate proxy form. Follow the instructions on how to cumulate or allocate votes in the election of directors.

Send the scanned copy of the duly executed proxy form via email to corporatesecretary@megaworldcorp.com or submit the original proxy form to the Office of the Corporate Secretary at 10th Floor, Two World Square, 24 Upper McKinley Rd, McKinley Hill, Taguig City 1634

(2) Deadline for the submission of proxies is at 5:00 PM of **11 June 2021**.

(3) Validation of proxies will be on **16 June 2021**.

(4) If a stockholder avails of the option to cast his/her vote electronically *in absentia* and also issues proxy votes with differing instructions, the duly accomplished ballots sent through e-mail shall replace the proxy votes issued by the stockholder.

IV. PARTICIPATION BY REMOTE COMMUNICATION

A. Only duly registered stockholders will be included in determining the existence of a quorum.

B. Duly registered stockholders may send their questions and/or comments prior to the Annual Meeting through email at corporatesecretary@megaworldcorp.com. The deadline for submitting questions shall be at **5:00 PM** of **17 June 2021**.

C. The proceedings during the Annual Meeting will be recorded.

For any clarifications, please contact the Office of the Corporate Secretary via email at corporatesecretary@megaworldcorp.com.

Annex "B"

MEGAWORLD CORPORATION
MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS
24 August 2020 / 9:25 a.m.
Conducted virtually via https://www.megaworldcorp.com/asm2020/live

Present:

Andrew L. Tan	-	Chairman and President
Katherine L. Tan	-	Director
Kingson U. Sian	-	Director
Enrique Santos L. Sy	-	Director
Jesus B. Varela	-	Independent Director
Cresencio P. Aquino	-	Independent Director
Roberto S. Guevara	-	Independent Director

Also Present:

Anna Michelle T. Llovido	-	Corporate Secretary

I. CALL TO ORDER

The Presiding Officer, Mr. Kingson U. Sian called the meeting to order at 9:25 a.m. and presided thereat. The Corporate Secretary, Atty. Anna Michelle T. Llovido, recorded the proceedings of the meeting.

II. PROOF OF NOTICE AND DETERMINATION OF QUORUM

The Presiding Officer stated that the Corporation decided to hold this year's Annual Stockholders' Meeting (the "Meeting") by live streaming to conform to the government's regulation on social distancing and prohibition on mass gatherings. The Corporation adopted measures to afford the stockholders the opportunity to participate in the Meeting as effectively as a physical meeting.

The Corporate Secretary certified that all stockholders of record as of **23 July 2020** have been duly notified of the Meeting pursuant to the Corporation's By-Laws and applicable Securities and Exchange Commission ("SEC") Circulars.

Copies of the Notice of the Annual Meeting, the Agenda, and the Definitive Information Statement were made available through:

(i) The Corporation's website;
(ii) The Philippine Stock Exchange Electronic Disclosure Generation Technology or PSE EDGE;
(iii) The Manila Bulletin on 29 July 2020; and
(iv) The Manila Time on 30 July 2020

The Corporate Secretary also certified that there exists a quorum to transact the business in the agenda for the Meeting, there being present in person or represented by proxy stockholders holding **83.69%** of the entire subscribed and outstanding capital stock of the Corporation.

The Corporate Secretary certified that only stockholders who have successfully registered may participate in the Meeting. Moreover, the Corporate Secretary explained the Procedures for Registration, Voting and Participation in the Meeting which were contained in the Definitive Information Statement and implemented as follows:

(i) Stockholder signifying their intention to participate by remote communication have registered by submitting the requirements by email to the Corporate Secretary at corporatesecretary@megaworldcorp.com;

(ii) Stockholders who have registered have sent their questions and/or comments prior to the meeting through email at asm2020@megaworldcorp.com until 5:00pm of 18 August 2020;

(iii) The resolutions proposed to be adopted at this meeting will be shown on the screen;

(iv) Stockholders who have duly registered to participate by remote communication have casted their votes by proxy or in absentia by sending their accomplished ballots by email to the Corporate Secretary until 5:00pm of August 14, 2020; and,

(v) The Office of the Corporate Secretary has tabulated all valid and confirmed votes cast through electronic voting, together with the votes through proxies, and the voting results will be announced during the Meeting and reflected in the minutes of the Meeting.

III. APPROVAL OF MINUTES OF THE PREVIOUS ANNUAL MEETING

The Presiding Officer then proceeded with the approval of the minutes of the annual stockholders' meeting held on **21 June 2019**, and informed the stockholders that the copy of the minutes of the 2019 Annual Meeting have been made available through the Corporation's website.

The Corporate Secretary announced that 100% of the voting shares represented in the Meeting have voted in favor of the approval of the minutes of the annual stockholders' meeting held on **21 June 2019**. Therefore, the Presiding Officer declared that the following resolution has been approved:

"RESOLVED, that the Corporation approve the Minutes of the Annual Stockholders' Meeting held on 21 June 2019."

IV. CHAIRMAN'S MESSAGE

The Presiding Officer then turned the floor over to the Chairman, Dr. Andrew L. Tan, who delivered the Chairman's Message as follows:

"Through the years, Megaworld has contributed much to the enhancement of the country's metropolitan skylines, with developments that cut across key elements of society—residences, office spaces, hotels, and commercial properties. The year 2019 was no different. Building on our core values of integrity, creativity, innovation, excellence, and love for the company, we were able to sustain the momentum of growth we've built in recent time and retain our position as the leading developer of urban townships and the largest office space developer and landlord in the country.

Testament to our creditable performance for the year was our net profit which amounted to P19.3 billion, a substantial increase of 22% from the previous year's P15.8 billion. This was driven by a robust 17% year-on-year growth in our consolidated revenues to P67.3 billion, underpinned by the strong performances of all of our key business units. Megaworld's real estate sales registered a 12% growth, ending the year at P42.6 billion. Our reservation sales similarly sustained their growth momentum in 2019, ending the year at a record P149 billion. Rental income from our offices and malls exhibited another year of record growth, soaring 18% to P16.8 billion in 2019. Income from our hotel business, in turn, grew by 67% to end the year at P2.5 billion from P1.5 billion the previous year. Despite the challenges of 2019, Megaworld was able to sustain its expansion initiatives, launching new projects while opening newly completed ones. We not only continued our innovative approach to property development, we also aimed to level it up by laying the groundwork for digital transformation.

With a new vision statement that proudly declares, "We uplift lives, impact society, and help shape the nation," we set out to redefine living, working, and playing as we introduced innovations that aim to reshape the property landscape for years to come. With this in mind, we set out to ensure that all our initiatives towards innovation are anchored on building a more sustainable tomorrow not only for the property development industry but also for the nation as a whole.

After launching our "iTownships" initiative a couple of years back, we continued to make strides in future-proofing our townships, a development concept that we pioneered back in 1997 when we launched Eastwood City in Libis, Quezon City. In 2019, we sustained our efforts to incorporate smart technology, digital technology, design innovations, and connectivity capabilities into our developments, while enhancing the green and sustainable features of our properties and enriching them through creative and cultural installations. During the year, we launched a total of 23 new projects with a total value of P85 billion. Most of these projects are located in key provincial areas, in keeping with our thrust to aggressively expand our property development into strategic locations outside the National Capital Region. We launched residential projects in Batangas, Cavite, Laguna, *Rizal, Pampanga, Baguio City, Boracay, Bacolod City, Cebu and Davao City. We also rolled out projects in McKinley West, Westside City, McKinley Hill, ArcoVia City, and inside the San Lazaro Tourism and Business Park. We have also launched two new office towers for sale—the One Corporate Place in Maple Grove, Cavite, and the International Corporate Plaza in Iloilo Business Park, Iloilo City.*

The year has also been a busy one for our Megaworld Premier Offices. We were able to complete around 192,300 square meters of leasable office space in 2019. This has brought our current inventory of leasable office space to 1.3 million square meters. We now have over 130 multinational companies as tenant partners, leasing over 70 completed office towers in over 10 key cities nationwide. By the end of 2020, we aim to have at least 1.4 million square meters of gross leasable space, through the addition of another 86,800 square meters of fresh leasable office space this year. I believe that the value we continuously bring to our office space offerings will allow us to achieve this objective.

The growth of our Megaworld Lifestyle Malls was likewise robust in 2019. We expanded our commercial retail portfolio with the opening of 11 commercial properties across our townships nationwide. We opened new retail spaces in Iloilo Business Park in Mandurriao, Iloilo City; Alabang West along Daang Hari in Las Piñas City; McKinley Hill and Uptown Bonifacio, both in Taguig City; ArcoVia City in Pasig City; Boracay Newcoast in Boracay Island, Aklan; and Davao Park District in Lanang, Davao City. Our new commercial properties cover a gross leasable area of around 20,600 square meters, bringing the Megaworld Lifestyle Malls footprint to 453,000 square meters nationwide, spread across 20 lifestyle malls and various commercial centers as of end-2019.

In our continuing effort to transform our developments into models of sustainability, we have begun using solar roof panels for our malls while utilizing an open layout scheme for passive cooling and natural lighting in common areas. In fact, in our new Mactan Newtown Beach Walk mall, around 40% of the entire development will be dedicated to green and open spaces.

Our commitment to support the government's call to elevate the country's tourism industry has never been more emphasized than in 2019. We opened three new hotels in 2019, with the goal of being able to provide added accommodations to local and international tourists. These new hotels are the 93-room Hotel Lucky Chinatown in Binondo, the 442-room Belmont Hotel in Boracay, and the 547-room Savoy Hotel in Mactan, Cebu. Hotel Lucky Chinatown is located near the legendary walled city of Intramuros, the iconic Manila City Hall, and the historic National Museum. The Belmont Hotel Boracay, our second under the Belmont Brand, is located within the sloping area of the estate just beside Savoy Hotel. It overlooks the eastern beach of Boracay Island. Savoy Hotel Mactan, in turn, is Megaworld's first hotel development inside our 30-hectare The Mactan Newtown in Lapu-Lapu City. It will cater mostly to business travelers and family vacationers because of its close accessibility to the beach and resorts around Mactan and to the new Mactan- Cebu International Airport.

One of the highlights of the year for us was the opening of our very first cultural museum dedicated to the "World's Oldest Chinatown" inside the Lucky Chinatown Mall in Binondo, Manila. The Chinatown Museum features 18 galleries, each focusing on various influences and historical events that have shaped the cultural, social, and economic threads of Binondo. We envision this new cultural landmark, recognized by the National Historical Commission and National Commission for Culture and the Arts, as a community space and heritage project that offers a visual retelling of the rich history of Binondo.

I am also proud to report that, much like in previous years, the Megaworld Group once again garnered several awards in 2019. In fact, we received a record 133 awards from January to December, some 57 of which were from international award-giving bodies. Of all these citations, we are extremely proud that we were once again named "Best Employer" at the Philippines Best Employer Brand Awards 2019. We were also cited as one of the "Dream Companies to Work For," not just in the Philippines but across Asia. These awards effectively complemented our initiatives during one of our busiest years in recent times.

The year 2019 was truly a rich and meaningful one for us. Not only did it mark our 30th year of operations, it was a turning point for our efforts at sustainability. Nevertheless, we are aware of the headwinds brought about by the COVID-19 pandemic in the country since the early part of 2020. The imposition of community quarantines and travel restrictions has impacted foot traffic and occupancy rates in our malls and hotels. However, this situation also highlighted our strengths. Our strong financial standing puts us in an exceptionally good position to weather the crisis and take advantage of the opportunities that will arise once recovery begins. The crisis also served to highlight the value of *our offerings. For example, our focus on building sustainable townships under the "Live-Work-Play" concept helped the people living in our communities to cope better with the pandemic as all their needs are immediately accessible. Moreover, the acceleration of the digital economy aligns perfectly with our ongoing thrust towards digitalization.*

As we navigate this new reality, we will adjust to the new demands of our diverse market. We will accelerate the implementation of our innovation and digital transformation strategies across all our businesses to align with the current challenges. We will also continue to implement enhanced safety measures in our developments, particularly our malls and office spaces, to ensure that our guests and tenants are safe and protected. Through all these, we will always ensure that the communities we build will contribute to the creation of a safe, secure, and sustainable tomorrow for everyone."

After the Chairman's Message, the Chief Strategy Officer, Mr. Kevin L. Tan, presented his report on the performance of the Corporation in 2019 and the outlook moving forward under the New Normal.

V. OPEN FORUM

The Presiding Officer requested the Head of Investor Relations, Mr. Dave Valeriano, to read the questions that were sent through asm2020@megaworldcorp.com. Below is a summary of the questions and the answers that were given:

Question: Given that Megaworld has an ongoing share buyback program, will the company declare dividends this year?

Answer: Given the current situation, the Board is still studying the matter on cash dividend payment alongside the ongoing share buyback program.

Question: How are you preparing your mall business under the New Normal set-up? Also, how can your malls co-exist with the surge in e-commerce activities?

Answer: First of all, we have put intensive health protocols in place to ensure the safety of our mall visitors. We have also provided new contactless options for purchases, and are developing new channels to reach out to customers, especially in the realm of e-commerce.

Question: What is your view on the company's hospitality business given the current weakness of international and domestic travel?

Answer: Megaworld is still firm in its belief that the tourism sector will remain as one of the key long-term drivers of the Philippine economy. As such, we are still keen on expanding our projects in townships such as Westside City, Boracay Newcoast, Twin Lakes and Mactan Newtown. The resumption of air travel will be key to the recovery of the tourism sector as well as improving the occupancies and revenues of Megaworld Hotels. At present, we encourage domestic tourism to spearhead the recovery of the tourism sector, while foreign tourist arrivals could still lag until travel restrictions ease.

Question: When do you expect to resume your more aggressive capex and in what manner do you think your spending appetite will change under the New Reality?

Answer: Currently, our focus is on projects that are already committed for completion this year. In the meantime, we will be monitoring the pace of recovery in economic activity and consumer confidence levels. These are key factors to consider with regard to our investment plans moving forward. On a localized level, new launches will be very opportunistic depending on market demand.

Question: I recently read about the launching of Agile Digital Ventures, Inc. What are your immediate plans for this new venture?

Answer: Agile will spearhead Megaworld's investments and ventures into digital innovations and technology, particularly those that would support the country's food, retail, and hospitality industries. Agile's initial project will be PICK.A.ROO, an all-in-one, premium lifestyle delivery app which we launched this month. Aside from PICK.A.ROO, we will also be on the lookout for other investment opportunities in digital technology platforms that will further boost Megaworld's core businesses.

VI. AMENDMENT OF SECTIONS 4 AND 6, ARTICLE I AND SECTION 3, ARTICLE II OF THE CORPORATION'S AMENDED BY-LAWS

The Presiding Officer informed the stockholders that the next item on the agenda was the approval of the proposed amendments to **SECTIONS 4 AND 6, ARTICLE I and SECTION 3, ARTICLE II** of the Amended By-Laws of the Corporation to allow the stockholders to participate and vote in the Annual Meeting through remote communication or alternative modes of communication, and to also allow members of the Board of Directors to participate and vote in the board meetings through remote communication, and that this is being submitted for approval by the stockholders.

The Corporate Secretary certified that **99.98%** of the voting shares represented in the Meeting have voted in favor of the adoption of the resolutions amending **SECTIONS 4 AND 6, ARTICLE I and SECTION 3, ARTICLE II** of the Corporation's By-Laws to allow the stockholders to participate and vote in the Annual Meeting through remote communication or alternative modes of communication, and to also allow members of the Board of Directors to participate and vote in the board meetings through remote communication. Therefore, the Presiding Officer declared that the following resolution has been approved:

> **"RESOLVED, that the Corporation approve the amendments SECTIONS 4 AND 6, ARTICLE I and SECTION 3, ARTICLE II of the Corporation's Amended By-Laws to allow the stockholders to participate and vote in the Annual Stockholders' Meeting through remote communication or alternative modes of communication, and also allow the Board of Directors to participate and vote in the board meetings through remote communication."**

VII. APPOINTMENT OF EXTERNAL AUDITORS

The Presiding Officer informed the stockholders that the Audit Committee of the Board of Directors has recommended to the Board the engagement of **Punongbayan & Araullo** as external auditors of the Corporation for the audit of the Corporation's financial statements for the year ending **31 December 2020**, and that the Board has approved such engagement.

Upon motion made and duly seconded, the stockholders approved the engagement of **Punongbayan & Araullo** as external auditors of the Corporation for the audit of the Corporation's financial statements for the year ending **31 December 2020**.

VIII. RATIFICATION OF ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS, BOARD COMMITTEES AND MANAGEMENT

The Presiding Officer informed the stockholders that the next item on the agenda is the ratification of all acts and resolutions of the Board of Directors, Board Committees and Officers of the Corporation since the date of last year's annual stockholders' meeting held on **21 June 2019** until **23 August 2020**. He informed the stockholders that a list of such acts was provided in the Definitive Information Statement made available through the Corporation's website and PSE EDGE.

The Corporate Secretary certified that that **99.84%** of the voting shares represented in the Meeting have voted in favor of the ratification all acts and resolutions of the Board of Directors, Board Committees and Officers of the Corporation, which were duly adopted in the ordinary course of business since the date of last year's annual stockholders' meeting held on **21 June 2019** until **23 August 2020**. Therefore, the Presiding Officer declared that the following resolution has been approved:

> **"RESOLVED, that the Corporation ratify each and every act and resolution taken since the annual stockholders' meeting on 21 June 2019 until 23 August 2020 (the "Period"), of the Board of Directors (the "Board"), the Board Committees exercising powers delegated by the Board, and each and every act, during the Period, of the Officers of the Corporation performed in accordance with the resolutions of the Board, the Board Committees as well as with the By-Laws of the Corporation."**

IX. ELECTION OF DIRECTORS

The Presiding Officer informed the stockholders that, for the current year 2020, the Corporation shall be electing seven (7) directors, at least two of whom shall be independent directors pursuant to the Securities and Regulation Code and the Corporation's Revised Manual of Corporate Governance. He requested Mr. Rafael Antonio Perez, on behalf of the Corporate Governance Committee, to present the Final List of Nominees for members of the Board of Directors.

Mr. Perez presented the final list of nominees to the Board of Directors, as follows: Mr. Andrew L. Tan, Mrs. Katherine L. Tan, Mr. Kingson U. Sian, Mr. Enrique Santos L. Sy as regular directors; and Mr. Jesus B. Varela, Mr. Cresencio P. Aquino, Mr. Roberto S. Guevara as independent directors.

Mr. Perez likewise reported that the Final List of Nominees for election as directors of the Corporation possess all the qualifications and none of the disqualifications to hold office as directors of the Corporation.

The Corporate Secretary then informed the Presiding Officer that no further nominations shall be allowed pursuant to the Corporation's By-Laws, as amended.

The Corporate Secretary certified that each of the nominees have obtained the required number of votes to be elected as members of the Board. Therefore, the Presiding Officer declared that the following resolution electing the members of the Board has been approved:

> **"RESOLVED, that the Corporation elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:**
>
> 1. **Andrew L. Tan**
> 2. **Katherine L. Tan**
> 3. **Kingson U. Sian**
> 4. **Enrique Santos L. Sy**
> 5. **Jesus B. Varela – Independent Director**
> 6. **Cresencio P. Aquino – Independent Director**
> 7. **Roberto S. Guevara – Independent Director"**

X. ADJOURNMENT

The Presiding Officer inquired if there are other matters in the agenda. The Corporate Secretary replied there were none. There being no other matters to be discussed, the Meeting was adjourned at 10:22 A.M.

CERTIFIED CORRECT:

ANNA MICHELLE T. LLOVIDO
Corporate Secretary

ATTESTED BY:

KINGSON U. SIAN
Presiding Officer

ANDREW L. TAN
Chairman

MEGAWORLD CORPORATION
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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Megaworld Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 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 Company'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 Company or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Company'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.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

ANDREW L. TAN
Chairman and Chief Executive Officer

FRANCISCO C. CANUTO
SVP and Treasurer
(Chief Financial Officer)

Signed this 7th day of April 2021

CERTIFICATION INTERNATIONAL
ISO 9001:2015

SUBSCRIBED AND SWORN to before me on this 12 day of APR 2021 at MAKATI CITY, Philippines affiants exhibiting to me their Tax Identification Nos. as follows:

Andrew L. Tan	125-960-003-000
Francisco C. Canuto	102-956-483-000

Doc. No. 22;
Page No. 6;
Book No. 145;
Series of 2021

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2021
IBP NO. 142536 / 01-04-21 CY 2021
ROLL NO. 28947 / MCLE 6 / 3-22-19
PTR NO. MKT.8533046/1-4-21 APPT NO. M-16

P&A Grant Thornton
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FOR SEC FILING

Consolidated Financial Statements and Independent Auditors' Report

Megaworld Corporation and Subsidiaries

December 31, 2020, 2019 and 2018

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 22 88

Report of Independent Auditors

The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
30th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

Opinion

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

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

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 our audits 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.

Emphasis of Matter

We draw attention to Note 1 to the financial statements, which describes management's assessment of the continuing impact on the Group's consolidated financial statements of the business disruption brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

(a) Revenue Recognition on Real Estate Sales and Determination of Related Costs

Description of the Matter

The Group's revenue recognition process, policies and procedures on real estate sales are significant to our audit because these involve the application of significant judgment and estimation. In addition, real estate sales and costs of real estate sales amounted to P24.9 billion or 57.2% of consolidated Revenues and Income and P13.8 billion or 41.9% of consolidated Cost and Expenses, respectively, for the year ended December 31, 2020. The areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

The Group's policy for revenue recognition on real estate sales are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to revenue recognition are more fully described in Note 3 to the consolidated financial statements. The breakdown of real estate sales and costs of real estate sales are also disclosed in Notes 20 and 21, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

We obtained an understanding of the revenue recognition policy regarding real estate sales transactions and the related significant business processes of the Group.

Our procedures in testing the appropriateness and proper application of the Group's revenue recognition policy and process include tests of information technology general controls (ITGC) over the automated system which generated the data used as basis for adjustments. We also performed tests of mathematical accuracy and completeness of supporting contract summary, examination of supporting documents of a sample of agreements, and performed overall analytical review of actual results.

In addressing the risks of material misstatements in revenue recognition, we have performed inspection of sample agreements for compliance with a set of criteria for revenue recognition and test of controls over contract approval. We have also tested the reasonableness of management's judgment in determining the probability of collection of the consideration in a contract which involves a historical analysis of customer payment pattern and behaviour.

Relative to the Group's measurement of progress towards complete satisfaction of performance obligation using the input method, we have tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs. Our procedures include test of controls over recognition and allocation of costs per project and direct examination of supporting documents. We have also performed physical inspection of selected projects under development to assess if the completion based on costs is not inconsistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualification of projects engineers who prepared the budgets and reviewed the actual performance of completed projects with reference of their budgeted costs.

In relation to cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls including ITGC. On a sampling basis, we traced costs accumulated to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.

(b) Impairment Evaluation of Property and Equipment and Investment Properties

The Group's hotel operations segment continues to be adversely affected by the lower number of guests and reduced room rates, which significantly impacted the revenues reported for this segment. Meanwhile the Group's rental segment, both office and retail, are also affected due to temporary closures of non-essential stores during community quarantine, reduced foot traffic, lease concessions and restructuring and, more particularly for office rental, transition to work- from-home arrangements. The impairment of real properties under the hotel operations and rental segments is significant to our audit because the aforementioned events and conditions are impairment indicators requiring the assessment of the recoverable amount of property and equipment and investment properties, which involves significant judgment, estimation and assumptions. In addition, because of the Covid-19 pandemic, there is a heightened level of uncertainty on the future economic outlook and market forecast. In addition, real properties under hotel operations (part of property and equipment) and rental segments (part of investment properties) are significant to the financial statements and totalled P88.5 billion or 23.6% of consolidated total assets as of December 31, 2020.

The Group's policy for impairment of nonfinancial assets, which include property and equipment and investment properties, are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to impairment are more fully described in Note 3 to the consolidated financial statements. The segment information, carrying amount of property and equipment and carrying amount of investment properties are disclosed in Notes 4, 12 and 13, respectively.

How the Matter was Addressed in the Audit

We evaluated the appropriateness of the Group's policy on impairment of non-financial assets particularly in the determination of recoverable amount of real properties under hotel operations and rental segments, which includes key inputs such as cash flow forecast and discount rates. In testing the cash flow forecast, we considered the judgments, estimation and assumptions about occupancy rates, average room rates, average lease rates, restructuring and termination of lease contracts with consideration of the effect of COVID-19 pandemic, used in determining the recoverable amount. We also reviewed the growth rates used in determining the cash flow forecast. We reviewed the discount rate used by comparing it with current market data. We also involved our internal specialist in evaluating the methodologies used in estimating the recoverable amount.

(c) Consolidation Process

Description of the Matter

The Group's consolidated financial statements comprise the financial statements of Megaworld Corporation and its subsidiaries, as enumerated in Note 1 to the consolidated financial statements, after the elimination of material intercompany transactions. The Group's consolidation process is significant to our audit because of the complexity of the process. It involves identifying and eliminating voluminous intercompany transactions to properly reflect realization of profits and measurement of controlling and non-controlling interests.

The Group's policy on consolidation process is more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

We obtained understanding of the Group structure and its consolidation process including the procedures for identifying intercompany transactions and reconciling intercompany balances. We tested significant consolidation adjustments which include elimination of intercompany revenues, expenses and investments, reversal of unrealized fair value adjustments on intercompany investments, and recognition of equity transactions to measure non-controlling interest.

(d) Conduct of Remote Audit

Description of the Matter

The COVID-19 pandemic has prompted management and the audit team to have most of the audit conducted remotely. The current working arrangements are relevant and significant to our audit since it created an increased risk of material misstatement due to less in-person communication with the Group's management and personnel, and lack of access to the physical records and original documents. Given the changes in how the audit was performed, the audit necessitated exercising enhanced professional skepticism.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of performing a significant portion of the audit remotely included the following:

- Considered the nature of the engagement and the engagement team's knowledge of the entity and its environment when we decided whether it is possible to perform a significant portion of the audit remotely;

- Intensified the application of PSA requirements, especially in respect of providing proper supervision and review;

- Obtained information through electronic means, which includes sending and receiving of confirmation electronically, obtaining calculations in electronic form to check the mathematical accuracy, scanning of hard-copy items for review and using real-time inspection technology such as video and screen-sharing;

- Determined the reliability of audit evidence provided electronically using enhanced professional skepticism and techniques designed to reinforce the skills of assistants in evaluating audit evidence obtained electronically;

- Performed inquiries through video conference calls in order to more effectively assess the facial expressions and body language of people being interviewed as well as to make the interaction more effective; and,

- Adhered to and applied strictly the Firm's reinforced and enhanced quality control process.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this 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 audits, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 our 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 audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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 audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8533237, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 7, 2021

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2020	2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 40,166,755,908**	P 23,104,875,672
Trade and other receivables - net	6	**31,576,137,172**	33,011,950,292
Contract assets	20	**13,265,242,603**	10,857,180,128
Inventories	7	**106,134,963,211**	102,845,390,540
Advances to contractors and suppliers	2	**11,659,294,719**	12,269,532,205
Prepayments and other current assets	8	**7,871,213,242**	8,417,232,219
Total Current Assets		**210,673,606,855**	190,506,161,056
NON-CURRENT ASSETS			
Trade and other receivables - net	6	**12,261,216,378**	11,797,389,071
Contract assets	20	**6,115,483,710**	7,785,824,559
Advances to contractors and suppliers	2	**3,871,630,205**	3,044,295,238
Advances to landowners and joint operators	10	**7,513,380,172**	7,058,884,461
Financial assets at fair value through other comprehensive income	9	**4,174,886,430**	4,498,219,487
Investments in associates - net	11	**3,443,096,702**	3,511,501,836
Investment properties - net	12	**114,982,489,429**	110,890,939,193
Property and equipment - net	13	**6,719,600,005**	6,702,251,003
Deferred tax assets	26	**339,876,737**	308,797,093
Other non-current assets - net	14	**5,595,153,322**	3,528,811,747
Total Non-current Assets		**165,016,813,090**	159,126,913,688
TOTAL ASSETS		**P 375,690,419,945**	P 349,633,074,744

	Notes		2020		2019
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Interest-bearing loans and borrowings	15	**P**	**21,037,756,478**	P	14,502,531,496
Trade and other payables	17		**23,331,957,972**		19,306,782,624
Contract liabilities	20		**2,647,780,045**		1,703,947,321
Customers' deposits	2		**11,719,861,211**		10,716,803,253
Redeemable preferred shares	18		**251,597,580**		251,597,580
Advances from associates and other related parties	27		**2,683,950,114**		2,914,882,801
Income tax payable			**170,556,697**		257,776,843
Other current liabilities	19		**10,876,689,502**		7,890,196,049
Total Current Liabilities			**72,720,149,599**		57,544,517,967
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	15		**24,540,409,939**		36,753,944,493
Bonds and notes payable	16		**40,282,855,986**		24,623,883,690
Contract liabilities	20		**3,195,849,258**		3,509,607,722
Customers' deposits	2, 27		**2,968,470,263**		3,083,064,985
Redeemable preferred shares	18		**251,597,580**		503,195,160
Deferred tax liabilities - net	26		**11,563,425,960**		10,729,268,825
Retirement benefit obligation	25		**819,755,696**		1,249,574,818
Other non-current liabilities	19		**6,817,425,467**		6,770,494,579
Total Non-current Liabilities			**90,439,790,149**		87,223,034,272
Total Liabilities			**163,159,939,748**		144,767,552,239
EQUITY	28				
Total equity attributable to the Company's shareholders			**185,464,231,260**		178,464,085,321
Non-controlling interests			**27,066,248,937**		26,401,437,184
Total Equity			**212,530,480,197**		204,865,522,505
TOTAL LIABILITIES AND EQUITY		**P**	**375,690,419,945**	P	349,633,074,744

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
REVENUES AND INCOME				
Real estate sales	20	P 24,858,537,303	P 42,603,984,572	P 38,035,548,060
Rental income	12	12,932,770,278	16,814,091,846	14,264,916,931
Hotel operations	20	1,482,160,976	2,543,769,508	1,519,423,405
Equity share in net earnings (losses) of associates	11	(69,879,672)	(58,832,233)	92,307,592
Interest and other income - net	23	4,267,409,295	5,409,726,260	3,515,014,728
		43,470,998,180	67,312,739,953	57,427,210,716
COSTS AND EXPENSES				
Cost of real estate sales	21	13,790,525,832	23,379,819,000	20,521,249,555
Cost of hotel operations	21	963,104,532	1,381,156,765	820,752,636
Operating expenses	22	11,850,258,972	13,912,479,751	11,244,991,807
Interest and other charges - net	24	2,930,637,292	3,261,597,997	3,296,326,497
Tax expense	26	3,347,906,258	6,081,657,290	5,544,362,408
		32,882,432,886	48,016,710,803	41,427,682,903
PROFIT FOR THE YEAR BEFORE PRE-ACQUISITION INCOME		10,588,565,294	19,296,029,150	15,999,527,813
PRE-ACQUISITION INCOME OF SUBSIDIARIES	1	-	-	(166,475,960)
NET PROFIT FOR THE YEAR		P 10,588,565,294	P 19,296,029,150	P 15,833,051,853
Net profit attributable to:				
Company's shareholders		P 9,885,989,490	P 17,931,417,072	P 15,208,138,139
Non-controlling interests		702,575,804	1,364,612,078	624,913,714
		P 10,588,565,294	P 19,296,029,150	P 15,833,051,853
Earnings Per Share:	29			
Basic		P 0.295	P 0.546	P 0.469
Diluted		P 0.294	P 0.543	P 0.467

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
NET PROFIT FOR THE YEAR		**P 10,588,565,294**	P 19,296,029,150	P 15,833,051,853
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to consolidated profit or loss:				
Actuarial gains (losses) on retirement benefit obligation	25	**354,133,354**	(350,479,591)	313,543,907
Fair value gains (losses) on financial assets at fair value through other comprehesive income	9	**(323,225,082)**	23,271,788	121,702,362
Share in other comprehensive income (loss) of associates	11	**1,474,538**	(11,417,059)	13,452,063
Tax income (expense)	25, 26	**(106,240,006)**	105,143,877	(92,059,473)
		(73,857,196)	(233,480,985)	356,638,859
Items that will be reclassified subsequently to consolidated profit or loss:				
Unrealized losses (gains) on cash flow hedge	30	**(144,749,961)**	(293,369,328)	230,806,189
Exchange difference on translating foreign operations	2	**(14,884,569)**	(3,326,261)	2,384,743
Tax income (expense)	26	**4,465,371**	934,833	(716,975)
		(155,169,159)	(295,760,756)	232,473,957
Total Other Comprehensive Income (Loss)		**(229,026,355)**	(529,241,741)	589,112,816
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 10,359,538,939**	P 18,766,787,409	P 16,422,164,669
Total comprehensive income attributable to:				
Company's shareholders		**P 9,684,718,799**	P 17,422,846,318	P 15,815,614,416
Non-controlling interests		**674,820,140**	1,343,941,091	606,550,253
		P 10,359,538,939	P 18,766,787,409	P 16,422,164,669

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Attributable to the Company's Shareholders								
	Capital Stock (See Note 28)	**Additional Paid-in Capital** (See Note 28)	**Treasury Shares - At Cost** (See Note 28)	**Revaluation Reserves** (See Notes 9, 11 and 25)	**Perpetual Securities** (See Note 28)	**Retained Earnings** (See Note 28)	**Total**	**Non-controlling Interest** (See Note 2)	**Total Equity**
Balance at January 1, 2020	P 32,430,865,872	P 16,658,941,725	(P 633,270,575)	(P 3,501,239,939)	P 10,237,898,577	P 123,270,889,661	P 178,464,085,321	P 26,401,437,184	P 204,865,522,505
Cash dividends	-	-	-	-	-	(1,177,796,572)	(1,177,796,572)	(10,008,387)	(1,187,804,959)
Acquisition of treasury shares	-	-	(994,672,630)	-	-	-	(994,672,630)	-	(994,672,630)
Distribution to holders of perpetual securities	-	-	-	-	-	(535,258,625)	(535,258,625)	-	(535,258,625)
Share-based employee compensation	-	-	-	-	-	21,381,914	21,381,914	-	21,381,914
Exercise of stock options	-	1,902,622	902,111	-	-	(1,031,680)	1,773,053	-	1,773,053
Total comprehensive income for the year:	-	-	-	(201,270,691)	-	9,885,989,490	9,684,718,799	674,820,140	10,359,538,939
Balance at December 31, 2020	**P 32,430,865,872**	**P 16,660,844,347**	**(P 1,627,041,094)**	**(P 3,702,510,630)**	**P 10,237,898,577**	**P 131,464,174,188**	**P 185,464,231,260**	**P 27,066,248,937**	**P 212,530,480,197**
Balance at January 1, 2019									
As previously reported	P 32,430,865,872	P 16,657,990,413	(P 633,721,630)	(P 3,085,712,274)	P 10,237,898,577	P 108,247,570,468	P 163,854,891,426	P 24,885,529,107	P 188,740,420,533
Effect of adoption of PFRS 16	-	-	-	-	-	5,272,255	5,272,255	7,369,290	12,641,545
As restated	32,430,865,872	16,657,990,413	(633,721,630)	(3,085,712,274)	10,237,898,577	108,252,842,723	163,860,163,681	24,892,898,397	188,753,062,078
Cash dividends	-	-	-	-	-	(2,379,182,809)	(2,379,182,809)	(68,013,915)	(2,447,196,724)
Distribution to holders of perpetual securities	-	-	-	-	-	(562,913,000)	(562,913,000)	-	(562,913,000)
Share-based employee compensation	-	-	-	-	-	17,824,456	17,824,456	892,953	18,717,409
Exercise of stock options	-	951,312	451,055	-	-	(515,840)	886,527	-	886,527
Acquisition of a new subsidiary with non-controlling interest	-	-	-	-	-	-	-	231,718,658	231,718,658
Recycling due to disposal and dilution	-	-	-	-	-	11,417,059	11,417,059	-	11,417,059
Other reserves arising from consolidation	-	-	-	93,043,089	-	-	93,043,089	-	93,043,089
Total comprehensive income for the year:	-	-	-	(508,570,754)	-	17,931,417,072	17,422,846,318	1,343,941,091	18,766,787,409
Balance at December 31, 2019	P 32,430,865,872	P 16,658,941,725	(P 633,270,575)	(P 3,501,239,939)	P 10,237,898,577	P 123,270,889,661	P 178,464,085,321	P 26,401,437,184	P 204,865,522,505

