COVER SHEET

SEC Registration Number

A	S	0	9	3	-	7	9	4	6

COMPANY NAME

ALLIANCE GLOBAL GROUP, INC.
AND SUBSIDIARIES

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

7TH FLOOR, 1880 EASTWOOD
AVENUE, EASTWOOD CITY
CYBERPARK,
188 E. RODRIGUEZ JR. AVENUE,
BAGUMBAYAN, QUEZON CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	Certificate of Permit to Offer Securities for Sale

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
intingdin@ymail.com	709-2038 to 41	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
863	SEPTEMBER 3RD TUESDAY	DECEMBER 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
DINA INTING	intingdin@ymail.com	709-2038 to 41	

Contact Person's Address

7th Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. *For the fiscal year ended* **December 31, 2016**

2. *SEC Identification Number* **AS093-7946**

3. *BIR Tax Identification No*. **003-831-302-000**

4. *Exact name of issuer as specified in its charter* **ALLIANCE GLOBAL GROUP, INC.**

5. **METRO MANILA, PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

6. (*SEC Use Only)*
   Industry classification code

7. **7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark**
   188 E. Rodriguez Jr. Avenue, Bagumbayan, 1110 Quezon City
   Address of principal office

8. **(632) 7092038 to 41**
   Registrant's telephone number, including area code

9. *Securities registered pursuant to Sections 8 and 12 of the SRC, or secs. 4 and 8 of the RSA*

Title of Each Class	*Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding*
Common	**10,269,827,979**

10. *Are any or all of these securities listed on Philippine Stock Exchange?* **Yes.**

11. *(a) AGI has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.*
    (b) AGI has been subject to such filing requirements for the past ninety (90) days.

12. *The aggregate market value of the voting stock held by non-affiliates of AGI, based on the closing price of its common stock of Thirteen Pesos (P13.00) on the Philippine Stock Exchange on March 23, 2017, is P56,105,415,691*

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PART I - BUSINESS AND GENERAL INFORMATION

1. BUSINESS

a. Organization And Business Development In The Past Three Years

a.1. The Company

Alliance Global Group, Inc. ("AGI" or "the Company") is one of the leading conglomerates in the Philippines, with interests in property development, food and beverage manufacture and distribution, quick-service restaurants and integrated tourism development businesses. The Company and its subsidiaries, associates and jointly-controlled entities ("**the Group**") operate a diversified range of businesses that focus on developing products and services that generally cater to the target markets.

Incorporated on October 12, 1993, AGI began operations in 1994 as a glass-container manufacturer after it acquired a glass manufacturing plant in Canlubang, Laguna. AGI initially listed its shares in the Philippine Stock Exchange ("PSE") in 1999; after which in the same year, it obtained approval from the Securities and Exchange Commission ("SEC") to broaden its primary business and become a holding company. Immediately, the Company began its diversification into the food and beverage and real estate industries, and, in 2005, into the quick-service restaurant business. In 2007, it reorganized to consolidate businesses controlled by Dr. Andrew L. Tan and family ("Tan family"), specifically in the distilled spirit manufacturing and property development. In 2008, the Company entered into integrated tourism development, with gaming activities, by partnering with a leading multinational leisure, entertainment and hospitality group. In 2011, AGI expanded its integrated tourism estate development outside of Metro Manila, particularly in the Calabarzon and Visayan regions, and in 2014, in Mindanao. From 2013 to 2016, the Group expanded its spirits manufacturing business abroad through business and asset acquisitions in Spain and United Kingdom. The Group started acquiring vineyard lands and assets in Spain in early parts of 2013 and 2014, and a brandy and sherry business in 2016. Also in 2014, the Group acquired the 5th largest manufacturer of Scotch whisky in the world; thus fortifying the distilled spirits business segment. The Group did realignments and acquisitions also in the real estate segment starting in 2013 to 2016 while expansion of non-gaming facilities and offerings and quick-service restaurants is ongoing.

The Tan family beneficially owns a majority interest in AGI.

a.2. Subsidiaries

Emperador Inc.

EMPERADOR INC. ("EMP" or "Emperador") is a publicly-listed domestic holding company which operates an integrated business of manufacturing, bottling and distributing distilled spirits and other alcoholic beverages from the Philippines and Europe. Through **Emperador Distillers, Inc.** ("EDI"), EMP has established its identity in the Philippine alcoholic beverages business with steady growth and production of high quality liquor. EDI, the Philippines' largest liquor company and the world's largest brandy producer, has a product portfolio that consists of its own brands as well as licensed products. Through **Whyte and Mackay Group Limited** ("WMG" or "Whyte and Mackay") of United Kingdom, EMP offers a rich heritage of a Scottish spirits company, which is the fifth largest Scotch whisky manufacturer in the world, with products being distributed in over 101 countries. Through **Bodegas Fundador S.L.U.** (“Bodegas Fundador”) in Spain, EMP has fortified its brandy business plus the sherry wine business in Spain and United Kingdom. Bodegas Fundador has the largest and oldest brandy facility in Spain. At present, EMP has a wider range of products in its portfolio - from value to super premium – and an international reach to at least 101 countries.

EMP was incorporated on November 26, 2001under its former name, Touch Solutions, Inc., which listed its shares on the PSE on December 19, 2011. From August to September 2013, AGI, EDI and EMP, which is substantially a shell company at the time, entered into a series of transactions whereby AGI acquired majority control over EMP and EMP acquired full ownership of EDI. EMP’s acquisition of EDI from AGI is accounted for similar to a reverse acquisition of a non-operating shell company, wherein the legal subsidiary, which is EDI, is deemed as the acquirer and the legal parent, which is EMP, is deemed as the acquired. EMP has P20.0 billion authorized capital stock, P16.12 billion of which are issued and outstanding as of December 31, 2016. Its consolidated total assets amounted to P94.30 billion as at December 31, 2016.

EDI is the leading brandy manufacturer and distributor of distilled spirits in the Philippines, and acknowledged as the largest brandy producer in the world. It produces own label brands, namely, ‘Emperador Brandy’, ‘Andy Player Whisky’, ‘The BaR’ flavored alcoholic beverage (gin, vodka, tequila) and ‘Raffa’ Sparkling white wine; manufactures ‘Smirnoff Mule Vodka’ under license from Diageo North America, Inc.;, and distributes Ernest & Julio Gallo wines, Whyte and Mackay Scotch whisky products, Fundador brandy products and Pik-Nik shoestring-shaped potato snacks in the Philippines. EDI was incorporated on June 6, 2003 and was sold to AGI by **The Andresons Group, Inc.** (‘’TAGI’’) and the Tan Family on February 16, 2007. EDI has an authorized capital stock of 22 billion, of which 12.5 billion shares are outstanding and held by EMP as of to-date.

EDI operates two manufacturing plants in Laguna. The main plant is being leased from its wholly-owned subsidiary ***Tradewind Estates, Inc.*** (“TEI”) while the annex plant was acquired from Diageo Philippines in May 2012. TEI was incorporated on September 22, 2000 and was acquired by EDI from its previous owner, Alliance Global Brands, Inc. (a wholly-owned subsidiary of AGI), in March 2016. EDI has its own distillery plant which was acquired in February 2013 from **The Consolidated Distillers of the Far East, Inc**. (“Condis”), which is owned by the Tan family. Another distillery plant is under construction.

EDI procures its new bottles from ***Anglo Watsons Glass, Inc.*** (“AWG” or “AWGI”), a wholly-owned domestic subsidiary of EDI, which caters principally to EDI’s requirements. AWG operates a flint glass container manufacturing plant in Laguna on a 24-hour shift which it leases from AGI. AWG was incorporated in the Philippines on July 22, 1999 and was acquired by EDI from AGI in 2012. AWG has P405,750,000 authorized capital stock divided into 400 million common shares and 115,000,000 preferred shares, fully subscribed and paid up capital as of to-date.

In 2013, Emperador embarked on acquisitions in Spain which include the ***Bodega San Bruno***, the San Bruno trademark, vineyards, and sizable inventory of high-quality well-matured brandy from **Gonzalez Byass S.A**., one of the largest and oldest liquor and wine conglomerate in Spain. Under a supply agreement with Gonzalez Byass, the Emperador Deluxe Spanish Edition is produced and bottled in Spain and exported to the Philippines where it started selling in March 2013. In 2014, Gonzalez Byass agreed to give Emperador 50% participation in ***Bodega Las Copas*** (“BLC”), a fully integrated brandy production company that it owns. On February 29, 2016, ***Bodegas Fundador SLU*** (“Bodegas Fundador’) completed the purchase, a deal signed on November 27, 2015, of the Spanish brandy and sherry business in Jerez de la Frontera, from **Beam Suntory Inc**. The purchase includes Spain’s largest and oldest brandy cellars with sizeable brandy inventory aged more than 50 years; four iconic brands including ‘Fundador Brandy de

Jerez'; production and bottling facilities, vineyards, distillery and winery facilities. The all-cash purchase has been agreed at a value of €275 million. The Spanish investments and operations are all under ***Grupo Emperador Spain,*** a wholly-owned subsidiary of ***Emperador Asia Pte Ltd*** which is, in turn, wholly owned by **Emperador International Limited** ("EIL"), an investment and holding company incorporated in the British Virgin Islands on December 13, 2006. Both EMP and EDI have investments in EIL that account to 100%. The Spain group owns vineyard estates in Toledo and in Madrid. The main industrial facilities are located at Jerez de la Frontera in Cadiz and Tomelloso in Ciudad Real.

On October 31, 2014, ***Whyte and Mackay Group Limited*** ("WMG" or "Whyte and Mackay") and subsidiaries were folded into the Emperador group, as a deal signed on May 9, 2014 between ***Emperador UK Limited*** ("EUK") and United Spirits (Great Britain) Limited, an indirect wholly-owned subsidiary of **United Spirits Limited** ("USL") of India, was completed for an enterprise value of £430 million. USL (the world's largest spirits company by volume) was forced to put Whyte and Mackay up on sale because of UK anti-trust concerns, when London-based Diageo Plc (the world's leading premium drinks manufacturer) gained controlling interest in USL. EUK is wholly-owned by ***Emperador Holdings (GB) Limited*** which is in turn wholly-owned by EIL.

Whyte and Mackay is the fifth largest Scotch whisky manufacturer in the world with a history of more than 170 years and ownership of some of the most iconic Scotch brands in the industry, including British luxury brand 'The Dalmore Single Highland Malt', 'Jura Single Malt', and 'Whyte & Mackay Blended Scotch Whisky'. The products are distributed in approximately 101 countries mainly in Europe and North America, with strong presence in the global travel retail space. WMG, the immediate parent and smallest consolidating group, was incorporated on August 7, 2001 in Scotland. The main trading entity and a wholly owned subsidiary is ***Whyte and Mackay Limited*** ("WML"), incorporated on January 20, 1927 in Scotland, the principal activity of which is the production, marketing and distribution of distilled potable alcoholic drinks which include Scotch whisky, vodka, liqueurs and other alcoholic drinks. The other two active wholly-owned entities are ***Whyte and Mackay Warehousing Ltd***. ("WMW"), incorporated in Scotland, and ***Whyte and Mackay Americas Ltd, LLC*** ("WMA"), incorporated in the United States of America. WMW's principal activity is the warehousing and blending of bulk whisky for related and third party customers while WMA, a direct subsidiary of WML, was formed to handle Whyte and Mackay's business portfolio in US market. There are forty-one dormant companies within WMG Group that have been retained for branding purposes.

On December 4, 2014, with the completion of the Whyte and Mackay acquisition as a condition precedent to its entry, Singapore sovereign wealth fund **GIC Private Ltd**. ("GIC"), through its private equity arm, **Arran Investment Pte. Ltd.**("Arran") initially invested P17.6 billion in the Company split into 70%-equity and 30%-equity-linked securities debt ("ELS"), which is convertible to equity between 2 to 7 years, plus an option to acquire more EMP shares. Through this initial investment, Arran acquired 7% ownership interest in EMP and AGI's 88% was diluted to 81%. . Whyte and Mackay is headquartered in Glasgow and has significant malt and grain production capability from its four malt distilleries and one large grain distillery. It also has a leased bottling facility.

On December 1, 2016, BLC signed an agreement to acquire the Domecq brandy and business from the Mexican and Spanish subsidiaries of **Pernod Ricard S.A**. The transaction includes the brand portfolio of Mexican brandies Don Pedro, Presidente and Azteca de Oro as well as the winery related to the production of Mexican wines in Ensenada, together with the relevant inventories related to the Domecq brands in markets, including Spain, the US, Belgium and the Netherlands. The authorization from the Mexican Antitrust Authority to proceed was obtained on March 14, 2017. The agreement is still undergoing completion of customary conditions and is expected to close in first half of 2017.

Megaworld Corporation

MEGAWORLD CORPORATION ("MEG" or "Megaworld"), a publicly-listed domestic company, is one of the leading property developers in the Philippines and MEG pioneered the "live-work-play-learn" lifestyle concept for large-scale, mixed-use master planned communities or townships that integrate residential, commercial, leisure and entertainment, office and educational/training components. Megaworld has three primary business segments: (1) real estate sales of residential and office developments, (2) leasing of office space, primarily to business process outsourcing ("BPO") enterprises, and retail space, and (3) management of hotel operations.

MEG was incorporated on August 24, 1989 and initially built only high-end residential condominiums and commercial properties on a stand-alone basis. In 1996, MEG began to focus on the development of mixed-used communities in response to the demand for lifestyle convenience of having quality residences in close proximity to office and leisure facilities, primarily for the middle-income market. Its first venture under this set-up is Eastwood City in Quezon City, which is the country's first cyberpark. It now has twenty-twol community townships across Metro Manila, Cebu, Iloilo and Davao plus several stand-alone residential condominium projects in Metro Manila. Through its subsidiaries, MEG also engages in other property related activities such as project design, construction oversight and property management. Through a wholly-owned subsidiary, ***Prestige Hotels & Resorts, Inc.*** , MEG owns and operates the Richmonde Hotel Ortigas in Pasig City, Eastwood Richmonde Hotel in Quezon City and Richmonde Hotel Iloilo in Mandurriao, Iloilo City. MEG has two other homegrown hotel brands – Belmont and Savoy. Megaworld has P40.2 billion authorized capital stock and P32.43 billion paid-up capital (both common and preferred stock) as at end-2016. Its consolidated total assets amounted to P278.75 billion as at December 31, 2016.

From 46% effective ownership interest in MEG in 2007, AGI increased its effective ownership interest in MEG thereafter through purchases in the market, exercise of stock rights and warrants, and subscription to new shares. By end-2016, AGI holds 67% effective interest in MEG.

In June 2014, in a move to consolidate all its real estate businesses under MEG, and to enable MEG to focus on the real estate business, AGI sold its stake in **Global-Estate Resorts, Inc.** ("GERI") to MEG and MEG, in turn, sold its shares in **Travellers International Hotel Group, Inc**. ("Travellers"), to AGI. Megaworld's acquisition of GERI also signaled its official entry to the country's tourism industry.

GERI, a publicly listed domestic company incorporated on May 18, 1994, is one of the leading property developers in the country and is engaged primarily in the development of integrated tourism and urban townships with residential, office, retail, hotel and/or golf components, Its principal developments include Boracay Newcoast in Malay, Aklan, Twin Lakes in Laurel, Batangas, Sta. Barbara Heights in Iloilo, Southwoods City in Laguna and Cavite, and Alabang West in Las Pinas, Metro Manila. GERI undertakes its development business by itself or through joint venture with landowners. The township developments are marketed by a subsidiary and an in-house marketing group. GERI has P20 billion authorized capital stock, P10.986 billion of which was subscribed and paid-up as at December 31, 2016. Total assets reported as at end-2016 amounted to P44.4billion.

AGI acquired 60% interest in GERI in January 2011. With the capital infusion, GERI was able to pay its interest-bearing loans and pursue its development plans. In 2013, GERI doubled its authorized capital stock, of which Megaworld subscribed to 25% of the said increase; this together with indirect holdings translates to Meg's 24.7% beneficial ownership in GERI at end-2013. As at end-2016, Megaworld holds 82.32% of GERI.

Empire East Landholdings, Inc. ("Empire East" or ''ELI''), a publicly-listed domestic company under the Megaworld group, was incorporated on July 15, 1994. It specializes in multi-cluster condominium projects and multi-phase subdivision developments in key locations in Metro Manila and Laguna. Laguna Bel-Air is ELI's flagship township project while Pioneer Woodlands in Mandaluyong is its first transit-oriented development. ELI is 81.73% owned by Megaworld. Total assets reported as at end-2016 amounted to P38.5 billion.

Suntrust Properties, Inc. (''SPI''), incorporated on November 14, 1997, develops master-planned self-sustaining residential communities and condominiums in Cavite, Laguna, Batangas, Baguio, Davao and Metro Manila that provide affordable homes for the low- to moderate-income families. The developments focus on space-saving and functionality features. In March2011, MEG acquired 50% majority interest in SPI. In 2013, MEG acquired 100% ownership by buying out the minority interests of Empire East and another related party.

Travellers International Hotel Group, Inc.

TRAVELLERS, a publicly-listed company since November 5, 2013, is the developer and operator of **Resorts World Manila** ("RWM"), an integrated tourism resort in the Philippines. RWM is the first integrated leisure and resort property in the Philippines that combines privately-operated gaming facilities with hotel, retail, dining, entertainment and other leisure amenities. Travellers was awarded one of the first licenses issued by the **Philippine Amusement and Gaming Corporation** ("PAGCOR") in June 2008 to construct and operate integrated leisure and gaming facilities to an international standard with the goal of enhancing tourism in the Philippines. RWM, which was the first site to be completed, opened in August 2009.

RWM is an approximately 11.5-hectare integrated tourism resort that is strategically located across the Ninoy Aquino International Airport Terminal 3 ("NAIA-3") in Pasay City, Manila and approximately five kilometers away from NAIA Terminal 1 ("NAIA-1") and NAIA Terminal 2 ("NAIA-2") and directly linked to highways leading to Makati. RWM is a 24-hour, one-stop, world-class leisure and entertainment facility within Newport City, a mixed-use community of integrated residential condominiums, hotels, restaurants, shops and offices developed by Megaworld. RWM features a themed shopping and entertainment center, three hotels – Maxims Hotel, an all-suite luxury hotel; the Marriott Hotel Manila, a five-star hotel catering to international business and leisure travelers; and the Remington Hotel, a mid-range hotel, and the Marriott Grand Ballroom, a MICE (meetings, incentives, conventions and exhibitions) venue with over 8,000 square meters of function space.

Construction of RWM commenced in July 2008, and its gaming facilities and casino opened in August 2009, along with non-gaming features, such as the 11,534 sq. m. Newport Mall, which includes a retail mall, a 1,500 seat performing arts theater (the "Newport Performing Arts Theater") and a four-screen cinema. The Marriott Hotel Manila opened in October 2009 and offers 342 rooms and suites; Maxims Hotel opened in December 2010 and offers 172 suites and villas, and the Remington Hotel opened in November 2011. The Marriott Grand Ballroom, a world-class events and convention center, formally opened its doors to the public in March 2015, while the Marriott West Wing, an expansion of the Marriott Hotel Manila with an additional 228 rooms opened in November 2016.

Travellers was incorporated on December 17, 2003. It is AGI's first integrated tourism vehicle in Metro Manila through a partnership deal in August 2008 with Malaysia-based Genting Group through **Genting Hong Kong Limited** ("GHK"), a company with shares listed on The Stock Exchange of Hong Kong Limited and traded on the GlobalQuote of Singapore Exchange Securities Trading Limited. The partnership combines AGI's expertise in the Philippine mixed-use township development, food and beverage ("F&B") and quick service restaurants, and GHK's international experience as an owner and operator of casino and gaming businesses, operator of passenger cruise ships and provider of cruise-related leisure, entertainment and hospitality services. GHK is affiliated with Genting Berhad and its subsidiaries and associates (the "Genting Group").

Travellers has P10 billion authorized capital stock (common and preferred shares), of which P1.68 billion is outstanding as at end-2016. AGI's ownership interest is accounted through direct holding of 25.12% and indirect holdings through its subsidiaries Megaworld, **First Centro, Inc.** and **Adams Properties, Inc**. ("Adams") which hold 1.84%, 4.49% and 22.47%, respectively, of Travellers' outstanding common shares. Adams holds 83.3% of outstanding preferred shares. Travellers has consolidated total assets of P76.31 billion as at end-2016.

Golden Arches Development Corporation

GOLDEN ARCHES DEVELOPMENT CORPORATION ("GADC") is a domestic corporation engaged in the operations and franchising of quick service restaurant business under the McDonald's brand in the Philippines and in accordance with the master franchise agreement with **McDonald's Corporation** ("MCD"), a company incorporated in Delaware and with principal offices in Illinois, USA. GADC was incorporated on July 16, 1980. It has P99.44 million authorized and paid up common capital stock, 49% of which is held by AGI and the rest by its founder, Mr. George Yang and his family. Its consolidated total assets amounted to P16.37 billion at end-2016.

AGI acquired its 49% interest in GADC on March 17, 2005 from **McDonald's Restaurant Operations, Inc.** ("MRO"), a subsidiary of MCD, both of which are foreign corporations incorporated in the USA. MRO holds all of GADC's preferred shares

Golden Arches Realty Corporation *(*"GARC"*)* leases solely to GADC parcels of land where McDonald's restaurants and warehouses are situated. It was incorporated on June 25, 2001 and, at present, has P99.4 million authorized and issued common shares, 49% of which is held by AGI.

a.3. ***Bankruptcy or Similar Proceedings and Significant Assets not in Ordinary Course***

The Company and its subsidiaries have not been involved in any bankruptcy, receivership or similar proceedings. Likewise, there were no other material reclassifications, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

b. **Business Description**

AGI is a holding company with interests in the food and beverage business (manufacturing and trading of consumer products), real estate (investment in and development of real estate, lease of properties, hotel operations and tourism resorts businesses), tourism-entertainment and gaming, and quick service restaurant (McDonald's) business. Through its subsidiaries and associates, the Company focuses on providing and developing products and services that cater to the needs, demands and aspirations of its target markets. The Company believes that it is well positioned to benefit from consumer demand driven by the expected growth of the middle-income sector.

*b.1.**Principal Products or Services and their Markets***

EMP
‘**Emperador Brandy’**, the first brandy label, was launched in 1990. Prior to its introduction, the Philippine spirits industry was dominated by longstanding and well-established gin and rum manufacturers. Through dynamic marketing and by establishing a reputation for product quality, EDI created demand for brandy in the Philippine spirits market following the launch of ‘Emperador Brandy’. The Company believes that the ‘Emperador’ brand, which is marketed as a superior brand, has been the market leader among brandies in the Philippines in terms of sales volume since 1990. In 2010, ‘**Emperador Light’**, the first light brandy, was introduced to capture the taste preferences of Filipino consumers. In March 2013, EDI introduced ‘**Emperador Deluxe Spanish Edition’**, a premium brandy imported from Spain that is created specifically to appeal to the Philippine palate.

The Company believes the introduction of a new sin tax regime on liquor, which became effective on January 1, 2013 with the effectivity of R.A. No. 10351, leveled the playing field for imported liquors and provided a prime opportunity to introduce ‘Emperador Deluxe’ to the Philippine market.

At the 2016 International Review of Spirits, organized by Beverage Testing Institute in Chicago, **Emperador Solera Brandy** won the silver award (highly-recommended), with added special recognition as “Best Buy”, by garnering 89 points while Emperador Light received the bronze award (recommended) with 83 points. The “Best Buy” recognition is an added excellence award given only to the spirits or wines that provide uncommon value. Emperador is the only Filipino brandy to be included as one of the best brandies in the world with Solera and Emperador Light.

The premium and imported lines, Emperador Deluxe Special Reserve and Emperador Grand Supreme are sold exclusively at EDI’s retail store.

‘**Andy Player Whisky’**, a popular drink in the ‘80s, was revived in October 2015. The new whisky blend has a unique character, rich aroma and complex taste which include orange marmalade and maple syrup. In October 2016, ‘**Andy Player Whisky and Cola**’ or Andy Cola, a ready-to-drink blend of refreshing cola and the smooth blend of Andy Player Whisky was launched in the Philippine market.