	Attributable to the Company's Shareholders								
	Capital Stock (See Note 28)	Additional Paid-in Capital (See Note 28)	Treasury Shares - At Cost (See Note 28)	Revaluation Reserves (See Notes 9, 11 and 25)	Perpetual Securities (See Note 28)	Retained Earnings (See Note 28)	Total	Non-controlling Interest (See Note 2)	Total Equity
Balance at January 1, 2018									
As previously reported	P 32,430,865,872	P 16,657,990,413	(P 633,721,630)	(P 1,280,606,385)	P -	P 93,933,935,086	P 141,108,463,356	P 22,591,607,181	P 163,700,070,537
Effect of adoption of PFRS 9	-	-	-	(1,457,710,646)	-	1,354,850,340	(102,860,306)	(1,983,312)	(104,843,618)
As restated	32,430,865,872	16,657,990,413	(633,721,630)	(2,738,317,031)	-	95,288,785,426	141,005,603,050	22,589,623,869	163,595,226,919
Cash dividends	-	-	-	-	-	(1,982,208,812)	(1,982,208,812)	(20,094,507)	(2,002,303,319)
Distribution to holders of perpetual securities	-	-	-	-	-	(290,336,000)	(290,336,000)	-	(290,336,000)
Share-based employee compensation	-	-	-	-	-	23,191,715	23,191,715	3,307,158	26,498,873
Issuance of perpetual securities	-	-	-	-	10,237,898,577	-	10,237,898,577	-	10,237,898,577
Acquisition of a new subsidiary with non-controlling interest	-	-	-	-	-	-	-	2,045,521,389	2,045,521,389
Changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	(568,910,177)	-	-	(568,910,177)	(340,379,055)	(909,289,232)
Other reserves arising from consolidation	-	-	-	(385,961,343)	-	-	(385,961,343)	-	(385,961,343)
Issuance of shares of stock	-	-	-	-	-	-	-	1,000,000	1,000,000
Total comprehensive income for the year:	-	-	-	607,476,277	-	15,208,138,139	15,815,614,416	606,550,253	16,422,164,669
Balance at December 31, 2018	P 32,430,865,872	P 16,657,990,413	(P 633,721,630)	(P 3,085,712,274)	P 10,237,898,577	P 108,247,570,468	P 163,854,891,426	P 24,885,529,107	P 188,740,420,533

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 13,936,471,552	P 25,377,686,440	P 21,377,414,261
Adjustments for:				
Depreciation and amortization	12, 13, 14	3,104,661,233	2,718,633,789	2,268,838,880
Interest expense	24	1,641,304,190	1,512,905,580	1,310,255,912
Interest income	23	(1,445,447,319)	(1,631,604,213)	(1,431,964,282)
Unrealized foreign currency losses (gains) - net		(1,086,060,295)	(493,907,863)	1,139,460,601
Equity share in net losses (earnings) of associates	11	69,879,672	58,832,233	(92,307,595)
Employee share options	25	21,381,914	18,717,409	26,498,873
Dividend income	23, 27	(8,193,611)	(8,464,814)	(21,195,681)
Loss (gain) on sale of property and equipment		(592,954)	279,902	-
Gain on finance lease	6	-	(350,218,385)	-
Gain on sale and dilution of investment in an associate	23	-	(340,809,382)	-
Gain on sale of investment property	12	-	(45,781,949)	-
Operating profit before working capital changes		16,233,404,382	26,816,268,747	24,577,000,969
Decrease (increase) in trade and other receivables		3,064,093,048	(7,300,973,342)	(1,741,511,946)
Decrease (increase) in contract assets		(737,721,626)	3,584,275,000	(5,871,792,742)
Increase in inventories		(2,510,261,657)	(1,395,055,726)	(7,866,421,573)
Increase in advances to contractors and suppliers		(217,097,481)	(3,542,558,329)	(1,232,993,107)
Decrease (increase) in prepayments and other current assets		699,913,970	(244,367,564)	(1,004,567,211)
Increase in advances to landowners and joint operators		(454,495,711)	(148,706,559)	(921,285,309)
Increase in other non-current assets		(887,291,362)	(202,306,675)	(36,271,411)
Increase in trade and other payables		2,510,777,198	5,373,481,027	5,865,173,339
Increase (decrease) in contract liabilities		630,074,260	(155,112,252)	396,021,988
Increase in customers' deposits		888,463,236	1,990,581,863	2,894,752,757
Increase in other liabilities		2,766,117,805	2,051,184,398	1,673,294,869
Cash generated from operations		21,985,976,062	26,826,710,588	16,731,400,623
Cash paid for income taxes		(2,886,445,031)	(3,647,117,078)	(2,840,943,167)
Net Cash From Operating Activities		19,099,531,031	23,179,593,510	13,890,457,456
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment properties	12	(6,731,614,968)	(10,390,591,440)	(14,280,652,674)
Property and equipment	13	(430,709,071)	(350,116,842)	(653,939,892)
Interest received		1,039,449,706	1,296,340,364	1,411,000,154
Advances to associates and other related parties:	27			
Granted		(260,769,847)	(1,500,167,429)	(500,635,698)
Collected		35,608,643	129,918,481	255,926,431
Dividends received		8,193,611	8,464,814	21,195,681
Proceeds from sale of property and equipment		6,385,095	1,245,112	13,045,014
Acquisition and subscription of shares of stock of new subsidiaries and associates		-	(1,350,050,000)	(3,097,081,431)
Proceeds from sale of investments in an associate and subsidiaries	11	-	1,017,844,908	-
Proceeds from sale of investment property	12	-	23,562,500	187,391,998
Proceeds from issuance of capital stock of subsidiary		-	-	1,000,000
Net Cash Used in Investing Activities		(6,333,456,831)	(11,113,549,532)	(16,642,750,417)
Balance carried forward		P 12,766,074,200	P 12,066,043,978	(P 2,752,292,961)

	Notes	2020	2019	2018
Balance brought forward		**P 12,766,074,200**	P 12,066,043,978	(P 2,752,292,961)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of bonds and notes payable	16, 36	**16,692,935,192**	-	10,237,898,577
Repayments of long and short-term liabilities	36	**(13,107,450,229)**	(11,537,252,522)	(8,530,019,684)
Proceeds from availments of long and short-term liabilities	15, 36	**7,800,000,000**	12,500,000,000	18,350,000,000
Interest paid		**(3,843,166,540)**	(4,209,271,308)	(3,886,040,313)
Deposit made for cancellation of perpetual securities	14	**(1,200,900,000)**	-	-
Acquisition of treasury shares	28	**(994,672,630)**	-	-
Advances from associates and other related parties:	27, 36			
Paid		**(255,089,920)**	(2,941,968)	(12,339,277)
Obtained		**24,157,233**	32,361,651	366,705,230
Distribution to holders of perpetual securities	28	**(535,258,625)**	(562,913,000)	(290,336,000)
Redemption of preferred shares	18	**(251,597,580)**	(251,597,580)	(251,597,580)
Cash dividends declared and paid to non-controlling interest		**(10,008,387)**	(68,013,915)	(20,094,507)
Repayments of lease liabilities	19, 36	**(24,915,531)**	(26,338,703)	-
Proceeds from exercise of stock rights	28	**1,773,053**	886,528	-
Cash dividends declared and paid	28	**-**	(2,379,182,809)	(1,912,208,812)
Repayments of bonds and notes payable	16, 36	**-**	-	(10,425,600,000)
Net Cash From (Used in) Financing Activities		**4,295,806,036**	(6,504,263,626)	3,626,367,634
NET INCREASE IN CASH AND CASH EQUIVALENTS		**17,061,880,236**	5,561,780,352	874,074,673
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		**-**	-	238,884,182
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**23,104,875,672**	17,543,095,320	16,430,136,465
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 40,166,755,908**	P 23,104,875,672	P 17,543,095,320

Supplemental Information on Non-cash Investing and Financing Activities:

1) In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchases on account of real estate and other assets. Other non-cash transactions include transfers of property between Inventories, Property and Equipment, and Investment Properties. These non-cash activities are not reflected in the consolidated statements of cash flows (see Notes 7, 12 and 13).

2) In 2020 and 2019, the Group recognized right-of-use assets amounting to P35.6 million and P594.0 million, respectively, and lease liabilties amounting to P36.8 million and P662.8 million, respectively (see Notes 13 and 19).

3) On December 8, 2020, the Board of Directors of the Parent Company approved the declaration of cash dividends amounting to P1.2 billion to be paid on January 8, 2021. The related cash dividends payable, net of final withholding taxes, is presented as part of Trade and Other Payables in the 2020 consolidated statement of financial position (see Notes 28 and 17).

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Megaworld Corporation (the Parent Company) was incorporated in the Philippines on August 24, 1989, primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The Parent Company is presently engaged in property-related activities such as project design, construction and property management. The Parent Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects as well as office projects and retail spaces.

Alliance Global Group, Inc. (AGI or the Ultimate Parent Company) is the ultimate parent company of Megaworld Corporation and its subsidiaries (the Group). AGI is a holding company and is presently engaged in food and beverage, real estate development, quick-service restaurant, tourism-entertainment and gaming businesses.

The Parent Company and AGI's common shares are publicly-listed at the Philippine Stock Exchange (PSE).

The Parent Company's registered office address, which is also its principal place of business, is located at 30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. AGI's registered office address, which is also its principal place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

1.1 Composition of the Group

As at December 31, the Parent Company holds ownership interests in the following subsidiaries and associates:

Subsidiaries		Effective Percentage of Ownership		
		2020	2019	2018
Subsidiaries:				
Prestige Hotels and Resorts, Inc. (PHRI)		**100%**	100%	100%
Richmonde Hotel Group International Ltd. (RHGI)		**100%**	100%	100%
Eastwood Cyber One Corporation (ECOC)		**100%**	100%	100%
Megaworld Cebu Properties, Inc. (MCP)		**100%**	100%	100%
Megaworld Newport Property Holdings, Inc. (MNPHI)		**100%**	100%	100%
Oceantown Properties, Inc. (OPI)		**100%**	100%	100%
Luxury Global Hotels and Leisure, Inc. (LGHLI)		**100%**	100%	100%
Arcovia Properties, Inc. (API)		**100%**	100%	100%
Mactan Oceanview Properties and Holdings, Inc. (MOPHI)	(a)	**100%**	100%	100%

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership 2020	2019	2018
Subsidiaries:				
Megaworld Cayman Islands, Inc. (MCII)	(a)	**100%**	100%	100%
Piedmont Property Ventures, Inc. (PPVI)	(a)	**100%**	100%	100%
Stonehaven Land, Inc. (SLI)	(a)	**100%**	100%	100%
Streamwood Property, Inc. (SP)	(a)	**100%**	100%	100%
Global One Integrated Business Services, Inc. (GOIBSI)		**100%**	100%	100%
Luxury Global Malls, Inc. (LGMI)		**100%**	100%	100%
Davao Park District Holdings, Inc. (DPDHI)		**100%**	100%	100%
Belmont Newport Luxury Hotels, Inc. (BNLHI)		**100%**	100%	100%
Global One Hotel Group, Inc. (GOHGI)		**100%**	100%	100%
Landmark Seaside Properties, Inc. (LSPI)	(a)	**100%**	100%	100%
San Vicente Coast, Inc. (SVCI)	(a)	**100%**	100%	100%
Hotel Lucky Chinatown, Inc. (HLCI)	(j)	**100%**	100%	100%
Savoy Hotel Manila, Inc. (SHMI)	(j)	**100%**	100%	100%
Savoy Hotel Mactan, Inc. (SHM)	(j)	**100%**	100%	100%
Kingsford Hotel Manila, Inc. (KHMI)	(j)	**100%**	-	-
Agile Digital Ventures, Inc. (ADVI)	(n)	**100%**	-	-
Megaworld Bacolod Properties, Inc. (MBPI)		**91.55%**	91.55%	91.55%
Megaworld Central Properties, Inc. (MCPI)	(b)	**76.55%**	76.55%	76.55%
Megaworld Capital Town, Inc. (MCTI)		**76.28%**	76.28%	76.28%
Soho Café and Restaurant Group, Inc. (SCRGI)		**75%**	75%	75%
La Fuerza, Inc. (LFI)		**66.67%**	66.67%	66.67%
Megaworld-Daewoo Corporation (MDC)		**60%**	60%	60%
Northwin Properties, Inc. (NWPI)	(a)	**60%**	60%	60%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(a, c)	**52.14%**	52.14%	52.14%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(d)	**68.03%**	68.03%	68.03%
Megaworld Globus Asia, Inc. (MGAI)		**50%**	50%	50%
Integrated Town Management Corporation (ITMC)		**50%**	50%	50%
Maple Grove Land, Inc. (MGLI)	(a)	**50%**	50%	50%
Megaworld Land, Inc. (MLI)		**100%**	100%	100%
City Walk Building Administration, Inc. (CBAI)	(e)	**100%**	100%	100%
Forbestown Commercial Center Administration, Inc. (FCCAI)	(e)	**100%**	100%	100%
Paseo Center Building Administration, Inc. (PCBAI)	(e)	**100%**	100%	100%
Uptown Commercial Center Administration, Inc. (UCCAI)	(e)	**100%**	100%	100%
Iloilo Center Mall Administration, Inc. (ICMAI)	(e)	**100%**	100%	100%
Newtown Commercial Center Administration, Inc. (NCCAI)	(e)	**100%**	100%	100%
Valley Peaks Property Management, Inc. (VPPMI)	(e)	**100%**	100%	100%
San Lorenzo Place Commercial Center Administration, Inc. (SLPCCAI)	(e)	**100%**	100%	100%
Southwoods Lifestyle Mall Management, Inc. (SLMMI)	(e)	**100%**	100%	100%
Suntrust Properties, Inc. (SPI)		**100%**	100%	100%
Suntrust Ecotown Developers, Inc. (SEDI)		**100%**	100%	100%
Governor's Hills Science School, Inc. (GHSSI)		**100%**	100%	100%
Sunrays Property Management, Inc. (SPMI)		**100%**	100%	100%
Suntrust One Shanata, Inc. (SOSI)	(a)	**100%**	100%	100%
Suntrust Two Shanata, Inc. (STSI)	(a)	**100%**	100%	100%
Stateland, Inc. (STLI)	(k)	**96.87%**	96.87%	96.87%

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership 2020	2019	2018
Subsidiaries:				
Global-Estate Resorts, Inc. (GERI)	(f)	**82.32%**	82.32%	82.32%
Elite Communities Property Services, Inc. (ECPSI)	(l)	**82.32%**	82.32%	82.32%
Southwoods Mall, Inc. (SMI)	(i)	**91.09%**	91.09%	91.09%
Megaworld Global-Estate, Inc. (MGEI)	(f)	**89.39%**	89.39%	89.39%
Twin Lakes Corporation (TLC)	(f)	**90.99%**	90.99%	90.99%
Twin Lakes Hotel, Inc. (TLHI)	(l)	**90.99%**	90.99%	90.99%
Fil-Estate Properties, Inc. (FEPI)		**82.32%**	82.32%	82.32%
Aklan Holdings, Inc. (AHI)	(a)	**82.32%**	82.32%	82.32%
Blu Sky Airways, Inc. (BSAI)	(a)	**82.32%**	82.32%	82.32%
Fil-Estate Subic Development Corp. (FESDC)	(a)	**82.32%**	82.32%	82.32%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a)	**82.32%**	82.32%	82.32%
Golden Sun Airways, Inc. (GSAI)	(a)	**82.32%**	82.32%	82.32%
La Compaña De Sta. Barbara, Inc. (LCSBI)		**82.32%**	82.32%	82.32%
MCX Corporation (MCX)	(a)	**82.32%**	82.32%	82.32%
Pioneer L-5 Realty Corp. (PLRC)	(a)	**82.32%**	82.32%	82.32%
Prime Airways, Inc. (PAI)	(a)	**82.32%**	82.32%	82.32%
Sto. Domingo Place Development Corp. (SDPDC)		**82.32%**	82.32%	82.32%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a)	**82.32%**	82.32%	82.32%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a)	**65.03%**	65.03%	65.03%
Sherwood Hills Development, Inc. (SHD)		**45.28%**	45.28%	45.28%
Fil-Estate Golf and Development, Inc. (FEGDI)		**82.32%**	82.32%	82.32%
Golforce, Inc. (Golforce)		**82.32%**	82.32%	82.32%
Southwoods Ecocentrum Corp. (SWEC)		**49.39%**	49.39%	49.39%
Philippine Aquatic Leisure Corp. (PALC)	(a)	**49.39%**	49.39%	49.39%
Fil-Estate Urban Development Corp. (FEUDC)		**82.32%**	82.32%	82.32%
Novo Sierra Holdings Corp. (NSHC)	(a)	**82.32%**	82.32%	82.32%
Global Homes and Communities, Inc. (GHCI)	(a)	**82.32%**	82.32%	82.32%
Savoy Hotel Boracay, Inc. (SHBI)	(f)	**82.32%**	82.32%	**-**
Belmont Hotel Boracay, Inc. (BHBI)	(f)	**82.32%**	82.32%	**-**
Oceanfront Properties, Inc. (OFPI)		**41.13%**	41.13%	41.13%
Empire East Land Holdings, Inc. (EELHI)		**81.73%**	81.73%	81.73%
Eastwood Property Holdings, Inc. (EPHI)		**81.73%**	81.73%	81.73%
Valle Verde Properties, Inc. (VVPI)	(a)	**81.73%**	81.73%	81.73%
Sherman Oak Holdings, Inc. (SOHI)	(a)	**81.73%**	81.73%	81.73%
Empire East Communities, Inc. (EECI)	(a)	**81.73%**	81.73%	81.73%
20th Century Nylon Shirt, Inc. (CNSI)	(a)	**81.73%**	81.73%	81.73%
Laguna BelAir School, Inc. (LBASI)		**59.67%**	59.67%	59.67%
Sonoma Premier Land, Inc. (SPLI)	(a)	**49.04%**	49.04%	49.04%
Pacific Coast Mega City, Inc. (PCMI)	(m)	**32.69%**	32.69%	16.35%
Megaworld Resort Estates, Inc. (MREI)	(b, c)	**51%**	51%	51%
Townsquare Development, Inc. (TDI)		**30.60%**	30.60%	30.60%
Golden Panda-ATI Realty Corporation (GPARC)		**30.60%**	30.60%	30.60%
Associates:				
Bonifacio West Development Corporation (BWDC)		**46.11%**	46.11%	46.11%
Palm Tree Holdings and Development Corporation (PTHDC)	(a)	**40%**	40%	40%
Suntrust Home Developers, Inc. (SHDI)	(g)	**34%**	34%	45.67%
SWC Project Management Limited (SPML)	(o)	**34%**	-	-

Associates	Explanatory Notes	Effective Percentage of Ownership 2020	2019	2018
Associates:				
WC Project Management Limited (WPML)	(o)	**34%**	-	-
First Oceanic Property Management, Inc. (FOPMI)	(i)	**8.16%**	8.16%	45.67%
Citylink Coach Services, Inc. (CCSI)	(i)	**8.16%**	8.16%	45.67%
GERI				
Fil-Estate Network, Inc. (FENI)		**16.46%**	16.46%	16.46%
Fil-Estate Sales, Inc. (FESI)		**16.46%**	16.46%	16.46%
Fil-Estate Realty and Sales Associates, Inc. (FERSAI)		**16.46%**	16.46%	16.46%
Fil-Estate Realty Corp. (FERC)		**16.46%**	16.46%	16.46%
Nasugbu Properties, Inc. (NPI)		**11.52%**	11.52%	11.52%
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(h)	**-**	-	12.35%

Explanatory Notes:

(a) These are entities which have not yet started commercial operations as at December 31, 2020.

(b) As at December 31, 2020, the Parent Company owns 76.55% of MCPI consisting of 51% direct ownership, 18.97% indirect ownership through EELHI and 6.58% indirect ownership through MREI.

(c) As at December 31, 2020, the Parent Company's ownership in GPMAI is at 52.14%, which consists of 38.72% and 13.42% indirect ownership from EELHI and MREI, respectively.

(d) In 2018, the Parent Company subscribed to additional shares of MBPHI amounting to P1.7 million increasing its effective ownership to 68.03%, which consists of 67.43% and 0.60% indirect ownership from TIHGI.

(e) These were incorporated to engage in operation, maintenance, and administration of various malls and commercial centers. These companies became subsidiaries of the Parent Company through MLI, their immediate parent company.

(f) As a result of the additional investments in GERI in 2016, the Parent Company's indirect ownership interest over these subsidiaries increased in proportion to the increase in effective interest over GERI. Effective ownership interest over MGEI and TLC increased to 89.39% and 83.37%, respectively. In 2018, the Parent Company acquired shares of TLC increasing its effective ownership to 90.99%, which consists of 49% direct ownership and 41.99% indirect ownership from GERI. In 2019, SHBI and BHBI were incorporated to operate and manage resort hotels.

(g) In 2019, the Parent Company and TDI disposed certain number of shares over SHDI. In addition, the Parent Company and a third party investor subscribed to the increase in capitalization over SHDI, the latter became the controlling shareholder. The foregoing transactions decreased the Parent Company's effective ownership over SHDI to 34%.

(h) In 2019, 2017 and 2016, FEPI sold 15% direct ownership interest each year in BNHGI to a third party. The effective ownership interest of the Parent Company gradually decreases from 12.35% in 2018 and 2017 to nil in 2019.

(i) In 2019 as a result of the Parent Company's dilution of ownership interest over SHDI, the effective ownership of the Parent Company over FOPMI and CCSI was also diluted to 8.16%.

(j) HLCI, SHMI, and SHM were incorporated in 2018 and are engaged in hotel operations. KHMI was incorporated in 2020 and also engaged in hotel operations.

(k) In 2018, SPI and the Parent Company acquired shares of STLI resulting into 96.87% effective ownership over STLI consisting of 17.40% direct ownership and 79.47% indirect ownership through SPI.

(l) In 2018, GERI acquired shares of ECPSI, and TLHI through TLC resulting into 100% and 90.99% effective ownership over ECPSI and TLHI, respectively.

(m) PCMI is considered as an associate of the Parent Company since 2015. The Parent Company obtained de facto control over PCMI in 2018 by aligning their key executives and Boards of Directors (BODs). The acquisition was accounted for under the pooling-of-interest method of accounting; hence, no goodwill nor gain on acquisition was recognized. In January 2019, EELHI acquired additional shares of PCMI, increasing the effective ownership interest of the Parent Company to 32.69%.

(n) ADVI is a newly-incorporated subsidiary in 2020 engaged in e-commerce business.

(o) SPML and WPML are newly incorporated subsidiaries of SHDI in 2020. These companies are engaged in project management and consultancy services.

Except for MCII and RHGI, all the subsidiaries and associates were incorporated and have their principal place of business in the Philippines. MCII was incorporated and has principal place of business in the Cayman Islands while RHGI was incorporated and has principal place of business in the British Virgin Islands.

The Parent Company and its subsidiaries, except for entities which have not yet started commercial operations as at December 31, 2020, are presently engaged in the real estate business, hotel, condominium-hotel operations, construction, restaurant operations, business process outsourcing, educational facilities provider, property management operations, marketing services and e-commerce.

There are no significant restrictions on the Parent Company's ability to access or use the assets and settle the liabilities of the Group.

EELHI, GERI, and SHDI are publicly-listed companies in the Philippines.

1.2 Business Acquisitions

In June 2018, the Parent Company and SPI acquired 17.40% and 79.47%, respectively, of the common shares of STLI with the intention of further expanding the Group's developments in CALABARZON area as STLI has existing properties in Cavite and Laguna.

In 2018, STLI has recognized revenues and net profit amounting to P800.23 million and P293.73 million, respectively. Of these amounts, revenues and net profit of P744.06 million and P258.65 million, respectively, were recognized since the acquisition date.

As of December 31, 2018, the accounting for acquisition of STLI is not yet complete. The fair values of assets acquired and liabilities assumed presented in the 2018 financial statements was only provisionally determined pending the finalization of necessary market valuations. As allowed under PFRS 3, *Business Combinations,* the Group determined the final fair values of identifiable assets and liabilities within 12 months from the acquisition date.

In 2019, management completed the assessment of the fair values of STLI's net assets and determined adjustments resulting in P246.9 million decrease in its net assets valuation. The adjustments to the provisionary amounts likewise resulted in a goodwill amounting to P94.9 million and deferred tax asset of P141.2 million. The goodwill comprises the fair value of expected synergies arising from the acquisition, which mainly pertain to real estate development expertise of the Group and the strategic location of real properties for development provided by STLI.

In 2019, the 2018 consolidated financial statements were restated to reflect the final fair value measurement of the net assets of STLI. The provisional and final fair values of assets acquired and liabilities assumed from STLI as at the date of acquisition is presented below.

	Final fair value	Provisional fair value
Fair value of assets acquired:		
Cash	P 236,699,638	P 236,699,638
Trade and other receivables	574,564,471	574,564,471
Contract asset	445,665,960	445,665,960
Inventories	1,600,380,340	1,847,272,303
Deferred tax asset	141,225,062	-
Other assets	130,889,842	130,889,842
	3,129,425,313	3,235,092,214
Fair value of liabilities assumed	(1,376,876,569)	(1,376,876,569)
Fair value of consideration transferred	(P 1,951,674,900)	(P 1,951,674,900)
Non-controlling interest	(P 62,242,041)	(P 62,242,041)
Pre-acquisition income	166,475,960	166,475,960
Goodwill (gain) on acquisition	94,892,237	(10,774,664)

Acquired trade and other receivables mainly pertains to trade receivables from real estate sales. There were no contingent consideration arising from the foregoing transaction. Also, acquisition related-costs were deemed immaterial on this transaction.

PCMI became a subsidiary on December 31, 2018 when the Group obtained de facto control upon the latter gaining power to govern over the financial and operating policies of the former. The acquisition was accounted for as pooling-of-interest method of accounting as PCMI was acquired from related parties under common control. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities reflected in the consolidated financial statements are at carrying values and no adjustments are made to reflect fair values or recognized any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under PIC Q&A No. 2012-01, PFRS 3.2 – *Application of Pooling-of-Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements*; hence, the profit and loss of PCMI is included in the consolidated financial statements for the full year, irrespective of when the combination took place.

Aggregate financial information, at historical cost, of PCMI as at acquisition date is presented below.

Total assets acquired	P 2,429,036,789
Total liabilities assumed	(8,447,960)
Net assets acquired	P 2,420,588,829

In January 2019, the Group acquired additional shares of PCMI representing additional 20% direct ownership. The effective ownership of the Group over PCMI as of December 31, 2020 and 2019 is 32.69%.

1.3 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material non-controlling interest (NCI) are shown below (in thousands).

Name	Proportion of Ownership Interest and Voting Rights Held by NCI 2020	Proportion of Ownership Interest and Voting Rights Held by NCI 2019	Subsidiary's Consolidated Profit (Loss) Allocated to NCI 2020	Subsidiary's Consolidated Profit (Loss) Allocated to NCI 2019	Accumulated Equity of NCI December 31, 2020	Accumulated Equity of NCI December 31, 2019
GERI	**17.68%**	17.68%	**P 216,179**	P 117,431	**P 5,659,306**	P 6,580,032
EELHI	**18.27%**	18.27%	**102,361**	114,360	**11,721,428**	11,367,843
MCTI	**23.72%**	23.72%	**38,765**	34,743	**1,436,742**	1,397,977
MBPHI	**32.57%**	32.57%	**283,219**	547,545	**3,245,697**	2,967,678
LFI	**33.33%**	33.33%	**46,099**	66,592	**1,261,066**	1,224,967
NWPI	**40.00%**	40.00%	**(505)**	(534)	**2,305,165**	2,305,671

The summarized balance sheet of GERI, EELHI, MCTI, MBPHI, LFI and NWPI before intragroup eliminations is shown below.

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Equity
December 31, 2020					
GERI	**P 33,405,848,054**	**P 17,247,688,882**	**P 8,562,378,583**	**P 7,624,345,421**	**P 34,466,812,932**
EELHI	**40,208,988,327**	**4,893,254,709**	**13,190,508,283**	**2,855,338,043**	**29,056,396,704**
MCTI	**4,156,317,084**	**410,719,490**	**584,035,366**	**28,119,381**	**3,954,881,827**
MBPHI	**15,888,336,884**	**1,959,846,881**	**8,321,924,815**	**1,233,220,629**	**8,293,038,321**
LFI	**558,260,312**	**992,549,809**	**493,788,273**	**211,120,988**	**845,900,860**
NWPI	**924,382,240**	**881,734,300**	**328,694**	**-**	**1,805,787,846**
December 31, 2019					
GERI	P 32,194,964,792	P 17,665,922,090	P 9,487,494,846	P 7,133,908,965	P 33,239,483,071
EELHI	39,673,084,063	5,168,350,015	12,965,345,374	3,272,242,773	28,603,845,931
MCTI	3,735,819,545	403,126,484	347,491,126	-	3,791,454,904
MBPHI	14,114,058,033	1,021,477,600	5,325,783,964	2,386,284,609	7,423,467,060
LFI	327,986,475	1,067,365,711	507,370,492	147,501,006	740,480,688
NWPI	1,807,378,858	-	328,133	-	1,807,050,725

The summarized comprehensive income of GERI, EELHI, MCTI, MBPHI, LFI and NWPI before intragroup eliminations is shown below.

	Revenues	Net Profit (Loss)	Other Comprehensive Income (Loss)
2020			
GERI	**P 5,341,807,071**	**P 1,222,729,982**	**(P 1,617,931)**
EELHI	**5,205,581,572**	**560,267,510**	**(107,716,731)**
MCTI	**440,765,150**	**163,426,923**	**-**
MBPHI	**4,698,569,950**	**869,571,261**	**-**
LFI	**419,400,696**	**138,311,203**	**(2,891,031)**
NWPI	**1,428**	**(1,262,879)**	**-**
2019			
GERI	P 8,794,368,103	P 2,155,883,113	(P 34,972,164)
EELHI	5,217,399,507	615,684,185	39,793,736
MCTI	195,725,080	146,469,987	-
MBPHI	9,655,915,233	1,620,868,233	-
LFI	536,611,068	200,651,846	(2,483,182)
NWPI	-	(1,335,395)	-

The summarized cash flows of GERI, EELHI, MCTI, MBPHI, LFI and NWPI before intragroup eliminations is shown below.

	Net Cash from (Used in) Operating Activities	Net Cash from (Used in) Investing Activities	Net Cash from (Used in) Financing Activities
2020			
GERI	**(P 155,538,806)**	**(P 358,228,252)**	**P 131,398,685**
EELHI	**1,131,309,023**	**(2,721,264)**	**(144,199,581)**
MCTI	**(70,435,493)**	**47,671,293**	**-**
MBPHI	**1,489,075,211**	**(56,992,141)**	**-**
LFI	**271,532,158**	**171,938**	**(158,972,586)**
NWPI	**(103,343)**	**-**	**-**
2019			
GERI	P 657,521,604	(P 344,933,491)	P 537,583,173
EELHI	(447,213,978)	2,378,163	(580,455,232)
MCTI	23,924,863	114,429,182	1,051,104,773
MBPHI	(545,095,966)	42,174,405	871,674,056
LFI	212,520,618	46,309,192	(138,160,779)
NWPI	(2,765,150)	-	2,628,052

In 2020, only LFI has declared and paid dividends amounting to P30.0 million. In 2019, GERI, EELHI, MCTI, MBPHI, LFI and NWPI have not declared nor paid any dividends.

1.4 Impact of COVID-19 Pandemic on the Group's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

The following are the impact of the COVID-19 pandemic to the Group's businesses:

Real Estate Sales

Real estate sales ended 42% lower due to fewer reservations, limited selling activities and restricted construction activities. Other observations are presented below.

- construction activities were temporarily suspended during the community quarantine period and thereafter have slowly resumed on in selected areas;
- new project launches for 2020 were put on hold as work stoppage on-site could result in project completion risk; and,
- the Group noted a shift in market demand to lot sales and vacation homes instead of buying vertical developments.

Lease of Office and Commercial Spaces

Rental income dropped by 23% primarily due to temporary closure of mall and commercial spaces, rent concessions and lower foot traffic upon reopening. Concession of rent and other related charges amounted to P2.2 billion. Other observations are presented below.

- temporary closure of POGO operations, but with no rental holiday;
- offered deferment of monthly rent without penalty until the end of the year;
- waived certain rental charges of tenants and retail partners on its mall and commercial centers.
- registered early termination and restructuring of lease contracts;
- various community quarantine measures resulted in the temporary mall closures with the exception of essential establishments, resulting in a decline in foot traffic;

- during the community quarantine, approximately 70% of total leased out gross leasable area were unable to operate. Mall operations gradually resumed operations thereafter; and,
- business process outsourcing (BPO) offices remained operational even during the community quarantine.

Hotel Operations

Hotel revenues shrank by 42% as a result of temporary closure of hotels, travel bans and limited hotel operations in accordance with quarantine limitations. Other observations are presented below.

- occupancy dropped significantly due to travel restrictions and cancellation of bookings and meetings, incentives, conventions and exhibitions activities; and,
- limited operations with in-city hotels utilized as lodging for BPO employees and returning OFWs as quarantine facilities;

In response to this matter, the Group has taken the following actions:

- maximized digital platforms to sell real estate projects in order to limit face to face engagements;
- assisted tenants in implementing social distancing measures;
- continues to work closely with tenants to determine and address their needs;
- incorporated ADVI, a subsidiary focused on e-commerce and caters to the Parent Company's commercial spaces tenants and retail partners;
- launched E-Concierge, a mobile application that allows contactless interaction between guests and hotel staff from check-in to check-out, including virtual ordering of food from various food and beverage outlets inside the hotels;
- reduced its overall capital expenditures spending for the year 2020; and,
- obtained lower cost funding through the debt market to support its busines operations, such as financing capital expenditures, land banking and refinancing of loans, and maintain its cash preservation objective.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

1.5 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2020 (including the comparative consolidated financial statements as at December 31, 2019 and for the years ended December 31, 2019 and 2018) were authorized for issue by the Group's Board of Directors (BOD) on April 7, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include the availment of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) discussed in Note 2.2(c). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy (BOA).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents a consolidated statement of comprehensive income separate from the consolidated statement of income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine Peso, the Group's presentation and functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2020 that are Relevant to the Group

The Group adopted for the first time the following revisions to existing framework and amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

PFRS 3 (Amendments)	:	Business Combinations – Definition of a Business
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform

Discussed below and in the succeeding pages are the relevant information about these pronouncements.

(i) *Revised Conceptual Framework for Financial Reporting.* The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Group's consolidated financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments had no impact on the Group's consolidated financial statements.

(iii) PFRS 3 (Amendments), *Business Combinations – Definition of a Business.* The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. Also, the amendments will likely result in more acquisitions being accounted for as asset acquisitions. The application of these amendments had no impact on the Group's consolidated financial statements.

(iv) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform.* The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(b) Effective Subsequent to 2020 but not Adopted Early

There are pronouncements effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions* (effective from June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

(ii) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

(iii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(iv) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(v) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities*. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvement merely removes potential for confusion regarding lease incentives.

(vi) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

(vii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(c) SEC Financial Reporting Reliefs Availed by the Group

The Group has availed of several financial reporting reliefs granted by the SEC under Memorandum Circular (MC) No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*, MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*, and MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*, relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry. These MCs deferred the implementation of the relevant accounting pronouncements until December 31, 2020.

In December 2020, the SEC issued MC 34-2020, *Deferral of PIC Q&A No. 2018-12* and *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods* (PAS 23) *for Real Estate Industry*, providing another relief by further deferring until December 2023 the implementation of certain issues under MC No. 14-2018 and MC No. 4-2020.

Following are the financial reporting reliefs availed of by the Group, including the descriptions of the implementation issues and their qualitative impacts to the financial statements. The Group opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

Relief	Description and Implication	Deferral period
IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry	The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories. Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the financial statements: (i) interest expense would have been higher; (ii) cost of real estate inventories would have been lower; (iii) total comprehensive income would have been lower; (iv) retained earnings would have been lower; and, (v) the carrying amount of real estate inventories would have been lower.	Originally until December 31, 2020 under MC 4-2020; further deferred until December 31, 2023 under MC 34-2020
PIC Q&A No. 2018-12-D, *Concept of the significant financing component in the contract to sell*	PFRS 15 requires that, in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.	Originally until December 31, 2020 under MC 4-2020; further deferred until December 31, 2023 under MC 34-2020

Relief	Description and Implication	Deferral period
PIC Q&A No. 2018-12-D, *Concept of the significant financing component in the contract to sell (continued)*	Had the Group elected not to defer this provision of the standard, it would have an impact in the financial statement as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Company would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense would be calculated using the effective interest rate method. These would have affected the retained earnings, real estate sales, and profit or loss in 2020 and 2019.	

The SEC Memorandum Circulars also provided the required disclosures in the notes to the financial statements should an entity decide to avail of any relief, which include the following:

- the accounting policies applied;
- a discussion of the deferral of the subject implementation issues in the PIC Q&A;
- a qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted; and,
- the corresponding required quantitative disclosures should any of the deferral options result into a change in accounting policy.

As prescribed by SEC MC No. 34-2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferrals will impact the Group's financial reporting during the period of deferral as follows:

- The financial statements are not considered to be in accordance with PFRS and should specify in the "Basis of Preparation of the Financial Statements" section of the financial statements that the accounting framework is PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic; and,
- The auditor's report shall reflect in the opinion paragraph that the financial statements are prepared in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC. In addition, the external auditor shall include an Emphasis of Matter paragraph in the auditor's report to draw attention to the basis of accounting that has been used in the preparation of the financial statements.

(d) PIC Q&As Relevant to the Real Estate Industry

In 2020, the PIC has issued four PIC Q&As which are relevant to the real estate industry.

(a) PIC Q&A No. 2020-02, *Conclusion on PIC Q&A No. 2018-12-E: On the Treatment of Materials Delivered on Site but not yet Installed in Measuring the Progress of the Performance Obligation*

In recognizing revenue using a cost-based input method, the cost incurred for customized materials not yet installed are to be included in the measurement of progress to properly capture the efforts expended by the Company in completing its performance obligation. In the case of uninstalled materials that are not customized, since the Company is not involved in their design and manufacture, revenue should only be recognized upon installation or use in construction. The Group does not include uninstalled materials that are not customized in determining the measure of progress; hence, the adoption of this PIC Q&A will not have a significant impact on the Group's consolidated financial statements.