‘**The BaR’**, a flavored vodka and gin beverage was launched in 2009. ‘The BaR’ is marketed as a ready-to-serve flavored alcoholic beverage with low alcohol content. The gin comes in lemon-and-lime flavor while the vodka comes in orange, apple and strawberry flavors. In 2012, ‘The BaR Cocktails Margarita’ line was launched. ‘The Bar’ products are targeted to a younger demographic, specifically, the 18 to 35 year old age bracket.

‘**Smirnoff Mule’**, a ready-to-drink blend of Smirnoff Vodka, ginger beer, and lime, was launched on April 28, 2015. It is a classic iconic drink that delivers a smooth, full flavored refreshment with a unique ginger taste. It is known as ‘Mule’ because of its premium vodka, ginger beer and lime, creating a ginger kick effect. The “Stubbornly Refreshing” drink is being manufactured and distributed in the Philippines, under license from Diageo North America, Inc.

‘**Raffa Sparkling’** is a delightful drink that has the elegance of sparkling wine with a fruity and refreshing finish. It only has 4% ABV making it a drink to be enjoyed by everyone. It is meant for leisurely lunches, extended dinners and long get-togethers. Raffa is made from the finest white grapes grown in Bodega San Bruno's very own vineyard along the scenic Tajo River near Toledo. The product was launched in to the Philippine market in December 2016.

‘**Tres Cepas Light**’ is an imported brandy from Spain, excellently made by Bodegas Fundador. Tres Cepas Light has great value for money because it is a great tasting Spanish brandy but priced at a very affordable introductory price. It was launched locally in December 2016.

EDI introduced ‘The Dalmore’, ‘Jura’ and ‘Whyte and Mackay’ variants at 700ml bottles in the local market in 2015.

EDI also distributes ‘**Pik-Nik’** brand shoestring potato snacks and **Ernest and Julio Gallo wines** from California, USA. The ‘Pik-Nik’ brand is owned by AGI Group.

Scotch whisky is Scotland’s leading indigenous product and is now established as the leading international spirit drink, making it one of Britain’s most important exports. It is a distilled spirit made (distilled and matured) in Scotland using *only* cereals, water and yeast. Most whiskies mature far longer than the legal minimum of three years, and the maturation period varies for different whiskies. The age statement on a bottle reflects the amount of time the youngest whisky in that bottle has spent maturing in a cask.

WMG offers Single Malt and Blended Scotch whiskies, liquers and vodkas, under the following key brands:

‘**The Dalmore Single Malt Scotch Whisky**’ sits at the apex of the category in which it competes. It is positioned as super premium and luxury brand. The Dalmore’s ‘To The Brave’ proposition is built on a heritage that is rooted in the saving of King Alexander III of Scotland from being gored by a raging stag with a single arrow in 1263 by an ancestor of Mackenzie clan. The grateful king granted him the right to bear a stag’s head in his coat of arms and so every bottle of The Dalmore is adorned with this noble emblem: a stag’s head with twelve points to its antlers, signifying ‘royalty’. The Mackenzie family ran the Dalmore distillery from the mid 1800’s until Whyte and Mackay took over. It is considered the most revered single malt whisky in the world. ‘The Dalmore Principal Collection’ consists of six expressions positioned as Accessible (The 12, The 15, Cigar Malt Reserve, The 18, King Alexander III) and Aspirational (The 25). Positioned at the apex is ‘The Dalmore Constellation Collection’ which is a rare ensemble of unique vintage single malts from the Highland distillery. ‘The Dalmore’ is renowned for rare editions that have sold for industry redefining prices, including the most expensive bottle ever sold in a retail store.

‘**Jura Single Malt Scotch Whisky’** is a premium Scotch whisky that is considered an accessible single malt whisky. It is produced at the only distillery on the Isle of Jura, a very remote island off the west coast of Scotland. This brand is built upon a captivating island environment that has two distinct sides, the wild, rugged west and the temperate east. Jura’s uncommon nature is reinforced by the split production of both peated and unpeated malt whiskies in the same distillery, reflecting the two sides of the island. The Jura Rare collection offers one or two vintages every year, supported by a story, while the super premium ‘Milestones’ offers a new release every few years.

‘**Tamnavulin Single Malt Scotch whisky**’ was launched in 2016, initially in the UK. The Tamnavulin Distillery was built in 1966 and was acquired by WMG in 1993.

‘**Fettercairn’** comes from Fettercairn distillery which was founded in 1824 and acquired by WMG in 1973. The arch and the unicorn are two symbols that are heavily associated with the long history of the Fettercairn Distillery.

‘**Whyte and Mackay Blended Scotch Whisky**’ is produced using a unique triple maturation process that ensures a smoother, richer taste.

Liquers are alcoholic beverages made from a distilled spirit that has been flavored with fruit, cream, herbs, spices, flowers or nuts and bottled with added sugar or other sweetener. They are typically quite sweet, usually not aged for long but may have resting periods to allow flavors to marry. In this category belongs

‘**Glayva’**, a liqueur made from a blend of aged Scotch whiskies, a selected range of spices, Mediterranean tangerines, cinnamon, almonds and honey. It has a deep golden colour and a distinctive flavor.

‘**Vladivar Vodka**’ is a brand of vodka distilled in the UK. It is a Pure Grain, triple distilled, charcoal filtered vodka. Originally made in Warrington by the G & J Greenall distillery, the brand was sold in 1990 to Whyte and Mackay and is today bottled in Scotland.

John Barr, Cluny and **Claymore** are all blended Scotch whiskies, a combination of malt whiskies and grain whiskies from a number of different distilleries. The packaging of both John Barr and Claymore has recently been redesigned to enhance the consumer offering.

From Bodegas Fundador, the following iconic brands manufactured and distributed from Spain are under EMP Group beginning March 1, 2016:

‘Fundador’ is a Brandy de Jerez, the brandy capital of Spain. Fundador means the founder, as it was the first Spanish brandy to be marketed, this happened in 1874 by Pedro Domecq Loustau. It is sold in over 70 countries worldwide, and the no. 1 imported premium brandy in the Philippines. The brand has an excellent range ending with the high premium brand Fundador Exclusivo.

‘**Terry Centenario’** is the largest brandy in Spain. Centenario means centenary, and it evokes the change to the twentieth century when the Terry family started producing brandies in its bodegas in Puerto de Santa María. It is a premium and distinguished brand with the iconic net and the unique logo of the Terry Horse

‘**Tres Cepas**’ is a market leader in Equatorial Guinea. In the beginning Domecq had three brands, Una Cepa (One vine), Dos Cepas (Two vines) and Tres Cepas (Three vines), that were in increasing order of quality and age. It is a premium brand result of a special selection of wines distilled aged in sherry oak casks by the traditional Criadera and Solera system. In 1902 the brand Tres Cepas was launched in the market and starting to be a successful brand. The year 2016 was the renaissance of the brand in the Philippines, and it launched a special expression of Tres Cepas Light, with a different concept and bottle. Tres Cepas Spirit is a delicate selection of wines distilled carefully aged in Bodegas Fundador’s wineries in Jerez, smooth with mineral notes and beautiful amber tone.

‘Harveys’ is the number 1 selling Sherry Wine in the world and the leader in the UK. It is a recipient of twenty-four quality awards in 2015. It holds Royal warrant in UK which distinguishes it as the only sherry wine that can be served to the Queen in Buckingham Palace. It is also the unique Spanish Company that supplies to the Royal Household. This brand was registered in Bristol by the Harvey family in 1886 and was the first cream Sherry to be marketed. Harveys Bristol Cream is a unique blend of sherries combining the character and body of aged olorosos with the aroma and finesse of finos and amontillados.

Harveys Very Old Amontillado 30-Year Old V.O.R.S was awarded the “The Best Wine in the World” by the International Wine Challenge (IWC), by bagging the Champion of Champions’ Trophy 2016, while Harveys V.O.R.S. Palo Cortado was awarded in 2015 by the IWC as the “Best Sherry”. Also in 2016, the International Wine & Spirit Competition (IWSC) awarded gold medals to Harveys Pedro Ximenez 30 Year Old V.O.R.S. and Harveys Rich Old Oloroso Sherry 30 Year Old V.O.R.S.

Harveys launched in 2013 an ultimate expression Signature by Harveys which is a 12-Year Old Cream Sherry, this product was awarded the silver medal by the IWSC in 2016.

MEG

The Group's pioneering "live-work-play-learn" concept for integrated mixed-use communities, or commonly known as townships in the Philippines, has enabled it to launch approximately 560 residential buildings, office towers, retail establishments and hotels consisting in aggregate of more than 12 million square meters of floor area. "Townships" integrate lifestyle convenience of having high quality residences in close proximity to office, commercial, educational, and leisure and entertainment facilities. The strategy is to lease all commercial and retail properties and sell all residential units. Each of the Company's 22 townships is described below.

1. **Eastwood City** is the first township to showcase Megaworld's signature Live-Work-Play-Learn lifestyle concept. The first of its kind when launched in 1999, it now has become the company's proof of concept and model for townships thereafter, Eastwood City's 18.50-hectare prime 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 the infrastructure such as high-speed telecommunications and 24-hour uninterrupted power supply to support BPO and other technology-driven businesses, and to provide education/training, restaurants, leisure and retail facilities and residences to complement Eastwood City CyberPark. It is home to more than 25,000 residents and 55,000 workers. It hosts the four-level Eastwood Mall – a shopping and dining destination hailed several times as the "Best Shopping Center" by the Philippine Retailers Association. Eastwood City has three malls and around 500 commercial and retail shops. The Eastwood Richmonde Hotel is adjacent to the Eastwood Mall.

2. **Forbes Town Center** 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 prestigious Forbes Park residential subdivision and Dasmariñas Village. Forbes Town Center has 12 residential towers which house more than 3,500 residential units. Upon completion, Forbes Town Center is expected to consist of residential, retail and entertainment properties. The focal point of activity in Forbes Town Center is the aptly named 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.

3. **McKinley Hill** is a community township located on approximately 50 hectares of land in Fort Bonifacio, Taguig, 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 be comprised 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, which are expected to complement the office and residential areas in the community township. Three international schools, the Chinese International School, the Korean International School and Enderun College, a hotel management institution affiliated with Les Roches of Switzerland, initially

comprise the “learn” component of the township. McKinley Hill is likewise home to the British Embassy which relocated on a 1.2 hectare property within the development and the Korean Embassy which is located in a 5,822 square meter site within the project.

4. **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 and Remington Hotel which are under Travellers; and Belmont Luxury Hotel and Savoy Hotel which are condotel projects of Megaworld. Travellers is also set to add two global hotel brands, the Hilton Manila and the Sheraton Hotel Manila.

5. **Uptown Bonifacio** is being developed in 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 CBD’s popular landmarks, such as Forbes Town Center, 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.

6. **McKinley West** is an “ultra high-end” township being developed 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 into a mixed-use project is another joint venture undertaking with BCDA. McKinley West will have rows of luxury residential estates with some properties having their own swimming pools, state-of-the-art security features and first-of-its-kind luxury amenities designed by some of the world’s leading European architects to have state-of-the-art security features and luxury amenities. The upscale residential enclave will be supplemented by a modern business district of sustainable office buildings, an international school, and a chic commercial centre. These will all be complemented by open spaces and lush greenery. Ingress and egress points of the estate are conveniently along Lawton Avenue which connects Fort Bonifacio to Pasay City and Makati City.

7. **The Mactan Newtown** is Megaworld’s first township venture outside Luzon. It is located on a 30-hectare property near Shangri-La’s Mactan Resort and Spa in Mactan, Cebu. This has its own beach and 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 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, and retail centres, 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 beachfronts.

8. **Iloilo Business Park** is located on 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 three residential condominium developments to date – One Madison Place Luxury Residence, Lafayette Park Square and The Palladium, the tallest building in the region at 22 storeys high. It also features The Richmonde Hotel Iloilo. With Iloilo Business Park, Megaworld aims to transform Western Visayas into the next central district in the region.

9. **ArcoVia** is envisioned as an environment-friendly community on the 12.4-hectare property 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.

10. **Davao Park District** is the 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 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, a wholly-owned subsidiary of Megaworld. 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 is due for completion by 2017. The first tower in One Lakeshore Drive, a 4-tower condominium cluster, started selling in 2014.

11. **Suntrust Ecotown**, an ongoing project under Suntrust, will sit on a 350-hectare land in Tanza, Cavite and will be Megaworld's first mixed-use development with an industrial park 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.

12. **Boracay Newcoast**, an ongoing project under GERI, sits on a 150-hectare of land in the northeast side of Boracay Island. It occupies 14% of the island and is surrounded by Fairways & Bluewater, the first and only golf course in the island. 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 here 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 of which make it the most anticipated destination in Boracay.

13. **Twin Lakes**, an ongoing project under GERI, is a 1,200-hectare mixed-use leisure and resort community that raises the bar of living in Tagaytay. Within the tourism estate, one is expected to get 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 a 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 all these, one can expect to enjoy both the natural and man-made wonders at Twin Lakes

14. **Southwoods City** is the largest and only fully-integrated township with a golf course at 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 as such 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.

15. **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 worldclass 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.

Locational map of Townships in the Philippines

16. **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 that MEG is famous for.

17. **Northhill 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. Megaworld 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.

18. **Sta. Barbara Heights**, one of the masterplanned communities of GERI, is located on a 170-hectare development in Sta. Barbara, Iloilo, has 34 hectares allocated for residential lots, which offer a backdrop of a nearby natural lake and rolling hills. The township is adjacent to the historic Santa Barbara Church and Convent and the Iloilo Golf Course and Country Club – the oldest 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.

19. **Capital Town Pampanga** is a 35.6-hectare prime property beside the provincial capitol of the City of San Fernando, Pampanga and is the fourth township launched by Megaworld in 2015. It is just 70 kilometers away from Metro Manila and accessible via the North Luzon Expressway and the Jose Abad Santos Avenue, also known as the Olongapo-Gapan Road. It is also around 20 kilometers away from Clark International Airport and will have integrated residential, office, commercial, and institutional components. The township's prime location is strategic to tapping the large pool of skilled BPO talents in Pampanga.

20. **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 City will have international hotels, a luxury mall, and residential condominiums. The township will be home to 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 3,000.

21. **Maple Grove**, Megaworld's 21st township is located on 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. MEG is allocating approximately ₱10-billion in the next 10 years to develop Maple Grove, which will have an eclectic mix of residential, retail, office and institutional components.

22. **Eastland Heights**, an ongoing project under GERI, will be an 'integrated lifestyle community' located on a 640 hectares of land in Antipolo, Rizal, 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. GERI 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.

ELI 's real estate portfolio is composed of multi-cluster mid- to high-rise condominium projects and multi-phase subdivision developments in key locations in Metro Manila and the South. ELI set the trend for transit-oriented developments ("TOD") where condominium communities are directly linked to mass-transit systems for faster and more efficient mobility in the metro.

1. **Laguna BelAir** is ELI's flagship township project located outside of Metro Manila. The 156-hectare horizontal development in Sta. Rosa, Laguna is a complete community setting featuring several residential phases with American-inspired homes, commercial blocks, recreational amenity zones, a science-oriented school and a parish church. The project has spearheaded various residential and commercial developments in Santa Rosa City which is now dubbed as the "New Makati City of the South."

2. **The Sonoma** is the second township project outside Metro Manila. It is a 50-hectare horizontal development in Sta. Rosa City, Laguna that features Asian Modern-inspired homes. The community is clustered around a five-star clubhouse complete with luxurious swimming pools, open courts, function rooms and other facilities, all of which are now operational and functional. Turnover is on-going for its 4 phases-- Enclave, Country Club, Pavilion and Esplanade—and a number of buyers have already built and started constructing their houses. Eventually, the community will have a commercial strip called 1433 West Row that will feature high-end shops, restaurants and other establishments. ELI has almost sold out lost in this project.

3. **The Cambridge Village** is a 37-tower large-scale mid-rise community on an 8-hectare property along East Bank Road in Pasig-Cainta area. Most of the towers are ready for occupancy and sold out, while the final towers of the Central Park phase are in full-swing construction. Twenty-nine towers had already been finished and the turnover of six towers is ongoing.

4. **The Rochester** is a tropical-inspired urban resort community at Elisco Road, San Joaquin, Pasig City. Its 10 mid-to-high-rise towers are set on a 3-hectare enclave and will have Asian Modern architectural design and wide open spaces, providing a complete urban escape close to nature. Garden Villas 1 and 2 have been turned over and its residents currently enjoy the fully functional clubhouse, swimming pools and open court while Breeze Tower is set for turnover. Parklane, Palmridge, Hillcrest and towers are in different stages of construction with completion ranging from 35% to 45%.

5. **San Lorenzo Place** is a luxurious 4-tower high-rise development along EDSA corner Chino Roces Avenue, Makati City with direct connection to MRT-3 Magallanes station. . It will have a two-level retail mall and recreational amenities. Towers 4 and 1 have been turned over while Tower 3 is 78% complete.

6. **Pioneer Woodlands** is a TOD with 6 high-rise towers set along EDSA and Pioneer Street in Mandaluyong City. Residents of Towers 1, 2 and 3 enjoy quick access to MRT-3 via a direct platform link to the Boni station of the MRT, which will eventually house a two-level retail arcade. Recreational amenities will be located at the 5th level of the podium where Towers 4 and 5 are. Construction of Tower 4 is ongoing.

7. **Little BaguioTerraces** is a 4-tower TOD mid-rise condominium community along Aurora Boulevard and N. Domingo Street, San Juan City. The community is within walking distance to the LRT-2 J. Ruiz and Gilmore stations, providing unbeatable access to the University Belt in Manila and the Katipunan area. Towers 1 and 4 have been turned over while turnover of Tower 3 is ongoing and Tower 2 is halfway finished.

8. **Kasara Urban Resort Residences** is a 6-tower high-rise community on a 1.8ha property in Ugong, Pasig City, with close proximity to C5 Road, Tiendesitas, Valle Verde subdivisions, Ortigas Center and Eastwood City. Kasara, which is a Sanskrit word for "lake", boasts of its lake-inspired swimming pool, resort-type clubhouse, turtle and koi ponds, pool deck and bubblers. Eventually, there will be more water features including infinity pools, waterfalls from the 4th level, and other resort-style amenities such as open courts, playground, fitness gym, jogging paths, and vast greenery. Towers 1 and 2 are more than halfway completed and are almost sold out while Towers 3 and 5 are significantly sold out and piling works have already started.

9. **South Science Park** is a 51-hectare property in Gimalas, Balayan, Batangas that is intended for mixed-use development.

10. **Mango Tree Residences** is an exclusive two-tower high-rise community situated along M. Paterno and J. Ledesma Streets in San Juan City. It will have an on-stilts concept where the ground level will have vast landscaped gardens, grand drop-off area, hotel-type amenities, and glass-walled lobbies. Natural mango trees will be preserved at the perimeter of the 3,000-square meter property to give an authentic feel of nature. Currently, the property has been converted to a luxurious European-inspired garden and events venue to draw prospective buyers. West Residence tower is now under preselling.

11. **Covent Garden** is two-tower development located along Santol Street Extension in Santa Mesa, Manila. It will provide its future residents an urban sanctuary, complete with refreshing amenities. Its proximity to LRT-2 V. Mapa station and other transportation hubs make it an excellent choice for investors who prefer to lease out condominium units to University Belt students and professors. Both towers, the South Residences and North Residences, are now in preselling stage.

Aside from these projects, ELI's portfolio includes ready-for-occupancy ("RFO") units available in its various high-rise development projects in Metro Manila.

SPI's projects provide affordable homes in well-planned and secured community developments. Its communities feature commercial centers, clubhouses and other amenities, schools and 24-hour security. These include the following:

1. Sta. Rosa Heights, Sta. Rosa Hills, Suntrust Sentosa, The Mandara, and Suntrust Verona are horizontal residential developments in Eastern Cavite and Laguna.
2. Governor Hills, Gentri Heights, Suntrust Rivabella, Cybergreens, Sunrise Hills, and Cyberville are horizontal community developments in Western Cavite.
3. Adriatico Gardens, Suntrust Parkview, UN Gardens, Suntrust Solana, Suntrust Treetop Villas are condominium projects in Manila and Mandaluyong areas.
4. Suntrust Shanata, Suntrust Asmara, Suntrust Amadea, and Capitol Plaza are condominium projects in Quezon City.
5. Suntrust Kirana is a condominium project in Pasig City.
6. Sienna Hills is a Mediterranean-inspired subdivision in Lipa City, Batangas.

7. Suntrust 88 Gibraltar is a condominum project in Baguio City. This Mediterranean-inspired development is strategically located in front of Mines View Park.
8. Davao Park District is a township development in Davao City. (See under townships)
9. Suntrust Ecotown is a township development in Tanza, Cavite. (See under townships)
10. Northhill is a township development in northern part of Bacolod. Suntrust will develop 24.52 ha into house-and-lot residential project with modern theme called The Fountain Grove. (See under townships)

GERI has a diversified real estate inventory including residential and commercial lots, residential condominium units, condominium hotel units, and golf club shares.

1. **Boracay Newcoast** is the first and only tourism estate development with world-class resort offerings in the northeast side of Boracay. It sits on 150-hectare of land and will house a private residential village, specialty boutique hotels, shop houses and a massive commercial center called Newcoast Station and international hotel brands. Its Fairways & Bluewater Newcoast, a premier luxury eco-friendly vacation hotel, has over 250 well-appointed guestrooms, each with a spectacular view of an 18-hole par-72 golfcourse, the only one in the island. Fairways &Bluewater features three private white sand beach coves. (see under townships)
2. **Twin Lakes** is the first and only vineyard resort community in the Philippines, located in the rolling terrains of Tagaytay overlooking the world-famous Taal Lake. The master-planned integrated tourism estate that sits on a 1,182-hectare property will feature real vineyard and chateaus, residential condominiums and villages, hotels, nature park as well as commercial and retail hubs. The Vineyard, a 69-hectare mixed-used phase will host a hotel and resort, sports club and spa, culinary school, residential condominiums and a traditional wine chateau for aging the vintage produce – all with the views of the vineyard and man-made twin lakes. (see under townships)
3. **Forest Hills** is a 500-hectare integrated development in Antipolo, Rizal which includes residential and commercial lots, an aqua park, two 18-hole golf courses and a community clubhouse.
4. **Mountain Meadows** is 260-hectare residential subdivision in Cagayan de Oro with a 4-hectare commercial area at the entrance of the project.
5. **Sherwood Hills** is a 350-hectare integrated development in Trece Martires, Cavite that will include residential lots, a 27-hole golf course and other facilities.
6. **Newport Hills** is a 127-hectare integrated residential and golf development in Lian, Batangas.
7. **Sta. Barbara Heights** is a vast township rising on a 170-hectare property beside the Sta. Barbara Golf Course, known as Asia's oldest golf course, located in Sta. Barbara, Iloilo. It will be home to residential villages, condominiums, office towers, a mall, and commercial and retail centers. (See under townships)
8. **Southwoods City** is a 561-hectare mixed-use development with golf course situated on the boundaries of Biñan, Laguna and Carmona, Cavite. (See under townships)
9. **Alabang West** is a 62-hectare residential and commercial development in Las Piñas City. (See under townships)
10. **Eastland Heights** is a township development along a 640-hectare of land along Marcos Highway with some areas overlooking Metro Manila's panoramic skyline. (See under townships)