(b) PIC Q&A No. 2020-03, *Conclusion on PIC Q&A No. 2018-12-D: On the Accounting Treatment for the Difference when the POC is Ahead of the Buyer's Payment*

The difference when the POC is ahead of the buyer's payment can be accounted for either as a contract asset or receivable. The PIC has concluded that both views are acceptable as long as this is consistently applied in transactions of the same nature. The Group intends to continue its current treatment of accounting for the difference when the POC is ahead of the buyer's payment as a contract asset.

(c) PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments*

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Company do not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant. The adoption of this PIC Q&A will be consistent with PIC Q&A 2018-12-D.

(d) PIC Q&A No. 2020-05, *Accounting for Cancellation of Real Estate Sales (PIC Q&A No. 2020-05 will supersede PIC Q&A No. 2018-14)*

There are three acceptable approaches in accounting for sales cancellation and repossession of the property as follows:

(a) repossessed property is recognized at fair value less cost to repossess;
(b) repossessed property is recognized at fair value plus repossession cost; or,
(c) cancellation is accounted for as a modification of the contract.

The Group accounts for cancellation of sales contract as modification of contract; hence, the adoption of this PIC Q&A will not have significant impact on the Group's consolidated financial statements.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Company, and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. In addition, the shares of the Parent Company held by the subsidiaries are recognized as treasury shares and these are presented as deduction in the consolidated statement of changes in equity. Any changes in the market values of such shares as recognized separately by the subsidiaries are likewise eliminated in full.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company's, using consistent accounting principles. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Parent Company accounts for its investments in subsidiaries, associates, interests in jointly-controlled operations, and non-controlling interests as follows:

(a) *Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when: it has the power over the entity; it is exposed, or has rights to, variable returns from its involvement with the entity; and, has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.13).

(b) Investments in Associates

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for in the consolidated financial statements using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Earnings of Associates account in the consolidated statement of income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profit, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Parent Company and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates are changed when necessary to ensure consistency with the policies adopted by the Group.

(c) Interests in Jointly-controlled Operations

For interests in jointly-controlled operations, the Group recognizes in its consolidated financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group.

No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint operation that are recognized in the separate financial statements of the joint operators.

(d) Transactions with Non-controlling Interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are recognized in equity.

When the Parent Company ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amount previously recognized in other comprehensive income in respect of that entity are accounted for as if the Parent Company had directly disposed of the related assets or liabilities. This means that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries and associates as presented in Notes 1.1 and 11.

2.4 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Except for MCII and RHGI which use the United States (U.S.) dollar as their functional currency, the accounting records of the Parent Company and its subsidiaries are maintained in Philippine Peso. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized under Interest and Other Income or Charges – net in the consolidated statement of income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of MCII and RHGI, which are measured using the U.S. dollar, their functional currency, are translated to Philippine Peso, the Parent Company's functional currency, as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end reporting period;

(ii) Income and expenses for each profit or loss account are translated at the annual average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in MCII and RHGI are recognized under Exchange Difference on Translating Foreign Operations account in the consolidated statement of comprehensive income. As these entities are wholly owned subsidiaries, the translation adjustments are fully allocated to the Parent Company's shareholders. When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of gains or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the consolidated financial statements into Philippine Peso should not be construed as a representation that the U.S. dollar amounts could be converted into Philippine Peso amounts at the translation rates or at any other rates of exchange.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instruments. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are categorized into the following categories: financial assets at amortized cost, financial assets at fair value through profit or loss and financial assets at FVOCI.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables, Guarantee and other deposits (presented as part of Other Non-current Assets).

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statements of income as part of Interest and Other Income – net.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL or if it is a contingent consideration recognized arising from a business combination. Accordingly, the Group has designated equity instruments as at FVOCI.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statements of income as part of Interest and Other Income – net.

Any dividends earned on holding equity instruments are recognized in the consolidated statements of income as part of Interest and Other Income – net, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

(iii) Financial Assets at Fair Value Through Profit or Loss

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include derivatives with positive fair value and are presented in the consolidated statement of financial position as part of Prepayments and Other Current Assets.

Financial assets at FVTPL are initially measured at fair value. Subsequently, they are measured at fair value with gains or losses recognized in profit or loss as part of Interest and Other Income – net in the consolidated statements of income unless the Group has elected to apply hedge accounting by designating the derivative as hedging instrument in an eligible hedging relationship in which some or all gains and losses may be recognized in other comprehensive income and included under Revaluation Reserves in the statements of changes in equity.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Impairment of Financial Assets

The Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables and contract assets including those which contain significant financing component. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 32.3(b)].

The Group applies a general approach specifically, in relation to advances to related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

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

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

(i) *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

(ii) *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.

(iii) *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, for which the loss allowance is recognizes in other comprehensive income and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(c) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Derivative Financial Instruments and Hedge Accounting

The Group occasionally uses derivative financial instruments to manage its risks associated with foreign currency and interest rates. Derivatives are recognized initially at fair value and are subsequently remeasured at fair value. Such derivatives are carried as assets when the net fair value is positive and as liabilities when the net fair value is negative.

The Group uses hedge accounting when it assigns hedging relationships between a hedging instrument, usually a derivative financial instrument, and a hedged item. The hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness to qualify for hedge accounting. The hedging relationship must be expected to be highly effective over the period for which it is designated as cash flow hedge.

Changes in fair value of derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and included under Revaluation Reserves in equity to the extent that the hedge is effective. Any ineffectiveness in the hedge relationship is recognized immediately in profit or loss.

If the hedged future cash flows are no longer expected, the amount that has been accumulated in Revaluation Reserves shall be immediately reclassified to profit or loss.

2.7 Inventories

Cost of inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group (see Note 2.21). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed.

Costs of inventories are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

Repossessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or Contract Asset to be derecognized and the cost of the repossessed property is recognized in the consolidated statement of income.

2.8 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Advances to contractors and suppliers pertain to advance payments made by the Group, which are subsequently amortized as the performance obligation is performed.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.9 Property and Equipment

Property and equipment, including land, are carried at acquisition or construction cost less subsequent depreciation and/or amortization for property and equipment, and any impairment losses. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expenses as incurred.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets. Amortization of office and improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter.

The depreciation and amortization periods for other property and equipment, based on the above policies, are as follows:

Buildings and improvements	5-40 years
Office improvements	5-20 years
Transportation equipment	5 years
Office furniture, fixtures and equipment	3-5 years

The measurement for right-of-use assets is disclosed in Note 2.17(a)(i).

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of these assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in the consolidated profit or loss in the year the item is derecognized.

2.10 Investment Properties

Investment properties include properties held for lease under operating lease agreements, properties intended to be held for lease, and properties held for currently undetermined use. These properties are carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subject to depreciation. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Depreciation of investment properties, excluding land, is computed using the straight-line method over the estimated useful lives of the assets ranging from five to 40 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see Note 2.18).

The residual values, estimated useful lives and method of depreciation of investment properties, except for land, are reviewed and adjusted, if appropriate, at the end of each reporting period.

Transfers to, or from, investment properties shall be made when and only when there is a change in use or purpose for such property.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

2.11 Financial Liabilities

Financial liabilities of the Group, which include interest-bearing loans and borrowings, bonds and notes payable, trade and other payables (except tax-related liabilities), derivative liabilities, redeemable preferred shares, advances from associates and other related parties, commission payable, subscription payable and lease liabilities (presented as part of Other Current Liabilities and Other Non-current Liabilities in the consolidated statement of financial position), are recognized when the Group becomes a party to the contractual terms of the instrument. Financial liabilities (except derivative liabilities) are initially recognized at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments. Derivative liabilities are initially recognized and subsequently measured at fair value. Changes in fair value are recognized in profit or loss unless designated as hedging instrument in a cash flow hedge (see Note 2.6).

All interest-related charges, except for capitalized borrowing costs, are recognized as expense in profit or loss under the caption Interest and Other Charges in the consolidated statement of income.

Interest-bearing loans and borrowings, bonds payable and redeemable preferred shares are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss, except for capitalized borrowing cost, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Preferred shares, which carry a mandatory coupon or are redeemable on specific date or at the option of the shareholder, are classified as financial liabilities and presented as a separate line item in the consolidated statement of financial position as Redeemable Preferred Shares. These shares are also issued for support of long-term funding.

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD. The dividends on the redeemable preferred shares are recognized in the consolidated statement of income as interest expense on an amortized cost basis using the effective interest method.

The measurement for lease liabilities is disclosed in Note 2.17(a).

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in consolidated statement of income.

2.12 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.13 Business Combination

(a) Accounting for Business Combination Using the Acquisition Method

Business acquisitions of entities not under common control of a principal stockholder are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Parent Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.18).

Negative goodwill, which is the excess of the Parent Company's interest in the fair value of net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the Parent Company is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the consolidated profit or loss or other comprehensive income, as appropriate.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Parent Company is required to report in its financial statements provisional amounts for the items for which accounting is incomplete. The recognized provisional amounts may be adjusted during the measurement period as if the accounting for the business combination had been completed at the acquisition date. The measurement period ends as soon as the Parent Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Any contingent consideration to be transferred by the Parent Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(b) Accounting of Business Combination Using the Pooling-of-interests Method

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under PIC Q&A No. 2012-01, PFRS 3.2; *Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements, (Amended by PIC Q&A No. 2015-01and PIC Q&A No. 2018-13)*; hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as "equity reserves", which will eventually be closed to additional paid-in capital. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements.

2.14 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Strategic Steering Committee (SSC), its chief operating decision-maker. The SSC is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these products and service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- interest cost from post-employment benefit obligation;
- equity in net earnings of associates, fair value gains, dividend income and foreign currency gains/losses; and,
- gain on sale of investments in associate.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2.15 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.16 Revenue and Expense Recognition

Revenue comprises revenue from sale of real properties, property management fees and hotel operations.

To determine whether to recognize revenue from sale of real properties and hotel operations, the Group follows a five-step process:

- Identifying the contract with a customer;
- Identifying the performance obligation;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations; and,
- Recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

- the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- each party's rights regarding the goods or services to be transferred or performed can be identified;
- the payment terms for the goods or services to be transferred or performed can be identified;
- the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized.

The Group develops real properties such as developed land, house and lot, and condominium units. The Group often enters into contracts to sell real properties as they are being developed. The Group also enters into transactions involving hotel accommodations, food and beverage operations, and other incidental activities. The significant judgment used in determining the timing of satisfaction of the Group's performance obligation with respect to its contracts to sell real properties is disclosed in Note 3.1(*b*). Sales cancellations are accounted for on the year of forfeiture. Any gain or loss on cancellation is charged to profit or loss.

(a) *Real estate sales on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized from real estate sales is presented as part of Real Estate Sales under the Revenues and Income section in the consolidated statement of comprehensive income.

(b) *Real estate sales on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer. Revenue recognized from real estate sales is presented as part of Real Estate Sales under the Revenues and Income section in the consolidated statement of comprehensive income.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by the Parent Company, GERI, EELHI, SPI, ECOC, MBPHI, SEDI, LFI, API, MGAI, MCTI and STLI.

(c) *Sale of undeveloped land and golf and resort shares for sale* – Revenues on sale of undeveloped land and golf and resort shares for sale are recognized at a point in time when the control over the undeveloped land and golf and resort shares have passed to the buyer and the amount of revenue can be measured reliably.

(d) *Hotel accommodation* – Revenues are recognized over time during the occupancy of hotel guest and ends when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.

(e) *Food, beverage and others* – Revenues are recognized at point in time upon delivery to and receipt of consumer goods by the customer. Invoice for consumer goods transferred are due upon receipt by the customer.

(f) *Rendering of services* – Revenues are recognized over time (i.e., time-and-materials basis as the services are provided or based on the actual work done) until the performance of contractually agreed tasks has been substantially rendered. Revenue from rendering of services include property management, commission and construction income.

Incremental costs of obtaining a contract to sell real estate property to customers are recognized as an asset and are subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized.

Cost of real estate sales include the acquisition cost of the land, development costs incurred to date, applicable borrowings costs (see Note 2.21) and estimated costs to complete the project, determined based on estimates made by the project engineers.

Operating expenses and other costs are recognized in profit or loss upon utilization of services or receipt of goods or at the date they are incurred.

Finance costs are reported on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.21).

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets [see Note 2.5(b)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on real estate sale, consideration received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position.

2.17 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

(i) *Accounting for Leases in Accordance with PFRS 16*

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

(a) the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

(b) the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

(c) the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group amortizes the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.18).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented as part of property, and equipment and other liabilities, respectively.

(ii) Accounting for Leases in Accordance with PAS 17 (2018)

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

2.18 Impairment of Non-financial Assets

The Group's Investments in Associates, Goodwill and Leasehold rights (included as part of Other Non-current Assets), Investment Properties, Property and Equipment, and other non-financial assets are subject to impairment testing. Goodwill and intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of its fair value less costs-to-sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for goodwill and intangible assets with indefinite life, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.19 Share-based Employee Remuneration

The Group grants share options to qualified employees of the Group eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in the consolidated profit or loss with a corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Share options issued by a subsidiary is accounted for as non-controlling interests at fair value at the date of grant in the consolidated statement of changes in equity. However, during the period the option is outstanding, the non-controlling interest related to the option holder should not be attributed any profit or loss of the subsidiary until the option is exercised. Meanwhile, the related share option expense is recognized in full in profit or loss.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid in capital (APIC).

2.20 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, defined benefit contribution plans, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit pension plans covers all regular full-time employees. The pension plans are tax-qualified, noncontributory and administered by trustees.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. The interest rates are based from the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL). BVAL provide evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Interest and Other Charges – net or Interest and Other Income – net in the consolidated statement of income.

Past-service costs are recognized immediately in consolidated profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.21 Borrowing Costs

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.22 Income Taxes

Tax expense recognized in consolidated profit or loss comprises the sum of current tax and deferred tax not recognized in consolidated other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in consolidated profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets 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 provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in consolidated profit or loss, except to the extent that it relates to items recognized in consolidated other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.23 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the entities in the Group and their related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded post-employment plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies*, transactions amounting to 10% or more of the total consolidated assets based on its latest consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Company's board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Group's consolidated total assets based on the latest consolidated financial statements, the same board approval would be required for the transactions that meet and exceeds the materiality threshold covering the same related party.

2.24 Equity

Capital stock is determined using the nominal value of shares that have been issued.

APIC includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Also, this includes shares of the Company held by certain subsidiaries (see Note 2.3).

Revaluation reserves consist of:

(a) Net fair value gains or losses recognized due to changes in fair values of financial assets recognized through other comprehensive income;

(b) Accumulated actuarial gains and losses arising from remeasurements of retirement benefit obligation, net of tax;

(c) Cumulative share in other comprehensive income of associates attributable to the Group;

(d) Translation adjustments resulting from the translation of foreign-currency denominated financial statements of certain foreign subsidiaries into the Group's functional and presentation currency;

(e) The effective portion of gains and losses on hedging instruments in a cash flow hedge; and,

(f) Changes in ownership interest in subsidiaries that do not result in a loss of control.

Retained earnings represent all current and prior period results of operations and share-based employee remuneration as reported in the consolidated statement of income, reduced by the amounts of dividends declared.

2.25 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing consolidated net profit attributable to equity holders of the Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any share dividend, share split and reverse share split during the current year, if any.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive common shares (see Note 29).

2.26 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Lease Term of Contracts with Renewal and Termination Options (2020 and 2019)

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

The Group determines whether any non-cancellable period or notice period in a lease would meet the definition of a contract and thus, would be included as part of the lease term. A contract would be considered to exist only when it creates rights and obligations that are enforceable.

In assessing the enforceability of a contract, the Company considers whether the lessor can refuse to agree to a request from the Company to extend the lease. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

(b) Evaluation of Timing of Satisfaction of Performance Obligations

(i) Real Estate Sales

The Group exercises critical judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Group considers the following:

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determines that its performance obligation for pre-completed real estate properties is satisfied over time, while completed real estate properties is satisfied at a point in time, since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.

(ii) Hotel Operations

The Group determines that its revenue from hotel accommodations shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other entities. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of hotel services as it performs.

(iii) Food and Beverages, and Others

In determining the appropriate method to use in recognizing the Group's revenues from food, beverage and other consumer goods, management assesses that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e. generally when the customer acknowledged delivery of goods. The service component of the restaurant operations is deemed as an insignificant cause on the timing of satisfaction of performance obligation since it is only passage of time until the customer receives and consumes all the benefits after delivery of the food and beverage items.

(iv) Forfeited Collections and Deposits

The Group determines that its revenue from forfeited collections and deposits shall be recognized at point in time in the year the contract was cancelled.

(v) Property Management Services

The Group determines that its revenue from property management services shall be recognized over time. In making its judgment, the Company considers the timing of receipt and consumption of benefits provided by the Company to the customers. The Company applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date i.e., generally when the customer has acknowledged the Company's right to invoice.

(c) Estimation of Collection Threshold for Revenue Recognition

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(d) Determination of ECL on Trade and Other Receivables

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. Details about the ECL on the Group's trade and other receivables are disclosed in Notes 2.5(b) and 32.3.

(e) Distinction Among Investment Properties and Owner-occupied Properties

The Group determines whether a property should be classified as investment property or owner-occupied property. The Group applies judgment upon initial recognition of the asset based on intention and also when there is a change in use. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Group's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Group's main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(f) Distinction Between Inventories and Investment Properties

Inventories comprise properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprise of land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Group considers management's intention over these assets in making its judgment.

(g) Distinction Between Investments in Financial Instruments and Inventories

Being a real estate developer, the Group determines how golf and resort shares shall be accounted for. In determining whether these shares shall be accounted for as either inventories or investments in financial instruments, the Group considers its role in the development of the club and its intent for holding these shares. The Group classifies such shares as inventories when the Group acts as the developer and its intent is to sell a developed property together with the club share.

(h) Presentation of Perpetual Debt Securities

The Group exercises judgment in classifying its Perpetual debt securities as financial liabilities or equity instruments. In making its judgment, the Company considers the terms of the securities including any restrictions on the Company's ability to defer interest payments. Based on management's assessment, the perpetual debt securities are classified as equity securities as the Company has the ability to defer payments of principal and interest indefinitely (see Note 28.7).

(i) Distinction Between Asset Acquisition and Business Combinations

The Company acquires subsidiaries that own real estate properties. At the time of acquisition, the Company considers whether the acquisition represents acquisition of a business or asset. The Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40, *Investment Property,* on ancillary services.

During the reporting periods, the Company gained control over various entities as described in Note 1.1. Based on management's assessment, such acquisitions are accounted for as business combinations.

(j) Distinction Between Operating and Finance Leases (as a Lessor)

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management assessment, the Group's lease agreements, as lessor, are classified either operating or finance leases.

(k) Consolidation of Entities in which the Group Holds 50% or Less of Voting Rights

Management considers that the Group has de facto control over investees even though it effectively holds less than 50% of the ordinary shares and voting rights in those companies. The Group considers its ability to exercise control over these entities through voting rights held by its subsidiaries or through interlocking directors (see Note 1.1).

(l) Significant Influence on Investees Even if the Group Holds Less than 20% of Voting Rights

The Group considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions but has no control or joint control of those policies (see Notes 1.1 and 11).

(m) Determination on whether Lease Concessions Granted constitute a Lease Modification

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

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

The rent concessions granted by the Group for the year ended December 31, 2020 amounted to P2.2 billion.

(n) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provision are discussed in Note 2.15 and disclosures on relevant provisions and contingencies are presented in Note 31.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Revenue Recognition for Performance Obligation Satisfied Over Time

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Company measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Company estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated total development costs would result in a significant change in the amount of revenue recognized in the year of change.

(b) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 2.5(b).

(c) Determination of Net Realizable Value of Inventories

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of real estate inventory is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the inventories within the next reporting period. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted to lower real estate sales in 2020. In evaluating net realizable value of inventories, recent market conditions and current market prices have been considered. The carrying value of Inventories is disclosed in Note 7.

(d) Fair Value of Share Options

The Group estimates the fair value of the share option by applying an option valuation model, taking into account the terms and conditions on which the share options were granted. The estimates and assumptions used are presented in Note 28.6 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price and fair value of the Company's common shares. Changes in these factors can affect the fair value of share options at grant date.

The fair value of share options recognized as part of Salaries and employee benefits in 2020, 2019 and 2018 is presented in Note 25.2.

(e) Fair Value Measurement of Investment Properties

Investment properties are measured using the cost model. The Group determines the fair value of properties earning rental income through discounted cash flows valuation technique. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group determines the fair value of idle properties through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 12 and 34.4.

(f) Estimation of Useful Lives of Investment Properties, Property and Equipment, and Leasehold Rights

The Group estimates the useful lives of investment properties, and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of investment properties and property and equipment 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 the assets. In addition, estimation of the useful lives of investment properties and property and equipment are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets.

An analysis of the movements in the carrying amount of Investment Properties, Property and Equipment, and Leasehold Rights is presented in Notes 12, 13 and 14, respectively.

(g) Valuation of Financial Assets at Fair Value through Other Comprehensive Income

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the investee. The amount of changes in fair value would differ had the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect consolidated profit and loss and equity.

The carrying amounts of financial asset at FVOCI and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 9.

(h) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(i) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period 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 asset to be utilized. Management assessed that the balance of deferred tax assets recognized as at December 31, 2020 and 2019 will be utilized in the succeeding years.

The carrying amount of the net deferred tax assets as at December 31, 2020 and 2019 is disclosed in Note 26.

(j) Impairment of Goodwill and Other Non-financial Assets

Goodwill is reviewed annually for impairment while other non-financial assets are tested whenever certain impairment indicators become evident. In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainties relates to assumptions about future operating results and the determination of suitable discount rate. Also, the Group's policy on estimating the impairment of goodwill and other non-financial assets is discussed in detail in Note 2.18. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

The Group's hotels operations segment continues to be adversely affected by COVID-19 due to limited tourism activities, lower number of guests and reduced room rates, all of which have significantly impacted the revenues reported for this segment. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of hotel properties included as part of building and improvements under property and equipment (see Note 13). Management assessed that the impairment losses on these properties are not material as of December 31, 2020.

There were no impairment losses on the Group's goodwill and other non-financial assets required to be recognized in 2020, 2019 and 2018 based on management's assessment.

(k) Valuation of Retirement Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the retirement benefit obligation in the next reporting period.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 25.3.

(l) Business Combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their acquisition date fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development of residential and office units including urban centers integrating office, residential and commercial components. The Real Estate segment pertains to the development and sale of residential and office developments. The Rental segment includes leasing of office and commercial spaces. The Hotel Operations segment relates to the management of hotel business operations. The Corporate and Others segment includes business process outsourcing, educational facilities provider, maintenance and property management operations, marketing services, e-commerce, general and corporate income and expense items. Segment accounting policies are the same as the policies described in Note 2.14. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, receivables, real estate inventories, property and equipment, and investment properties, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and segment liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

The tables presented below and in the succeeding page present revenue and profit information regarding industry segments for the years ended December 31, 2020, 2019 and 2018 and certain asset and liability information regarding segments as at December 31, 2020 and 2019.

	2020					
	Real Estate	**Rental**	**Hotel Operations**	**Corporate and Others**	**Elimination**	**Consolidated**
TOTAL REVENUES						
Sales to external customers	P 24,858,537,303	P12,932,770,278	P 1,482,160,976	P 1,466,834,056	P -	P 40,740,302,613
Interest income	1,400,701,643	599,253,561	2,646,996	1,184,963	-	2,003,787,163
Intersegment sales	-	467,049,014	-	2,294,445,202	(2,761,494,216)	-
Total revenues	**26,259,238,946**	**13,999,072,853**	**1,484,807,972**	**3,762,464,221**	**(2,761,494,216)**	**42,744,089,776**
RESULTS						
Cost of sales and operating expense excluding depreciation and amortization	19,252,024,183	1,745,331,616	1,438,867,811	3,669,211,000	(2,606,206,509)	23,499,228,101
Interest expense	1,401,027,748	451,200,603	-	58,857,029	-	1,911,085,380
Depreciation and amortization	306,863,866	2,485,169,230	133,495,376	179,132,761	-	3,104,661,233
	20,959,915,797	4,681,701,449	1,572,363,187	3,907,200,790	(2,606,206,509)	28,514,974,714
Segment results	**P 5,299,323,149**	**P 9,317,371,404**	**(P 87,555,215)**	**(P 144,736,569)**	**(P 155,287,707)**	**P 14,229,115,062**
Unallocated other income						796,788,076
Unallocated other expenses						(1,019,551,914)
Equity in net earnings of associates						(69,879,672)
Tax expense						(3,347,906,258)
Net profit						**P 10,588,565,294**
ASSETS AND LIABILITIES						
Segment assets	P 235,599,151,575	P114,390,474,604	P 5,117,468,238	P12,913,055,054	P -	P 368,020,149,471
Investments in and advances to associates and other related parties - net	-	-	-	7,670,270,474	-	7,670,270,474
Total assets	**P 235,599,151,575**	**P114,390,474,604**	**P 5,117,468,238**	**P20,583,325,528**	**P -**	**P375,690,419,945**
Segment liabilities	**P 113,607,944,849**	**P41,276,479,486**	**P 1,114,130,648**	**P 7,161,384,765**	**P -**	**P 163,159,939,748**
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 27,907,230,441

	2019					
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 42,603,984,572	P16,814,091,846	P 2,543,769,508	P 1,889,033,843	P -	P 63,850,879,769
Interest income	1,789,992,697	532,557,186	4,213,073	2,050,744	-	2,328,813,700
Intersegment sales	-	497,191,017	-	2,773,501,898	(3,270,692,915)	-
Total revenues	44,393,977,269	17,843,840,049	2,547,982,581	4,664,586,485	(3,270,692,915)	66,179,693,469
RESULTS						
Cost of sales and operating expense excluding depreciation and amortization	30,747,680,397	1,952,200,282	1,905,111,557	4,464,159,187	(3,114,329,696)	35,954,821,727
Interest expense	1,524,194,888	420,528,292	-	63,111,421	-	2,007,834,601
Depreciation and amortization	188,556,394	2,236,868,294	106,992,256	186,216,845	-	2,718,633,789
	32,460,431,679	4,609,596,868	2,012,103,813	4,713,487,453	(3,114,329,696)	40,681,290,117
Segment results	P 11,933,545,590	P13,234,243,181	P 535,878,768	(P 48,900,968)	(P 156,363,219)	P 25,498,403,352
Unallocated other income						1,191,878,718
Unallocated other expenses						(1,253,763,397)
Equity in net earnings of associates						(58,832,233)
Tax expense						(6,081,657,290)
Net profit						P 19,296,029,150
ASSETS AND LIABILITIES						
Segment assets	P 226,831,920,357	P102,878,993,500	P 5,385,458,355	P 7,023,188,130	P -	P 342,119,560,342
Investments in and advances to associates and other related parties - net	-	-	-	7,513,514,402	-	7,513,514,402
Total assets	P 226,831,920,357	P102,878,993,500	P 5,385,458,355	P14,536,702,532	P -	P349,633,074,744
Segment liabilities	P 102,921,026,112	P33,672,147,628	P 1,331,766,296	P 6,842,612,203	P -	P 144,767,552,239
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 48,224,935,584

	2018					
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 38,035,548,060	P14,264,916,931	P 1,519,423,405	P 1,725,890,419	P -	P 55,545,778,815
Interest income	1,360,134,589	403,158,165	3,320,289	1,315,586	-	1,767,928,629
Intersegment sales	-	527,406,898	-	1,622,167,397	(2,149,574,295)	-
Total revenues	39,395,682,649	15,195,481,994	1,522,743,694	3,349,373,402	(2,149,574,295)	57,313,707,444
RESULTS						
Cost of sales and operating expense excluding depreciation and amortization	26,695,579,531	1,781,183,995	1,094,982,921	3,266,235,678	(2,001,285,211)	30,836,696,914
Interest expense	1,236,920,202	335,147,742	-	67,395,261	-	1,639,463,205
Depreciation and amortization	197,835,315	1,839,888,284	81,151,659	149,943,617	-	2,268,818,875
	28,130,335,048	3,956,220,021	1,176,134,580	3,483,574,556	(2,001,285,211)	34,744,978,994
Segment results	P 11,265,347,601	P11,239,261,973	P 346,609,114	(P 134,201,154)	(P 148,289,084)	P 22,568,728,450
Unallocated other income						21,195,680
Unallocated other expenses						(1,138,341,501)
Equity in net earnings of associates						92,307,592
Tax expense						(5,544,362,408)
Preacquisition income of a subsidiary						(166,475,960)
Net profit						P 15,833,051,853
ASSETS AND LIABILITIES						
Segment assets	P 211,035,218,822	P 95,120,853,518	P 4,249,106,353	P 7,256,848,281	P -	P 317,662,026,074
Investments in and advances to associates and other related parties - net	-	-	-	4,628,639,940	-	4,628,639,940
Total assets	P 211,035,218,822	P95,120,853,518	P 4,249,106,353	P 11,885,488,221	P -	P322,290,666,914
Segment liabilities	P 95,911,770,976	P32,096,258,281	P 493,591,142	P 5,048,625,982	P -	P 133,550,246,381
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 55,220,966,122

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2020	2019
Cash on hand and in banks	**P 7,042,548,724**	P 6,937,962,429
Short-term placements	**33,124,207,184**	16,166,913,243
	P 40,166,755,908	P 23,104,875,672

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods between 21 to 39 days and earn effective interest ranging from 0.10% to 4.00% in 2020, 1.00% to 4.88% in 2019, and 1.00% to 7.00% in 2018 (see Note 23).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	2020	2019
Current:			
Trade	15.2(d), 15.4(g), 27.1, 27.8	**P23,502,944,474**	P 26,213,414,625
Allowance for impairment		**(839,881,663)**	(718,476,454)
		22,663,062,811	25,494,938,171
Advances to associates and other related parties	27.2	**4,227,173,772**	4,002,012,566
Others	13, 27.4	**4,685,900,589**	3,514,999,555
		31,576,137,172	33,011,950,292
Non-current:			
Trade	15.2(d), 15.4(g)	**7,777,378,604**	7,861,599,229
Allowance for impairment		**(12,224,936)**	(12,224,936)
		7,765,153,668	7,849,374,293
Others	27.1, 13	**4,496,062,710**	3,948,014,778
		12,261,216,378	11,797,389,071
		P43,837,353,550	P 44,809,339,363

Trade receivables mainly pertain to real estate sales and rental transactions.

Other current receivables include accrued interest.

The installment period of sales contracts averages one to five years. Noninterest-bearing trade receivables with maturity of more than one year after the end of the reporting period are remeasured at amortized cost using the effective interest rate of similar financial instruments. Interest income recognized amounted to P408.3 million, P697.2 million and P474.5 million in 2020, 2019 and 2018, respectively. These amounts are presented as part of Interest income from trade receivables under Interest and Other Income – net account in the consolidated statements of income (see Note 23).

In 2020, the Group, provided reliefs under Republic Act (R.A.) No. 11469, *Bayanihan to Heal as One Act* (Bayanihan 1 Act) and R.A. 11494, *Bayanihan to Recover as One Act* (Bayanihan 2 Act), which offered financial reliefs to its customers and counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the extension of payment terms without incurring interest on interests, penalties, fees, or other charges.

Based on the management's assessment, the modifications in the timing of contractual cash flows as a result of the above reliefs are not substantial and, therefore, do not result in the impairment of trade and other receivables and contract assets.

In 2019, due to the adoption of PFRS 16, one of the lease contracts of GERI has qualified as a finance lease [see Note 31.1(b)]. As a result, the Group recognized finance lease receivable amounting to P669.3 million as of December 31, 2019, and gain on finance lease amounting to P350.2 million which is presented as Gain on finance lease under Interest and Other Income – net account in the 2019 statement of income (see Note 23). Accordingly, the right-of-use asset amounting to P319.1 million was derecognized (see Note 13). In 2020 and 2019, the carrying amount of finance lease receivable is included as part of Others in the Trade and Other Receivables – net account under the Current Assets section at P52.6 million and P86.8 million, respectively, and in the Non-Current Assets section at P540.6 million and P586.0 million, respectively.

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to trade receivables from real estate sales as the amounts recognized consist of a large number of receivables from various customers. The Group considers the market value of properties sold held as collateral in assessing the expected credit loss on trade receivables and contract assets from real estate sales (see Note 32.3).

A reconciliation of the allowance for impairment losses on trade receivables at the beginning and end of 2020 and 2019 is shown below.

	Current	Non-current	Total
December 31, 2020:			
Balance at beginning of year	P 718,476,454	P 12,224,936	P 730,701,390
Impairment losses	121,405,209	-	121,405,209
Balance at end of year	**P 839,881,663**	**P 12,224,936**	**P 852,106,599**
December 31, 2019:			
Balance at beginning of year	P 746,443,033	P 12,224,936	P 758,667,969
Impairment reversal	(27,966,579)	-	(27,966,579)
Balance at end of year	P 718,476,454	P 12,224,936	P 730,701,390

Certain past due rent receivables presented as part of Trade receivables were found to be impaired using the provisional matrix as determined by management; hence, credit loss of P121.4 million and P191.1 million was recognized in 2020 and 2018, respectively (see Note 24). In 2019, based on management's reassessment, the Group reversed a portion of allowance for impairment amounting to P28.0 million. The resulting gain on reversal is presented as part of Miscellaneous – net under Interest and Other Income – net account in the 2019 statement of income (see Note 23).

An allowance of P120.9 million, pertaining to the rent receivables, has been established at the beginning of 2018 as a result of the Group's adoption of PFRS 9.

7. INVENTORIES

The composition of this account as at December 31 is shown below.

	2020	2019
Residential and condominium units	**P 82,285,326,268**	P 80,134,993,372
Property development costs	**8,746,972,339**	7,483,371,952
Raw land inventory	**12,151,377,975**	12,297,389,904
Golf and resort shares	**2,951,286,629**	2,929,635,312
	P106,134,963,211	P102,845,390,540

Residential and condominium units mainly pertain to the accumulated costs incurred in developing the Group's horizontal and condominium projects and certain integrated-tourism projects.

Raw land inventory pertains to properties which the Group intends to develop into residential properties to be held for sale.

Property development costs pertain to accumulated costs incurred for properties undergoing development. The relative cost of a unit sold under development is charged to cost of sales in the same manner as revenue is recognized. The relative costs of units completed prior to sale are reclassified to Residential and condominium units for sale.

Golf and resort shares pertain to proprietary or membership shares (landowner resort shares and founders shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders shares is based on the par value of the resort shares which is P100 per share.

Borrowing costs capitalized as part of inventories amounted to P793.7 million and P932.5 million in 2020 and 2019, respectively, which represent the interest costs incurred on the general and specific borrowings obtained by the Group to fund their construction projects (see Notes 15 and 16).

Certain residential and condominium units for sale are subject to negative pledge on certain loans obtained by the Group [see Note 15.2(d)].

Based on management's assessment, no allowance for inventory write-down is required to be recognized in 2020, 2019 and 2018; hence, inventories are recorded at cost as at December 31, 2020 and 2019.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	Note	**2020**	2019
Input VAT		**P 3,548,681,253**	P 4,681,471,774
Deferred commission	20.3	**1,805,210,470**	1,206,488,729
Creditable withholding taxes		**1,150,713,335**	1,210,186,078
Prepaid rent and other prepayments		**1,056,369,780**	1,061,539,655
Deposits		**57,285,237**	62,155,524
Others		**252,953,167**	195,390,459
		P 7,871,213,242	P 8,417,232,219

Others include supplies and food and beverage inventories.

9. FINANCIAL ASSETS AT FVOCI

As of December 31, financial assets at FVOCI is composed of the following:

	Note	**2020**	2019
Equity securities:			
Quoted		**P 1,902,709,257**	P 1,865,987,171
Unquoted		**2,272,177,173**	2,632,232,316
	27.4	**P 4,174,886,430**	P 4,498,219,487

The Group's securities are investments from local entities.

The reconciliation of the carrying amount of financial assets at FVOCI is as follows:

	2020	2019
Balance at beginning of year	**P 4,498,219,487**	P 4,474,947,699
Fair value gains (losses)	**(323,225,082)**	23,271,788
Foreign currency losses	**(107,975)**	-
Balance at end of year	**P 4,174,886,430**	P 4,498,219,487

In 2018, equity securities significantly pertained to investments in publicly-listed holding and service companies with fair values determined directly by reference to published prices in the PSE. In 2019, one of the Group's investments becomes unquoted as these were no longer publicly traded starting September of the same year.

In 2018, as a result of the Group's adoption of PFRS 9, impairment loss on equity securities amounting to P1.5 billion recognized in 2017 within Retained Earnings was reclassified to Revaluation Reserves as of January 1, 2018.

Other information about the fair value measurement and disclosures related to the investments in financial assets are presented in Note 34.2.

In 2020 and 2019, the Group received cash dividends from local companies amounting to P8.2 million and P8.5 million, respectively. The amount of dividends received is presented as part of Dividend income under Interest and Other Income – net account in the consolidated statements of income (see Note 23).