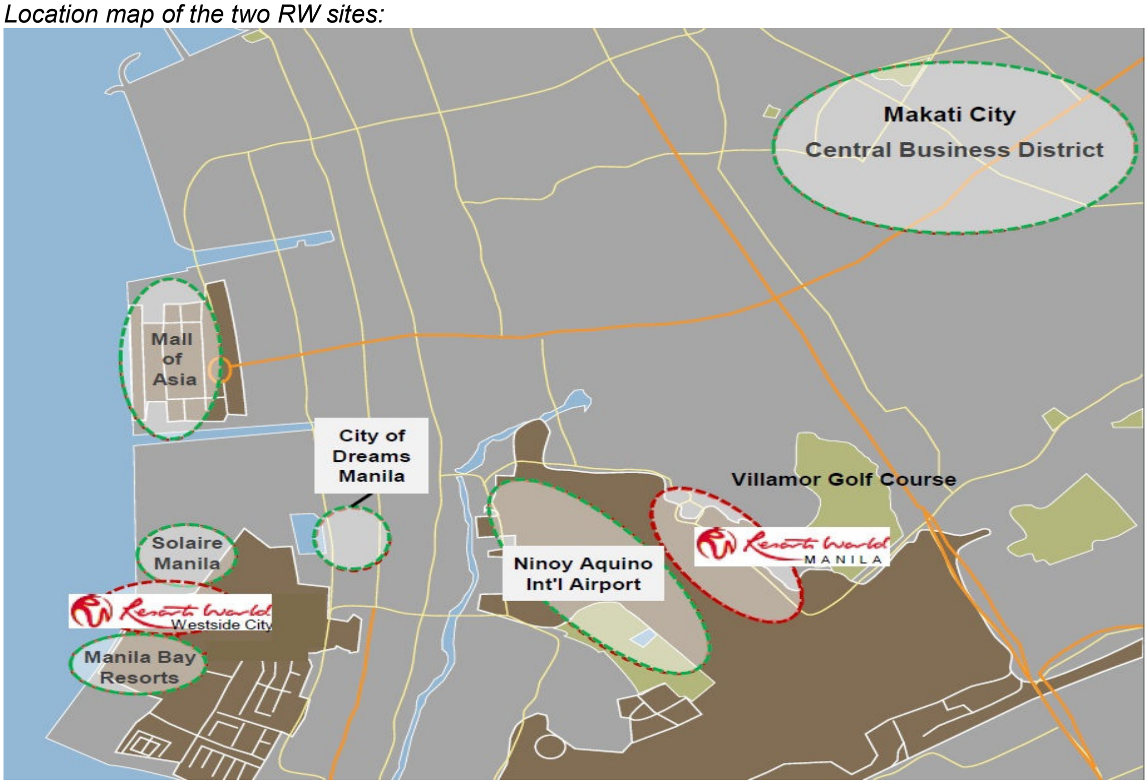
Travellers
Resorts World Manila ("RWM"), Travellers' first integrated leisure and lifestyle complex, combines hospitality, entertainment, leisure, shopping and gaming in one grand arena, a one-stop non-stop destination. RWM operates a three-storey gaming facility, which includes the Genting Club (a members-only lifestyle club, with a private gaming area, dining options and other fabulous

lifestyle features), and additional gaming halls through the Remington Hotel with an aggregate area of 22,760 square meters. As of the end of 2016, RWM has 316 casino tables, 1,805 slot machines/electronic gaming machines (EGMs), and 210 electronic table games (ETG). RWM also features the upscale Newport Mall (90 retail stores and food-and beverage outlets with a mix of high-end boutiques and mass market option), Newport Cinemas (24 hours on weekends), the 1,500-seat Newport Performing Arts Theater (a majestic venue for concerts, plays, musicals and exclusive productions), the GameZoo arcade, an office space (which features a training academy and a 400-seat capacity call center) and hotels.

Three hotels are currently in operation at RWM - the five-star 570-room Marriott Hotel Manila, the 172-all-suites Maxims Hotel, and the mid-range 712-room Remington Hotel.

RWM also boasts of the newly opened Marriott Grand Ballroom, a MICE venue with a 3,000-square meter pillar-less ballroom. It is the largest and most versatile luxury space within Metro Manila and has taken center stage as the preferred venue for conventions and social affairs including internationally acclaimed performances, making full use of the impressive high-tech column free ballrooms. The facility holds 20 individual meeting rooms and its ballroom features 6 VIP multi-use skyboxes, offering a large array of flexibility in hosting multiple events.

Location map of the two RW sites:



GADC
McDonald’s is one of the best-known global brands. All McDonald’s restaurants in the Philippines are operated either by GADC or by independent entrepreneurs under a sub-franchise agreement or by affiliates under joint venture agreements with GADC. The McDonald’s System in the USA is adopted and used in the domestic restaurant operations, with prescribed standards of quality,

service and cleanliness. Compliance with these standards is intended to maintain the value and goodwill of the McDonald's brand worldwide.

McDonald's restaurants offer varied menu of uniform and quality products, emphasizing value, prompt and courteous service and convenience. The menu includes the McDonald's beef burgers variants (Burger McDo, Big Mac, Quarter Pounder, Cheese and Double cheese), chicken (Crispy Chicken Fillet sandwiches, McChicken, McNuggets), fish, (Filet-O-Fish), French fries, milk shakes, sundaes, beverages, and breakfast offerings. Products that cater to Philippine consumer preferences are also served, such as chicken with rice (Chicken McDo), spaghetti (McSpaghetti), and a Philippine breakfast menu. McCafe beverage, from specialty coffee to fruit smoothies, is another line that is expanding. The Philippine menu is designed to appeal to a diverse target market across all ages. Demographically, the target markets are A, B, and broad C.

In 2016, the Cheesy Eggdesal Extensions (with tomato and onion, ham, and sausage) were introduced on March 4; the new and improved Burger McDo on May 27; the Double Choco Crumble Hotcake and CCF Italiana in July. There were Limited Time Offers launched during the year, such as McGriddles, Love Desserts, Smoky Cheeseburger, Fries Dip, Shake Shake Fries, McSpicy, Mushroom Pepper Steak and Dessert Campaigns.

Pik-Nik
Pik-Nik is an all-American fresh-fried potato snack line that includes Shoestring Potatoes, Fabulous Fries, Ketchup Fries, Less Salt, Sea Salt and Vinegar, and other delicious potato snacks manufactured and distributed internationally from USA by a wholly-owned subsidiary of AGI. Pik-Nik is the market leader in shoestring potato snack in the USA and is made with no preservatives or artificial ingredients. The products are packed in resealable, foil-lined canisters so they stay fresh and crunchy right to the bottom of the can. These canisters, along with the specialized ingredients and production process, give the products excellent shelf life. Pik-Nik also has Cheese Curls, Cheese Balls, and French Fried Onions. Pik-Nik has been in the market for 75 years since it was first introduced in the USA in the 1930s in San Jose, California. Pik-Nik is being manufactured in the USA and sold both in the USA and abroad, with Philippine distribution under EDI.

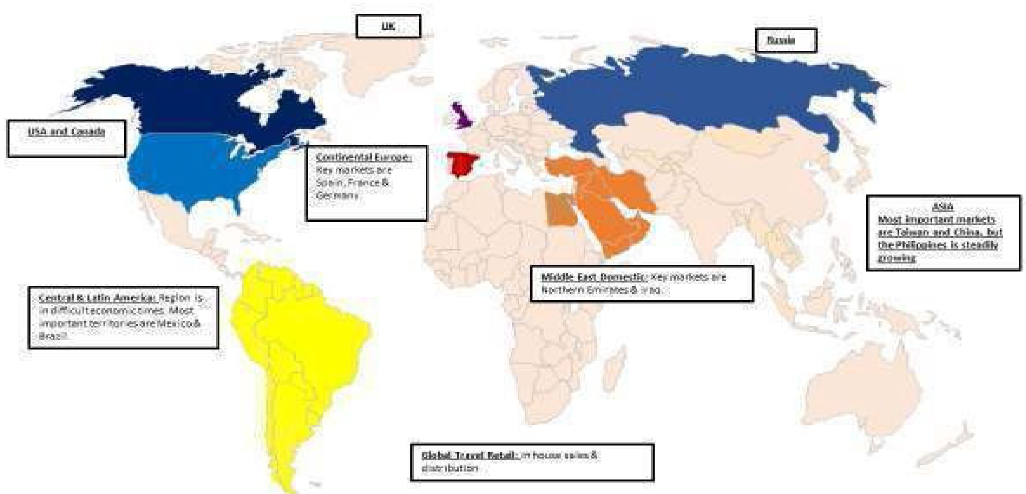
b.2. ***Foreign Sales***

EMP
Export of the Emperador portfolio to the United Arab Emirates, West/East Africa, Qatar, Italy, Eastern Europe, Cambodia, Macau, Hong Kong and most recently North America has been vastly growing due to the increasing demand of the Filipino community living and working in the said markets. EMP attributes its leading position to: (i) strong brand equity gained through brand building; (ii) targeted marketing; and (iii) local distribution network and, now a global reach.

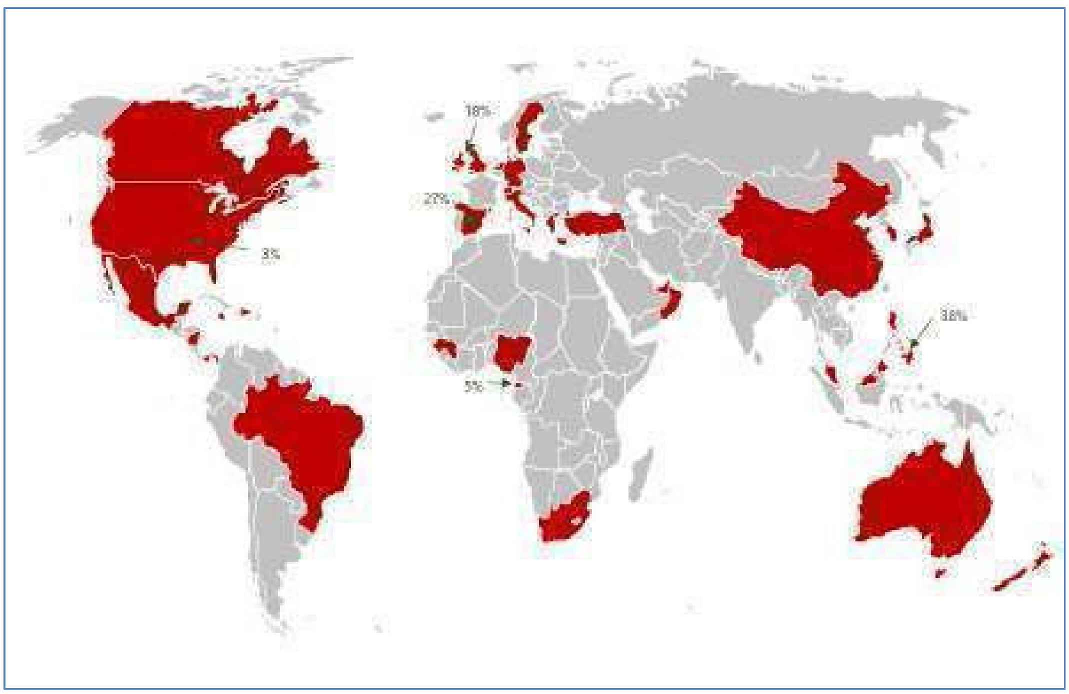
Whyte and Mackay's overriding objective is to operate as a global branded drinks company which delivers sustainable rates of growth and returns that increase overall shareholder value. It operates in the UK and increasingly in international markets, including the Travel Retail sector. More than 80% of net revenues come from UK and other European countries and around 7% from Asia with the balance coming from the Americas and Pacific regions.

Bodegas Fundador operates as a global brandy and sherry company, with approximately 80% to 85% of the revenues coming from Spain, Philippines and UK, and the rest from other European, American and African markets. Strategic growth will be brands-led but will be supported by private label business.

Map showing WMG global reach.



The areas in red below shows the markets where Bodegas Fundador is present:



MEG
Real estate products are also being marketed internationally (see b.3. below) in Europe, North America, Asia and the Middle East through various brokers. Foreign sales contributed approximately 18% to Megaworld's consolidated sales and revenues in the past three years.

Travellers
Based on the Company's rated members (those members with card swipe), the principal foreign market consistently contributing for 2016 are from United States, Korea, Malaysia and China. Foreign guests in Maxims Hotel come from Korea, China, Malaysia, and Singapore; guests in Remington are from the United States, Japan, China and Korea while for Marriott, majority are from the United States followed by Singapore, Japan and China.

Pik-Nik
Pik-Nik products are being sold locally in USA and exported to other countries at a ratio of approximately 43%-57%. The domestic volume in the USA remained flat in 2016 with Midwest as still the strongest market in the US, followed closely by Southeast and Texas. International sales were down 7% due to two-month shutdown to move Pik-Nik line to a new building. Exports were made to Asia, Middle East and Latin America.

b.3. ***Distribution Methods***

EMP
EMP has a broad sales and distribution network which is one of its key strengths that will continue to drive its future growth. It has a distribution network of 22 sales offices across the Philippines, which supply national and regional customers, hypermarkets, supermarkets, wholesalers, traders, grocery outlets, convenient stores, and local neighborhood small sari-sari, stores. It employs a sales force of approximately 1,000 sales personnel and has a direct delivery service for over 121,000 accounts (more than 107,000 of which consist of sari-sari stores and 2,111 on-premise accounts) with a fleet of more than more than 500 direct sales vehicles. It uses direct sales vehicles such as cash vans to cover sari-sari stores across the country. Cash vans sell the brands directly to these small retailers on a cash-only basis, where the average transaction is for two cases.

EMP believes that the day-to-day interaction its sales team has with its trade partners is essential to maintaining product availability as well as access to its consumers. Standard sales terms include a credit period of 30 days before a buyer is required to pay forits products.

EMP has a standard volume based pricing model that is applied evenly across all customer segments and discounts are offered on large volume transactions.

In the second semester of 2014, EMP went full steam ahead on its agenda of expanding its brand footprint outside the Philippines. After 18 months, Emperador gained presence in Asia, North America, Africa, Middle East, and Europe. The brand continues to develop distribution alignments in new markets; and in 2016, it has secured distribution and availability in 51 markets across continents.

The WMG business has a strong, international Route to Market. In UK, a dedicated sales team covers all trade channels and customers. It also has a dedicated Global Travel Retail team which manages its brands in a channel that is critical for single malt whisky equity building and sales.

In other markets Whyte and Mackay has established a network of distribution partners that represent the brands in each territory. The goal is to develop long term partnerships with a strong local distributor in every markets, with selection based on strength and commitment in the channels offering the greatest opportunity in each market. At the start of 2016, Whyte and Mackay appointed E&J Gallo as their exclusive importer into the USA for certain key brands

The year 2014 was ground zero for Whyte and Mackay in Asia. Over the next 18-24 months, upon EMP's take-over of the Whyte and Mackay Asia's portfolio, it has successfully been able to secure distribution in the following markets: China, Taiwan, Hong Kong, Korea, Japan, Singapore, Malaysia, Vietnam, Cambodia and the Philippines.

In 2016, the volume of the Whyte and Mackay portfolio grew by 47% -- led by its flagship brand, The Dalmore. The brand and volume building activations across the Asia region has been implemented by its in-market distributors which led to this gearing. In a quick turnaround, Asia has become an engine of growth of Whyte and Mackay globally.

The Dalmore's first flagship store in the Philippines is launched in February 2017. The house of the Constellation Collection, the "most expensive single malt whisky collection in the Philippines" valued at P18 million. The rare single cask 21-bottle set is an assemblage of natural cask strength whiskies, ranging from the venerable 1964 to 1992, showcasing the different spectrum of the various cask finishes. Other rare single malt whiskies available at the flagship are The Dalmore Legacy, Vintage 2000, Vintage 1997, 20 Year Old, 21 Year Old, 30 Year Old, 35 Year Old, 50 Year Old and Quintessence, in addition to The Dalmore's principal collection namely the 12 Year Old, 15 Year Old, 18 Year Old, 25 Year Old, Cigar Malt Reserve and King Alexander III.

Bodegas Fundador partners with the best player in the distribution market, having long term agreements with country and region wine and spirit distributors in place. In 2016, Fundador sealed agreements with distributors in Spain, Mexico, New Guinea, Middle East, among others in order to develop certain key brands. EDI took over the distribution of Fundador in the Philippines, while Whyte and Mackay took over the distribution in UK and Canada. This combination assures a deep sell out market presence around the word. There are new regions and markets explored in 2016, which are expected to contribute from 2017.

MEG

Property units are pre-sold prior to project completion, and often prior to start of construction, at various payment schemes, with down payment plans ranging from 50% to zero down payment. A typical payment scheme includes progressive payments over the period in advance of property construction, including a balloon payment to coincide with buyers' expected cash flows. ELI offers interest-free schemes. Postdated checks are collected to cover the entire purchase price based on an amortization schedule. Transfer of title to the property occurs only whne all payments have been received. Typically, construction of a residential will not begin until at least 70% of the units have been pre-sold.

Each project has an in-house marketing and sales division which is staffed by a trained group of property consultants who exclusively market MEG's projects. All property consultants are trained prior to selling and provided with skills enhancement program intended to further develop them into high-caliber marketing professionals. Property consultants are required to meet the set criteria. There are also outside agents who compete directly with the in-house personnel. Marketing services staff are also employed to provide auxiliary services for sales and promotional activities; they are also responsible for monitoring the latest developments in the economy and the real estate property markets as well as conducting market research studies for the marketing division. An international marketing division based in Manila who oversees a global network of sales offices which market the projects of the group to overseas Filipino professionals and retirees throughout Asia, Europe, North America, the Middle East and Australia. Brokers based in the different overseas markets sell the projects overseas through their respective marketing networks.

Commercial leases are generally for terms of three to five years, and typically require three months of security deposits and three months of advance rent. Land and office leases, which require development of a specific building structure, are generally for a longer term of 10 to 15 years. Retail rentals are typically based on a turnover component of 3% to 5% of the tenants'revenues, net of taxes and service charges in addition to a minimum rent charge. Kiosk retailers are charged a flat rent fee. Megaworld's tenants are generally charged a monthly management fee assessed on a per square meter, which covers building maintenance expenses. Tenants are also required to pay their own utility charges. The performance of the tenants in retail properties are regularly monitored. Leases of retail tenants whose performance is lagging may not be renewed. The lease agreements typically have no pre-termination options by the tenants.

GERI promotes and markets its real estate products in key township developments of of Boracay Newcoast, Twin Lakes, Sta. Barbara Heights, Southwoods City and Alabang West through an in-house marketing group and a marketing subsidiary. Real estate products in other developments are sold through third party real estate brokers. ELI has satellite sales offices in key cities outside Metro Manila. It also has showrooms in project sites and major malls.

Travellers

RWM engages in direct relationship-based marketing, which is targeted at specific market segments. The marketing team focuses on market research, surveys, promotions and events that can drive visitations and convert them to returning guests. The sales team is responsible for sales revenues and channel performance. In addition, RWM advertises in many types of media both domestically and overseas, including television, radio, newspapers, magazines and billboards to promote general market awareness.

RWM uses a mix of different channels to reach the specific targets on gaming, lifestyle, and entertainment, such as:

- Direct sales - that comprises of three levels to provide clients with full service: (i) traditional sales, (ii) a business development team and (iii) in-house VIP host services.
- Indirect sales through junkets – from the well-established relationships of Genting Group, to source high-end players in different regions.
- Indirect sales through travel and tour operators – these accredited operators create group travel packages with discounts, to bring in guests in RWM as part of their itineraries, and in return, receive commissions.
- City shuttles - free, convenient, hassle-free shuttle transport for member-players and member-consumers to RWM. The key locations within Metro Manila are Eastwood, Cubao, Binondo, Quezon City and Muntinlupa; as well as outside Metro Manila in Antipolo, and Laguna.

RWM uses a comprehensive membership management and customer database system.
RWM uses Genting's Dynamic Reporting System (DSR), a fully integrated real-time table games and slots monitoring system.

GADC
McDonald's products are sold through McDonald's restaurants nationwide. There are 520 restaurants nationwide as of end-2016, 53% of which are owned by GADC while 47% are franchised. Forty-four new restaurants opened in 2016. The highest concentration is in NCR, followed by Southern Tagalog region. In selected areas, McDonald's products could be ordered and delivered round the clock through its "Dial8 McDo" telephone service. There are 339 restaurants that are open 24/7 (24 hours every day).

b.4. ***New Product Or Service***

The Group continuously look for innovations to introduce new or to improve existing products. The Group has supported this business growth through plant/store expansions or construction and retail service ameninities.

EMP
'**Andy Player Whisky and Cola'** or Andy Cola, is a premium blend of refreshing cola and the smooth blend of Andy Player Whisky. It is a ready-to-drink alcoholic product that uniquely preserves the taste of cola with the right mix of whisky. The product was launched in to the Philippine market in October 2016.

'**Raffa Sparkling'** is a delightful drink that has the elegance of sparkling wine with a fruity and refreshing finish. It only has 4% ABV making it a drink to be enjoyed by everyone. It is meant for leisurely lunches, extended dinners and long get-togethers. Raffa is made from the finest white grapes grown in Bodega San Bruno's very own vineyard along the scenic Tajo River near Toledo, Spain. The product was launched in to the Philippine market in December 2016.

'**Tres Cepas Light'** is an imported brandy from Spain, excellently made by Bodegas Fundador. Tres Cepas Light has great value for money because it is a great tasting Spanish brandy but priced at a very affordable introductory price. It was launched locally in December 2016.

'**Tamnavulin Single Malt Scotch whisky**' was launched in 2016, initially in the UK. The Tamnavulin Distillery was built in 1966 and was acquired by WMG in 1993.

MEG
In 2016, another concept in real estate development, which it called '**integrated lifestyle community'** was introduced. **Eastland Heights**, its first project under this concept, will rise on a 640 hectares of land on the mountains of Antipolo, Rizal.

The group is set to fast track most of its developments in existing townships, particularly in McKinley West, Uptown Bonifacio, Davao Park District, Iloilo Business Park, Boracay Newcoast, Twin Lakes and Alabang West. It is also set to launch 20 residential projects in Fort Bonifacio, Iloilo City, Pampanga, Cavite, Antipolo, Boracay and Tagaytay; and 6 lifestyle malls and commercial centers in McKinley West, Boracay Newcoast, Iloilo Business Park, Las Piñas City and Makati City.

Travellers
Travellers is currently developing several new hotels and other gaming and non-gaming attractions at RWM. **Marriott West Wing**, an expansion of the Marriott Hotel Manila, opened in November 2016. **Marriott Grand Ballroom**, which was recently granted a full occupancy permit by the Philippine Economic Zone Authority (PEZA), formally opened its doors to the public in March 2015.

Three luxury hotels - **Sheraton Manila Hotel**, **Hilton Manila** and **Maxims II** – are expected to open by 2018. These three hotels will increase both gaming and non-gaming facilities.

RunWay Manila, a pedestrian link bridge that will connect NAIA Terminal 3 and Newport City, is being constructed and fully financed by the group through a right granted by the Philippine government. The public will have free access upon its completion slated within the first half of 2017.

GADC
New McDonald's product variations and promotions are introduced every now and then which normally last for limited time only, and this is part of the normal business promotions. Along with its expansion in 2016, McDonald's delighted its customers with new menu items and improved favorites.

*b.5. **Competition***

In general, the Company believes that the high quality of all the products it sells/offers can effectively compete with other companies in their respective areas of competition.

EMP
The Philippine spirits industry is dominated by brandy, gin and rum. Popularity of these spirits is strangely delineated geographically - gin in the northern provinces, rum in Viz-Min areas and brandy in Metro Manila and urban centers nationwide. Brandy has recorded the highest consistent sales growth among all the spirits in the industry. The growing brandy consumption has encouraged the two traditional gin and rum giants to field their own brandy labels. There are also imported labels in the domestic market, but they are significantly more expensive than the locally-produced products. Emperador is recognized as the largest-selling brand in the Philippines and No. 1 brandy in the world, and EDI as the largest liquor company in the Philippines in terms of volume. EDI capitalizes primarily on the superior image and reputable quality of its brands.

EMP competes primarily against established Philippine spirits companies that produce and distribute brandy and other spirits to the domestic market. The main competitors in the Philippine broad distilled spirits market mainly comprise of Ginebra San Miguel, Inc. (GSMI) and Tanduay Distillers, Inc. (TDI). The Company also competes against imported labels. With respect to flavored vodka, gin, rum and other alcohol products, it primarily competes with other local vodka and gin companies that also produce ready-to-serve alcoholic beverages as well as imported labels. The whisky segment in the Philippines is not well tapped at present, and EMP aims to revive this segment.

The principal competitive factors with respect to EMP's products include brand equity, product range and quality, price, raw materials supply source, distribution capabilities and responsiveness to consumer preferences, with varying emphasis on these factors depending on the market and the product. EMP believes it has a track record of proven strength on these areas.