10. ADVANCES TO/FROM LANDOWNERS AND JOINT OPERATORS

10.1 Advances to Landowners and Joint Operators

The Group enters into numerous joint arrangements for the joint development of various projects. These are treated as jointly-controlled operations. The joint arrangements stipulate that the Group's co-operator shall contribute parcels of land while the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of residential and condominium units to be constructed on the properties. In addition, there were no separate entities created by these joint arrangements. Costs incurred by the Group on these projects are recorded under the Inventories account in the consolidated statements of financial position (see Note 2.7).

The Group also grants noninterest-bearing, secured cash advances to a number of landowners and joint ventures under agreements they entered into with the landowners covering the development of certain parcels of land. Under the terms of the arrangements, the Group, in addition to providing specified portion of total project development costs, also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

The total amount of advances made by the Group less repayments, is presented as part of the Advances to Landowners and Joint Operators account in the consolidated statements of financial position.

As at December 31, 2020 and 2019, management has assessed that the advances to joint ventures are fully recoverable. Further, there has been no outstanding commitment for cash advances under the joint agreements.

The net commitment for construction expenditures amounts to:

	2020	2019
Total commitment for construction expenditures	**P34,237,388,185**	P33,268,029,905
Total expenditures incurred	**(24,563,557,032)**	(22,896,502,186)
Net commitment	**P 9,673,831,153**	P10,371,527,719

The Group's interests in jointly-controlled operations and projects range from 57% to 90% in both 2020 and 2019. The listing of the Group's jointly-controlled projects are as follows:

Company:

- McKinley Hill
- McKinley West
- Newport City
- Manhattan Garden City
- Noble Place

Company (*continued*):
- Uptown Bonifacio
- Northill Gateway
- The Maple Grove
- Vion Tower

GERI
- Alabang West
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Pahara at Southwoods
- Sta. Barbara Heights Phase 2 & 3
- Holland Park
- Sta. Barbara Heights Shophouse District

EELHI:
- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon Projects

SPI:
- Capitol Plaza
- Governor's Hills
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills
- Sentosa
- Asmara
- 88 Gibraltar
- One Lakeshore
- Two Lakeshore
- Riva Bella
- Solana
- Gentri Heights
- Fountain Grove
- Palm City
- The Mist Residence

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities as at December 31, 2020 and 2019, and income and expenses for each of the three years in the period ended December 31, 2020 related to the Group's interests in joint arrangements are not presented or disclosed in the consolidated financial statements as the joint arrangements in which the Group is involved are not joint ventures (see Note 2.3).

As at December 31, 2020 and 2019, the Group either has no other contingent liabilities with regard to these joint operations or has assessed that the probability of loss that may arise from contingent liabilities is remote.

10.2 Advances from Joint Operators

This account represents the share of joint venture partners in the proceeds from the sale of certain projects in accordance with various joint arrangements entered into by the Group.

The advances from golf share partners and lot owners recognized in 2020 and 2019 amounted to P277.2 million and P356.2 million is presented as part of Advances from Associates and Other Related Parties account in the consolidated statements of financial position (see Note 27.3).

The amortization of deferred interest amounting to P11.3 million in 2018 is presented as part of Interest expense under the Interest and Other Charges – net account in the 2018 consolidated statements of income (see Note 24). No amortization was recognized in 2020 and 2019 as the deferred interest was fully amortized in 2018.

11. INVESTMENTS IN ASSOCIATES

11.1 Breakdown of Carrying Values

The details of investments in associates, accounted for using the equity method, are as follows:

	Note	**2020**	2019
Acquisition costs:			
SHDI		**P 2,619,800,008**	P 2,619,800,008
NPI		**734,396,528**	734,396,528
BWDC		**199,212,026**	199,212,026
PTHDC		**64,665,000**	64,665,000
		3,618,073,562	3,618,073,562
Accumulated equity in net losses:			
Balance at beginning of year		**(153,291,902)**	(258,418,175)
Equity share in net losses of associates for the year		**(69,879,672)**	(58,832,233)
Effect of dilution in percentage ownership	23	**-**	152,294,930
Recycling due to disposal and dilution		**-**	11,417,059
Disposal during the year		**-**	246,517
Balance at end of year		**(223,171,574)**	(153,291,902)
Accumulated equity in other comprehensive income:			
Balance at beginning of year		**46,720,176**	58,137,235
Share in other comprehensive income (losses) of associates		**1,474,538**	(11,417,059)
Balance at end of year		**48,194,714**	46,720,176
		P 3,443,096,702	P 3,511,501,836

The shares of stock of SHDI are listed in the PSE. The fair values of all other investments in associates are not available as at December 31, 2020 and 2019. The related book values of the Group's holdings in all of the associates exceed or approximate their carrying values; hence, management deemed that the recognition of impairment loss is not necessary except those associates discussed in Note 11.2. Equity share in Net Earnings (Losses) of Associates is presented in the consolidated statements of income while Share in Other Comprehensive Income of Associates is presented in the consolidated statements of comprehensive income.

a. Investment in SHDI

In October 2019, the Company acquired additional 115 million shares of SHDI at market price, totaling P100.1 million. Subsequently, the Group disposed of a certain number of shares. In December 2019, the Company subscribed to additional 2,177 million shares from SHDI at P1.00 par value. The Company paid P1.25 billion out of the P2.20 billion additional subscribed capital. However, another investor subscribed to more new shares and, as a result, the Company's effective ownership was diluted to 34% and dilution gain amounting to P152.3 million was recognized and presented under Interest and Other Income – Net in the 2019 consolidated statement of income (see Note 23). The unpaid portion is presented as Subscription payable under Other Current Liabilities account in the 2020 and 2019 consolidated statements of financial position (see Note 19). There was no similar transaction in 2020 and 2018.

b. Investment in BNHGI

In 2019, FEPI sold 15% ownership interest over BNHGI for P297.5 million. Gain on sale of investment in an associate amounting to P188.5 million was recognized in 2019 and is presented under Interest and Other Income – net account in the 2019 consolidated statement of income (see Note 23). There was no similar transaction in 2020 and 2018.

11.2 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net profit (loss) of the associates are as follows:

	Current Assets	**Non-current Assets**	**Current Liabilities**	**Non-current Liabilities**	**Revenues**	**Net Profit (Loss)**
2020:						
SHDI	P 5,934,435,559	P 16,559,530,064	P 350,878,800	P 13,816,020,878	P 15,197,042	(P 211,545,268)
NPI	260,527,963	5,411,008,680	1,317,006,155	-	-	-
BWDC	739,778,589	1,878,640,214	873,746,275	41,797,262	66,586,695	5,048,071
PTHDC	1,134,947,853	276,907	1,009,909,620	-	4,633	(704,866)
	P 8,069,689,964	**P 23,849,455,865**	**P 3,551,540,850**	**P 13,857,818,140**	**P 81,788,370**	**(P 207,202,063)**

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Profit (Loss)
2019:						
SHDI	P 1,307,765,420	P 141,144,732	P 57,502,895	P -	P 582,956,270	(P 314,779,735)
NPI	260,527,963	5,411,008,680	1,317,006,155	-	8,725	(726,177)
BWDC	728,777,047	1,859,781,010	843,760,097	69,417,625	165,496,452	104,863,479
PTHDC	1,134,934,478	827,719	1,009,742,190	-	12,790	(461,651)
	P 3,432,004,908	P 7,412,762,141	P 3,228,011,337	P 69,417,625	P 748,474,237	(P 211,104,084)

In addition, SHDI reported other comprehensive income amounting to P4.34 million in 2020 and other comprehensive loss of P9.23 million in 2019.

In 2018, the Group written-off its investments to FERC, FENI, FESI and FERSAI. The carrying amount of the investments amounting to P44.9 million was recognized as impairment loss and is presented as part of Miscellaneous under Operating Expenses account in the 2018 consolidated statement of comprehensive income (see Note 22).

12. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2020 and 2019 are shown below.

	Land	Buildings	Total
December 31, 2020			
Cost	P 27,000,062,823	P 102,872,946,728	P 129,873,009,551
Accumulated depreciation	-	(14,890,520,122)	(14,890,520,122)
Net carrying amount	**P 27,000,062,823**	**P 87,982,426,606**	**P 114,982,489,429**
December 31, 2019			
Cost	P 26,838,600,559	P 96,457,689,526	P 123,296,290,085
Accumulated depreciation	-	(12,405,350,892)	(12,405,350,892)
Net carrying amount	P 26,838,600,559	P 84,052,338,634	P 110,890,939,193
January 1, 2019			
Cost	P 26,538,840,239	P 86,768,689,909	P 113,307,530,148
Accumulated depreciation	-	(10,185,456,616)	(10,185,456,616)
Net carrying amount	P 26,538,840,239	P 76,583,233,293	P 103,122,073,532

A reconciliation of the carrying amounts at the beginning and end of 2020, 2019 and 2018 of investment properties is shown below.

	Land	Buildings	Total
Balance at January 1, 2020, net of accumulated depreciation	P 26,838,600,559	P 84,052,338,634	P110,890,939,193
Transfer to property and equipment	-	(169,332,500)	(169,332,500)
Transfer from inventories	34,421	14,402,577	14,436,998
Additions	161,427,843	6,570,187,125	6,731,614,968
Depreciation charges for the year	-	(2,485,169,230)	(2,485,169,230)
Balance at December 31, 2020, net of accumulated depreciation	**P 27,000,062,823**	**P 87,982,426,606**	**P114,982,489,429**
Balance at January 1, 2019, net of accumulated depreciation	P 26,538,840,239	P 76,583,233,293	P103,122,073,532
Transfer to property and equipment	-	(400,488,452)	(400,488,452)
Additions	300,047,161	10,090,544,279	10,390,591,440
Disposals	(286,841)	(1,056,210)	(1,343,051)
Depreciation charges for the year	-	(2,219,894,276)	(2,219,894,276)
Balance at December 31, 2019, net of accumulated depreciation	P 26,838,600,559	P 84,052,338,634	P110,890,939,193

	Land	Buildings	Total
Balance at January 1, 2018, net of accumulated depreciation	P 26,168,336,418	P 69,476,711,936	P 95,645,048,354
Transfer to property and equipment	-	(780,689,687)	(780,689,687)
Additions	557,895,819	13,722,756,855	14,280,652,674
Disposals	(187,391,998)	(3,995,657,527)	(4,183,049,525)
Depreciation charges for the year	-	(1,839,888,284)	(1,839,888,284)
Balance at December 31, 2018, net of accumulated depreciation	P 26,538,840,239	P 76,583,233,293	P103,122,073,532

Rental income earned from these properties amounted to P12.9 billion, P16.8 billion and P14.3 billion in 2020, 2019 and 2018, respectively, and is shown as Rental Income in the consolidated statements of income. The direct operating costs, exclusive of depreciation incurred by the Group relating to these investment properties amounted to P882.7 million in 2020, P737.2 million in 2019 and P657.0 million in 2018. On the other hand, the direct operating costs, which mostly pertain to real property taxes, of investment properties that did not generate rental income in 2020, 2019 and 2018 amounted to P37.2 million, P34.7 million and P35.5 million, respectively. The operating lease commitments of the Group as a lessor are fully disclosed in Note 31.1.

In 2018, the Group transferred ownership over a building classified as investment property to a related party under common ownership (see Note 27.1).

In 2019 and 2018, changes were made on use of certain properties from being held for lease to being used for hotel operations. As a result, the Group occupied the property in the respective years of reclassification and the carrying amount of P0.4 billion and P0.8 billion, respectively, were reclassified from Investment Properties to Property and Equipment (see Note 13).

In 2019, the Group sold certain land and building and improvements with a total carrying value of P1.3 million for a total consideration of P47.1 million. The related gain on disposal amounting to P45.8 million is presented as part of Miscellaneous – net under Interest and Other Income – net in the 2019 consolidated statement of income (see Note 23).

In 2020, the Group reclassified investment properties with a carrying amount of P169.3 million to property and equipment as such properties are used for operations (see Note 13). The Group has also reclassified inventories with a carrying amount of P14.4 million to investment properties as such properties are held to earn rentals (see Note 7).

Borrowing costs that are capitalized as part of investment properties amounted to P1,846.7 million and P1,810.0 million in 2020 and 2019, respectively, which represent the interest costs incurred on the general and specific borrowings obtained by the Group to fund their construction projects (see Notes 15 and 16).

Depreciation of investment properties is presented as part of Depreciation and amortization under Operating Expenses account in the consolidated statements of income (see Note 22).

The fair market values of the properties that generated rental income in 2020 and 2019 are P437.9 billion and P424.4 billion as at December 31, 2020 and 2019, respectively, while the fair market value of idle land as of December 31, 2020 and 2019 is P53.8 billion and P50.9 billion, respectively. Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 34.4.

13. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2020 and 2019 are shown below.

	Buildings & Improvements	Office Furniture, Fixtures and Equipment	Office Improvements	Transportation Equipment	Land	Right-of-use Assets	Total
December 31, 2020							
Cost	P7,071,037,859	P 1,700,048,652	P 432,875,962	P 562,606,119	P 245,672,573	P 310,518,800	P 10,322,759,965
Accumulated depreciation and amortization	(1,509,924,901)	(1,238,333,340)	(310,435,212)	(485,892,991)	-	(58,573,516)	(3,603,159,960)
Net carrying amount	**P 5,561,112,958**	**P 461,715,312**	**P 122,440,750**	**P 76,713,128**	**P 245,672,573**	**P 251,945,284**	**P 6,719,600,005**
December 31, 2019							
Cost	P6,687,643,357	P 1,571,660,277	P 390,225,553	P 522,789,975	P 245,672,573	P 274,892,443	P 9,692,884,178
Accumulated depreciation and amortization	(1,234,320,268)	(1,049,205,240)	(267,383,440)	(422,750,209)	-	(16,974,018)	(2,990,633,175)
Net carrying amount	P5,453,323,089	P 522,455,037	P 122,842,113	P 100,039,766	P 245,672,573	P 257,918,425	P 6,702,251,003
January 1, 2019							
Cost	P6,235,671,388	P 1,408,659,015	P 343,419,985	P 435,488,491	P 245,672,573	P -	P 8,668,911,452
Accumulated depreciation and amortization	(1,068,346,936)	(871,062,860)	(225,105,338)	(334,343,745)	-	-	(2,498,858,879)
Net carrying amount	P5,167,324,452	P 537,596,155	P 118,314,647	P 101,144,746	P 245,672,573	P -	P 6,170,052,573

A reconciliation of the carrying amounts at the beginning and end of 2020, 2019 and 2018, of property and equipment is shown below.

	Buildings & Improvements	Office Furniture, Fixtures and Equipment	Office Improvements	Transportation Equipment	Land	Right-of-use Assets	Total
Balance at January 1, 2020, net of accumulated depreciation and amortization	P5,453,323,089	P 522,455,037	P 122,842,113	P 100,039,766	P 245,672,573	P 257,918,425	P 6,702,251,003
Additions	214,062,002	133,827,341	42,650,409	40,169,319	-	35,626,357	466,335,428
Transfer from investment properties	169,332,500	-	-	-	-	-	169,332,500
Disposals	-	(5,438,966)	-	(353,175)	-	-	(5,792,141)
Depreciation charges for the year	(275,604,633)	(189,128,100)	(43,051,772)	(63,142,782)	-	(41,599,498)	(612,526,785)
Balance at December 31, 2020, net of accumulated depreciation	**P 5,561,112,958**	**P 461,715,312**	**P 122,440,750**	**P 76,713,128**	**P 245,672,573**	**P 251,945,284**	**P 6,719,600,005**
Balance at January 1, 2019, net of accumulated depreciation and amortization							
As previously reported	P5,167,324,452	P 537,596,155	P 118,314,647	P 101,144,746	P 245,672,573	P -	P 6,170,052,573
Effect of PFRS 16	-	-	-	-	-	399,145,961	399,145,961
As restated	5,167,324,452	537,596,155	118,314,647	101,144,746	245,672,573	399,145,961	6,569,198,534
Transfer from investment properties	400,488,452	-	-	-	-	-	400,488,452
Additions	51,483,517	163,734,664	46,805,568	88,093,093	-	194,882,491	544,999,333
Derecognition	-	-	-	-	-	(319,136,009)	(319,136,009)
Disposals	-	(733,402)	-	(791,609)	-	-	(1,525,011)
Depreciation charges for the year	(165,973,332)	(178,142,380)	(42,278,102)	(88,406,464)	-	(16,974,018)	(491,774,296)
Balance at December 31, 2019, net of accumulated depreciation	P5,453,323,089	P 522,455,037	P 122,842,113	P 100,039,766	P 245,672,573	P 257,918,425	P 6,702,251,003
Balance at January 1, 2018, net of accumulated depreciation	P4,503,244,032	P 190,690,885	P 102,690,612	P 128,155,285	P 245,672,573	P -	P 5,170,453,387
Transfer from investment properties	779,754,000	-	935,687	-	-	-	780,689,687
Additions	58,214,496	441,153,167	45,204,630	54,892,007			599,464,300
Reclassifications	-	54,717,213	-	(241,621)	-	-	54,475,592
Disposals	-	(4,313,571)	-	(8,731,443)	-	-	(13,045,014)
Depreciation and amortization charges for the year	(173,888,076)	(144,651,539)	(30,516,282)	(72,929,482)	-	-	(421,985,379)
Balance at December 31, 2018, net of accumulated depreciation and amortization	P5,167,324,452	P 537,596,155	P 118,314,647	P 101,144,746	P 245,672,573	P -	P 6,170,052,573

Depreciation and amortization of property and equipment is presented as part of Depreciation and amortization under Operating Expenses account in the consolidated statements of income (see Note 22).

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the statement of financial position.

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
2020					
Offices	5	2 – 13 years	7 years	3	1
Commercial lot	3	1 – 27 years	14 years	2	1
2019					
Offices	3	2 – 14 years	8 years	3	1
Commercial lot	3	1 – 28 years	15 years	2	1

The breakdown of the Group's right-of-use assets as at December 31, 2020 and 2019 and the movements during the period are shown below.

	Offices	Commercial Lot	Total
Balance at beginning of year	P 11,074,273	P 246,844,152	P 257,918,425
Additions	35,626,357	-	35,626,357
Depreciation and amortization	(18,536,896)	(23,062,602)	(41,599,498)
Balance at end of year	**P 28,163,734**	**P 223,781,550**	**P 251,945,284**
Balance at beginning of year	P 9,193,717	P 389,952,244	P 399,145,961
Additions	6,765,466	188,117,025	194,882,491
Derecognition	-	(319,136,009)	(319,136,009)
Depreciation and amortization	(4,884,910)	(12,089,108)	(16,974,018)
Balance at end of year	P 11,074,273	P 246,844,152	P 257,918,425

The derecognition of right-of-use asset amounting to P319.1 million resulted from one of the lease contracts of GERI that has qualified as a finance lease (see Note 6).

As of December 31, 2020 and 2019, the Group does not have any contractual commitments for acquisition of property and equipment.

None of the Group's property and equipment are used as collateral for its interest-bearing loans and borrowings.

14. OTHER NON-CURRENT ASSETS

This account consists of:

	Note	2020	2019
Deferred commission	20.3	**P 1,554,862,853**	P 906,925,987
Goodwill		**1,385,124,597**	1,385,124,597
Deposit for cancellation of perpetual securities	37.2	**1,200,900,000**	-
Guarantee and other deposits		**1,186,605,535**	1,007,434,782
Leasehold rights – net		**97,513,034**	104,478,252
Miscellaneous		**170,147,303**	124,848,129
		P 5,595,153,322	P 3,528,811,747

Goodwill primarily relates to growth expectations arising from operational efficiencies that will be achieved by combining the resources, skills and expertise of the Company and its subsidiaries. Significant portion of the total goodwill is allocated to GERI, MLI and STLI amounting to P947.1 million, P255.1 million, and P94.9 million, respectively. The remaining P88.0 million is allocated to other subsidiaries.

Total goodwill as at December 31, 2018 amounted to P1.3 billion. In 2019, management completed the assessment of the fair values of STLI's net assets resulting to restatement of goodwill by P94.9 million in the 2018 consolidated statement of financial position (see Note 1.2).

The recoverable amounts of the cash generating units assigned to GERI, MLI and STLI are P46.5 billion, P863.9 million and P2.6 billion, respectively, at end of 2020 and P49.1 billion, P872.4 million and P2.7 billion, respectively, at end of 2019. These were computed using cash flows projections covering a five-year period and extrapolating cash flows using a conservative steady growth rate for both GERI, MLI and STLI of 5.0%. The aggregate recoverable amounts of the cash generating units assigned to other subsidiaries is P122.0 million in 2020 and P169.2 million in 2019 while the average growth rate used in extrapolating cash flows covering five-year projections is 5.0%. The average discount rates applied in determining the present value of future cash flows is 7.1% in 2020 and 9.1% in 2019.

The discount rates and growth rates are the key assumptions used by management in determining the recoverable amount of the cash generating units. Based on management's analysis, no impairment is required to be recognized on goodwill. Management has also determined that a reasonably possible change in these key assumptions would not cause the carrying value of the cash generating units to exceed their respective value in use.

On December 23, 2020, a wholly-owned subsidiary advanced an amount of P1,200.9 million for the purchase of the Parent Company's perpetual securities. As the securities are under the trusteeship of a third party, the amount was presented as Deposit for cancellation of perpetual securities.

Leasehold rights represent separately identifiable asset recognized from the acquisition of GPARC and is amortized over a period of 20 years. Leasehold rights amortization amounted to P7.0 million each in 2020, 2019 and 2018, and is presented as part of Depreciation and amortization under Operating Expenses account in the consolidated statements of income (see Note 22).

Goodwill is subject to annual impairment testing while leasehold rights is subject to testing whenever there is an indication of impairment. No impairment losses were recognized in 2020, 2019 and 2018 as the recoverable amounts of the intangible assets determined by management are higher than their carrying values.

Guarantee deposits mainly pertain to payments made for compliance with construction requirements in relation to the Group's real estate projects.

15. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing Loans and Borrowings account represents the following loans of the Group as at December 31:

	2020	2019
Parent Company:		
Php-denominated	**P 27,762,950,312**	P 31,410,369,626
U.S. Dollar-denominated	**6,660,010,889**	8,581,745,729
	34,422,961,201	39,992,115,355
Subsidiaries –		
Php-denominated	**11,155,205,216**	11,264,360,634
	P 45,578,166,417	P 51,256,475,989

The current and non-current classification of the Group's Interest-bearing Loans and Borrowings is shown below.

	2020	2019
Current	**P 21,037,756,478**	P 14,502,531,496
Non-current	**24,540,409,939**	36,753,944,493
	P 45,578,166,417	P 51,256,475,989

The Group has complied with applicable loan covenants, including maintaining certain financial ratios, at the end of the reporting periods.

Finance costs arising from interest-bearing loans that are mainly and directly attributable to construction of the Group's projects are capitalized as part of Inventories and Investment Properties accounts. The remaining interest costs are expensed outright.

The total finance costs attributable to all the loans of the Group amounted to P2,726,2 million, P2,967.8 million and P3,405.7 million in 2020, 2019 and 2018, respectively. Of these amounts, portion charged as expense amounted to P666.9 million, P709.7 million and P370.0 million in 2020, 2019 and 2018, respectively, and are presented as part of Interest expense under Interest and Other Charges – net account in the consolidated statements of income (see Note 24). Interest capitalized in 2020, 2019 and 2018 amounted to P2,059.3 million, P2,258.1 million and P3,035.7 million, respectively. The outstanding interest payable as of December 31, 2020 and 2019 is presented as part of Accrued Interests under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). Capitalization rate used in determining the amount of interest charges qualified for capitalization is 4.25%, 4.48% and 4.55% in 2020, 2019 and 2018, respectively.

15.1 Parent Company

(a) U.S. Dollar, five-year loan due 2022

In December 2017, the Parent Company obtained an unsecured long-term loan from a local bank amounting to U.S. $98.87 million. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2019 and a floating interest is paid quarterly based on a 3-month London interbank offered rate (LIBOR) plus a certain spread. The Company entered into a cross-currency swap transaction to hedge the U.S. Dollar and interest rate exposure of the loan (see Note 30).

(b) Philippine Peso, seven-year loan due 2022

In November 2015, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable semi-annually for a term of seven years. The principal repayments on this loan commenced in November 2016 and interest is paid semi-annually based on a fixed 5.25% annual interest rate.

(c) Philippine Peso, seven-year loan due 2022

In March 2015, the Parent Company signed a financing deal with a local bank in which the latter may avail of a P10.0 billion unsecured loan, divided equally into two tranches which the Company fully availed in 2015. The proceeds of the loan were used to fund the development of the Parent Company's various real estate projects and retire currently maturing obligations. The loan is payable quarterly for a term of seven years. The principal repayments on this loan commenced in June 2016 and interest is paid quarterly based on a fixed 5.63% annual interest rate.

(d) Philippine Peso, five-year loan due 2021

In November 2016, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan commenced in February 2018 and interest is paid quarterly based on a fixed 6.43% annual interest rate.

(e) Philippine Peso, five-year loan due 2021

In August 2016, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P2.0 billion. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment on the loan commenced in November 2018 and interest is paid quarterly based on a fixed 5.26% annual interest rate.

(f) Philippine Peso, seven-year loan due 2021

In August 2014, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable semi-annually for a term of seven years. The principal repayments on this loan commenced in August 2015 and interest is paid semi-annually based on a fixed 5.38% annual interest rate.

(g) *Philippine Peso, five-year loan due 2020*

In December 2015, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan commenced in March 2017 and interest is paid quarterly based on a fixed 5.04% annual interest rate. In 2020, the Parent Company has paid in full its outstanding loan balance.

(h) *Philippine Peso, five-year loan due 2023*

In December 2018, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment of the loan shall commence in March 2021 and interest is paid quarterly based on a fixed 7.85% annual interest rate.

(i) *Philippine Peso, three-year loan due 2021*

In July 2018, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The principal of the loan is payable upon maturity and floating interest is payable quarterly commencing in October 2018, based on a 5-day average reference rate plus a certain spread.

(j) *Philippine Peso, three-year loan due 2021*

In December 2018, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of three years with a grace period of six months upon availment. The principal repayment on the loan commenced in September 2019 and interest is paid quarterly based on a floating rate plus certain spread.

(k) *U.S. Dollar, five-year loan due 2024*

In September 2019, the Parent Company obtained an unsecured long-term loan from a local bank amounting to U.S. $95.62 million. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan commenced in December 2020 and a floating interest is paid quarterly based on a 3-month London interbank offered rate (LIBOR) plus a certain spread. The Parent Company entered into a cross-currency swap transaction to hedge the U.S. Dollar and interest rate exposure of the loan (see Note 30).

(l) *Philippine Peso, five-year loan due 2024*

In December 2019, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan commenced in December 2020 and interest is paid quarterly based on the higher of 4.75% fixed rate and floating rate plus certain spread.

(m) Philippine Peso, five-year loan due 2025

In March 2020, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in June 2022 and a floating interest is paid quarterly based on a 5-day average reference rate plus a certain spread.

15.2 EELHI

(a) Philippine Peso, 58-day loan due on 2018

In December 2017, EELHI obtained an unsecured interest-bearing loan from a local bank amounting to P400.0 million. The loan was released in December 2017 and bears a fixed annual interest rate of 4.5% subject to repricing every 30 to 180 days as agreed by the parties. The proceeds of the loan were used to fund the development of EELHI's various real estate projects. Principal of the loans is payable upon maturity and interest is payable monthly in arrears. In 2018, the Company paid in full the outstanding loan balance.

(b) Philippine Peso, seven-year loan due 2022

In 2015, EELHI obtained a P2.0 billion loan from a local bank. The loan was released in three tranches from 2015 to 2016 and bears fixed interest of 5.4% for the first and second tranches, and floating rate ranging from 3.2% to 3.5% subject to quarterly re-pricing for the third tranche. The proceeds of the loan were used to fund the development of EELHI's various real estate projects.

(c) Philippine Peso, unsecured three-year loan due in 2021

In 2018, EELHI obtained a bridge financing from a local bank. The loan was released in February 2018 and subject to floating rate of 4.5%. The proceeds of the loan were used to fund the development of the Company's various real estate projects. The principal of the loan is payable upon maturity and interest is payable monthly in arrears.

(d) Philippine Peso, liability on assigned receivables

In prior years, EELHI obtained loans from local banks by assigning certain trade receivables on a with recourse basis (see Note 6). The loans are secured by certain properties presented as part of Inventories account with total estimated carrying value of P28.5 million as of December 31, 2019 (see Note 7). The loans bear fixed interest rates ranging from 7.0% to 9.0% and are being paid as the related receivables are collected. In 2020, EELHI settled these secured loan balances.

(e) Philippine Peso, unsecured 90-day loan due in 2021

In 2020, EELHI obtained unsecured loans from local banks. The loans bear fixed interest rates at 3.12%. The proceeds of the loan were used to fund the development of EELHI's various real estate projects. The principal of the loan is payable upon maturity and interest is payable monthly.

15.3 LFI

(a) Philippine Peso, five-year loan due 2020

In December 2015, LFI obtained an unsecured interest-bearing loan from a local commercial bank amounting to P500.0 million. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan commenced in March 2017 and interest is paid quarterly. The loan originally bears an annual interest of 5.0%, subject to quarterly repricing. In 2020, LFI paid in full the outstanding loan balance.

15.4 SPI

(a) Philippine Peso, five-year loan due in 2025

In 2018, SPI obtained an unsecured long-term loan from a local bank amounting to P2.2 billion. The principal amount is payable on a monthly basis after a grace period of three years from the date of availment. The loan bears 4.50% floating interest subject to repricing every 30 to 180 days and will mature in 2025. The proceeds of the loan were used to fund the acquisition of STLI in 2018.

(b) Philippine Peso, three-year loan due in 2021

In 2018, SPI obtained an unsecured long-term loan from a local bank amounting to P300.0 million. The principal amount is payable on a monthly basis after a grace period of two years from the date of availment. The loan bears 3.50% floating interest subject to repricing every 30 to 180 days and will mature in 2021.

(c) Philippine Peso, five-year loan due in 2021

In 2017 and 2016, SPI obtained an unsecured long-term loan from a local bank amounting to P0.5 billion and P0.4 billion, respectively. The principal amount is payable on a monthly basis after a grace period of two years from the date of availment. The loan bears 3.50% floating interest subject to repricing every 30 to 180 days and will mature in 2021.

(d) Philippine Peso, five-year loan due in 2020

In 2015, SPI obtained an unsecured long-term loan from a local bank for a total amount of P1.5 billion. The loan is payable in monthly installments over five years with a grace period of two years from the initial drawdown date. The loan bears floating interest ranging from 3.15% to 5.15%, subject to repricing every 30 to 180 days. In 2016 and 2015, SPI made a drawdown amounting to P0.3 billion and P1.2 billion, respectively.

(e) Philippine Peso, seven-year loan due in 2027

In 2020, SPI obtained an unsecured long-term loan from a local bank for a total amount of P0.3 billion payable upon maturity. The loan bears a floating interest of 4.50% subject to repricing.

(f) Philippine Peso, various short-term loans

In 2020, 2016 and 2015, SPI obtained various unsecured short-term loans from different local banks. The loans bear fixed and floating interest ranging from 5.25% to 5.75%. The outstanding balances of the loans as of December 31, 2020 and 2019 amount to P314.0 million and P19.0 million, respectively.

(g) Philippine Peso, liability on assigned receivables

In 2015, SPI obtained various loans from a local bank through assignment of trade receivables (see Note 6). The loans bear floating interests ranging from 5.50% to 15.00%. The loans and interests are being paid as the receivables are collected. The outstanding balance pertaining to these loans as of December 31, 2020 and 2019 amounted to P1.4 billion and P1.3 billion, respectively. The carrying value of assigned receivables is equal to the outstanding balance of the loan as of both December 31, 2020 and 2019.

15.5 GERI

(a) Philippine Peso, five-year loan due 2024

In 2019, the Company obtained an unsecured long-term loan from a local bank amounting to P2.0 billion, payable quarterly for a term of five years. The loan bears a floating interest rate and is payable quarterly in arrears.

(b) Philippine Peso, five-year loan due 2022

In December 2017, GERI obtained an unsecured long-term loan from a local bank amounting to P2.0 billion. The loan is payable quarterly for a term of five years commencing on the beginning of the fifth quarter from the initial drawdown date. The loan bears a floating interest rate and is payable quarterly in arrears.

(c) Philippine Peso, five-year loan due 2021

In 2016, GERI obtained an unsecured long-term loan from a local bank amounting to P2.0 billion. The loan has a term of five years from the date of initial drawdown inclusive of a grace period of two years on principal repayment. The loan is payable in quarterly installments of P125.0 million commencing on the 9^{th} quarter from the date of initial drawdown and balloon payment at the end of five years and bears fixed interest rate plus a certain spread subject to a floor rate of 3%.

(d) Philippine Peso, five-year loan due 2020

In 2015, GERI obtained an unsecured long-term loan from a local bank amounting to P1.5 billion. The loan has a term of five years from the date of initial drawdown, inclusive of a grace period on principal repayment of two years. The loan, which is payable quarterly commencing on the 9^{th} quarter from the date of initial drawdown, bears fixed interest rate plus a certain spread subject to a floor rate of 5%. In 2020, the GERI paid in full the outstanding loan balance.

(e) Philippine Peso, short-term loan

In 2018, SWEC renewed its credit line facility with a local bank amounting to P150.0 million, which shall be used for working capital purposes. In December 2018, the Company's initial loan drawdown amounted to P50.0 million, payable within 180 days. This was extended for another 180 days in 2019. Upon expiration, SWEC paid the P12.0 million portion of the loan and extended the remaining P38.0 million for another 180 days. In 2020, SWEC paid in full the outstanding loan balance.

(f) Philippine Peso, five-year loan due 2024

In August and November 2019, TLC obtained an unsecured and interest-bearing loans from a local commercial bank amounting to P300.0 million and P200.0 million, respectively, for funding requirements of the construction of a project. The loans bear floating interest rates and are payable in quarterly installments commencing in November 2020 until the loans are fully-settled. In March 2020, TLC obtained additional interest-bearing loan amounting to P500.0 million. The loans bear floating interest rates ranging from 5.0% to 5.3% subject to 30 to 180 days repricing. Quarterly installments beginning in November 2020 are due until the loan is fully settled in 2024 for all interest-bearing loans.

(g) Philippine Peso, five-year loan due 2025

In December 2020, GERI obtained an unsecured long-term loan from a local bank amounting to P1.0 billion. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in December 2022. The loan bears a fixed interest rate of 5.26% and is payable quarterly in arrears.

(h) Philippine Peso, seven-year loan due 2027

In December 2020, GERI obtained an unsecured long-term loan from a local bank amounting to P0.5 billion. The loan is payable quarterly for a term of seven years with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2022. The loan bears a floating interest rate and is payable quarterly in arrears.

16. BONDS AND NOTES PAYABLE

This account is composed of the following:

	2020	2019
Philippine peso	**P 11,973,903,096**	P 11,965,873,279
U.S. Dollar	**28,308,952,890**	12,658,010,411
	P 40,282,855,986	P 24,623,883,690

(a) U.S. Dollar, seven-year senior unsecured notes due 2027

On July 30, 2020, the Parent Company issued seven-year senior unsecured notes totaling to U.S. $350 million. The notes carry a coupon rate of 4.125% per annum and interest is payable semi-annually in arrears on January 30 and July 30. The notes shall mature on July 30, 2027. The notes are listed in the Singapore Exchange Securities Trading Limited (SGX-ST).

(b) Philippine Peso, seven-year bonds due 2024

On March 28, 2017, the Parent Company issued seven-year term bonds totaling P12.0 billion. The bond carries a coupon rate of 5.35% payable semi-annually in arrears every March 28 and September 28. The bonds shall mature on March 28, 2024. The bonds are listed Philippine Dealing & Exchange Corp. (PDEx).

(c) U.S. Dollar, ten-year bonds due 2023

On April 17, 2013, the Parent Company issued ten-year term bonds totaling U.S. $250 million. The bond carries a coupon rate of 4.25% per annum and interest is payable semi-annually in arrears every April 17 and October 17. The proceeds of the bond issuance are being used by the Parent Company for general corporate purposes. The bonds are listed in the SGX-ST.

The Parent Company has complied with bond covenants including maintaining certain financial ratios at the end of the reporting periods.

Total interest incurred on these bonds amounted to P1,496.5 million, P1,201.8 million and P1,443.2 million in 2020, 2019 and 2018, respectively. Of these amounts, portion charged as expense amounted to P872.2 million, P717.4 million and P800.8 million in 2020, 2019 and 2018, respectively, and are presented as part of Interest expense under Interest and Other Charges account in the consolidated statements of income (see Note 24). The outstanding interest payable as at December 31, 2020 and 2019 is presented as part of Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). Unrealized foreign currency gains in relation to these foreign bonds are presented as part of Foreign currency gains – net under Interest and Other Income – net account in the consolidated statements of income (see Note 23).

Interest capitalized amounted to P581.2 million and P484.4 million in 2020 and 2019, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 2.89% in 2020 and 4.05% in 2019.

The debt issue costs are initially capitalized and subsequently amortized using effective interest method over the term of the related bonds and notes payable. Amortization of debt issue costs is recognized as part of Interest expense under Interest and Other Charges – net account in the consolidated statements of income. The reconciliation of the unamortized debt issue costs is presented below.