EMP believes that its products are strongly positioned within their respective markets, as measured by market share and brand recognition. Emp erador Brandy accounted for 91% share of the Philippine brandy market in terms of sales volume, according to A C Nielsen Retail Audit. EMP believes its 'Emperador' brand is a status brand in the Philippines, and is associated with a certain level of success and sophistication that its potential customers aspire to. EMP believes that its range of well-established and highly recognized brands present significant barriers to new competitors, and are particularly important to its ability to both attract and maintain consumers.

WMG, on the other hand, faces competition from several international companies as well as local and regional companies in the countries in which it operates. Competitors use brand strength together with price and product range to compete. The major Scotch whisky brand owners are Diageo, Pernod Ricard, William Grant and Bacardi who are all materially larger than WMG. WMG can compete as they have differentiated brands in a fragmented Malt whisky market and their Blended Scotch brands are competitively priced. WMG management monitors market prices on an on-going basis and takes steps to safeguard the overall competitive position.

Fundador brands face competition from several companies in each local markets, among which are Gonzalez Byass, Osborne and Torres. The management monitors the market and the strategies of the competitors to safeguard the overall competitive position.

Pik-Nik
Pik-Nik is still the number one brand in shoestring potatoes in the US. Utz is still the number 2 shoestring brand. French's shoestring potatoes reappeared on grocery shelves in 2013, and now ranks number 5. A local brand, Oishi, has fielded string potato snacks from potato starch in the local market.

MEG
MEG competes with other property investment, development, leasing and property holding companies to attract purchasers as well as tenants for its properties in Metro Manila. The principal bases of competition in the real estate development business are location, product, price, financing, execution and completion, quality of construction, brand and service. MEG believes it has several competitive advantages in each of these categories due to the prime locations of its properties, innovative projects and a good reputation for high quality designs, affordable pre-sales financing, after-sales service and a consistent track record of completion.

The group attributes its strong residential sales to two main factors – the popularity of its live-work-play communities in Metro Manila and the group's proven track record of delivering more than 560 buildings to its customers over the last two decades.

With respect to community township developments, MEG considers ALI to potentially be its only significant competitor. ALI is present in Fort Bonifacio, which is where MEG's Forbes Town Center, McKinley Hill, McKinley West and Uptown Bonifacio projects are located. With respect to its office and retail leasing business, MEG believes that it has many competitors in the industry such as Robinsons Land Corporation ("RLC"), ALI and SM Prime Holdings, Inc. ("SMPHI").

GERI considers Ayala Land Premiere, Alveo, Filinvest Premiere, Landco and SM Prime among its significant competitors in its real estate development business. GERI competes with other developers in the acquisition of land or development rights to land in key growth areas in the country. GERI believes that its land bank, its real estate development experience, its innovative real estate offerings and the solid financial backing of its parent, Megaworld Corporation, are its competitive advantages. Its ownership of approximately 15% of the Boracay Island, the number one tourist destination in the Philippines, together with its prime land inventory comprising about 1,200 hectares and 600 hectares respectively in Laurel and Nasugbu, Batangas gives it a lead over its competitors and has enabled GERI to be a pioneer in master-planned integrated tourism developments.

Travellers
RWM, being the first integrated resort with world-class gaming in the Philippines, has set a benchmark in a very high and unique manner. It competes with both Philippine and foreign owned

hotels and resorts. With respect to the gaming business, competition comes from casinos operated by government and other private companies.

In particular, there are facilities already built or under construction by three developers other than the Company that have been granted provisional licenses by PAGCOR in Entertainment City, all of which are already open to the public. These three other licensees similarly partnered with international resorts and gaming companies – Henry Sy's SM-consortium has Melco Crown Entertainment Ltd. of billionaires James Packer and Lawrence Ho (Macau); Tiger Entertainment Resort of Kazuo Okada (Japanese) and Filipino businessman Antonio Cojuangco, Jr.; Enrique Razon's Bloomberry Resorts Corporation. In addition, Westside City Resorts World will be developed in Entertainment City by its co-Licensee, WCRWI.

While it has the first-mover advantage, Travellers continues to develop other leisure and entertainment attractions to complement its gaming business. RWM is expanding its hotel service through additional hotel brands and rooms, and its attractions as a family destination.

In addition, PAGCOR operates 13 gaming facilities across the Philippines and 34 satellite gaming facilities (which are smaller casinos and slots clubs). The Philippine gaming market also includes many other private casino and gambling operations, including six licensed private casino operators in special economic zones ("Ecozones"). The Philippine gaming market is also comprised of other gambling competitors specializing in horse racing, cock fighting, jueteng, lotteries, sweepstakes, online gaming operators and other smaller-scale gaming operators..

GADC
McDonald's restaurants compete with a large and diverse group of restaurant chains and individual restaurants that range from independent local operators to well-capitalized national and international companies, delicatessens, cafes, pizza parlors, supermarkets and convenience stores. GADC considers Jollibee Foods Corporation as its main competitor. Jollibee, a home-grown brand with far greater number of restaurants nationwide than McDonald's, offers Filipino-influenced dishes of chicken, burgers, spaghetti, and other Filipino dishes. Another one is KFC, a global brand from USA whose most popular product is its Original Recipe fried chicken served with side dishes. Other competitors include Wendy's, Kenny Rogers, Shakey's and Pizza Hut. Since 2005, GADC has opened more than 200 new restaurants and initiated marketing campaigns such as new product launches, promotions, emotive television commercials, and discount coupons. It has embarked on modernizing its restaurants and re-imaging existing ones. GADC competes on the basis of taste, food quality and price of products, convenience of location, and customer service.

b.6. ***Sources And Availability Of Raw Materials***

EMP
The principal raw materials for the manufacture of the alcoholic beverage products are distilled neutral spirit, brandy distillates, grain and malt whiskies, and water. It also requires a regular supply of glass bottles and packaging materials. It can also source raw materials from subsidiaries and third party suppliers. All of the water for blending is sourced from two deep wells located in the Santa Rosa, Laguna manufacturing facility. The facilities in Laguna are located on top of one of the best fresh water supplies in the Philippines. There is also a filtration system for the water it uses at its Laguna facilities.

EDI sources its bottles from AWGI, which produces a majority of the new glass bottles; and the rest are imported. EDI also reuses returned bottles. AWGI canvasses suppliers twice a year to seek the most competitive prices for its raw materials. While terms for different suppliers vary, AWGI generally orders raw materials to meet its projected supply requirements for one year and prices are subject to review on a quarterly basis. For imported raw materials, new purchase orders for supplies are generally sought two months prior to the expiration of existing purchase orders. For raw materials sourced in the Philippines, orders are finalized one month before existing orders terminate. At least three suppliers are maintained for major raw materials. In addition, major raw materials' suppliers typically maintain a warehouse in close proximity to the AWGI plant to cover possible delays in shipments and to prevent delivery interruptions. AWGI also maintains its own inventory of raw materials to prevent interruptions to production.

EDI sources final packing material such as carton boxes and closures from at least three different suppliers.

EMP has not experienced and does not anticipate any significant difficulty in obtaining adequate supplies of raw materials and dry goods at satisfactory prices under its supply arrangements. AWGI doubled its production capacity in the fourth quarter of 2012 and is able to manufacture enough glass bottles to meet EMP's requirements. EMP believes that AWGI has not had, and does not expect to have, difficulty sourcing glass bottles on behalf of EMP from third party suppliers, as required.

Whyte and Mackay and Bodegas Fundador have long term relationships with its suppliers to meet the current business requirements. Pricing agreements are in place with all suppliers.

MEG
The Group has a broad base of suppliers from where it sources its construction materials and is not, and does not plan to be, dependent on any one or a limited number of suppliers. Megaworld also has no plans on being dependent on any one or a limited number of suppliers.

Travellers
Travellers has a large base of contractors and suppliers that provide construction, engineering and consulting services, and is not dependent on any one contractor or supplier. In 2016, the ten largest suppliers – Systech Lighting & Controls Inc., Vycon Inc., Global Matrix Concept Group, Hospitality Technology Trends Philippines Inc., Aristocrat (MACAU) PTY Limited, Angel Playing Cards Singapore PTE.LTD., RGB LTD, Delta Dore, Inc., Top Source Maintenance and Contracting Services, and Expert Interior Products Inc. – accounted for 36.03% of the total purchases for the year.

GADC
Suppliers for the McDonald's products are sourced using the McDonald's global supply chain, which allows the purchase of food, beverages and restaurant supplies at competitive prices and quality consistent with McDonald's products worldwide. McDonald's has quality assurance laboratories around the world to ensure that its standards are consistently met. In addition, McDonald's works closely with suppliers to encourage innovation, assure best practices and drive continuous improvement. GADC also contracts the services of third parties for its food supplies. GADC procures the services of a supply distribution center operated by Havi Food Services Philippines, Inc. that provides purchasing, warehousing, delivery, food preparation and other logistical support for the requirements of all of the McDonald's restaurants in the Philippines. GADC develops product specifications and continually monitors supplies to ensure compliance with McDonald's standards.

Pik-Nik
Pik-Nik uses only fresh potatoes from California and Oregon, pure vegetable oil, the finest seasonings and never any preservatives. The suppliers of potatoes for Pik-Nik have two to seven months contracts.

b.7. ***Customer Dependence***

The Group's businesses are not dependent upon a single or a few customers or tenants, the loss of which would not have a material adverse effect on the Company and its subsidiaries taken as a whole. There is also no customer that accounts for, or based upon existing orders will account for, 20% or more of sales.

b.8. ***Transactions With And/Or Dependence On Related Parties***

The Company and its subsidiaries, in the ordinary course of business, engage in transactions with affiliates. The Company's policy with respect to related party transactions is to ensure that these are entered on terms comparable to those available from unrelated third parties. Inter-company transactions between and among the Company and its subsidiaries are eliminated in consolidation and thus are no longer reflected in the consolidated financial statements. These primarily consisted of the following:

- Cash advances for financial requirements. Entities within the Group obtain advances from the parent and/or other entities and associates for working capital or investment purposes. There are also certain expenses that are paid in behalf of other entities.
- Lease of manufacturing facilities. AGI leases the glass manufacturing plant property to AWGI, and TEI leases the brandy manufacturing plant property to EDI.
- Lease of parcels of land. GARC leases out these lots to GADC.
- Lease of office spaces. MEG leases out office and parking spaces to AGI, subsidiaries, and affiliates.
- Purchase and sale of real estate, services and rentals. Real estate properties are bought or sold based on price lists in force with non-related parties. Services are usually on a cost-plus basis allowing a margin ranging 20%-30%. Commissions for marketing services are based on prevailing market rates.
- Supply of glass bottles. AWGI supplies the new bottle requirements of EDI.
- Receivables from subsidiaries/franchisees.GADC supplies restaurant equipment, food, paper and promotional items to all franchisees, including affiliated restaurants, at normal market prices through a third party service provider.

Major related party transactions have been disclosed in Note 29 to the consolidated financial statements appearing elsewhere in this report.

b.9. ***Licenses, Trademarks, Franchises***

In the Philippines, certificates of registration of trademarks issued by the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally effective for a shorter period of 10 years, unless terminated earlier.

EMP
EDI owns registered trademarks which are of material importance to the success of its business since they have the effect of developing brand identification and maintaining consumer loyalty. EDI's principal trademark is Emperador Brandy, which it purchased from Condis in 2007, in addition to associated patents, copyrights and goodwill and bottle designs for its brandy products. Its trademark for ‘Emperador’ has a fresh period of ten years expiring in 2025 after its renewal in 2015 with the Philippine Intellectual Property Office (“Philippine IPO”). It also registered the trademark for ‘Generoso’ and the trademark for its ‘The BaR’ flavored alcoholic beverage products in 2006 and 2008, respectively, while the trademark for ‘Emperador Deluxe’ was registered with the Philippine IPO in 2015 for a period of ten years. The new Andy Player trademark is registered in 2015 for a period of ten years.

EDI trademarks for its brands, Emperador brandy, Andy Player, The Bar and Zabana, are also registered in more than 30 countries, among which, the European Union, USA, Canada, Australia, Japan, Vietnam, Taiwan, Hong Kong, Indonesia, Laos, Cambodia, and Myanmar.