	2020	2019	2018
Balance at beginning of year	**P 48,903,571**	P 64,652,759	P 88,015,157
Additions	**533,014,807**	-	-
Amortization	**(43,174,364)**	(15,749,188)	(23,362,398)
Balance at end of year	**P 538,744,014**	P 48,903,571	P 64,652,759

17. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2020	2019
Trade payables		**P 13,965,119,893**	P 11,853,778,273
Retention payable		**5,143,997,192**	4,602,091,363
Cash dividends payable	28.4	**1,128,400,869**	-
Refund liability		**1,042,344,049**	676,136,137
Accrued interest	15, 16	**789,488,958**	452,887,380
Miscellaneous		**1,262,607,011**	1,721,889,471
		P 23,331,957,972	P 19,306,782,624

Trade payables mainly represent obligations to subcontractors and suppliers of construction materials for the Group's projects.

Retention payable pertains to amounts withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Upon completion of the contracted projects, the amounts are returned to the contractors. The non-current portion of Retention payable is presented as under Other Non-Current Liabilities in the statements of financial position (see Note 19).

Miscellaneous payables include withholding taxes payable and accrual of salaries, wages and utilities. Refund liability pertains to amounts payable to customers due to sales cancellation in respect of installment sales contracts as covered by the R.A. No. 6552, *Realty Installment Buyer Protection Act,* otherwise known as the Maceda Law.

18. REDEEMABLE PREFERRED SHARES

On September 4, 2012, TLC's BOD approved the additional subscriptions to 1,258.0 million preferred shares out of TLC's authorized capital stock as partial payment for certain parcels of land with total fair value of P1,338.2 million. The SEC approved the issuance through the exchange of certain parcels of land on April 17, 2013.

Generally non-voting, these preferred shares earn dividends at a fixed annual rate of 2.5% subject to the existence of TLC's unrestricted retained earnings. The accrued dividends on these preferred shares amounting to P0.9 million and P1.4 million as at December 31, 2020 and 2019, respectively, are presented as part of Other payables under Other Non-current Liabilities account in the consolidated statements of financial position (see Note 19). The related interest expense recognized amounting to P16.9 million, P22.7 million, and P28.4 million in 2020, 2019 and 2018, respectively, is presented as part of Interest expense under the Interest and Other Charges – Net account in the consolidated statements of income (see Note 24). The preferred shares have a maturity of 10 years and shall be redeemed on every anniversary date beginning on the sixth anniversary date until expiration of the ten-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance. The par value of the redeemable preferred shares on the date of issuance approximate their fair value.

19. OTHER LIABILITIES

This account consists of:

	Notes	2020	2019
Current:			
Unearned income		**P 3,668,867,976**	P 3,055,770,143
Commission payable		**3,164,723,364**	1,700,760,516
Advances from customers		**1,993,994,411**	1,591,767,093
Subscription payable	11.1(a), 27	**1,114,665,008**	1,114,665,008
Derivative liability	30	**758,026,441**	242,417,137
Lease liabilities		**55,716,783**	110,624,459
Other payables		**120,695,519**	74,191,693
		P 10,876,689,502	P 7,890,196,049
Non-current:			
Deferred rent - net		**3,997,245,649**	4,103,537,878
Retention payable	17	**2,168,836,637**	2,026,599,582
Lease liabilities		**531,900,188**	542,963,649
Other payables	18	**119,442,993**	97,393,470
		6,817,425,467	6,770,494,579
		P 17,694,114,969	P14,660,690,628

Deferred rental income refers to the rental payments advanced by the lessee at the inception of the lease which will be applied to the remaining payments at the end of the lease term. Unearned income includes the current portion of deferred rent and advance payment for other services. Other current payables mainly pertain to due to condominium unit-holders arising from condo hotel operations.

Total cash outflows relating to lease liabilities for the years ended December 31, 2020 and 2019 are as follows:

	Note	2020	2019
Principal of lease liability		**P 24,915,531**	P 26,338,703
Interest on lease liability	24	**15,899,599**	9,090,629
		P 40,815,130	P 35,429,332

The maturity analysis of lease liabilities as at December 31 is presented in the succeeding page.

	Lease Payment	Finance Charges	Net Present Value
2020			
Within one year	P 95,493,072	(P 39,776,289)	P 55,716,783
After one year but not more than two years	62,013,611	(37,803,334)	24,210,277
After two years but not more than three years	57,576,405	(36,399,767)	21,176,638
After three years but not more than four years	58,653,069	(34,874,713)	23,778,356
After four years but not more than five years	57,306,048	(33,398,616)	23,907,432
More than five years	864,682,102	(425,854,617)	438,827,485
	P 1,195,724,307	**(P 608,107,336)**	**P 587,616,971**
2019			
Within one year	P 149,699,644	(P 39,075,185)	P 110,624,459
After one year but not more than two years	60,379,171	(40,034,120)	20,345,051
After two years but not more than three years	61,656,843	(39,120,478)	22,536,365
After three years but not more than four years	63,666,358	(38,034,304)	25,632,054
After four years but not more than five years	64,839,090	(36,759,979)	28,079,111
More than five years	899,315,917	(452,944,849)	446,371,068
	P 1,299,557,023	(P 645,968,915)	P 653,588,108

The Company has elected not to recognize a lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short term leases amounting to P181.1 million, P241.0 million and P258.5 million in 2020, 2019 and 2018, respectively, presented as Rent under Operating Expenses under Cost and Expenses in the statements of income (see Note 22).

20. REVENUES

20.1 Disaggregation of Revenues

The Company derives revenues from sale of real properties and hotel operations. An analysis of the Company's major sources of revenues is presented below.

	Segments		
	Real Estate	Hotel Operations	Total
2020			
Types of products or services			
Residential units	P 21,667,844,909	P -	P 21,667,844,909
Commercial lot	1,114,034,859	-	1,114,034,859
Residential lot	1,974,800,043	-	1,974,800,043
Industrial lot	101,857,492	-	101,857,492
Room accommodation	-	1,129,655,569	1,129,655,569
Food and beverages	-	327,418,219	327,418,219
Other hotel services	-	25,087,188	25,087,188
	P24,858,537,303	**P 1,482,160,976**	**P26,340,698,279**

	Segments		
	Real Estate	Hotel Operations	Total
2019			
Types of products or services			
Residential units	P 37,676,733,245	P -	P 37,676,733,245
Commercial lot	1,135,140,901	-	1,135,140,901
Residential lot	3,438,496,828	-	3,438,496,828
Industrial lot	353,613,598	-	353,613,598
Room accommodation	-	1,820,667,836	1,820,667,836
Food and beverages	-	671,443,538	671,443,538
Other hotel services	-	51,658,134	51,658,134
	P 42,603,984,572	P 2,543,769,508	P 45,147,754,080
2018			
Types of products or services			
Residential units	P 32,997,456,350	P -	P 32,997,456,350
Commercial lot	1,325,857,166	-	1,325,857,166
Residential lot	3,493,747,496	-	3,493,747,496
Industrial lot	218,487,048	-	218,487,048
Room accommodation	-	1,031,882,621	1,031,882,621
Food and beverages	-	475,571,465	475,571,465
Other hotel services	-	11,969,319	11,969,319
	P 38,035,548,060	P 1,519,423,405	P 39,554,971,465

20.2 Contract Accounts

The significant changes in the contract assets and contract liabilities balances as of December 31 are as follows:

	2020		2019	
	Contract Assets	**Contract Liabilities**	Contract Assets	Contract Liabilities
Balance at beginning of year	**P18,643,004,687**	**P5,213,555,043**	P22,227,279,687	P 5,368,667,295
Transfers from contract assets recognized at the beginning of year to accounts receivables	**(4,684,255,960)**	**-**	(13,872,777,770)	-
Increase due to satisfaction of performance obligation over time net of cash collection	**5,421,977,588**	**-**	10,288,502,770	-
Revenue recognized that was included in contract liability at the beginning of year	**-**	**(1,195,609,872)**	-	(2,124,864,709)
Increase due to cash received in excess of performance to date	**-**	**1,825,684,164**	-	1,969,752,457
Balance at end of year	**P 19,380,726,313**	**P5,843,629,303**	P18,643,004,687	P 5,213,555,043

The current and non-current classification of the Group's Contract Assets account as presented in the statements of financial position is shown below.

	2020	2019
Current	**P 13,265,242,603**	P 10,857,180,128
Non-current	**6,115,483,710**	7,785,824,559
	P 19,380,726,313	P 18,643,004,687

The current and non-current classification of the Group's Contract Liabilities account as presented in the statements of financial position is shown below.

	2020	2019
Current	**P 2,647,780,045**	P 1,703,947,321
Non-current	**3,195,849,258**	3,509,607,722
	P 5,843,629,303	P 5,213,555,043

The outstanding balance of trade receivables arising from real estate sales and hotel operations presented as part of Trade Receivables under Trade and Other Receivables account in the consolidated statements of financial position, amounted to P25.7 billion and P28.8 billion as of December 31, 2020 and 2019, respectively (see Note 6).

20.3 Direct Contract Costs

The Company incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission under Prepayments and Other Current Assets, and Other Non-current Asset accounts in the consolidated statements of financial position (see Notes 8 and 14). These are amortized over the expected construction period on the same basis as how the Company measures progress towards complete satisfaction of its performance obligation in its contracts. The total amount of amortization is presented as part of Commission under Operating Expenses (See Note 22).

The movements in the balances of deferred commission in 2020 and 2019 is presented below.

	2020	2019
Balance at beginning of year	**P 2,113,414,716**	P 1,142,601,641
Additional capitalized cost	**1,898,751,533**	2,492,199,784
Reversal due to back out	**(12,545,654)**	(23,324,369)
Amortization for the period	**(639,547,272)**	(1,498,062,340)
Balance at end of year	**P 3,360,073,323**	P 2,113,414,716

20.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts amounted to P41.8 billion and P31.1 billion as of December 31, 2020 and 2019, respectively, which the Group expects to recognize as follows:

	2020	2019
Within a year	**P 17,112,265,610**	P16,005,879,940
More than one year to three years	**19,283,075,464**	11,284,401,763
More than three to five years	**5,426,500,143**	3,774,194,420
	P 41,821,841,217	P31,064,476,123

21. DIRECT COSTS

21.1 Cost of Real Estate Sales

The nature of the cost of real estate sales for the years ended December 31 are as follows:

	2020	2019	2018
Contracted services	**P 11,219,299,981**	P 17,531,181,959	P 16,702,676,925
Land cost	**1,884,946,036**	4,927,689,375	3,253,659,078
Borrowing cost	**462,338,695**	549,543,413	473,001,664
Other costs	**223,941,120**	371,404,253	91,911,888
	P13,790,525,832	P 23,379,819,000	P 20,521,249,555

21.2 Cost of Hotel Operations

The nature of the cost of hotel operations for the years ended December 31 are as follows:

	Note	**2020**	2019	2018
Salaries and employee benefits	25.1	**P 294,423,195**	P 313,010,398	P 183,312,705
Rent		**174,698,043**	223,425,060	114,270,600
Utilities		**145,490,772**	256,609,404	176,002,410
Food and beverage		**113,744,576**	267,202,449	164,979,706
Outside services		**143,269,354**	177,371,037	97,318,911
Hotel operating supplies		**46,365,836**	74,877,359	55,035,790
Miscellaneous		**45,112,756**	68,661,058	29,832,514
		P 963,104,532	P 1,381,156,765	P 820,752,636

22. OPERATING EXPENSES

Presented below are the details of this account.

	Notes		2020		2019		2018
Depreciation and amortization	12, 13, 14	**P**	**3,104,661,233**	P	2,718,633,789	P	2,268,838,880
Salaries and employee benefits	25.1		**2,774,714,292**		3,125,673,095		2,691,258,059
Commission	20.3		**1,211,294,878**		2,330,502,280		1,578,964,425
Taxes and licenses			**1,058,641,173**		1,010,811,356		772,004,003
Outside services			**553,576,807**		617,984,919		356,976,887
Advertising and promotions			**551,242,571**		1,202,536,624		1,040,076,651
Professional fees			**511,233,774**		530,988,612		443,014,920
Utilities and supplies			**470,914,537**		735,437,981		680,234,229
Association dues			**435,179,281**		373,994,646		299,226,072
Donation			**252,789,709**		43,880,408		81,536,368
Rent	19		**181,081,217**		240,973,409		258,506,932
Transportation			**154,786,603**		338,320,212		298,535,659
Miscellaneous	11.2		**590,142,897**		642,742,420		475,818,722
		P	**11,850,258,972**	P	13,912,479,751	P	11,244,991,807

Miscellaneous operating expenses include repairs and maintenance, insurance expense, and training and development expense.

23. INTEREST AND OTHER INCOME

Presented below are the details of this account.

	Notes		2020		2019		2018
Interest income	5, 6, 27.1	**P**	**2,003,787,163**	P	2,328,813,700	P	1,767,928,629
Property management, commission and construction income			**1,269,150,213**		1,679,042,730		1,575,136,864
Foreign currency gains – net	5, 15, 16		**788,594,465**		492,386,136		-
Dividend income	9, 27.4		**8,193,611**		8,464,814		21,195,681
Gain on finance lease	6		**-**		350,218,385		-
Gain on sale and dilution of investment in associates	11		**-**		340,809,382		-
Miscellaneous – net	6		**197,683,843**		209,991,113		150,753,554
		P	**4,267,409,295**	P	5,409,726,260	P	3,515,014,728

In 2019, FEPI totally sold its remaining investments in BNHGI resulting in a gain amounting to P188.5 million (see Notes 1 and 11).

24. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	Notes		2020		2019		2018
Interest expense	10.2 15, 16 18, 25.3	**P**	**1,641,304,190**	P	1,512,905,580	P	1,310,255,912
Other charges:							
Impairment and other losses	6		**659,918,645**		943,762,442		292,875,567
Day one loss	6		**269,781,190**		494,929,021		329,207,293
Foreign currency losses – net	15, 16		**-**		-		1,083,313,778
Miscellaneous – net			**359,633,267**		310,000,954		280,673,947
		P	**2,930,637,292**	P	3,261,597,997	P	3,296,326,497

Impairment and other losses include net losses from backout sales and impairment losses from trade receivables.

Miscellaneous charges pertain to amortization of discounts on security deposits, bank charges and other related fees.

25. EMPLOYEE BENEFITS

25.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes		2020		2019		2018
Short-term benefits		**P**	**2,975,240,661**	P	3,322,484,310	P	2,734,816,792
Employee share option benefit	25.2, 28.6		**21,381,914**		18,717,409		26,498,873
Post-employment benefits	25.3		**72,514,912**		97,481,774		113,255,099
	21, 22	**P**	**3,069,137,487**	P	3,438,683,493	P	2,874,570,764

25.2 Employee Share Option Plan (ESOP)

The Group's share option benefit expense includes the amounts recognized by the Parent Company and GERI over the vesting period granted by them. As at both December 31, 2020 and 2019, all 400.0 million shares of GERI's options were fully vested, but none of these have been exercised by any of the option holders.

As at December 31, 2020, 2019, and 2018, 40.0 million, 35.0 million, and 25.0 million, respectively, of the Parent Company's shares options were fully vested.

Employee option benefits expense, included as part of Salaries and employee benefits under Operating Expenses account in the consolidated statements of income, amounted to P21.4 million, P18.7 million and P26.5 million in 2020, 2019 and 2018, respectively (see Note 25.1).

25.3 Post-employment Defined Benefit Plan

(a) Characteristics of Defined Benefit Plan

The Group maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by trustee banks. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The post-employment defined benefit plan provides for retirement ranging from 60% to 200% of plan salary for every year of credited service, but shall not be less than the regulatory benefit under R.A. 7641, *The Retirement Pay Law,* or the applicable retirement law at the time of the member's retirement.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries in 2020 and 2019.

The amounts of retirement benefit obligation, presented as non-current liability in the consolidated statements of financial position, are as follows:

	2020	2019
Present value of the obligation	**P 1,345,331,303**	P 1,636,406,311
Fair value of plan assets	**(525,575,607)**	(386,831,493)
Net defined benefit liability	**P 819,755,696**	P 1,249,574,818

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2020	2019
Balance at beginning of year	**P 1,636,406,311**	P 1,120,090,162
Interest costs	**82,498,054**	83,243,965
Current service costs	**72,514,912**	97,481,774
Remeasurements –		
Actuarial losses (gains) arising from changes in:		
Financial assumptions	**(267,188,298)**	362,928,641
Experience adjustments	**(100,470,130)**	(13,610,270)
Benefits paid from –		
Plan assets	**(78,429,546)**	(13,727,961)
Balance at end of year	**P 1,345,331,303**	P 1,636,406,311

The movements in the fair value of plan assets are presented below.

	2020	2019
Balance at beginning of year	**P 386,831,493**	P 291,601,270
Contributions paid	**168,250,000**	83,000,000
Interest income	**23,461,025**	20,132,544
Benefits paid	**(39,441,837)**	(5,303,036)
Remeasurement of plan assets	**-**	(1,438,065)
Loss on plan assets (excluding amount included in net interest cost)	**(13,525,074)**	(1,161,220)
Balance at end of year	**P 525,575,607**	P 386,831,493

The plan assets are composed of cash and cash equivalents of P319.8 million and P261.7 million in 2020 and 2019, respectively, investment in equity securities of P1.10 million and P1.70 million in 2020 and 2019, respectively, and investment in debt securities of P204.7 million and P123.4 million in 2020 and 2019, respectively. Debt securities pertain to corporate and government securities while equity securities consist of investments in private corporation. The contributions to the retirement plan are made annually by the Group. The amount of contributions to the retirement plan is determined based on the expected benefit payments that the Group will incur within five years.

Actual return on plan assets were P23.7 million, P22.1 million and P4.1 million in 2020, 2019 and 2018, respectively.

The components of amounts recognized in the consolidated statements of income and consolidated statements other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Notes	2020	2019	2018
Reported in consolidated statements of income:				
Current service costs	25.1	**P 72,514,912**	P 97,481,774	P 113,255,099
Net interest costs	24	**59,037,029**	63,111,421	56,303,533
		P 131,551,941	P160,593,195	P 169,558,632
Reported in consolidated statements of comprehensive income:				
Actuarial gains (losses) arising from changes in:				
Financial assumptions		**P267,188,298**	(P362,928,641)	P 452,723,106
Experience adjustments		**100,470,130**	13,610,270	(245,614,988)
Demographic assumptions		**-**	-	115,906,743
Loss on plan assets (excluding amounts included in net interest expense)		**(13,525,074)**	(1,161,220)	(9,470,954)
		354,133,354	(350,479,591)	313,543,907
Tax expense (benefit)	26	**(106,240,006)**	105,143,877	(92,059,473)
		P247,893,348	(P245,335,714)	P 221,484,434

Current service costs are presented as part of Salaries and employee benefits under Operating Expenses account in the consolidated statements of income (see Notes 22 and 25.1). The net interest costs are included as part of Interest expense under Interest and Other Charges – net account in the consolidated statements of income (see Note 24).

Amounts recognized in consolidated other comprehensive income were included within items that will not be reclassified subsequently to consolidated profit or loss.

In determining the amounts of the retirement benefit obligation, the following significant actuarial assumptions were used:

	2020	2019	2018
Discount rates	**3.70% - 5.09%**	5.09% - 6.08%	5.70% - 8.88%
Expected rate of salary increases	**3.00% - 10.00%**	5.00% - 10.00%	3.00% - 10.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 25 years for both males and females. These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the retirement benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Rate Risks

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategies, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the DBO as at December 31, 2020 and 2019:

	Impact on Retirement Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2020			
Discount rate	**0.50%**	**(P 97,067,007)**	**P 148,243,875**
Salary increase rate	**1.00%**	**102,156,149**	**(123,167,728)**
December 31, 2019			
Discount rate	0.50%	(P 123,215,515)	P 139,952,872
Salary increase rate	1.00%	217,453,714	(182,885,761)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the DBO as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the DBO recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

The Group, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategies to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing in debt securities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The Group's objective is to maintain a level of funding sufficient to cover the projected retirement benefit obligation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 25 years' time when a significant number of employees is expected to retire.

The Group expects to make contributions of P125.0 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2020	2019
Within one year	**P 131,296,356**	P 103,793,514
More than one year to 5 years	**427,118,652**	561,778,292
More than 5 years to 10 years	**443,099,489**	616,623,613
More than 10 years to 15 years	**386,693,838**	683,953,502
More than 15 years to 20 years	**698,110,905**	1,207,646,575
	P 2,086,319,240	P 3,173,795,496

The weighted average duration of the DBO at the end of the reporting period range from 10 to 19 years.

26. TAXES

The components of tax expense as reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	2020	2019	2018
Reported in consolidated statements of income:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 2,707,466,693**	P 3,541,256,471	P 2,444,325,997
Final tax at 15% and 7.5%	**58,700,066**	136,799,818	59,730,934
Minimum corporate income tax (MCIT) at 2%	**33,058,126**	3,139,384	15,408,366
Preferential tax at 5%	**-**	16,535,903	20,845,686
	2,799,224,885	3,697,731,576	2,540,310,983
Deferred tax expense relating to origination and reversal of temporary differences	**548,681,373**	2,383,925,714	3,004,051,425
	P 3,347,906,258	P 6,081,657,290	P 5,544,362,408
Reported in consolidated statements of comprehensive income –			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 101,774,635**	(P 106,078,710)	P 92,776,448

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	2020	2019	2018
Tax on pretax profit at 30%	**P 4,180,941,466**	P 7,613,305,932	P 6,463,167,066
Adjustment for income subjected to lower income tax rates	**(135,250,737)**	(156,046,868)	(126,705,434)
Tax effects of:			
Non-taxable income	**(1,062,695,429)**	(1,713,474,896)	(1,094,661,187)
Non-deductible expenses	**229,869,981**	376,780,416	174,940,747
Unrecognized deferred tax assets on temporary differences	**31,518,283**	12,498,461	231,818
Miscellaneous	**103,522,694**	(51,405,755)	127,389,398
	P 3,347,906,258	P 6,081,657,290	P 5,544,362,408

The deferred tax assets and liabilities relate to the following as of December 31:

	2020	2019
Deferred tax assets:		
Difference between the fair value and carrying value of net assets acquired	**P 141,225,062**	P 141,225,062
Retirement benefit obligation	**48,209,554**	41,738,560
Allowance for impairment of receivables	**9,254,356**	9,254,356
Allowance for property development costs	**9,227,732**	9,227,732
NOLCO	**75,292,529**	2,138,168
MCIT	**26,392,264**	5,592
Others	**30,275,240**	105,207,623
	P 339,876,737	P 308,797,093
Deferred tax liabilities – net:		
Uncollected gross profit	**P 6,623,820,829**	P 7,039,045,027
Capitalized interest	**4,161,467,864**	3,567,031,120
Difference between the tax reporting base and financial reporting base of rental income	**1,071,596,877**	1,173,233,118
Unrealized foreign currency losses – net	**(382,023,042)**	(706,060,353)
Retirement benefit obligation	**(219,106,014)**	(363,444,295)
Bond issuance costs	**197,548,382**	58,860,391
Share options	**(129,256,812)**	(123,151,742)
Uncollected rental income	**37,264,192**	34,979,523
Others	**202,113,684**	48,776,036
	P 11,563,425,960	P 10,729,268,825

No deferred tax liability has been recognized on the accumulated equity in net earnings of associates. The Group has no liability for tax should the amounts be declared as dividends since dividend income received from domestic corporation is not subject to income tax.

Some of the entities within the Group are subject to MCIT which is computed at 2% of gross income, net of allowable deductions as defined under the tax regulations.

Pursuant to Section 4(bbb) of Bayanihan 1 Act for taxable years 2020 and 2021 NOLCO can be claimed as deduction within five consecutive years immediately following the year of such loss.

The details of the Group's MCIT that are valid and deductible from future taxable income are as follows:

Year	Original Amount	Valid Until
2020	P 26,458,789	2023
2019	177,937	2022
2018	362,809	2021
	P 26,999,535	

The details of the Group's NOLCO that are valid and deductible from future taxable income are as follows:

Year	Original Amount	Valid Until
2020	P 80,505,896	2025
2019	5,906,383	2022
2018	4,904,707	2021
	P 91,316,986	

Certain subsidiaries within the Group did not recognize the deferred tax assets on their MCIT and NOLCO as realization of such amounts is uncertain.

Except for certain subsidiaries, management has assessed that the net losses incurred, as well as the related NOLCO, can be recovered through future operations and are not significant to the overall financial condition and financial performance of the Group.

In 2020, 2019 and 2018, the Group opted to continue claiming itemized deductions, except for MDC which opted to use OSD in those years, in computing for income tax dues.

ECOC and SEDI are registered with the Philippine Economic Zone Authority (PEZA) pursuant to Presidential Proclamation No. 191 dated October 6, 1999. As PEZA-registered entities, ECOC and SEDI are entitled to a preferential tax rate of 5% on gross income earned from registered activities, in lieu of all local and national taxes, and to other tax privileges.

In May 2014, the Board of Investments approved SPI's application for registration on Suntrust Sentosa project. SPI shall be entitled to income tax holiday for four years from May 2014, or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms.

Also, SPI's The Regal Homes project has qualified in the definition of socialized housing under Section 3(r) of R.A. 7279, *Urban Development and Housing Act of 1992*. Under Section 20 of RA 7279, private sector participating in socialized housing shall be exempted from the payment of project-related income taxes, capital gains tax on raw lands use for the project, VAT for the project concerned, transfer tax for both raw and completed projects, and donor's tax for both lands certified by the local government units to have been donated for socialized housing purposes.

27. RELATED PARTY TRANSACTIONS

The Group's related parties include the Ultimate Parent Company, associates, the Group's key management and other related parties under common ownership as described in the succeeding pages.

The summary of the Group's transactions with its related parties as of December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018 are as follows:

Related Party Category	Notes	Amount of Transactions 2020	2019	2018	Outstanding Investment/ Receivable (Payable) 2020	2019
Ultimate Parent Company:						
Dividends paid	27.5	**(P 535,472,192)**	(P 1,115,364,612)	(P 878,091,782)	**(P 535,472,192)**	P -
Investments in equity securities	27.4	**(129,956,000)**	(29,424,000)	(502,660,000)	**1,299,560,000**	1,429,516,000
Dividend income	27.4	**6,130,000**	-	11,260,000	**6,130,000**	-
Advances granted	27.2	**-**	930,000,000	-	**930,000,000**	930,000,000
Associates:						
Advances granted (collected)	27.2	**2,252,794**	(34,488,474)	95,771,994	**1,099,313,294**	1,097,060,500
Rendering of services	27.1	**11,188,103**	10,691,973	8,352,552	**810,607**	399,286
Advances availed (paid)	27.3	**-**	177,592,234	(244,268)	**(180,253,054)**	(180,253,054)
Subscription payable	19	**-**	1,114,665,008	-	**1,114,665,008**	1,114,665,008
Related Parties Under Common Ownership:						
Reimbursement of construction costs	27.1	**-**	-	3,995,657,527	**3,056,180,769**	3,056,180,769
Real estate sales	27.1	**-**	-	307,300,000	**-**	-
Advances availed (paid)	27.3	**(230,932,687)**	(148,172,551)	252,615,151	**(2,503,697,060)**	(2,734,629,747)
Rendering of services	27.1	**111,141,371**	256,588,091	449,902,884	**73,872,419**	53,600,123
Advances granted	27.2	**222,908,412**	474,737,422	4,600,132	**2,197,860,478**	1,974,952,066
Dividend income	27.4	**2,061,115**	8,291,304	1,116,789	**-**	-
Investments in equity securities	27.4	**(163,041,128)**	682,407,513	-	**2,866,951,027**	3,029,992,155
Sale of investment properties	27.8	**-**	47,125,000	-	**-**	23,562,500
Key Management Personnel –						
Compensation	27.6	**307,865,292**	325,018,986	310,647,655	**-**	-

None of the companies within the Group is a joint venture. The Group is not subject to joint control and none of its related parties exercise significant influence over it.

27.1 Real Estate Sales and Rendering of Services to Related Parties

The Group renders services to its related parties on a cost-plus basis, allowing a certain margin agreed upon by the parties at arm's length. The summary of services offered by the Group is presented below.

	Amount of Transactions 2020	2019	2018
Rendering of services	**P 122,329,474**	P 267,280,064	P 458,255,436
Real estate sales	**-**	-	307,300,000
	P 122,329,474	P 267,280,064	P 765,555,436

The Group leases some of its investment properties to its associates and other related parties under common ownership with rental payments mutually agreed generally before the commencement of the lease. Most of the leases have terms ranging from one to 25 years, with renewal options, and include annual escalation rates of 3% to 10%, except for contingent rent. The revenues earned from these related parties are included as part of Rental Income in the consolidated statements of income (see Note 12). The related outstanding receivables from these transactions, which are collectible on demand, unsecured and noninterest-bearing, are presented as part of Trade under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Parent Company and a related party under common ownership are parties to a management agreement whereby the former provides management services for the overall administration of the latter's leasing operations for a fee, which is based on certain rates of collections plus commission. Further, there are other management services provided to related parties under common ownership related to management of construction and development activities.

Occasionally, the Parent Company sells real properties to its related parties in the normal course of business.

In 2018, the Parent Company sold certain parcels of land to a related party under common ownership amounting to P307.3 million. The transaction was fully settled in the same year. The sale is presented as part of Real Estate Sales in the 2018 consolidated statement of income.

Unless otherwise indicated, the Group's outstanding receivables from related parties arising from the above transactions are unsecured, noninterest-bearing, and collectible in cash under normal credit terms or through offsetting arrangements.

There were no impairment losses recognized on the Group's receivables from related parties in 2020, 2019 and 2018.

In 2018, the Parent Company agreed with a related party under common ownership to turn over a certain property under terms that the related party will reimburse the construction cost incurred by the Parent Company amounting to P4.0 billion (see Note 12). The outstanding balance, which is collectible on demand, interest-bearing and unsecured, amounted to P3.1 billion as of both December 31, 2020 and 2019, and is presented under non-current Other Trade Receivables in the consolidated statements of financial position (see Note 6). The Group earned and received interest income amounting to P188.3 million, P209.9 million and nil in 2020, 2019 and 2018, respectively, which is presented as part of Interest income under Interest and Other Income account – net (see Note 23).

27.2 Advances to Associates and Other Related Parties

Associates and other related parties under common ownership are granted noninterest-bearing, unsecured and collectible on demand advances by the Parent Company and other entities within the Group with no definite repayment terms for working capital purposes. These are generally collectible in cash or through offsetting arrangements with the related parties.

The outstanding balances of Advances to associates and other related parties shown as part of Trade and Other Receivables account under Current Assets section in the consolidated statements of financial position are as shown on the succeeding page (see Note 6).

	2020	2019
Advances to associates	**P1,099,313,294**	P1,097,060,500
Advances to other related parties	**3,127,860,478**	2,904,952,066
	P4,227,173,772	P4,002,012,566

The movements in advances to associates and other related parties are as follows:

	2020	2019
Balance at beginning of year	**P4,002,012,566**	P2,631,763,618
Advances granted	**260,769,849**	1,500,167,429
Advances collected	**(35,608,643)**	(129,918,481)
Balance at end of year	**P4,227,173,772**	P4,002,012,566

Advances to other related parties pertain to advances granted to entities under common ownership of the Parent Company. In 2019, this included advances granted to the Ultimate Parent Company amounting to P930.0 million for working capital requirements. No impairment losses on the advances to associates and other related parties were recognized in 2020, 2019 and 2018 based on management's assessment.

27.3 Advances from Associates and Other Related Parties

Certain expenses of the entities within the Group are paid by other related parties on behalf of the former. The Group also received cash advances from a certain related party under common ownership, for the development of a certain entertainment site which is an integrated tourism project planned by the Philippine Amusement and Gaming Corporation. The advances are noninterest-bearing, unsecured and with no repayment terms and are generally payable in cash upon demand or through offsetting arrangements with the related parties.

The outstanding balances from these transactions, which are payable on demand, unsecured and noninterest-bearing, are presented as Advances from Associates and Other Related Parties under Current Section account in the consolidated statements of financial position and are broken down below:

	2020	2019
Advances from associates	**P 180,253,054**	P 180,253,054
Advances from other related parties	**2,503,697,060**	2,734,629,747
	P2,683,950,114	P2,914,882,801

The movements in advances from associates and other related parties are as follows:

	2020	2019
Balance at beginning of year	**P2,914,882,801**	P2,885,463,118
Advances availed	**24,157,233**	32,361,651
Advances paid	**(255,089,920)**	(2,941,968)
Balance at end of year	**P2,683,950,114**	P2,914,882,801

27.4 Investments in Equity Securities

The Group's equity securities include investment in shares of the Ultimate Parent Company and related parties under common ownership. The fair values of these securities have been determined directly by reference to published prices in an active market, except for the investment in shares of a related party under common ownership which was delisted in the stock exchange in 2019 measured using the discounted cash flows valuation technique [see Note 34.2(a)]. Movements and the related fair value gains or losses on these investments are shown and discussed in Note 9. Also, the Group received dividend income from these shares, presented as part of Dividend income under Interest and Other Income – net account in the consolidated statements of income (see Note 23). Outstanding receivable from this transaction is presented as part of Others under the current portion of Trade and Other Receivables account in the 2020 statement of financial position (see Note 6).

27.5 Dividends Paid to the Ultimate Parent Company

The Ultimate Parent Company received dividends from the Parent Company amounting to P0.5 billion, P1.1 billion and P0.9 billion in 2020, 2019 and 2018, respectively. Outstanding liability from these transactions amounted to P0.5 billion as of December 31, 2020, and nil as of both December 31, 2019 and 2018, and is presented as part of Cash dividends payable under Trade and Other Payables account in the 2020 statement of financial position (see Notes 17 and 28.4).

27.6 Key Management Personnel Compensation

The Group's key management personnel compensation includes the following:

	2020	2019	2018
Short-term benefits	**P 222,375,207**	P 266,299,232	P 243,575,452
Post-employment benefits	**64,108,171**	40,002,345	40,573,332
Employee share option benefit	**21,381,914**	18,717,409	26,498,871
	P 307,865,292	P 325,018,986	P 310,647,655

27.7 Post-employment Plan

The Group has a formal retirement plan established separately for the Parent Company and each of the significant subsidiaries, particularly GERI, EELHI and PHRI. The Group's retirement fund for its post-employment defined benefit plan is administered and managed by trustee banks. The fair value and the composition of the plan assets as of December 31, 2020 and 2019 are presented in Note 25.3.

The Group's transactions with the fund mainly pertain to contribution, benefit payments and interest income.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

27.8 Sale of Investment Property

In 2019, the Group sold land and building classified as investment property at an aggregate amount of P47.1 million to a related party under common ownership. The outstanding receivables arising from these transactions are presented as part of Trade and Other Receivables in the 2019 consolidated statement of financial position (see Note 6). No similar transaction in 2020.

28. EQUITY

Capital stock consists of:

	Shares 2020	Shares 2019	Shares 2018	Amount 2020	Amount 2019	Amount 2018
Preferred shares Series "A"- P0.01 par value						
Authorized	**6,000,000,000**	6,000,000,000	6,000,000,000	**P 60,000,000**	P 60,000,000	P 60,000,000
Issued and outstanding	**6,000,000,000**	6,000,000,000	6,000,000,000	**P 60,000,000**	P 60,000,000	P 60,000,000
Common shares – P1 par value						
Authorized	**40,140,000,000**	40,140,000,000	40,140,000,000	**P 40,140,000,000**	P 40,140,000,000	P 40,140,000,000
Issued	**32,370,865,872**	32,370,865,872	32,370,865,872	**P 32,370,865,872**	P 32,370,865,872	P 32,370,865,872
Treasury shares:						
Balance at beginning of year	**(130,920,000)**	(131,420,000)	(131,420,000)	**(118,104,398)**	(118,555,453)	(118,555,453)
Acquisitions during the year	**(341,632,000)**	-	-	**(994,672,630)**	-	-
Issuances during the year	**1,000,000**	500,000	-	**902,111**	451,055	-
Balance at end of year	**(471,552,000)**	(130,920,000)	(131,420,000)	**(1,111,874,917)**	(118,104,398)	(118,555,453)
Issued and outstanding	**31,899,313,872**	32,239,945,872	32,239,445,872	**P 31,258,990,955**	P 32,252,761,474	P 32,252,310,419
Total issued and outstanding shares				**P 31,318,990,955**	P 32,312,761,474	P 32,312,310,419

On June 15, 1994, the SEC approved the listing of the Parent Company's common shares totaling 140,333,333. The shares were initially issued at an offer price of P4.80 per common share. As of December 31, 2020, there are 2,432 holders of the listed shares, which closed at P4.08 per share as of that date.

The following also illustrates the additional listings made by the Parent Company (in shares): May 23, 1996 – 1.6 billion; January 8, 1997 – 2.1 billion; November 23, 1998 – 2.0 billion; August 19, 1999 – 3.0 billion; October 12, 2005 – 5.5 billion; November 21, 2006 – 10.0 billion and July 17, 2007 – 3.9 billion and 2012 – 3.1 billion. The Parent Company also listed 700.0 million shares in 2013, 300.0 million shares in 2014, 8.0 million shares in 2015. There were no additional issuance of shares in the succeeding years.

As of December 31, 2020, 2019 and 2018, RHGI holds certain number of common shares with costs of P515.2 million, which are treated as treasury shares on the Group's consolidated financial statements (see Note 28.5).

28.1 Preferred Shares Series "A"

The preferred shares are voting, cumulative, non-participating, non-convertible and non-redeemable with a par value of P0.01 per share. The shares earn dividends at 1% of par value per annum cumulative from date of issue. Dividends paid on cumulative preferred shares amounted to P0.6 million in 2020, 2019 and 2018 (see Note 28.4).

28.2 Common Shares

On May 23, 2013, the Parent Company's BOD approved a P10.0 billion increase in authorized capital stock (ACS) consisting of 10.0 billion shares with par value of P1.00 per share. On November 20, 2013, the SEC approved the P10.0 billion increase in ACS, of which 2.5 billion shares were subscribed and paid by the Parent Company at a price of P4.29 per share for a total subscription price of P10.7 billion.

In 2009, 5,127,556,725 common shares were subscribed and issued through pre-emptive share rights offering. Moreover, shareholders were given four additional share warrants for every five share rights subscribed. For every share warrant, shareholders can avail of one common share at P1.00 per share.

Relative to the share subscription, 4,102,045,364 share warrants were issued of which 4,101,662,246 warrants were exercised while the remaining 383,118 have expired.

28.3 Additional Paid-in Capital

The APIC pertains to the excess of the total proceeds received from the Parent Company's shareholders over the total par value of the common shares. There were no movements in the Parent Company's APIC accounts in 2018. In 2020 and 2019, APIC amounting to P1.9 million and P1.0 million, respectively, was recognized by the Parent Company from the exercise of 1,000,000 and 500,000 stock options, respectively.

28.4 Cash Dividends

The details of the Group's cash dividend declarations, both for preferred and common shares, are as follows:

	2020	2019	2018
Declaration date/date of approval by BOD	**December 4, 2020**	June 21, 2019	June 8, 2018
Date of record	**December 18, 2020**	July 5, 2019	June 26, 2018
Date of payment	**January 8, 2021**	July 31, 2019	July 20, 2018
Amounts declared			
Common	**P 1,177,196,572**	P 2,378,582,809	P 1,981,608,812
Preferred	**600,000**	600,000	600,000
	P 1,177,796,572	P 2,379,182,809	P 1,982,208,812
Dividends per share:			
Common	**P 0.04**	P 0.07	P 0.06
Preferred	**P 0.01**	P 0.01	P 0.01

28.5 Treasury Shares

This account also includes the Parent Company's common shares held and acquired by RHGI. The number of treasury common shares aggregated to P1,627.0 million as at December 31, 2020.

The changes in market values of these shares held by RHGI, recognized as fair value gains or losses by the subsidiary, were eliminated in full and not recognized in the consolidated financial statements.

In 2019, the Parent Company has reissued 500,000 treasury shares as a result of exercise of the same number of stock options.

A portion of the Parent Company's retained earnings is restricted for dividend declaration up to the cost of treasury shares as of the end of the reporting period.

28.6 ESOP

A total of P21.4 million, P18.7 million and P26.5 million share option benefits expense in 2020, 2019 and 2018, respectively, is recognized and presented as part of Salaries and employee benefits under Operating Expenses account in the consolidated statements of income (see Notes 22 and 25.2).

(a) Parent Company

In 2012, the Parent Company's BOD approved and the shareholders adopted an ESOP for the Parent Company's key executive officers.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from the Parent Company. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Parent Company's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, the Parent Company granted share options to certain key executives to subscribe to 235.0 million common shares of the Parent Company, at an exercise price of P1.77 per share.

In 2013, additional share options were granted to certain key executives to subscribe to 20.0 million common shares of the Parent Company at an exercise price of P2.33 per share. Additional 40.0 million share options were granted in 2014 at an average exercise price of P3.00 per share. In 2019, additional 10.0 million share options were granted at an exercise price of P1.77. There were no additional share options granted in 2018, and 2017.

In 2019, 10.0 million share options were forfeited due to resignation of certain key executive officers. There was no forfeiture in 2020 and 2018.

A total of 5.0 million, 10.0 million and 5.0 million share options have vested in 2020, 2019 and 2018, respectively.

A total of 1.0 million and 0.5 million share options were exercised at a price of P1.77 per share in 2020 and 2019, respectively. There was no similar transaction in 2018.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Option life	6.08 to 30.17 years
Share price at grant date	P 2.54 to P 4.52
Exercise price at grant date	P 1.77 to P 3.23
Fair value at grant date	P 0.98 to P 2.15
Average standard deviation of share price return	10.98 %
Average dividend yield	0.82 %
Average risk-free investment rate	3.93 %

The underlying expected volatility was determined by reference to historical date of the Parent Company's shares over a period of time consistent with the option life.

The Parent Company recognized a total of P21.4 million, P17.8 million and P23.2 million share-based executive compensation in 2020, 2019 and 2018, respectively, as part of Salaries and employee benefits and a corresponding credit in Retained Earnings(see Note 25.2).

(b) *GERI*

In 2011, the BOD of GERI approved and the stockholders adopted an ESOP for its key executive officers.

Under the ESOP, GERI shall initially reserve for exercise of share options up to 500.0 million common shares of the GERI's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant.

The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period. The exercise price shall be at a 15% discount from the volume weighted average closing price of the GERI's shares for twelve months immediately preceding the date of grant.

As of December 31, 2020, pursuant to this ESOP, GERI has granted the option to its key company executives to subscribe to P400.0 million shares of GERI. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. All 400.0 million options were fully vested as of December 31, 2019. However, none of these have been exercised yet by any of the option holders as of December 31, 2020.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	7 years
Share price at grant date	P1.02 to P2.10
Exercise price at grant date	P1.0 to P1.93
Fair value at grant date	P0.24 to P2.27
Standard deviation of share price return	12.16% to 57.10%
Risk-free investment rate	2.14% to 2.59%

The underlying expected volatility was determined by reference to historical date of the GERI's shares over a period of time consistent with the option life.

GERI recognized a total of P0.9 million and P3.3 million share-based compensation in 2019 and 2018, respectively, as part of Salaries and employee benefits and a corresponding credit in Non-controlling Interest (see Note 25.2). There was no share-based compensation in 2020 since all the options were fully vested as of December 31, 2019.

28.7 Perpetual Capital Securities

On April 11, 2018, the Group issued bonds amounting $200.0 million. The bonds were issued with a nominal interest of 5.375% per annum and interest is payable semi-annually in arrears every April 11 and October 11. The bonds are currently listed in the SGX-ST. The financial instruments are treated as equity securities. These bonds may be voluntarily redeemed by the Parent Company on April 11, 2023 or on any distribution date thereafter [see Note 3.1(h)].

28.8 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statement of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	Financial Assets at FVOCI (Note 9)	Retirement Benefit Obligation (Note 25)	Translation Reserves (Note 2)	Cross Currency Swaps (Note 30)	Equity Reserves (Note 1)	Total
Balance as of January 1, 2020	(P 2,165,438,907)	P 17,362,375	(P 382,828,958)	(P 108,506,018)	(P 861,828,431)	(P 3,501,239,939)
Remeasurements of retirement benefit post-employment obligation	-	354,133,354	-	-	-	354,133,354
Fair value losses on financial assets at FVOCI	(323,225,082)	-	-	-	-	(323,225,082)
Fair value losses on cash flow hedge	-	-	-	(144,749,961)	-	(144,749,961)
Share of non-controlling interest	21,809,848	5,945,816	-	-	-	27,755,664
Share in OCI of associates	-	1,474,538	-	-	-	1,474,538
Exchange difference on translating foreign operations	-	-	(14,884,569)	-	-	(14,884,569)
Other comprehensive income (loss) before tax	(301,415,234)	361,553,708	(14,884,569)	(144,749,961)	-	(99,496,056)
Tax income (expense)	-	(106,240,006)	4,465,371	-	-	(101,774,635)
Other comprehensive income loss after tax	(301,415,234)	255,313,702	(10,419,198)	(144,749,961)	-	(201,270,691)
Balance as of December 31, 2020	**(P 2,466,854,141)**	**P 272,676,077**	**(P 393,248,156)**	**(P 253,255,979)**	**(P 861,828,431)**	**(P 3,702,510,630)**
Balance as of January 1, 2019	(P 2,193,648,774)	P 258,382,240	(P 380,437,530)	P 184,863,310	(P 954,871,520)	(P 3,085,712,274)
Remeasurements of retirement benefit post-employment obligation	-	(350,479,591)	-	-	-	(350,479,591)
Fair value gains on financial assets at FVOCI	23,271,788	-	-	-	-	23,271,788
Fair value losses on cash flow hedge	-	-	-	(293,369,328)	-	(293,369,328)
Effect of change in percentage of ownership	-	-	-	-	93,043,089	93,043,089
Share of non-controlling interest	4,938,079	15,732,908	-	-	-	20,670,987
Share in OCI of associates	-	(11,417,059)	-	-	-	(11,417,059)
Exchange difference on translating foreign operations	-	-	(3,326,261)	-	-	(3,326,261)
Other comprehensive income (loss) before tax	28,209,867	(346,163,742)	(3,326,261)	(293,369,328)	93,043,089	(521,606,375)
Tax income	-	105,143,877	934,833	-	-	106,078,710
Other comprehensive income loss after tax	28,209,867	(241,019,865)	(2,391,428)	(293,369,328)	93,043,089	(415,527,665)
Balance as of December 31, 2019	(P 2,165,438,907)	P 17,362,375	(P 382,828,958)	(P 108,506,018)	(P 861,828,431)	(P 3,501,239,939)
Balance as of January 1, 2018						
As previously reported	(P 941,999,334)	P 89,441,126	(P 382,105,298)	(P 45,942,879)	(P -)	(P 1,280,606,385)
Effect of adoption of PFRS 9	(1,457,710,646)	-	(-)	-	(-)	(1,457,710,646)
As restated	(2,399,709,980)	89,441,126	(382,105,298)	(45,942,879)	(-)	(2,738,317,031)
Remeasurements of retirement benefit post-employment obligation	-	313,543,907	-	-	-	313,543,907
Fair value gains on equity securities	121,702,361	-	-	-	-	121,702,361
Fair value gains on cash flow hedge	-	-	-	230,806,189	-	230,806,189
Effect of change in percentage of ownership	-	-	-	-	(954,871,520)	(954,871,520)
Share of non-controlling interest	84,358,845	(65,995,383)	-	-	-	18,363,462
Share in OCI of associates	-	13,452,063	-	-	-	13,452,063
Exchange difference on translating foreign operations	-	-	2,384,743	-	-	2,384,743
Other comprehensive income (loss) before tax	206,061,206	261,000,587	2,384,743	230,806,189	(954,871,520)	(254,618,795)
Tax expense	-	(92,059,473)	(716,975)	-	-	(92,776,448)
Other comprehensive income loss after tax	206,061,206	168,941,114	1,667,768	230,806,189	(954,871,520)	(347,395,243)
Balance as of December 31, 2018	(P 2,193,648,774)	P 258,382,240	(P 380,437,530)	P 184,863,310	(P 954,871,520)	(P 3,085,712,274)

29. EARNINGS PER SHARE

EPS amounts were computed as follows:

	2020	2019	2018
Net profit attributable to the Parent Company's shareholders	**P 9,885,989,490**	P 17,931,417,072	P 15,208,138,139
Dividends on cumulative preferred shares Series "A"	**(600,000)**	(600,000)	(600,000)
Distribution to holders of perpetual securities	**(535,258,625)**	(562,913,000)	(290,336,000)
Profit available to the Parent Company's common shareholders	**P 9,350,130,865**	P 17,367,904,072	P 14,917,202,139
Divided by weighted average number of outstanding common shares	**31,662,256,883**	31,819,612,539	31,819,445,872
Basic EPS	**P 0.295**	P 0.546	P 0.469
Divided by weighted average number of outstanding common shares and potential dilutive shares	**31,762,511,001**	31,977,656,102	31,962,126,317
Diluted EPS	**P 0.294**	P 0.543	P 0.467

In 2015, unexercised share warrants expired; hence, were no longer included in the computation. In addition, the potentially dilutive outstanding share options totaling 248.5 million in 2020, 249.5 million in 2019, and 250.0 million in 2018 were also considered in the computations (see Note 28.6).

30. CROSS CURRENCY SWAPS

In 2017, the Parent Company entered into a cross currency swap agreement with a local bank. Under the agreement, the Parent Company will receive a total of $98.87 million to be paid on a quarterly basis beginning March 2019 up to December 2022 plus interest based on 3-month LIBOR plus a certain spread. In exchange, the Parent Company shall make fixed quarterly payments in Philippine peso plus a fixed interest of 4.91%.

In 2019, another cross currency swap was also agreed upon with the same bank. The Parent Company will receive $95.62 million to be paid on a quarterly basis beginning December 2020 up to September 2024 plus interest based on 3-month LIBOR plus a certain spread. The Parent Company shall make fixed quarterly payments in Philippine peso plus a fixed interest of 4.82%.

The Parent Company has designated the cross currency swaps as hedging instruments to hedge the risk in changes in cash flows of its loan denominated in U.S. dollar as an effect of changes in foreign currency exchange rates and interest rates [see Notes 15.1(a) and 15.1(k)].

The table below sets out information about the Group's hedging instruments and the related carrying amounts as of December 31:

	USD Notional Amount	Derivative Liabilities
2020		
Cash flow hedge –		
Cross currency swaps	**$ 139,080,716**	**P 758,026,441**
2019		
Cash flow hedge –		
Cross currency swaps	$ 194,493,428	P 242,417,137

The hedging instruments have a negative fair value of P758.0 million and P242.4 million at end of 2020 and 2019, respectively. This is presented as derivative liability under Other Liabilities in the consolidated statements of financial position (see Note 19). The Parent Company recognized unrealized loss on cash flow hedges amounting to P144.7 million and P293.4 million in 2020 and 2019, respectively, and unrealized gain on cash flow hedges amounting to P230.8 million in 2018. These are presented as part of other comprehensive income in the consolidated statements of comprehensive income.

As of December 31, 2020, the Parent Company has assessed that the cross currency swaps designated as cash flow hedges will continue to be highly effective over the term of the agreement; hence, the Parent Company expects to continuously use hedge accounting on the hedging relationship of its cross currency swaps and on its interest-bearing loans.

31. COMMITMENTS AND CONTINGENCIES

31.1 Lease Commitments – Group as Lessor

(a) Operating Leases

The Group is a lessor under several non-cancellable operating leases covering real estate properties for commercial use (see Note 12). Future minimum lease receivables under these agreements are as follows:

	2020	2019	2018
Within one year	**P 12,632,761,053**	P 16,115,991,723	P 13,657,827,621
After one year but not more than two years	**20,521,928,927**	18,650,355,567	15,596,904,521
After two years but not more than three years	**21,458,334,550**	20,985,308,875	17,291,315,208
After three years but not more than four years	**23,144,750,760**	21,954,423,486	19,598,624,786
After four years but not more than five years	**25,236,915,271**	23,504,678,022	20,530,728,075
More than five years	**29,407,145,172**	27,249,075,851	22,176,585,590
	P132,401,835,733	P 128,459,833,524	P108,851,985,801

(b) Finance Lease

The Group, through GERI, subleased its development rights over the undivided portions of a land co-terminus with the term of its head lease. Finance lease receivable arising from the transaction amounted to P593.3 million and P672.8 million as of December 31, 2020 and 2019, respectively, and is presented as part of Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The maturity analysis of finance lease receivable at December 31 is as follows:

	Lease Collection	Interest Income	Net Present Value
2020			
Within one year	P 94,764,348	(P 42,130,838)	P 52,633,510
After one year but not more than two years	88,070,235	(38,419,379)	49,650,856
After two years but not more than three years	88,699,119	(34,355,507)	54,343,612
After three years but not more than four years	89,346,871	(29,909,018)	59,437,853
After four years but not more than five years	90,014,054	(25,047,216)	64,966,838
More than five years	705,431,648	(393,190,165)	312,241,483
	P 1,156,326,275	**(P 563,052,123)**	**P 593,274,152**
2019			
Within one year	P 132,304,681	(P 45,517,732)	P 86,786,949
After one year but not more than two years	109,963,181	(48,392,631)	61,570,550
After two years but not more than three years	110,573,749	(44,681,183)	65,892,566
After three years but not more than four years	111,202,633	(40,617,311)	70,585,322
After four years but not more than five years	111,850,383	(36,170,824)	75,769,559
More than five years	705,431,648	(393,190,165)	312,241,483
	P 1,281,326,275	(P 608,569,846)	P 672,756,429

31.2 Others

As at December 31, 2020 and 2019, the Group has unused long-term credit facilities amounting to P11.9 billion and P22.0 billion, respectively. In addition, the Group is committed to certain project and capital expenditures as disclosed in Note 4.4. There are other commitments and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVOCI, interest-bearing loans and borrowings, bonds payable, trade receivables and payables which arise directly from the Group's business operations. The financial liabilities were issued to raise funds for the Group's capital expenditures. The Group does not actively engage in the trading of financial assets for speculative purposes.

32.1 Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rates arise mainly from the Group's U.S. dollar-denominated cash and cash equivalents, loans and bonds payable, which have been used to fund new projects and to refinance certain indebtedness for general corporate purposes.

As of December 31, 2020 and 2019, net foreign currency-denominated financial liabilities in U.S. dollar, translated into Philippine Peso at the closing rate, amounted to P20.3 billion and P20.9 billion, respectively.

Management assessed that the reasonably possible change in exchange rates of Philippine Peso to U.S. dollar, based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at 68% confidence level is 2.69% and 4.59% in 2020 and 2019, respectively. If the exchange rate increased or decreased by such percentages, the profit before tax in 2020 and 2019 would have changed by P547.2 million and P957.8 million, respectively.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions and mainly affect consolidated profit or loss of the Group. There are no material exposures on foreign exchange rate that affect the Group's consolidated other comprehensive income. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

32.2 Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. The Group maintains a debt portfolio unit of both fixed and floating interest rates. Most long-term borrowings are subject to fixed interest rate while other financial assets subject to variable interest rates.

The Group's ratio of fixed to floating rate debt stood at 1.99:1.00 and 1.86:1.00 as of December 31, 2020 and 2019, respectively.

The sensitivity of the consolidated net results in 2020 and 2019 to a reasonably possible change of 1.0% in floating rates is P286.9 million and P139.5 million, respectively. The sensitivity of the consolidated equity in 2020 and 2019 to a reasonably possible change of 1.0% in floating rates is P200.8 million and P97.7 million, respectively. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

32.3 Credit Risk

The Group's credit risk is attributable to trade receivables, rental receivables and other financial assets. The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets and contract assets as shown in the consolidated statements of financial position (or in the detailed analysis provided in the notes to consolidated financial statements), as summarized below.

	Notes	**2020**	2019
Cash and cash equivalents	5	**P40,166,755,908**	P 23,104,875,672
Trade receivables	6, 20.2	**26,015,811,682**	29,070,274,257
Rent receivables	6	**4,412,404,797**	4,274,038,207
Other receivables	6	**9,181,963,299**	7,463,014,333
Advances to associates and other related parties	6	**4,227,173,772**	4,002,012,566
Contract assets	20.2	**19,380,726,313**	18,643,004,687
Guarantee and other deposits	14	**1,186,605,535**	1,007,434,782
		P104,571,441,306	P 87,564,654,504

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

The Parent Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third and related parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Parent Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31 or January 1, 2020, respectively, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Parent Company identifies headline inflation rate and bank lending rate to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors. The total loss allowance based on the provision matrix is P852.1 million and P730.7 million as of December 31, 2020 and 2019, respectively.

The Group considers credit enhancements in determining the expected credit loss. Trade receivables from real estate sales are collateralized by the real properties sold while rental receivables are secured to the extent of advanced rental and security deposits received from lessees. Further, customers are required to issue post-dated checks, which provide additional credit enhancement. The estimated fair value of collateral and other security enhancements held against trade receivables are presented below.

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure
2020			
Real estate sales receivables	**P 25,161,593,375**	**P 51,002,905,196**	**P -**
Contract assets	**19,380,726,313**	**36,253,449,145**	**-**
Rental receivables	**4,412,404,797**	**7,685,122,965**	**-**
	P48,954,724,485	**P94,941,477,306**	**P -**
2019			
Real estate sales receivables	P 28,426,905,161	P 44,895,455,760	P -
Contract assets	18,643,004,687	35,512,470,476	-
Rental receivables	4,274,038,207	5,889,977,004	-
	P 51,343,948,055	P 86,297,903,240	P -

Some of the unimpaired trade receivables and other receivables, which are mostly related to real estate sales, are past due as at the end of the reporting period and are presented below.

	2020	2019
Current (not past due)	**P 41,196,951,543**	P 42,870,472,698
Past due but not impaired:		
More than one month but not more than 3 months	**1,064,885,684**	952,404,341
More than 3 months but not more than 6 months	**537,113,120**	347,303,258
More than 6 months but not more than one year	**681,867,418**	437,324,418
More than one year	**356,535,785**	201,834,648
	P 43,837,353,550	P 44,809,339,363

(c) *Advances to Associates and Other Related Parties*

ECL for advances to associates, and other related parties, and other trade receivables from related parties, are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

The Parent Company does not consider any significant risks in the advances to related parties as these are entities whose credit risks for liquid funds are considered negligible, have committed to financially support these related parties as part of AGI's long-term corporate strategy. As of December 31, 2020 and 2019, impairment allowance is not material.

32.4 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2020 and 2019, the Group's financial liabilities have contractual maturities which are presented below.

	Notes	Within 1 Year	1 to 5 Years	More than 5 Years
2020:				
Interest-bearing loans and borrowings*	15	P 21,278,938,909	P 22,801,992,603	P 195,629,735
Trade and other payables	17	22,701,125,783	-	-
Bonds and notes payable*	16	1,846,322,250	29,154,792,750	18,199,639,500
Redeemable preferred shares*	18	257,384,324	251,597,580	-
Advances from associates and other related parties	27.3	2,683,950,114	-	-
Lease liabilities*	19	95,493,072	235,549,133	864,682,102
Subscription payable	19	1,114,665,008	-	-
Other liabilities	19	3,164,723,364	2,168,836,637	-
		P 53,142,602,824	**P 54,612,768,703**	**P 19,259,951,337**
2019:				
Interest-bearing loans and borrowings*	15	P 16,954,264,810	P 39,065,171,167	P -
Trade and other payables	17	17,584,893,153	-	-
Bonds and notes payable*	16	924,084,260	29,401,816,190	-
Redeemable preferred shares*	18	263,171,069	508,981,904	-
Advances from associates and other related parties	27.3	2,914,882,801	-	-
Lease liabilities*	19	149,699,644	250,541,462	899,315,917
Subscription payable	19	1,114,665,008	-	-
Other liabilities	19	1,700,760,516	2,026,599,582	-
		P 41,606,421,261	P 71,253,110,305	P 899,315,917

**Inclusive of future interest costs*

The contractual maturities in the above reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting dates.

32.5 Other Price Risk Sensitivity

The Group's market price risk arises from its financial assets carried at fair value. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value is determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. Their impact on the Group's consolidated net profit and consolidated equity as at December 31, 2020 and 2019 are summarized below.

	Observed Volatility Rates	Impact on Equity Increase	Impact on Equity Decrease
2020			
Investment in equity securities:			
Holding company	**+/-9.00%**	**P 81,828,814**	**(P 81,828,814)**
Manufacturing	**+/-6.47%**	**26,931,746**	**(26,931,746)**
2019			
Investment in equity securities:			
Holding company	+/-6.11%	P 61,138,035	(P 61,138,035)
Manufacturing	+/-2.27%	6,752,926	(6,752,926)

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

The Group is also exposed to other price risk in respect of its derivative financial assets and liabilities arising from foreign exchange margins trading spot and forward, and interest rate changes. These financial instruments will continue to be measured at fair value based on net present value computation.

33. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

33.1 Carrying Amounts and Fair Values by Category

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	Notes	2020 Carrying Values	2020 Fair Values	2019 Carrying Values	2019 Fair Values
Financial Assets					
At amortized costs:					
Cash and cash equivalents	5	**P 40,166,755,908**	**P 40,166,755,908**	P 23,104,875,672	P 23,104,875,672
Trade and other receivables – net	6, 27.2	**43,837,353,550**	**44,051,691,412**	44,809,339,363	45,290,907,850
Guarantee and other deposits	14	**1,186,605,535**	**1,186,605,535**	1,007,434,782	1,007,434,782
		P 85,190,714,993	**P 85,405,052,855**	P 68,921,649,817	P 69,403,218,304
Financial assets at FVOCI – Equity securities	9	**P 4,174,886,430**	**P 4,176,886,430**	P 4,498,219,487	P 4,498,219,487
Financial Liabilities					
At amortized costs:					
Interest-bearing loans and borrowings	15	**P 45,578,166,417**	**P 48,094,617,843**	P 51,256,475,989	P 50,192,028,027
Bonds and notes payable	16	**40,282,855,986**	**43,032,299,663**	24,623,883,690	23,667,412,590
Redeemable preferred shares	18	**503,195,160**	**503,195,160**	754,792,740	754,792,740
Trade and other payables	17	**22,701,125,783**	**22,701,125,783**	17,584,893,153	17,584,893,153
Advances from associates and other related parties	27.3	**2,683,950,114**	**2,683,950,114**	2,914,882,801	2,914,882,801
Lease liabilities	19	**587,616,971**	**587,616,971**	653,588,108	653,588,108
Subscription payable	19	**1,114,665,008**	**1,114,665,008**	1,114,665,008	1,114,665,008
Other liabilities	19	**5,333,560,001**	**5,333,560,001**	3,727,360,098	3,727,360,098
		P 118,785,135,440	**P124,051,030,543**	P 102,630,541,587	P100,609,622,525

	Notes	2020 Carrying Values	2020 Fair Values	2019 Carrying Values	2019 Fair Values
Financial liabilities at FVTPL – Derivative liabilities	19, 30	**P 758,026,441**	**P 758,026,441**	P 242,417,137	P 242,417,137

See Notes 2.5, 2.6 and 2.11 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 32.

33.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2020 and 2019 and does not have relevant offsetting arrangements, except as disclosed in Notes 27.2 and 27.3. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders. As such, the Group's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances. Further, certain trade receivables that were assigned on a with-recourse basis may be offset against the related outstanding borrowings from local banks (see Notes 15.2 and 15.4).

34. FAIR VALUE MEASUREMENT AND DISCLOSURES

34.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Parent Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

34.2 Financial Instruments Measurement at Fair Value

The table below and in the succeeding page shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2020 and 2019 (see Notes 9 and 30).

	Level 1	Level 2	Level 3	Total
2020				
Financial assets –				
Equity securities	**P 1,902,709,257**	**P -**	**P2,272,177,173**	**P4,174,886,430**
Financial liability –				
Derivatives	**P -**	**P 758,026,441**	**P -**	**P 758,226,041**
2019				
Financial assets –				
Equity securities	P 1,865,987,171	P -	P2,632,232,316	P 4,498,219,487
Financial liability –				
Derivatives	P -	P 242,417,137	P -	P 242,417,137

Described below are the information about how the fair values of the Group's classes of financial assets are determined.

(a) Equity Securities

As at December 31, 2020 and 2019, instruments included in Level 1 comprise equity securities classified as financial assets at FVOCI. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period.

In 2019, equity securities in certain investee company classified as financial assets at FVOCI included in the prior years in Level 1 were transferred to Level 3 following the delisting of such shares from the stock exchange. These equity securities are transferred in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the entity. The change in the valuation method resulted to P52.9 million fair value gains in 2019.

In 2020 and 2019, the fair value of these equity securities is determined using discounted cash flows valuation technique with discount rate of 8.1% and 12.0% in 2020 and 2019, respectively, and growth rate of 2.6% and 4.0% in 2020 and 2019, respectively. The forecasted annual net cash flows were also derived by taking into consideration the market conditions, economic factors, and historical performance and future projects of the investee company.

A reconciliation of the carrying amounts of Level 3 FVOCI equity securities at the beginning and end of 2020 and 2019 is shown below.

	2020	2019
Balance at beginning of year	**P 2,632,232,316**	P 27,449,898
Transfer from Level 1 to Level 3	**-**	2,551,917,830
Fair value gains (losses)	**(360,055,143)**	52,864,588
Balance at end of year	**P 2,272,177,173**	P 2,632,232,316

The Group recognized P36.7 million fair value gains and P29.6 million fair value losses in 2020 and 2019, respectively, on the Level 1 equity securities. For the Level 3 equity securities, the Group recognized P360.1 million fair value losses and P52.9 million fair value gains in 2020 and 2019, respectively (see Notes 9 and 28.8).

(b) *Derivatives*

The fair value of derivative financial instruments, related to the cross currency swaps , is measured at inputs other than quoted prices that are indirectly observable for the financial instruments and are categorized within Level 2 (see Note 30). The fair value is determined through valuation techniques using the net present value computation. The future principal and interest receipts and payments are discounted using readily observable reference rates at the date of valuation. The resulting net present value is translated into Philippine peso using the U.S. dollar exchange rate at the date of valuation to arrive at the fair value of the derivative financial instruments.

34.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The Group's financial assets which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed include cash and cash equivalents, which are categorized as Level 1, and trade and other receivables – net, and guarantee and other deposits which are categorized as Level 3. Financial liabilities which are not measured at fair value but for which fair value is disclosed pertain bonds payable, which are categorized as Level 1, and interest-bearing loans and borrowings, redeemable preferred shares, trade and other payables and advances from associates and other related parties which are categorized as Level 3.

The fair value of the Group's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1.

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data. Further, management considers that the carrying amounts of these financial instruments approximate their fair values as the effect of discounting is insignificant.

34.4 Fair Value of Investment Properties Measured at Cost for which Fair Value is Disclosed

The fair value of the Group's investment properties earning rental income was determined through discounted cash flows valuation technique. The Group uses assumption that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group determines the fair value of idle properties through appraisals by independent valuation specialists using market – based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

As at December 31, 2020 and 2019, the fair value of the Group's investment properties is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment properties was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated expected future annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2020 and 2019.

35. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using the debt-to-equity ratio using amounts of contracted borrowings versus total equity. Capital for the reporting periods under review is summarized in the succeeding page.

	2020	2019
Interest-bearing loans and borrowings	**P 45,578,166,417**	P 51,256,475,989
Bonds and notes payable	**40,282,855,986**	24,623,883,690
	P 85,861,022,403	P 75,880,359,679
Total equity	**P 212,530,480,197**	P204,865,522,505
Debt-to-equity ratio	**0.40 : 1.00**	0.37 : 1.00

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for the years presented above.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Interest-bearing Loans and Borrowings (See Note 15)	Bonds Payable (See Note 16)	Lease Liabilities (See Note 19)	Advances from Associates and Other Related Parties (See Note 27)	Total
Balance as of January 1, 2020	P51,256,475,989	P24,623,883,690	P 653,588,108	P 2,914,882,801	P79,448,830,588
Net cash flows:					
Proceeds	7,800,000,000	16,692,935,192	-	24,157,233	24,517,092,425
Repayments	(13,107,450,229)	-	(40,815,130)	(255,089,920)	(13,403,355,279)
Non-cash financing activities:					
Foreign currency exchange	(370,859,343)	(1,077,137,260)	(8,923,035)	-	(1,456,919,638)
Amortization of bond issue cost	-	43,174,364	-	-	43,174,364
Offset from finance lease receivables	-	-	(93,931,898)		(93,931,898)
Additional lease liabilities	-	-	36,791,892	-	36,791,892
Interest amortization on lease liabilities	-	-	40,907,034	-	40,907,034
Balance as of December 31, 2020	**P45,578,166,417**	**P40,282,855,986**	**P 587,616,971**	**P 2,683,950,114**	**P89,132,589,488**
Balance as of January 1, 2019, as previously reported	P50,640,611,750	P25,102,042,365	P -	P 2,885,463,118	P78,628,117,233
Adoption of PFRS 16	-	-	467,901,950	-	467,901,950
Balance as of January 1, 2019, as restated	50,640,611,750	25,102,042,365	467,901,950	2,885,463,118	79,096,019,183
Net cash flows:					
Proceeds	12,500,000,000	-	-	32,361,651	12,532,361,651
Repayments	(11,537,252,522)	-	(35,429,332)	(2,941,968)	(11,575,623,822)
Non-cash financing activities:					
Foreign currency exchange	(346,883,239)	(493,907,863)	(5,718,846)	-	(846,509,948)
Amortization of bond issue cost	-	15,749,188	-	-	15,749,188
Additional lease liabilities	-	-	194,882,491	-	194,882,491
Interest amortization on lease liabilities	-	-	31,951,845	-	31,951,845
Balance as of December 31, 2019	P51,256,475,989	P24,623,883,690	P 653,588,108	P 2,914,882,801	P79,448,830,588
Balance as of January 1, 2018	P40,536,800,278	P34,364,985,052	P -	P 2,633,192,235	P77,534,977,565
Net cash flows:					
Proceeds	18,350,000,000	-	-	366,705,230	18,716,705,230
Repayments	(8,530,019,684)	(10,425,600,000)	-	(12,339,277)	(18,967,958,961)
Non-cash financing activities:					
Foreign currency exchange	283,255,354	1,139,294,915	-	-	1,422,550,269
Addition due to consolidation of new subsidiaries	575,802	-	-	137,051,076	137,626,878
Elimination due to consolidation of new subsidiary	-	-	-	(239,146,146)	(239,146,146)
Amortization of bond issue cost	-	23,362,398	-	-	23,362,398
Balance as of December 31, 2018	P50,640,611,750	P25,102,042,365	P -	P 2,885,463,118	P78,628,117,233

37. EVENTS AFTER THE REPORTING PERIOD

37.1 Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, R.A. No. 11534, CREATE Act, amending certain provisions of the National Internal Revenue Code of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to the Group:

- regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;
- minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- the imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
- the allowable deduction for interest expense is reduced by 20% (from 33%) of the interest income subjected to final tax.

Given that the CREATE Act was signed after the end of the current reporting period, the Group determined that this event is a non-adjusting subsequent event. Accordingly, its impact was not reflected in the Group's consolidated financial statements as of and for the year ended December 31, 2020, and instead, will be taken up prospectively in the next applicable reporting period. The Group used the prevailing tax rates as of December 31, 2020 in determining its current and deferred taxes in its 2020 financial statements.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of some entities within the Group, would be lower than the amount presented in the 2020 financial statements.

In addition, the recognized net deferred tax assets (or liability) as of December 31, 2020 would be remeasured to 25% in the 2021 financial statements. This will result in a decline in the recognized deferred tax assets and liabilities in 2020 by around P56.6 million and P1,927.2 million, respectively, and will be charged to 2021 profit or loss, unless it can be recognized in other comprehensive income as provided in the applicable financial reporting standard.

37.2 Cancellation of the Parent Company's Perpetual Capital Securities

On January 30 to February 2, 2021, a wholly-owned subsidiary made on-market purchases of all the Parent Company's U.S. $200.0 million outstanding perpetual capital securities (see Note 28.7). On April 1, 2021, the cancellation of the Parent Company's perpetual capital securities was completed in accordance with the terms and conditions of the securities.

38. OTHER MATTER

The Parent Company was awarded a certificate of registration under ISO 9001:1994 on November 26, 1999 by Certification International Philippines, Inc. which was upgraded to ISO 9001:2000 and ISO 9001:2008 series on November 21, 2002 and November 25, 2011, respectively.

Effective December 18, 2017, the Parent Company has upgraded its Certification to ISO 9001:2015 for its quality management system. The scope of the certification covers all areas of the Parent Company's real estate development and marketing. Among others, the Parent Company is required to undergo surveillance audits every six months.

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
30th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Megaworld Corporation and Subsidiaries (the Group) for the year ended December 31, 2020, on which we have rendered our report dated April 7, 2021. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8116553, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 7, 2021

MEGAWORLD CORPORATION AND SUBSIDIARIES
List of Supplementary Information
December 31, 2020

Megaworld Corporation and Subsidiaries
Schedule A - Financial Assets
Financial Assets at Fair Value through Other Comprehensive Income
December 31, 2020

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*
Alliance Global Group, Inc.	122,600,000	P 1,299,560,000	P 1,299,560,000	P 6,130,000
Emperador, Inc.	58,889,000	594,778,854	594,778,854	2,061,115
Various quoted equity securities	168,966	8,370,403	8,370,403	2,496
Various unquoted equity securities	510,088,162	2,272,177,173	2,272,177,173	-
		P 4,174,886,430	P 4,174,886,430	P 8,193,611

Megaworld Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
December 31, 2020

				Ending Balance		
Name	***Beginning Balance***	***Additions***	***Deductions***	***Current***	***Not current***	***Total***
Accounts Receivable	P 3,222,437	P 1,378,485	(P 1,795,702)	P 2,805,219	P -	P 2,805,220

Megaworld Corporation and Subsidiaries
Schedule C- Amounts Receivable/ Payable from/ to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2020

Name and designation of debtor	Balance at the beginning of period	Additions	Deductions		Current	Non current	Balance at the end of the period
			Amounts collected	Amounts written off			
Due from Related Parties:							
Suntrust Properties, Inc. (SPI)	3,453,260,237	420,195,115	-	-	3,873,455,352		3,873,455,352
Empire East Land Holdings, Inc. (EELHI)	2,544,435,554	258,227,645	-	-	2,802,663,199		2,802,663,199
Megaworld Cebu Properties, Inc. (MCP)	1,507,804,571	-	281,351	-	1,507,523,220		1,507,523,220
San Vicente Coast, Inc. (SVCI)	1,355,780,132	165,838,577	-	-	1,521,618,709		1,521,618,709
Landmark Seaside Properties, Inc. (LSPI)	1,095,686,657	2,168,535	-	-	1,097,855,192		1,097,855,192
Manila Bayshore Property Holdings, Inc. (MBPHI)	501,135,604	4,506,659	-	-	505,642,264		505,642,264
Southwoods Malls, Inc. (SMI)	471,623,989	189,482	-	-	471,813,471		471,813,471
Maple Grove Land, Inc. (MGLI)	474,989,272	1,189,088	-	-	476,178,360		476,178,360
Townsquare Development, Inc. (TDI)	429,884,028	-	404,961,289	-	24,922,739		24,922,739
Global Estate Resorts, Inc. (GERI)	161,968,452	9,810,974	-	-	171,779,426		171,779,426
Twin Lakes Corporation (TLC)	138,891,040	151,022	-	-	139,042,062		139,042,062
Arcovia Properties, Inc. (API))	67,841,467	18,887,647	-	-	86,729,114		86,729,114
Savoy Hotel Manila, Inc. (SHMI)	62,325,937	-	25,073,755	-	37,252,182		37,252,182
Megaworld Newport Property Holdings, Inc. (MNPHI)	52,581,573	-	4,216,163	-	48,365,410		48,365,410
Megaworld Bacolod Properties Inc. (MBPI)	57,803,969	5,920,154	-	-	63,724,123		63,724,123
La Fuerza, Inc. (LFI)	110,593	31,535	-	-	142,128		142,128
Eastwood Property Holdings, Inc. (EPHI)	20,396,614	-	9,900,732	-	10,495,881		10,495,881
Belmont Newport Luxury Hotels Inc. (BNLHI)	4,786,357	-	4,786,357	-	-		-
Integrated Town Management Corporation (ITMC,formely PIPI)	4,785,062	1,960,049	-	-	6,745,112		6,745,112
Global One Integrated Business Services, Inc. (GOIBSI)	2,515,980	969,510	-	-	3,485,490		3,485,490
Soho Café and Restaurant Group, Inc. (SCRGI)	2,648,632	-	74,422	-	2,574,210		2,574,210
Luxury Global Hotels and Leisure, Inc. (LGHLI)	1,649,780	821	-	-	1,650,601		1,650,601
Streamwood Property, Inc. (SP)	1,440,176	26,046	-	-	1,466,222		1,466,222
Oceantown Properties, Inc. (OPI)	-	10,843,654	-	-	10,843,654		10,843,654
Hotel Lucky Chinatown, Inc. (HLC)	15,596,764	488,489	-	-	16,085,253		16,085,253
Savoy Hotel Mactan, Inc. (SHM)	29,950,338	-	180,616	-	29,769,722		29,769,722
Prestige Hotels and Resorts, Inc. (PHRI)	2,370,471	-	2,370,471	-	-		-
Richmonde Hotel Group International Ltd. (RHGI)	-	535,625,421	-	-	535,625,421		535,625,421
Agile Digital Ventures, Inc. (ADVI)	-	86,648,831	-	-	86,648,831		86,648,831
Eastwood Cyber One Corporation (ECOC)	-	66,516,918	-	-	66,516,918		66,516,918
Global One Hotel Group, Inc. (GOHGI)	-	4,065,019	-	-	4,065,019		4,065,019
Various Subsidiaries	847,555	710,077	-	-	1,557,632		1,557,632
Due to Related Parties:							
Richmonde Hotel Group International, Ltd. (RHGI)	4,347,430,113	-	4,347,430,113	-	-		-
Megaworld Globus Asia, Inc. (MGAI)	240,579,082	-	-	-	240,579,082		240,579,082
Eastwood Cyber One Corporation (ECOC)	146,021,818	-	146,021,818	-	-		-
Megaworld Central Properties, Inc. (MCPI)	195,230,484	3,153,600	-	-	198,384,084		198,384,084
Davao Park District Holdings, Inc. (DPDHI)	161,643,966	-	1,660,122	-	159,983,843		159,983,843
Prestige Hotels and Resorts, Inc. (PHRI)	96,538,361	-	44,370,674	-	52,167,687		52,167,687
Oceantown Properties, Inc. (OPI)	8,943,145	-	8,943,145	-	-		-
Megaworld-Daewoo Corporation (MDC)	59,776,763	-	-	-	59,776,763		59,776,763
Gilmore Property Marketing Associates Inc. (GPMAI)	3,125,100	-	-	-	3,125,100		3,125,100
Belmont Newport Luxury Hotels, Inc. (BNLHI)	-	1,381,242	-	-	1,381,242		1,381,242

Megaworld Corporation and Subsidiaries
Schedule D - Long-Term Debt
December 31, 2020

Title of issue and type of obligation		*Amount authorized by indenture*		*Amount shown under caption"Current portion of long-term debt" in related balance sheet*		*Amount shown under caption"Long-Term Debt" in related balance sheet*
Long -term loan (Domestic)	P	91,293,910,451	P	21,037,756,478	P	36,514,313,034
Foreign borrowings	$	600,000,000	P	-	P	28,308,952,890
			P	21,037,756,478	P	64,823,265,924

Megaworld Corporation and Subsidiaries
Schedule G - Capital Stock
December 31, 2020

				Number of shares held by		
Title of Issue	***Number of shares authorized***	***Number of shares issued and outstanding as shown under the related balance sheet caption***	***Number of shares reserved for options, warrants, conversion and other rights***	***Related parties***	***Directors, officers and employees***	***Others***
Common shares - P1 par value	40,140,000,000	31,899,313,872	248,500,000	21,415,025,882	4,295,193	10,479,992,797
Preferred shares - P.01 par value	6,000,000,000	6,000,000,000		6,000,000,000		

MEGAWORLD CORPORATION
(A Subsidiary of Alliance Global Tower, Inc.)
30th Floor, Alliance Global Tower,
36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City

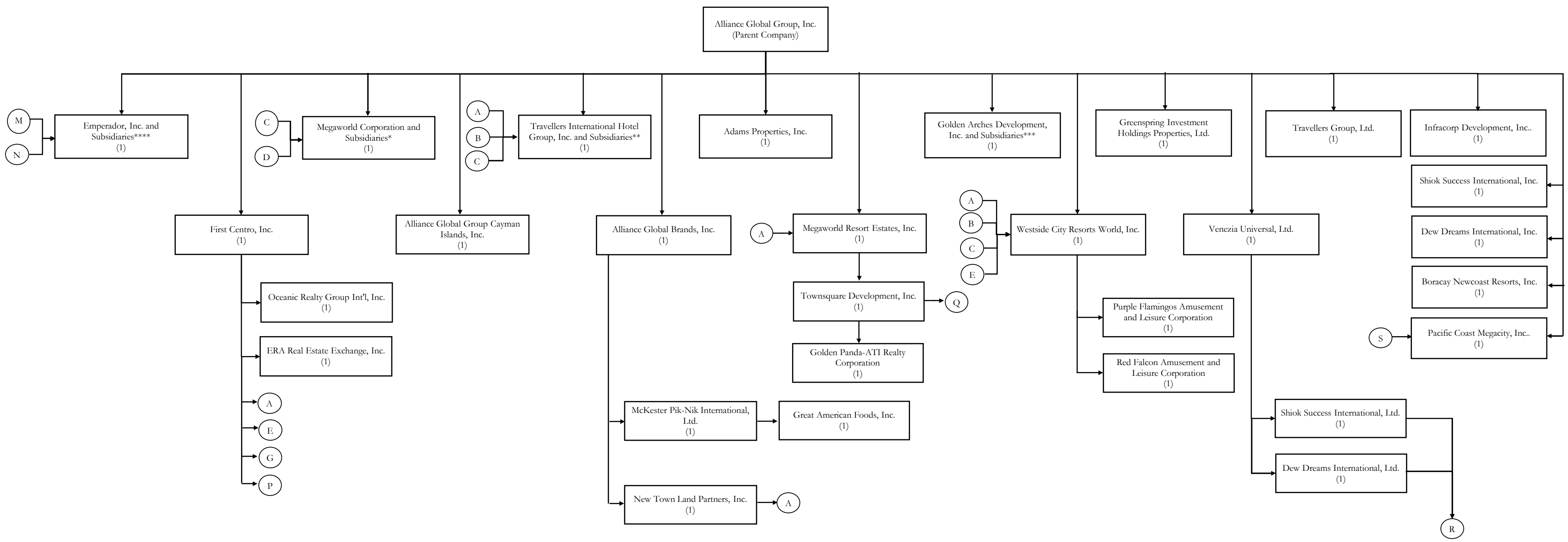
Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2020

Unappropriated Retained Earnings at Beginning of Year		P 100,872,876,920
Prior Years Outstanding Reconciling Items:		
Adjustment for rental income under PAS 17	(1,364,299,084)	
Deferred tax income	(1,098,393,989)	
Day-one gain from security deposits at amortized cost	(704,293,338)	
Day-one loss on intial measurement of trade receivables at amortized cost	296,677,803	
Adjustments to commission expense due to change in accounting policy	239,845,436	
Recognition of expected credit loss on financial assets	135,886,944	(2,494,576,228)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Period, as Adjusted		98,378,300,692
Net Profit Realized during the period		
Net profit per audited financial statements		7,597,610,903
Non-actual/unrealized income		
Deferred tax expense	520,556,436	
Adjustments to commission expense due to change in accounting policy	(444,650,934)	
Amortization of day-one gain from security deposits at amortized cost	315,918,102	
Recognition of day-one gain on initial measurement of security deposits at amortized cost	(249,768,435)	
Amortization of interest from trade receivables	(177,191,305)	
Recognition of expected credit loss on financial assets	120,425,439	
Recognition of day-one loss on intial measurement of trade receivables at amortized cost	94,851,365	
Rental income from straight-line amortization in excess of rental collections	(13,070,877)	167,069,791
Dividends declared during the year		(1,193,494,597)
Retained Earnings Restricted for Treasury Shares		(1,111,874,917)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 103,837,611,872**

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

Map Showing the Relationship Between Alliance Global Group, Inc. and its Related Parties

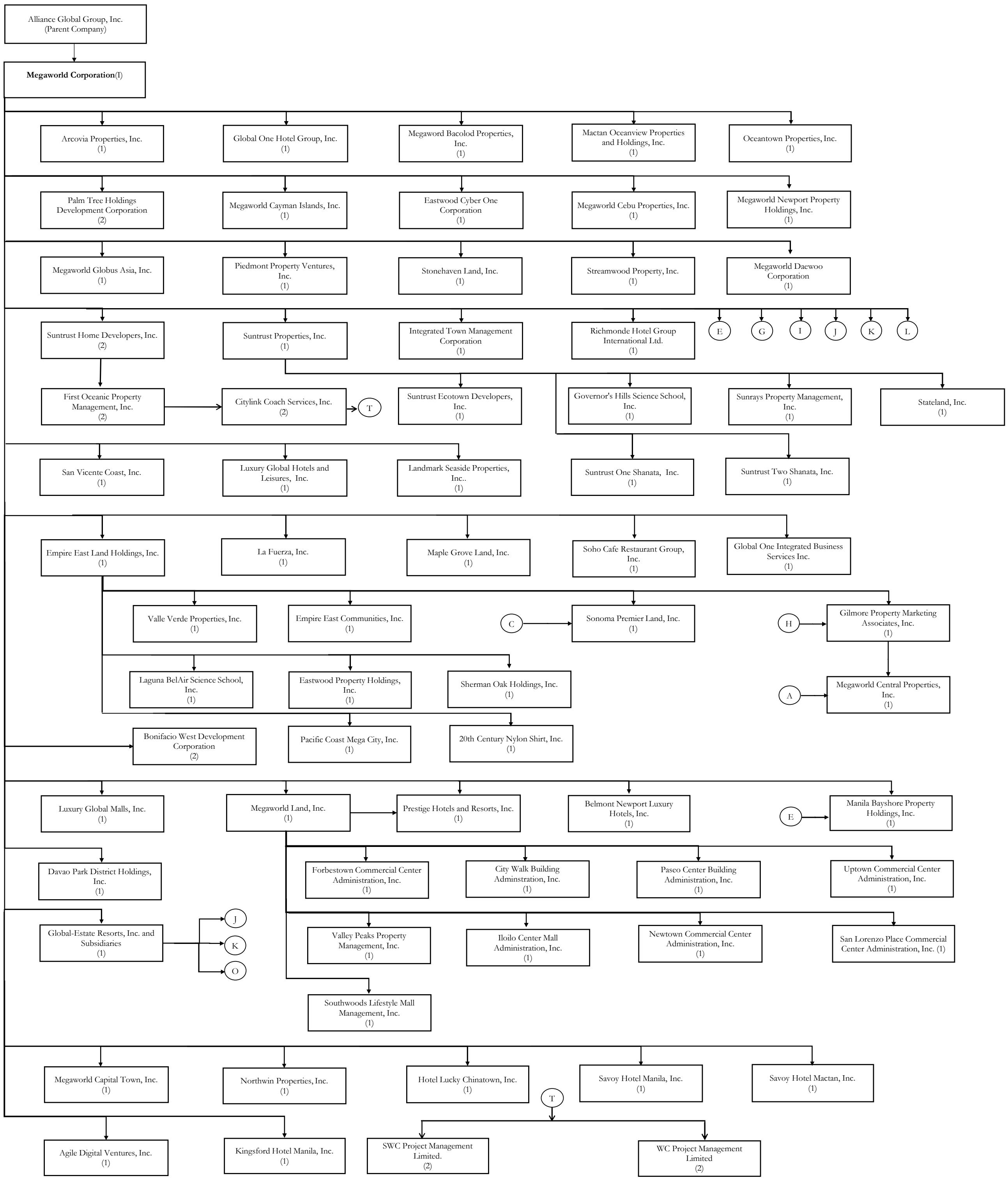
December 31, 2020



Legend

(1)	Subsidiary	A	Megaworld Corporation	F	Manila Bayshore Property Holdings, Inc.	K	Megaworld Global Estates, Inc.	P	Sonoma Premier Land, Inc.
(2)	Associate	B	Adams Properties, Inc.	G	Westside City Resorts World, Inc.	L	Megaworld Central Properties, Inc.	Q	Gilmore Property Marketing Associates, Inc.
(3)	Jointly Controlled Entity	C	First Centro, Inc.	H	Townsquare Development, Inc.	M	Shiok Success International, Ltd.	R	Emperador Inc.
		D	Newtown Land Partners, Inc.	I	Megaworld Resort Estates, Inc.	N	Dew Dreams International, Ltd.	S	Empire East Land Holdings, Inc.
		E	Travellers International Hotel Group, Inc.	J	Twin Lakes Corporation	O	Southwoods Mall, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Megaworld Corporation Group
December 31, 2020



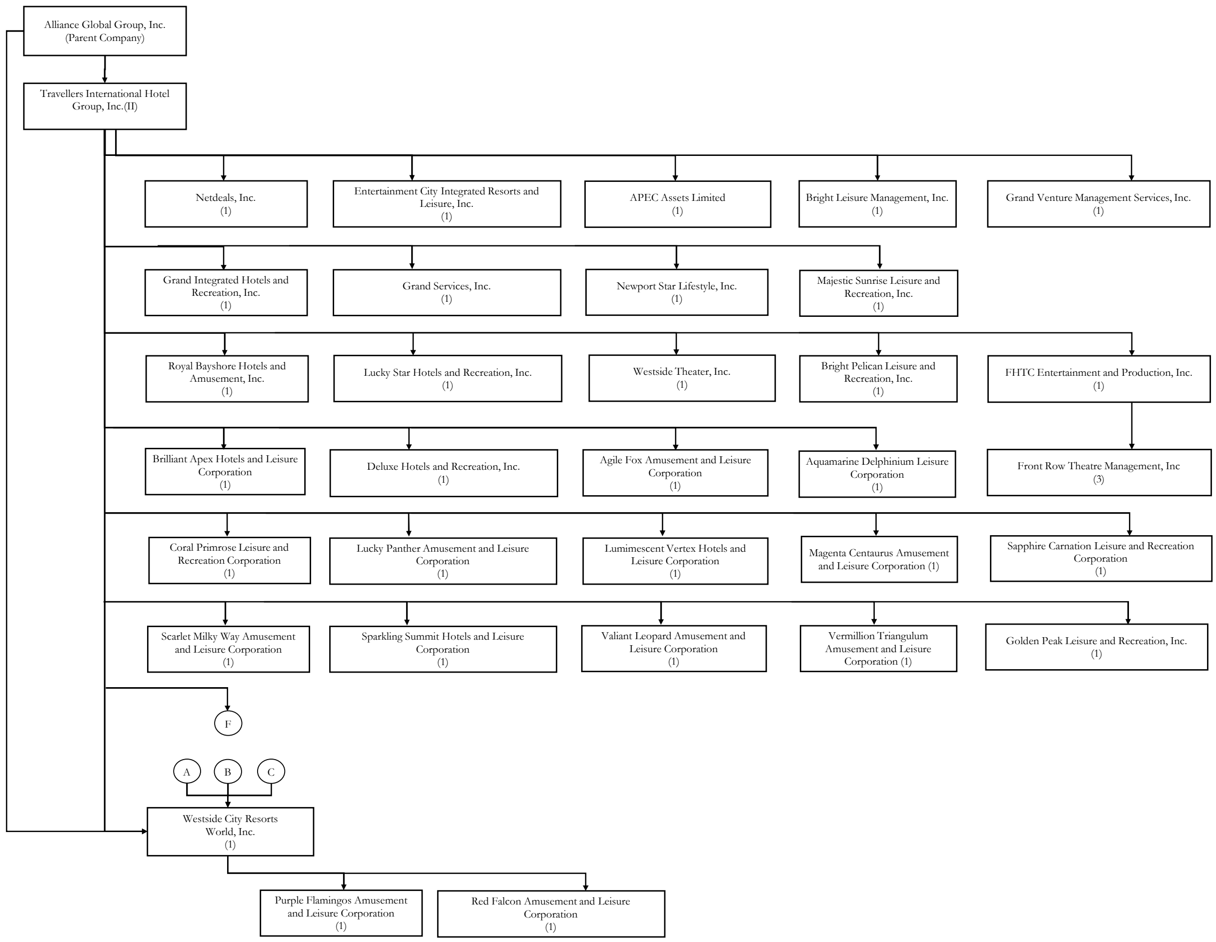
Legend

Relationship with Megaworld Corporation

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	E	Travellers International Hotel Group, Inc.	I	Megaworld Resort Estates, Inc.	M	Shiok Success International, Ltd.	Q	Gilmore Property Marketing Associates, Inc.
B	Adams Properties, Inc.	F	Manila Bayshore Property Holdings, Inc.	J	Twin Lakes Corporation	N	Dew Dreams International, Ltd.	R	Emperador Inc.
C	First Centro, Inc.	G	Westside City Resorts World, Inc.	K	Megaworld Global Estates, Inc.	O	Southwoods Mall, Inc.	S	Empire East Land Holdings, Inc.
D	Newtown Land Partners, Inc.	H	Townsquare Development, Inc.	L	Megaworld Central Properties, Inc.	P	Sonoma Premier Land, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Travellers Group
December 31, 2020

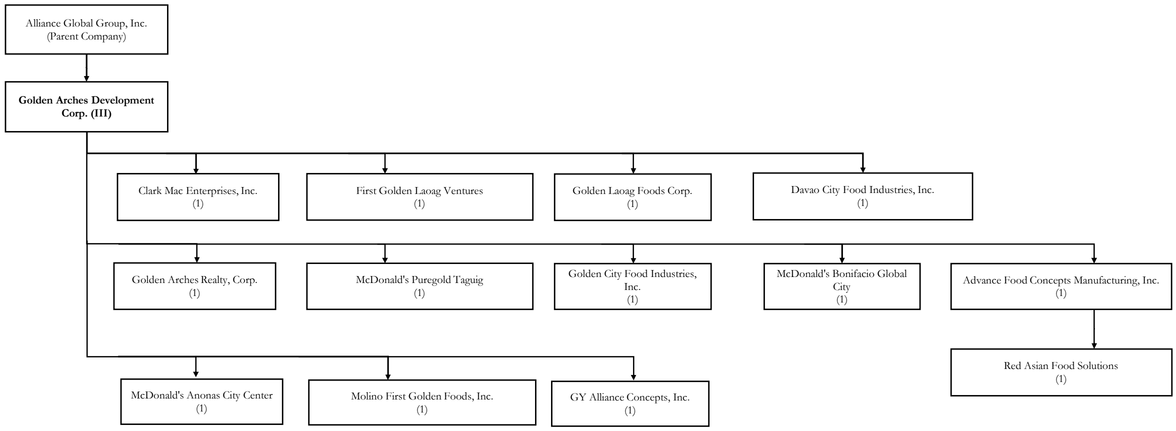


Legend

Relationship with Travellers International Hotel Group, Inc.

(1)	Subsidiary		
(2)	Associate		
(3)	Jointly Controlled Entity		
A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.
S	Empire East Land Holdings, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Golden Arches Development Corporation Group
December 31, 2020



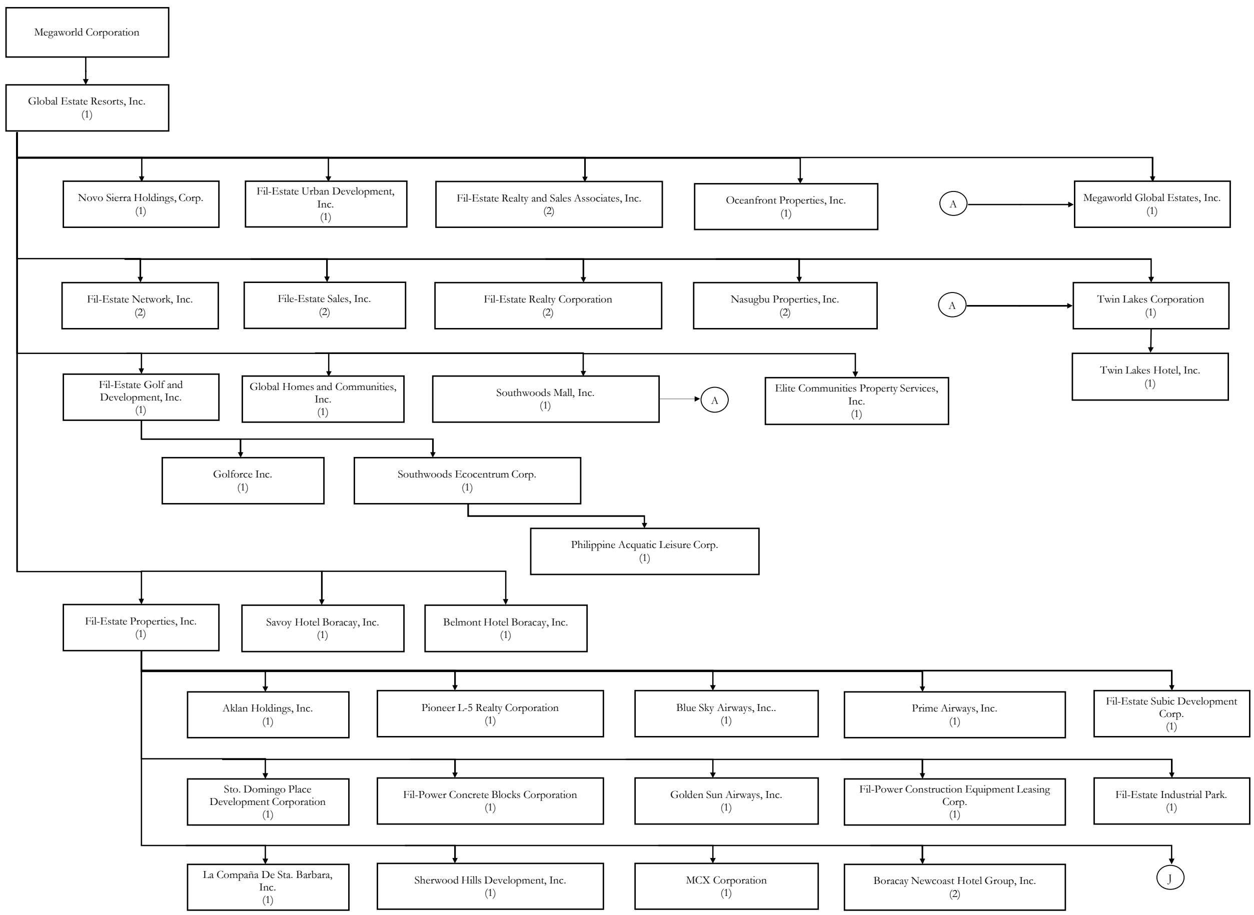
Legend

Relationship with Golden Arches Development Corporation

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.
S	Empire East Land Holdings, Inc.	T	Suntrust Home Developers, Inc.

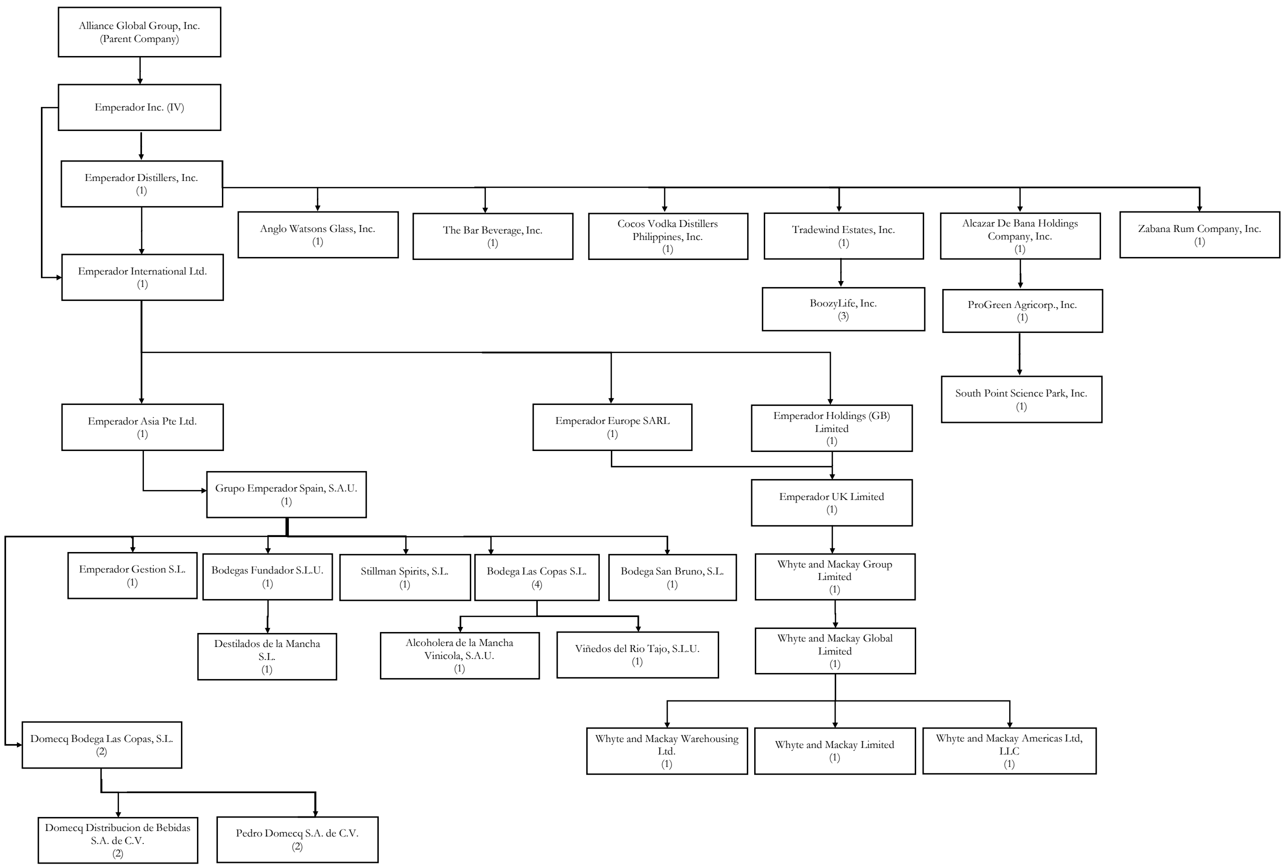
ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between and
Among Megaworld and Global Estate Resorts Inc. Group
December 31, 2020



Legend

(1)	Subsidiary		
(2)	Associate		
(3)	Jointly Controlled Entity		
A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.
S	Empire East Land Holdings, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Emperador Group
December 31, 2020



Legend
Relationship with Emperador Inc.
(1) Subsidiary (100%)
(2) Subsidiary (50%)
(3) Subsidiary (51%)
(4) Jointly Controlled Entity

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 22 88

Report of Independent Auditors on Components of Financial Soundness Indicator

The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
30th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Megaworld Corporation and Subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 7, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8116553, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 7, 2021

MEGAWORLD CORPORATION AND SUBSIDIARIES
ANNEX 68-E - SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
December 31, 2020 and 2019

Ratio	Formula	Current Year	Prior Year
Current ratio	Current assets / Current liabilities	2.90	3.31
Acid test ratio	Quick assets / Current liabilities (Quick assets include current assets less inventories)	1.44	1.52
Solvency ratio	EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds and notes payable)	0.22	0.39
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings and bonds and notes payable)	0.40	0.37
Asset-to-equity ratio	Total assets / Total stockholders' equity	1.77	1.71
Interest rate coverage ratio	EBIT / Total Interest (Total interest includes interest expense and capitalized interest)	3.64	6.32
Return on equity	Net profit attributable to Company's shareholders / Average total equity attributable to the Company's shareholders	0.05	0.10
Return on assets	Net profit/ Average total assets	0.03	0.06
Net profit margin	Net profit / Total revenues	0.24	0.29

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **31 March 2021**

2. Commission Identification Number: **167423** 3. BIR Tax Identification No.: **000-477-103**

4. **MEGAWORLD CORPORATION**
   Exact name of issuer as specified in its charter

5. **Metro Manila**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code

7. **30th Floor, Alliance Global Tower**
   36th Street cor. 11th Avenue
   Uptown Bonifacio, Taguig City 1634
   Address of issuer's principal office

8. **(632) 8894-6300/6400**
   Issuer's telephone number, including area code

9. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
Common	**31,868,244,872**
Preferred	**6,000,000,000**
Total	**37,868,244,872**

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

    Yes [X] **No [ ]**

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

    Philippine Stock Exchange - Common and Preferred Shares

11. Indicate by check mark whether the registrant:

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

    Yes [X] **No [ ]**

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

Yes [X] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Interim financial statements are attached as Exhibits 1 to 5 hereof and incorporated herein by reference:

Exhibit 1 - Consolidated Statements of Financial Position as of December 31, 2020 and March 31, 2021
Exhibit 2 - Consolidated Statements of Income for the periods ended March 31, 2021 and March 31, 2020
Exhibit 3 - Consolidated Statements of Changes in Equity as of March 31, 2021 and March 31, 2020
Exhibit 4 - Consolidated Statements of Cash Flow as of March 31, 2021 and March 31, 2020
Exhibit 5 - Notes to Interim Financial Information

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Please refer to Exhibit 6 hereof.

Item 3. Aging of Accounts Receivables

Please refer to Exhibit 7 hereof.

Item 4. Schedule of Financial Soundness Indicators

Please refer to Exhibit 8 hereof.

PART II – OTHER INFORMATION

The Company is not in possession of information which has not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MEGAWORLD CORPORATION
Issuer

By:

FRANCISCO C. CANUTO
Treasurer (Principal Financial Officer)
and Duly Authorized Officer
May 17, 2021

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousand pesos)

EXHIBIT 1

		Unaudited March 31, 2021		Audited December 31, 2020
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	**P**	**32,606,482**	P	40,166,756
Trade and other receivables - net		**31,631,157**		31,576,137
Contract assets		**12,970,623**		13,265,243
Inventories		**106,419,418**		106,134,963
Advances to contractors and suppliers		**11,701,853**		11,659,295
Prepayments and other current assets		**8,472,283**		7,871,213
Total Current Assets		**203,801,816**		210,673,607
NON-CURRENT ASSETS				
Trade and other receivables - net		**12,633,153**		12,261,216
Contract assets		**6,393,991**		6,115,484
Advances to contractors and suppliers		**3,805,572**		3,871,630
Advances to landowners and joint operators		**7,585,813**		7,513,380
Financial assets at fair value through other comprehensive income		**4,559,805**		4,174,887
Investments in associates -net		**3,376,758**		3,443,097
Investment properties - net		**115,610,584**		114,982,489
Property and equipment - net		**6,913,015**		6,719,600
Deferred tax assets - net		**370,381**		339,877
Other non-current assets - net		**3,989,068**		5,595,153
Total Non-current Assets		**165,238,140**		165,016,813
TOTAL ASSETS	**P**	**369,039,956**	P	375,690,420

		Unaudited March 31, 2021		Audited December 31, 2020
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	**P**	**18,936,565**	P	21,037,756
Trade and other payables		**21,397,759**		23,331,958
Contract liabilities		**3,090,974**		2,647,780
Customers' deposits		**10,268,566**		11,719,861
Redeemable preferred shares		**251,598**		251,598
Advances from associates and other related parties		**2,777,730**		2,683,950
Income tax payable		**70,762**		170,557
Other current liabilities		**10,483,884**		10,876,690
Total Current Liabilities		**67,277,838**		72,720,150
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings		**28,945,571**		24,540,410
Bonds payable		**40,556,499**		40,282,856
Contract liabilities		**3,644,968**		3,195,849
Customers' deposits		**3,459,943**		2,968,470
Redeemable preferred shares		**251,598**		251,598
Deferred tax liabilities - net		**12,123,409**		11,563,426
Retirement benefit obligation		**828,556**		819,756
Other non-current liabilities		**6,619,880**		6,817,425
Total Non-current Liabilities		**96,430,424**		90,439,790
Total Liabilities		**163,708,262**		163,159,940
EQUITY				
Total equity attributable to the Company's shareholders		**178,110,878**		185,464,231
Non-controlling interests		**27,220,816**		27,066,249
Total Equity		**205,331,694**		212,530,480
TOTAL LIABILITIES AND EQUITY	**P**	**369,039,956**	P	375,690,420

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousand pesos, except earnings per share)

EXHIBIT 2

	2021 Unaudited Jan 1 -Mar 31		2020 Unaudited Jan 1 -Mar 31	
REVENUES AND INCOME				
Real estate sales	**P**	**5,902,108**	P	9,610,307
Rental income		**3,092,151**		4,233,483
Hotel operations		**335,644**		550,941
Equity in net earnings (losses) of associates	(	66,338)		3,385
Interest and other income - net		**845,606**		682,912
		10,109,171		15,081,028
COSTS AND EXPENSES				
Cost of real estate sales		**3,119,372**		5,264,222
Hotel operations		**214,201**		332,059
Operating expenses		**2,907,963**		3,568,657
Interest and other charges - net		**751,210**		722,917
Tax expense		**625,630**		1,392,289
		7,618,376		11,280,144
NET PROFIT FOR THE PERIOD	**P**	**2,490,795**	P	3,800,884
Net profit attributable to:				
Company's shareholders	**P**	**2,362,436**	P	3,506,985
Non-controlling interests		**128,359**		293,899
	P	**2,490,795**	P	3,800,884
Earnings Per Share :				
Basic	**P**	**0.070**	P	0.110
Diluted	**P**	**0.070**	P	0.110

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousand pesos)

	2021 Unaudited Jan 1 - Mar 31	2020 Unaudited Jan 1 - Mar 31
NET PROFIT FOR THE PERIOD	**P 2,490,795**	P 3,800,884
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified subsequently to consolidated profit or loss:		
Fair value gains (losses) on financial assets at fair value through other comprehensive income	**169,625**	(542,466)
Items that will be reclassified subsequently to consolidated profit or loss:		
Unrealized gain (loss) on cash flow hedge	**111,481**	(39,702)
Exchange difference on translating foreign operations	**14,337**	8,597
	125,818	(31,105)
Total Other Comprehensive Income (Loss)	**295,443**	(573,571)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**P 2,786,238**	P 3,227,313
Total comprehensive income attributable to:		
Company's shareholders	**2,657,056**	3,029,691
Non-controlling interests	**129,182**	197,622
	P 2,786,238	P 3,227,313

EXHIBIT 3

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousand pesos)

	Unaudited March 31, 2021	Unaudited March 31, 2020
CAPITAL STOCK	P 32,430,866	P 32,430,866
ADDITIONAL PAID-IN CAPITAL	16,660,844	16,660,844
TREASURY SHARES - AT COST	(1,733,034)	(780,642)
TRANSLATION RESERVES	(378,911)	(374,232)
REVALUATION RESERVES	(3,028,980)	(3,604,302)
PERPETUAL CAPITAL SECURITIES	-	10,237,899
RETAINED EARNINGS	134,160,093	126,782,325
NON-CONTROLLING INTERESTS	27,220,816	26,606,245
TOTAL EQUITY	P 205,331,694	P 207,959,003

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousand pesos)

EXHIBIT 4

	Unaudited March 31, 2021	Unaudited March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 3,116,425	P 5,193,173
Adjustments for:		
Depreciation and amortization	858,869	756,922
Interest and other charges	672,674	473,141
Interest and other income	(378,735)	(505,930)
Employee share options	1,188	5,482
Equity in net losses (earnings) of associates	66,338	(3,385)
Operating profit before working capital changes	4,336,759	5,919,403
Net Changes in Operating Assets and Liabilities		
Increase in current and non-current assets	(806,162)	(4,311,442)
Increase (decrease) in current and non-current liabilities	(852,798)	2,027,425
Cash generated from operations	2,677,799	3,635,386
Cash paid for income taxes	(520,880)	(809,952)
NET CASH FROM OPERATING ACTIVITIES	2,156,919	2,825,434
CASH FLOWS USED IN INVESTING ACTIVITIES	(725,805)	(1,754,014)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	(8,991,388)	1,550,948
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,560,274)	2,622,368
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	40,166,756	23,104,876
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P 32,606,482	P 25,727,244

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(UNAUDITED)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Megaworld Corporation (the Parent Company) was incorporated in the Philippines on August 24, 1989, primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The Parent Company is presently engaged in property-related activities such as project design, construction and property management. The Parent Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects as well as office projects and retail spaces.

Alliance Global Group, Inc. (AGI or the Ultimate Parent Company) is the ultimate parent company of Megaworld Corporation and its subsidiaries (the Group). AGI is a holding company and is presently engaged in food and beverage, real estate development, quick-service restaurant, tourism-entertainment and gaming businesses.

The Parent Company and AGI's common shares are publicly-listed at the Philippine Stock Exchange (PSE).

The Parent Company's registered office address, which is also its principal place of business, is located at 30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. AGI's registered office address, which is also its principal place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

The Company holds ownership interests in the following subsidiaries and associates:

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership March 2021	December 2020
Subsidiaries:			
Prestige Hotels and Resorts, Inc. (PHRI)		**100%**	100%
Richmonde Hotel Group International Ltd. (RHGI)		**100%**	100%
Eastwood Cyber One Corporation (ECOC)		**100%**	100%
Megaworld Cebu Properties, Inc. (MCP)		**100%**	100%
Megaworld Newport Property Holdings, Inc. (MNPHI)		**100%**	100%
Oceantown Properties, Inc. (OPI)		**100%**	100%
Luxury Global Hotels and Leisure, Inc. (LGHLI)		**100%**	100%

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership March 2021	December 2020
Subsidiaries:			
Arcovia Properties, Inc. (API)		**100%**	100%
Mactan Oceanview Properties			
and Holdings, Inc. (MOPHI)	(a)	**100%**	100%
Megaworld Cayman Islands, Inc. (MCII)	(a)	**100%**	100%
Piedmont Property Ventures, Inc. (PPVI)	(a)	**100%**	100%
Stonehaven Land, Inc. (SLI)	(a)	**100%**	100%
Streamwood Property, Inc. (SP)	(a)	**100%**	100%
Global One Integrated Business Services, Inc. (GOIBSI)		**100%**	100%
Luxury Global Malls, Inc. (LGMI)		**100%**	100%
Davao Park District Holdings, Inc. (DPDHI)		**100%**	100%
Belmont Newport Luxury Hotels, Inc. (BNLHI)		**100%**	100%
Global One Hotel Group, Inc. (GOHGI)		**100%**	100%
Landmark Seaside Properties, Inc. (LSPI)	(a)	**100%**	100%
San Vicente Coast, Inc. (SVCI)	(a)	**100%**	100%
Hotel Lucky Chinatown, Inc. (HLCI)	(i)	**100%**	100%
Savoy Hotel Manila, Inc. (SHMI)	(i)	**100%**	100%
Savoy Hotel Mactan, Inc. (SHM)	(i)	**100**%	100%
Kingsford Hotel Manila, Inc. (KHMI)	(i)	**100**%	100%
Agile Digital Ventures, Inc. (ADVI)	(m)	**100%**	100%
MREIT Fund Managers, Inc. (MFMI)	(o)	**100%**	-
MREIT Property Managers, Inc. (MPMI)	(o)	**100%**	-
Megaworld Holdings, Inc. (MHI)	(o)	**99.20%**	-
Megaworld Bacolod Properties, Inc. (MBPI)		**91.55%**	91.55%
Megaworld Central Properties, Inc. (MCPI)	(b)	**76.55%**	76.55%
Megaworld Capital Town, Inc. (MCTI)		**76.28%**	76.28%
Soho Café and Restaurant Group, Inc. (SCRGI)		**75%**	75%
La Fuerza, Inc. (LFI)		**66.67%**	66.67%
Megaworld-Daewoo Corporation (MDC)		**60%**	60%
Northwin Properties, Inc. (NWPI)	(a)	**60%**	60%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(a, c)	**52.14%**	52.14%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(d)	**68.03%**	68.03%
Megaworld Globus Asia, Inc. (MGAI)		**50%**	50%
Integrated Town Management Corporation (ITMC)		**50%**	50%
Maple Grove Land, Inc. (MGLI)	(a)	**50%**	50%
Megaworld Land, Inc. (MLI)		**100%**	100%
City Walk Building Administration, Inc. (CBAI)	(e)	**100%**	100%
Forbestown Commercial Center			
Administration, Inc. (FCCAI)	(e)	**100%**	100%
Paseo Center Building			
Administration, Inc. (PCBAI)	(e)	**100%**	100%
Uptown Commercial Center			
Administration, Inc. (UCCAI)	(e)	**100%**	100%
Iloilo Center Mall Administration, Inc. (ICMAI)	(e)	**100%**	100%
Newtown Commercial Center			
Administration, Inc. (NCCAI)	(e)	**100%**	100%
Valley Peaks Property Management, Inc. (VPPMI)	(e)	**100%**	100%
San Lorenzo Place Commercial Center			
Administration, Inc. (SLPCCAI)	(e)	**100%**	100%
Southwoods Lifestyle Mall Management, Inc. (SLMMI)	(e)	**100%**	100%
Suntrust Properties, Inc. (SPI)		**100%**	100%
Suntrust Ecotown Developers, Inc. (SEDI)		**100%**	100%
Governor's Hills Science School, Inc. (GHSSI)		**100%**	100%
Sunrays Property Management, Inc. (SPMI)		**100%**	100%
Suntrust One Shanata, Inc. (SOSI)	(a)	**100%**	100%

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership March 2021	December 2020
Subsidiaries:			
Suntrust Two Shanata, Inc. (STSI)	(a)	**100%**	100%
Stateland, Inc. (STLI)	(j)	**98.31%**	96.87%
Global-Estate Resorts, Inc. (GERI)	(f)	**82.32%**	82.32%
Elite Communities Property Services, Inc. (ECPSI)	(k)	**82.32%**	82.32%
Southwoods Mall, Inc. (SMI)	(i)	**91.09%**	91.09%
Megaworld Global-Estate, Inc. (MGEI)	(f)	**89.39%**	89.39%
Twin Lakes Corporation (TLC)	(f)	**90.99%**	90.99%
Twin Lakes Hotel, Inc. (TLHI)	(k)	**90.99%**	90.99%
Fil-Estate Properties, Inc. (FEPI)		**82.32%**	82.32%
Aklan Holdings, Inc. (AHI)	(a)	**82.32%**	82.32%
Blu Sky Airways, Inc. (BSAI)	(a)	**82.32%**	82.32%
Fil-Estate Subic Development Corp. (FESDC)	(a)	**82.32%**	82.32%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a)	**82.32%**	82.32%
Golden Sun Airways, Inc. (GSAI)	(a)	**82.32%**	82.32%
La Compaña De Sta. Barbara, Inc. (LCSBI)		**82.32%**	82.32%
MCX Corporation (MCX)	(a)	**82.32%**	82.32%
Pioneer L-5 Realty Corp. (PLRC)	(a)	**82.32%**	82.32%
Prime Airways, Inc. (PAI)	(a)	**82.32%**	82.32%
Sto. Domingo Place Development Corp. (SDPDC)		**82.32%**	82.32%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a)	**82.32%**	82.32%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a)	**65.03%**	65.03%
Sherwood Hills Development, Inc. (SHD)		**45.28%**	45.28%
Fil-Estate Golf and Development, Inc. (FEGDI)		**82.32%**	82.32%
Golforce, Inc. (Golforce)		**82.32%**	82.32%
Southwoods Ecocentrum Corp. (SWEC)		**49.39%**	49.39%
Philippine Aquatic Leisure Corp. (PALC)	(a)	**49.39%**	49.39%
Fil-Estate Urban Development Corp. (FEUDC)		**82.32%**	82.32%
Novo Sierra Holdings Corp. (NSHC)	(a)	**82.32%**	82.32%
Global Homes and Communities, Inc. (GHCI)	(a)	**82.32%**	82.32%
Savoy Hotel Boracay, Inc. (SHBI)	(f)	**82.32%**	82.32%
Belmont Hotel Boracay, Inc. (BHBI)	(f)	**82.32%**	82.32%
Oceanfront Properties, Inc. (OFPI)		**41.13%**	41.13%
Empire East Land Holdings, Inc. (EELHI)		**81.73%**	81.73%
Eastwood Property Holdings, Inc. (EPHI)		**81.73%**	81.73%
Valle Verde Properties, Inc. (VVPI)	(a)	**81.73%**	81.73%
Sherman Oak Holdings, Inc. (SOHI)	(a)	**81.73%**	81.73%
Empire East Communities, Inc. (EECI)	(a)	**81.73%**	81.73%
20th Century Nylon Shirt, Inc. (CNSI)	(a)	**81.73%**	81.73%
Laguna BelAir School, Inc. (LBASI)		**59.67%**	59.67%
Sonoma Premier Land, Inc. (SPLI)	(a)	**49.04%**	49.04%
Pacific Coast Mega City, Inc. (PCMI)	(l)	**32.69%**	32.69%
Megaworld Resort Estates, Inc. (MREI)	(b, c)	**51%**	51%
Townsquare Development, Inc. (TDI)		**30.60%**	30.60%
Golden Panda-ATI Realty Corporation (GPARC)		**30.60%**	30.60%
Associates:			
Bonifacio West Development Corporation (BWDC)		**46.11%**	46.11%
Palm Tree Holdings and Development Corporation (PTHDC)	(a)	**40%**	40%
Suntrust Home Developers, Inc. (SHDI)	(g)	**34%**	34%
SWC Project Management Limited (SPML)	(n)	**34%**	34%

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership March 2021	December 2020
Associates:			
WC Project Management Limited (WPML)	(o)	**34%**	34%
First Oceanic Property Management, Inc. (FOPMI)	(h)	**8.16%**	8.16%
Citylink Coach Services, Inc. (CCSI)	(h)	**8.16%**	8.16%
GERI			
Fil-Estate Network, Inc. (FENI)		**16.46%**	16.46%
Fil-Estate Sales, Inc. (FESI)		**16.46%**	16.46%
Fil-Estate Realty and Sales Associates, Inc. (FERSAI)		**16.46%**	16.46%
Fil-Estate Realty Corp. (FERC)		**16.46%**	16.46%
Nasugbu Properties, Inc. (NPI)		**11.52%**	11.52%

Explanatory Notes:

(a) These are entities which have not yet started commercial operations as at December 31, 2020.

(b) As at March 31, 2021, the Company owns 76.55% of MCPI consisting of 51% direct ownership, 18.97% indirect ownership through EELHI and 6.58% indirect ownership through MREI.

(c) As at March 31, 2021, the Company's ownership in GPMAI is at 52.14%, which consists of 38.72% and 13.42% indirect ownership from EELHI and MREI, respectively.

(d) In 2018, the Company subscribed to additional shares of MBPHI amounting to P1.7 million increasing its effective ownership to 68.03%, which consists of 67.43% and 0.60% indirect ownership from TIHGI.

(e) These were incorporated to engage in operation, maintenance, and administration of various malls and commercial centers. These companies became subsidiaries of the Company through MLI, their immediate parent company.

(f) As a result of the additional investments in GERI in 2016, the Company's indirect ownership interest over these subsidiaries increased in proportion to the increase in effective interest over GERI. Effective ownership interest over MGEI and TLC increased to 89.39% and 83.37%, respectively. In 2018, the Company acquired shares of TLC increasing its effective ownership to 90.99%, which consists of 49% direct ownership and 41.99% indirect ownership from GERI. In 2019, SHBI and BHBI were incorporated to operate and manage resort hotels.

(g) In 2019, the Company and TDI disposed certain number of shares over SHDI. In addition, the Company and a third party investor subscribed to the increase in capitalization over SHDI, the latter became the controlling shareholder. The foregoing transactions decreased the Company's effective ownership over SHDI to 34%.

(h) In 2019 as a result of the Company's dilution of ownership interest over SHDI, the effective ownership of the Company over FOPMI and CCSI was also diluted to 8.16%.

(i) HLCI, SHMI, and SHM were incorporated in 2018 and are engaged in hotel operations. KHMI was incorporated in 2020 and also engaged in hotel operations.

(j) In 2018, SPI and the Company acquired shares of STLI resulting into 96.87% effective ownership over STLI consisting of 17.40% direct ownership and 79.47% indirect ownership through SPI.

(k) In 2018, GERI acquired shares of ECPSI, and TLHI through TLC resulting into 100% and 90.99% effective ownership over ECPSI and TLHI, respectively.

(l) PCMI is considered as an associate of the Company since 2015. The Company obtained de facto control over PCMI in 2018 by aligning their key executives and Boards of Directors (BODs). The acquisition was accounted for under the pooling-of-interest method of accounting; hence, no goodwill nor gain on acquisition was recognized. In January 2019, EELHI acquired additional shares of PCMI, increasing the effective ownership interest of the Company to 32.69%.

(m) ADVI is a newly-incorporated subsidiary in 2020 engaged in e-commerce business.

(n) SPML and WPML are newly incorporated subsidiaries of SHDI in 2020. These companies are engaged in project management and consultancy services.

(o) MFMI, MPMI and MHI are newly incorporated subsidiaries. MFMI is engaged in the business of providing fund management services to real estate investment trust (REIT) companies. MPMI is engaged in the business of providing services in relation to property management, lease management, marketing and project management. MHI is a holding company.

Except for MCII and RHGI, all the subsidiaries and associates were incorporated and have their principal place of business in the Philippines. MCII was incorporated and has principal place of business in the Cayman Islands while RHGI was incorporated and has principal place of business in the British Virgin Islands.

The Company and its subsidiaries, except for entities which have not yet started commercial operations as at March 31, 2021, are presently engaged in the real estate business, hotel, condominium-hotel operations, construction, restaurant operations, business process outsourcing, educational facilities provider, property management operations and marketing services.

There are no significant restrictions on the Company's ability to access or use the assets and settle the liabilities of the Group.

EELHI, GERI, and SHDI are publicly-listed companies in the Philippines.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the audited consolidated financial statements as of and for the year ended December 31, 2020 except for the application of amendments to standards that became effective on January 1, 2021 (see Note 2.2)

2.1 Basis of Preparation of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements for the three months ended March 31, 2021 and 2020 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting.* They do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2020.

The preparation of interim condensed consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

These interim condensed consolidated financial statements are presented in Philippine peso, the functional and presentation currency of the Group, and all values represent absolute amounts except when otherwise indicated.

2.2 Adoption of New and Amended PFRS

(a) Effective 2021 that is Relevant to the Company

The Group adopted for the first time PFRS 9 (Amendments), Financial Instruments, PAS 39 (Amendments), *Financial Instruments*, PAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*, PFRS 7 (Amendments), *Financial Instruments: Disclosures*, PFRS 4 (Amendments), *Insurance Contracts*, and PFRS 16 (Amendments), *Leases – Interest Rate Benchmark Reform – Phase 2* which are mandatorily effective for annual periods beginning on or after January 1, 2021. The amendments provide practical expedients for changes in the basis for determining the contractual cash flows and reliefs from certain hedge accounting requirements due to alteration of interest rate benchmark as a result of interest rate benchmark reform. Moreover, it requires an entity to disclose information that enable users to understand the nature and extent of risks resulting from interest rate benchmark reform, the management of such risks, the progress of transition to alternative benchmark rates and the management of such transition. The application of these amendments had no significant impact on the Group's interim condensed consolidated financial statements.

b) Effective Subsequent to 2021 but not Adopted Early

There are pronouncements effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the relevant pronouncements in the succeeding pages in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's interim condensed consolidated financial statements.

(i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvement merely removes potential for confusion regarding lease incentives.

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

(vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes .In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing the interim condensed consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements as at and for the year ended December 31, 2020.

The Group performed its annual impairment test of goodwill and other intangible assets with indefinite useful life at year end and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill arising from business combination and other intangible assets is based on value-in-use calculations. The Group considers the relationship between the market capitalization of the subsidiaries and its net book value, among other factors, when reviewing for indicators of impairment. The Group's management assessed that for the three months ended March 31, 2021 and as at December 31, 2020, goodwill arising from business combination and other intangible assets with indefinite useful life are not impaired.

4. SEGMENT INFORMATION

4.1 *Business Segments*

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development of residential and office units including urban centers integrating office, residential and commercial components. The Real Estate segment pertains to the development and sale of residential and office developments. The Rental segment includes leasing of office and commercial spaces. The Hotel Operations segment relates to the management of hotel business operations.

The Corporate and Others segment includes business process outsourcing, educational, facilities provider, maintenance and property management operations, marketing services, general and corporate income and expense items. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 *Segment Assets and Liabilities*

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, receivables, real estate inventories, property and equipment, and investment properties, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities.

4.3 *Intersegment Transactions*

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 *Analysis of Segment Information*

The following tables present revenue and profit information regarding industry segments for the three months ended March 31, 2021 and 2020 and certain asset and liability information regarding segments as at March 31, 2021 and 2020.

	March 31, 2021					
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 5,902,107,625	P 3,092,150,858	P 335,644,494	P 372,284,508	P -	P 9,702,187,485
Interest income	330,852,901	134,238,608	602,231	1,136,067	-	466,829,807
Intersegment sales	-	99,906,452	-	461,423,249	(561,329,701)	-
Total revenues	**6,232,960,526**	**3,326,295,918**	**336,246,725**	**834,843,824**	**(561,329,701)**	**10,169,017,292**
RESULTS						
Cost of sales and operating expense excluding depreciation and amortization	4,337,143,910	422,812,665	310,695,026	792,553,575	(480,538,197)	5,382,666,979
Interest expense	343,967,518	114,005,124	-	4,251,836	-	462,224,478
Depreciation and amortization	71,696,932	696,394,625	35,996,524	54,780,495	-	858,868,576
	4,752,808,360	1,233,212,414	346,691,550	851,585,906	(480,538,197)	6,703,760,033
Segment results	**P 1,480,152,166**	**P 2,093,083,504**	**(P 10,444,825)**	**(P 16,742,082)**	**(P 80,791,504)**	**P 3,465,257,259**
Other income						6,491,966
Other expenses						(288,985,092)
Equity in net losses of associates						(66,338,460)
Tax expense						(625,630,292)
Net profit						**P 2,490,795,381**
ASSETS AND LIABILITIES						
Segment assets	P 232,307,741,288	P 115,388,235,959	P 5,668,361,841	P 8,061,259,035	P -	P 361,425,598,123
Investments in and advances to associates and other related parties - net	-	-	-	7,614,357,704	-	7,614,357,704
Total assets	**P 232,307,741,288**	**P 115,388,235,959**	**P5,668,361,841**	**P15,675,616,739**	**P -**	**P369,039,955,827**
Segment liabilities	**P 111,706,798,682**	**P 43,964,753,131**	**P1,509,360,133**	**P 6,527,350,067**	**P -**	**P163,708,262,013**

	March 31, 2020					
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 9,610,307,325	P 4,233,483,074	P 550,940,490	P 112,005,516	P -	P 14,506,736,405
Interest income	401,717,068	165,861,098	1,039,524	228,052	-	568,845,742
Intersegment sales	-	102,657,768	-	592,872,999	(695,530,767)	-
Total revenues	10,012,024,393	4,502,001,940	551,980,014	705,106,567	(695,530,767)	15,075,582,147
RESULTS						
Cost of sales and operating expense excluding depreciation and amortization	7,249,105,867	575,869,309	435,646,541	793,894,709	(646,500,742)	8,408,015,684
Interest expense	349,082,983	118,728,224	-	10,213,028	-	478,024,235
Depreciation and amortization	85,798,195	607,047,676	30,063,335	34,012,870	-	756,922,076
	7,683,987,045	1,301,645,209	465,709,876	838,120,607	(646,500,742)	9,642,961,995
Segment results	P 2,328,037,348	P 3,200,356,731	P 86,270,138	(P 133,014,040)	(P 49,030,025)	P 5,432,620,152
Other income						2,061,115
Other expenses						(244,892,324)
Equity in net earnings of associates						3,384,686
Tax expense						(1,392,289,153)
Net profit						P 3,800,884,476
ASSETS AND LIABILITIES						
Segment assets	P 231,450,033,945	P 106,159,555,500	P 5,206,895,454	P 7,875,157,068	P -	P 350,691,641,967
Investments in and advances to associates and other related parties - net	-	-	-	7,426,017,732	-	7,426,017,732
Total assets	P 231,450,033,945	P106, 159,555,500	P 5,206,895,454	P 15,301,174,800	P -	P 358,117,659,699
Segment liabilities	P 108,302,082,559	P 35,165,763,318	P 1,160,971,616	P 5,529,839,239	P -	P 150,158,656,732

5. PERPETUAL CAPITAL SECURITIES

On April 11, 2018, the Group issued bonds amounting $200.0 million. The bonds were issued with a nominal interest of 5.375% per annum and interest is payable semi-annually in arrears every April 11 and October 11. The bonds are currently listed in the SGX-ST. The financial instruments are treated as equity securities. These bonds may be voluntarily redeemed by the Parent Company on April 11, 2023 or on any distribution date thereafter.

The perpetual capital securities are fully eliminated in the 2021 interim consolidated statement of financial position as a wholly owned subsidiary already acquired these securities in full but not yet cancelled (see Note 11.1).

6. EARNINGS PER SHARE

Earnings per share (EPS) amounts were computed as follows:

	March 31, 2021	March 31, 2020
Net profit attributable to Company's Shareholders	**P 2,362,436,170**	P 3,506,984,920
Distribution to holders of perpetual securities	**(151,963,438)**	(-)
Computed dividends on cumulative preferred shares series "A"	**(147,541)**	(149,180)
Profit available to Company's common shareholders	**P 2,210,325,191**	P 3,506,835,740
Divided by weighted average number of outstanding common shares	**31,459,435,283**	31,796,379,539
Basic EPS	**P 0.070**	P 0.110
Divided by weighted average number of outstanding common shares and potential dilutive shares	**31,580,736,810**	31,911,499,093
Diluted EPS	**P 0.070**	P 0.110

7. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim consolidated financial statements. The management of the Group is of the opinion, that losses, if any, from these items will not have any material effect on its consolidated financial statements.

In addition, there are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

8. SEASONAL FLUCTUATIONS

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

9. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at fair value through other comprehensive income (FVOIC), interest-bearing loans and borrowings, bonds payable, trade receivables and payables which arise directly from the Group's business operations. The financial liabilities were issued to raise funds for the Group's capital expenditures.

Exposure to currency, interest rate, credit, liquidity and equity risk arise in the ordinary course of the Group's business activities. The main objective of the Group's risk management is to identify, monitor, and minimize those risks and to provide cost with a degree of certainty.

The Group does not actively engage in the trading of financial assets for speculative purposes.

9.1 Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rates arise mainly from the Group's U.S. dollar-denominated cash and cash equivalents, loans and bonds payable which have been used to fund new projects and for general corporate purposes.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions and mainly affect consolidated profit or loss of the Group. There are no material exposures on foreign exchange rate that affect the Group's consolidated other comprehensive income (loss).

9.2 Interest Rate Sensitivity

The Group's interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. The Group maintains a debt portfolio unit of both fixed and floating interest rates. Most long-term borrowings are subject to fixed interest rate while other financial assets are subject to variable interest rates.

The Group manages its interest risk by leveraging the fixed interest rate debt obligations over the floating interest rate debt obligations in its debt portfolio.

8.3 Credit Risk

The Group's credit risk is attributable to trade receivables, rental receivables and other financial assets. The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

8.4 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a nine-month and a one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

8.5 Other Price Risk Sensitivity

The Group's market price risk arises from its financial assets at FVOCI carried at fair value. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

10. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

10.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the consolidated statements of financial position are shown below.

	March 31, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Financial assets at amortized cost:				
Cash and cash equivalents	**P 32,606,481,893**	**P 32,606,481,893**	P 40,166,755,908	P 40,166,755,908
Trade and other receivables	**44,264,310,104**	**44,478,489,296**	43,837,353,550	44,051,691,412
Guarantee deposits	**1,068,689,319**	**1,068,689,319**	1,186,605,535	1,186,605,535
	P 77,939,481,316	**P 78,153,660,508**	P 85,190,714,993	P 85,405,052,855
Financial assets at fair value through other comprehensive income – Equity securities	**P 4,559,804,339**	**P 4,559,804,339**	P 4,174,886,430	P 4,174,886,430
Financial Liabilities				
Financial liabilities at amortized cost:				
Interest-bearing loans and borrowings	**P 47,882,135,919**	**P 48,942,717,498**	P 45,578,166,417	P 48,094,617,843
Bonds payable	**40,556,498,686**	**43,191,228,450**	40,282,855,986	43,032,299,663
Redeemable preferred shares	**503,195,160**	**503,195,160**	503,195,160	503,195,160
Trade and other payables	**21,068,591,328**	**21,068,591,328**	22,701,125,783	22,701,125,783
Advances from subsidiaries, associate and other related parties	**2,777,730,539**	**2,777,730,539**	2,683,950,114	2,683,950,114
Lease liabilities	**593,334,774**	**593,334,774**	587,616,971	587,616,971
Subscription payable	**1,114,665,008**	**1,114,665,008**	1,114,665,008	1,114,665,008
Other liabilities	**5,084,550,270**	**5,084,550,270**	5,333,560,001	5,333,560,001
	P119,580,701,684	**P123,276,013,027**	P118,785,135,440	P 124,051,030,543
Financial liabilities at fair value through profit or loss – Derivative liabilities	**P 551,272,789**	**P 551,272,789**	P 758,026,441	P 758,026,441

10.2 Fair Value Hierarchy

The Group uses the following hierarchy level in determining the fair values that will be disclosed for its financial instruments.

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. Except for Php2.24 billion and Php27.45 million financial assets at FVOCI categorized in Level 2 and Level 3, respectively, all other financial assets at FVOCI are categorized in Level 1.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

11. EVENTS AFTER THE REPORTING PERIOD

11.1 Cancellation of the Parent Company's Perpetual Capital Securities

On January 30 to February 2, 2021, a wholly-owned subsidiary made on-market purchases of all the Parent Company's U.S. $200.0 million outstanding perpetual capital securities. On April 1, 2021, the cancellation of the Parent Company's perpetual capital securities was completed in accordance with the terms and conditions of the securities.

11.2 Property-for-Shares Swap

On April 7, 2021, the BOD of the Company approved the property-for-shares swap transaction with MHI. Under the Deed of Exchange, the Company shall transfer to MHI all of its rights, title and interest to certain investment properties with carrying amount of Php9.20 billion in full payment of its additional subscription of 1,282,120,381 common shares with a par value of P1 per share. The transaction has not yet consummated as of the date of the interim financial statements.

12. OTHER MATTER

In 2020, the Group and other businesses have been significantly exposed to the risks brought about by the outbreak of the new coronavirus disease, COVID-19. Governmental efforts being implemented to control the spread of the virus included travel bans, quarantines, social distancing and suspension of non-essential services. Work stoppage on construction sites and slowdown on the supply chain lead to delays on the targeted completion and turnover of projects. The imposition of community quarantine also requires the temporary adjustment of mall operating hours and has led to reduced foot traffic. Likewise, travel restrictions have resulted into a reduction in hotel occupancies.

In the latter part of March 2021, the rapid growth of COVID-19 infections forced the Government to place National Capital Region and neighboring provinces of Cavite, Laguna, Bulacan and Rizal (NCR Plus) under enhanced community quarantine (ECQ) from March 29 until April 11, 2021. Then, the NCR Plus was placed under modified ECQ until May 14, 2021. After which, NCR plus was placed under general community quarantine with heightened restriction until May 31, 2021.

The Group will continue to conduct its business while placing paramount consideration on the health and welfare of its employees, customers, and other stakeholders. The Group has implemented measures to mitigate the transmission of COVID-19, such as by adjusting operating hours, making hand sanitizers available within its properties, increasing the frequency of disinfection of facilities, limiting face-to-face meetings, requiring temperature checks for employees and customers, and implementing health protocols for employees. The Group also activated business continuity plans, both at the corporate and business operations levels, and conducted scenario planning and analysis to prepare for various eventualities.

While management currently believes that it has adequate liquidity and the appropriate business plans to continue to operate the business while mitigating the risks associated with COVID-19, the ultimate impact of the pandemic is highly uncertain and subject to change. The Group continuously monitors the impact of COVID-19 to its business segments and stakeholders and is prepared to take actions to ensure the sustainability of its businesses.

Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of March 31, 2021 versus March 31, 2020

Megaworld, the country's largest developer of integrated urban townships, saw its net income decline by 34.47% to Php2.49 billion in the first quarter of 2021 from Php3.80 billion during the same period last year.

The Group's weaker earnings was traced mainly due to COVID-19 pandemic affecting the core businesses. Net income attributable to parent company stood at Php2.36 billion, lower by 32.64% from Php3.51 billion last year.

Megaworld's consolidated revenues decreased by 32.97% from Php15.08 billion in the first quarter of 2020 to Php10.11 billion during the same period this year.

Development. Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and commercial lot, comprising 58.38% of total revenues. Real estate sales decreased by 38.59%, amounting to Php5.91 billion and Php9.61 billion for the first quarters of the years 2021 and 2020, respectively. The Group's registered sales mostly came from the following projects: San Antonio Residence, St. Moritz Private Estate 2, Lafayette Park Square, Uptown Parksuites Tower 1&2, Park McKinley West, Gentry Manor, The Palladium at Iloilo Business Park, The Albany-Kingsley, Iloilo Boutique Hotel and Savoy Hotel Mactan Newtown.

Leasing. The Group's rental businesses, comprising of office and lifestyle mall leasing, registered a 26.96% decline, making Php3.09 billion in the first quarter of 2021 from the previous year's Php4.23 billion. This contributed 30.59% of the total consolidated revenues for the first three months of the year.

Hotel Operations. The Group's revenues attributable to hotel operations posted an amount of Php335.64 million during the first quarter of 2021 with a decrease of 39.08% from Php550.94 million for the same period last year.

Total costs and expenses amounted to Php7.62 billion, a decrease by 32.46% from Php11.28 billion last year. Interest and other charges – net increased by 3.91%, amounting to Php751.21 million this year from Php722.92 million in 2020. Tax expense in 2021 amounting to Php625.63 million resulted to a decrease of 55.06% from 2020 reported amount of Php1.39 billion due to lower taxable income.

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

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

Financial Condition

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statements of Financial Position reflects stable financial growth. Total resources as at March 31, 2021 amounted to Php369.04 billion, posting a decrease of 1.77% compared to Php375.69 billion as at December 31, 2020.

The Group shows steady liquid position as at March 31, 2021 by having its current assets at Php203.80 billion as against its current obligations at Php67.28 billion. Current assets posted a decrease of 3.26% from December 31, 2020 balance of Php210.67 billion. Current obligations reflected a decrease of 7.48% from December 31, 2020 balance of Php72.72 billion.

Cash and cash equivalents decreased by 18.82% from Php40.17 billion in 2020 to Php32.61 billion in 2021. Current and non-current trade and other receivables – net increased by 0.97%, amounting to Php44.26 billion as at March 31, 2021 compared to Php43.84 billion as at December 31, 2020. Contract assets decreased by 0.08%, amounting to Php19.36 billion as at March 31, 2021 compared to Php19.38 billion as at December 31, 2020. Inventories increased by 0.27% from Php106.13 billion in 2020 to Php106.42 billion in 2021. This includes raw land for residential development and property development cost reclassified due to adoption PFRS 15 and PIC Q&As 2018-11, 2018-15 and 2018-12. Investment properties – net increased by 0.55% amounting to Php115.61 billion in March 31, 2021 from Php114.98 billion in December 31, 2020. This includes raw land and property development cost for office and commercial development reclassified due to adoption of PIC Q&As 2018-11, 2018-15 and 2018-12.

Trade and other payables amounted to Php21.40 billion and Php23.33 billion as at March 31, 2021 and December 31, 2020, respectively, reflecting an 8.29% decrease. Contract liabilities increased by 15.27%, amounting to Php6.74 billion as at March 31, 2021 compared to Php5.84 billion as at December 31, 2020. Total current and non-current customers' deposits as at March 31, 2021 amounted to Php13.73 billion compared Php14.69 billion as at December 31, 2020 with 6.53% decrease.

The interest-bearing loans and borrowings current and non-current amounted to Php47.88 billion and Php45.58 billion for March 31, 2021 and December 31, 2020, respectively, reflecting an 5.05% increase. Bonds payable increased by 0.68%, amounting to Php40.56 billion as at March 31, 2021 compared to Php40.28 billion as at December 31, 2020. Total other liabilities amounted to Php17.10 billion from Php17.69 billion as at March 31, 2021 and December 31, 2020, respectively, translating to a decrease of 3.34%.

Total Equity (including non-controlling interests) decreased by 3.39% from Php212.53 billion as at December 31, 2020 to Php205.33 billion as at March 31, 2021.

The top five (5) key performance indicators of the Group are shown below:

	March 31, 2021	December 31, 2020
Current Ratio *1	3.03:1.00	2.90:1.00
Debt to Equity Ratio *2	0.43:1.00	0.40:1.00
Net Debt to Equity Ratio *3	0.27:1.00	0.22:1.00

	March 31, 2021	March 31, 2020
Return on Assets *4	0.67%	1.07%
Return on Equity *5	1.30%	1.95%

**1 – Current Assets / Current Liabilities*
**2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)*
**3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)*
**4 – Net Profit / Average Total Assets*
**5 – Net Profit / Average Equity (Computed using figures attributable only to parent company shareholders)*

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

Material Changes in the Year 2020 Financial Statements
(Increase/decrease of 5% or more versus December 31, 2020)

Statements of Financial Position

18.82% decrease in cash and cash equivalents
Mainly due to made on-market purchases by a subsidiary of all outstanding perpetual capital securities of the parent company

9.22% increase in financial assets at fair value through other comprehensive income
Due to changes in the fair value of shares

7.46% decrease in prepayments and other assets – net
Due to decrease in other assets of a subsidiary

8.98% increase in deferred tax assets
Due to higher deferred tax assets on taxable temporary differences

8.29% decrease in trade and other payables
Due to payment to suppliers and contractors

5.05% increase in interest-bearing loans and borrowings - net
Due to availment of new loan

15.27% increase in contract liabilities - net
Represents excess of collection over the progress of work

58.51% decrease in income tax payable
Mainly due to lower taxable income

6.53% decrease in customers' deposits - net
Pertains to amounts received from customers for sale of residential lots and condominium units not yet qualified for sales recognition

(Increase/decrease of 5% or more versus March 31, 2020)

Statements of Income

38.59% decrease in sales
Mainly due to lower sales bookings resulting from pandemic related concerns

26.96% decrease in rental income
Decrease in rental was due to lower revenue from mall rentals because of slowdown in foot traffic resulting from pandemic related concerns

39.08% decrease in hotel operations
Due to lower check-ins of hotels due to government implementation of travel restrictions and pandemic related concerns

2059.96% decrease in equity share in net earnings (losses) of associates
Mainly due to incurred losses of an associate

23.82% increase in interest and other income – net
Mainly due to other income recognized for the current period

40.74% decrease in cost of sales
Due to lower sales bookings and lower project completion resulting from temporary suspension of construction activities

35.49% decrease in cost of hotel operations
Represents direct costs attributable to hotel operations

18.51% decrease in operating expenses
Decrease in operating and administrative expenses resulting from pandemic related concerns

55.06% decrease in income tax expense
Due to lower taxable income and tax effects of deductible temporary differences

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

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

There were no known material events subsequent to the end of the period that have not been reflected in the Group's Financial Statements as at the first quarter of 2021.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statement, the same in the current year consolidated financial statements as at the third quarter of 2021.

There are no commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements.

There were no other material issuances, repurchases or repayments of debt and equity securities.

MEGAWORLD CORPORATION AND SUBSIDIARIES
Aging of Accounts Receivables
March 31, 2021
(In thousand pesos)

EXHIBIT 7

Type of Receivables:	TOTAL	CURRENT/ NOT YET DUE	1-3 Months	4-6 Months	7 Months - 1 Year	Above 1 Year	Past due accounts & items in Litigation
a. Trade and other receivables	44,264,310	41,459,348	1,178,117	520,406	659,184	447,255	-

MEGAWORLD CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
March 31, 2021 and December 31,2020

EXHIBIT 8

Ratio	Formula	March 31, 2021	December 31 ,2020
Current ratio	Current assets / Current liabilities	3.03	2.90
Acid test ratio	Quick assets / Current liabilities (Quick assets include current assets less inventories)	1.45	1.44
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings and bonds payable)	0.43	0.40
Asset-to-equity ratio	Total assets / Total stockholders' equity	1.80	1.77
		March 31, 2021	**March 31 ,2020**
Solvency ratio	EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds payable)	0.05	0.08
Interest rate coverage ratio	EBIT / Total Interest (Total interest includes interest expense and capitalized interest)	3.46	5.32
Return on equity	Net profit attributable to Company's shareholders / Average total equity attributable to the Company's shareholders	0.01	0.02
Return on assets	Net profit/ Average total assets	0.01	0.01
Net profit margin	Net profit / Total revenues	0.25	0.25