The existing trademarks for Pik-Nik products are licensed and registered to EDI in the Philippines for 10- to 20-year periods and renewable thereafter.

Whyte and Mackay owns approximately 700 trademarks worldwide, which includes trademarks for its products: The Dalmore, Isle of Jura, and Whyte & Mackay. It also has trademark licenses for Vladivar, Glayva, Claymore, John Barr and Cluny brands . Bodegas Fundador owns more than 900 trademarks worldwide, for its brands: Fundador, Tres Cepas, Terry Centenario and Harveys. Trademarks are typically renewed on a 10 to 20-year cycle.

On January 19, 2017, the Company’s indirect subsidiary, Complejo Bodeguero San Patricio, S.L. acquired certain assets in Jerez de la Frontera, including trademarks of well-known brands “San Patricio”, a dry Fino Sherry and “Espléndido” brandy.

MEG
Megaworld owns the registered trademark over its name and logo which was renewed in March 2015 and valid until March 2025. GERI has also applied to register and protect the trademarks “Global-Estate Resorts, Inc.”, “Boracay Newcoast”, “Twin Lakes”, “Harbortown” and their respective logos and devices. Although the brand is important, Megaworld and GERI do not believe that its operations or its subsidiaries' operations depend on its trademarks or any patent, license franchise, concession or royalty agreement.

Travellers
Travellers holds a PAGCOR license to operate casinos and engage in gaming activities in two sites – in Newport City (Site B) where RWM is situated, and in Entertainment City (Site A) where Westside City Resorts World is set to rise. The term of the license is co-terminus with PAGCOR’s franchise which will expire on July 11, 2033 and shall be renewed subject to the terms of the PAGCOR charter.

On March 18, 2013, **Westside City Resorts World Inc.** (“WCRWI”) entered into a deed of accession (the Deed of Accession), which was accepted, agreed and consented to by PAGCOR. Pursuant to the Deed of Accession, WCRWI acceded to the rights, title, interests and obligations of Travellers under the Provisional license and other relevant agreement with PAGCOR. Accordingly, PAGCOR recognized and included WCRWI as a co-licensee and co-holder of the Provisional License and other relevant agreements.

Further, on June 10, 2013, Travellers and WCRWI entered into a cooperation agreement (the Cooperation Agreement) which designates the parties' respective rights, interests and obligations under the Provisional License and other relevant agreements. Specifically, the parties agreed that WCRWI would have all the rights and obligations under the Provisional License with respect to Site A (Westside City Resorts World) and that Travellers would have all the rights and obligations with respect to Site B (Resorts World Manila).

Accordingly, on June 28, 2013, PAGCOR issued an Amended Certificate of Affiliation and Provisional License certifying Travellers and WCRWI as co-licensees and co-holders of the Provisional License and other relevant agreements.

On 23 September 2014, Travellers subscribed to common and preferred shares in WCRWI making it the effective owner of ninety five percent (95%) of WCRWI.

Travellers also has a non-exclusive non-transferable right and license within Metro Manila to the use of Marriott trademarks for hotel services and other related goods and services offered in connection with the hotel.

It has registered trademarks over “Passion,” “Gamezoo,” “Remington Hotel Newport City,” “Remington Hotel Manila,” “Newport Performing Arts Theater,” “Grand Opera House,” “Grand Opera House Manila,” “Fun Fiesta Jackpot,” “Manila Millions Poker,” “Mabuhay Millions Poker,” “Noodle Works,” “iGrab everything I want,” “iGrab,” “Impressions,” “Café Maxims,” “Mercado,” “Kimchi and Mojou,” “Remington Bar Lounge,” “Bar 360,” “Ginzadon,” “Grabit,” “Thrill Like No Other,” “Newport Performing Arts Theater Bar,” “The Terrace,” “Lucky Noon,” “Laff Laugh Fun,” “Kami Naman ang Taya,” “Musikat Records,” “Oak Tree Inn,” “Regal Inn,” “Hotel Gran Palacio,” “El Castillo de Manila,” “Castillo Manila,” and “The Grand Theatre of Manila,” “Chill,” “Grand Fiesta Manila,” “R88,” “Manila Bayshore Heritage Foundation, Inc.,” “The World of Luck,” “House Ultra Lounge,” “Franks Craft Beers Manila,” and their related devices which will expire on various dates in 2018-2025, and are renewable thereafter.

GADC
GADC has nonexclusive rights as a franchisee to use and adopt the McDonald's intellectual property in the Philippines, including trademarks, service marks, patents, copyrights, trade secrets and other proprietary information, some of which, including the trademarks for "McDonald's," the golden arches logo, Ronald McDonald and "Big Mac." The license agreement contains provisions regulating GADC's use of such trademarks in accordance with McDonald's Corporation's franchise system. GADC's license agreement with McDonald's was renewed in March 2005 for a period of 20 years. It provides for a royalty fee based on a certain percentage of net sales from the operations of all Company's restaurants, including those operated by the franchisees. Individual sublicense arrangements granted to franchisees generally include a lease and a license to use the McDonald's System for a period of 3 to 20 years, with a co-terminus provision with the master franchise.

b.10. ***Government Approval Of Principal Products Or Services***

EMP
Philippine local government legislations require a license to sell alcoholic beverages and prohibit the sale of alcoholic beverages to person under 18 years of age or within a certain distance from schools and churches. However, advertising and marketing of alcoholic beverages are largely unregulated in the Philippines, except that minors are not allowed to be employed for commercials or advertisements promoting alcoholic beverages.

In addition, approvals from the FDA are required before EMP can manufacture a new product. In addition, all new products must be registered with the BIR prior to production.

The group is in compliance, and not aware of any material deviation, with all applicable regulatory, environmental, health and safety regulations. All the products are registered and approved by FDA. EMP monitors compliance of all stages of its production process with pertinent hygiene practices to ensure the high quality of its finished products.

WMG has an environmental policy which commits it to ensure that its activities are conducted in ways which comply with the law and, so far as is reasonably and commercially practicable, do not harm the environment. Its five distilleries and associated warehouses are extensively regulated under Customs and Excise licenses and regulations, Environmental Agency regulations on water abstractions, effluent discharges, air emissions and Health and Safety legislation.

Whyte and Mackay is in compliance, and not aware of any material deviation, with all applicable regulatory, environmental, health and safety regulations.

Bodegas Fundador is aware that its raw materials come from nature and its processes can result in environmental impacts on soil, water and air. Its activities would not be feasible without the support of the environment in which it operates and therefore consider it necessary to preserve the environment for its business to be viable long term. By that, it is its main interest to take care and respect the environment as one of the pillars of its business culture.

Bodegas Fundador builds this business culture in systems of management that constitute the unifying axis from which it articulates a process of continuous improvement in key business aspects: the security and health of employees, with the standard OHSAS18000 and the standard ISO9001, and the environment with the standard ISO14001, accumulating more than 15 years of experience in these standards.

Knowing the increasingly competitive and changing environment, and always looking for excellence, Bodegas Fundador decided in 2008 to go a step further, being certified under the framework of two of the more demanding standards that currently exist in the field of food safety: BRC and IFS. These standards constitute an endorsement to consumers that its products are made under strict controls of quality that guarantee their safety. In 2011, Bodegas Fundador began the implementation of its own Lean Manufacturing program, under the umbrella of the TRACC methodology. It was incorporated into Bodegas Fundador operations, a model of management born in Japanese automation industry, whose results have been such that the model has finished transcending the barriers of this industry to other sectors of activity with equally successful outcome. Through the implementation of Lean Manufacturing program, it gets continuous and sustainable improvement in (among others) aspects such as safety and health, quality, the environment, the commitment of employees, team work or the efficiency of the processes, which synergize with other management systems mentioned above.

MEG

A barangay clearance and development permit from the local government unit (“LGU”) must be secured before commencing land development works. Before the start of structural construction activities, a building permit must be secured from the LGU. A certificate of registration and a license to sell, both from the Housing and Land Use Regulatory Board (“HLURB”), must be secured before launching any selling activities. All subdivision and condominium plans for residential, commercial, industrial and other development projects are required to be filed with and approved by the HLURB and the relevant LGU of the area where the project is situated. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans, which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government body or agency.

Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. As a requisite for the issuance of a license to sell by the HLURB, developers are required to file with the HLURB surety bond, real estate mortgage or cash bond to guarantee the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance with the applicable laws, rules and regulations. Real estate dealers, brokers and salesmen are also required to register with the HLURB before they can sell lots or units in a registered subdivision or condominium project. Real estate brokers are required by HLURB to take licensure examinations and attend continuing professional education programs.

Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB, by itself or upon a verified complaint from an interested party, for reasons such as non-delivery of title to fully-paid buyers or involvement in fraudulent transactions. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

The group routinely applies for regulatory approvals for its projects and some approvals are pending. No existing legislation or governmental regulation, and the group is not aware of any pending legislation or governmental regulation, that is expected to materially affect its business.

The group complies with all regulations applicable to the development and sale of its projects.

Travellers
Travellers operates its gaming activities through the license granted by PAGCOR, a government-owned and controlled corporation, which was granted the franchise to operate and license gaming casinos, gaming clubs and other similar recreation or amusement places, gaming pools, whether on land or sea, within the Philippines. The franchise of PAGCOR is extended for another 25 years after July 11, 2008, its original term.

The activities and operations of RWM are closely monitored by PAGCOR Monitoring Team (PMT) which maintains an office inside RWM where officials are stationed 24 hours a day. Travellers is in continuous close contact with PAGCOR regarding compliance with its gaming concession and all applicable Philippine laws. It is also required to provide periodic reports to PAGCOR.

Shopping malls are regulated by the local government unit of the city or municipality where the shopping mall is located. Retail stores in shopping malls must secure a mayor's permit or municipal license before operating and must comply with the fire safety provisions and other applicable local ordinances. Operators of restaurants and other food establishments as tenants must obtain a sanitary permit from the same local government unit where the shopping mall is located.

GADC
There are no special government approvals necessary for new food products apart from the standard Department of Trade and Industry permits.

*b.11. **Effect Of Existing Or Probable Government Regulations***

Value Added Tax is a business tax imposed and collected from the seller in the course of trade or business on every sale of properties (real or personal), lease of goods or properties (real or personal) or rendering of services. It is an indirect tax, thus, it can be passed on to the buyer. Current rate is 12% of net retail/sale price or service revenue.

Effective November 1, 2005, sales of residential lots with a gross selling price of ₽1.5 million or less, and residential house and lots with a gross selling price of ₽2.5 million or less, are not subject to VAT. Effective January 1, 2012, the thresholds for exemption are increased to - P1,919,500 or less for residential lots and P3,199,200 for residential house and lots.

EMP
In addition to VAT, the alcohol products which are manufactured in the Philippines for domestic sales or consumption, including imported items, are subject to specific taxes. The brandy products which are produced from locally processed distilled spirits from the juice, syrup or sugar of the cane were levied an excise tax of ₽14.68 per proof liter. [A proof liter is a liter of proof spirits, which are liquors containing one-half of their volume of alcohol with a specific gravity of 0.7939 at 15ºC]. The excise tax rate had increased by 8% annually from P11.65 in January 2007 to January 1, 2011 after which a new excise tax law was enacted in December 2012 and took effect on January 1, 2013.

RA 10351, known as the Sin Tax Reform Act of 2012, imposes on distilled spirits a 15% ad valorem tax based on net retail price per proof plus ₽20.00 per proof liter for the years 2013-2014, with the ad valorem tax rate increasing to 20% thereafter and the specific tax by 4% every year thereafter.

EDI's alcohol products are subject to excise taxes which are currently substantially pass on to consumers and form part of the sales prices.

In UK, the *Scotch Whisky Regulations 2009* ("SWR") came into force on November 23, 2009, replacing the Scotch Whisky Act 1988 and the Scotch Whisky Order 1990. Whereas the previous legislation had only governed the way in which Scotch Whisky must be produced, the SWR also set out rules on how Scotch Whiskies must be labelled, packaged and advertised, as well as requiring Single Malt Scotch Whisky to be bottled in Scotland, labelled for retail sale, from November 23, 2012. The SWR make clear that Scotch Whisky must be wholly matured in Scotland. They also require that all maturation must take place in an excise warehouse or in another permitted place regulated by Her Majesty's Revenue and Customs ("HMRC"). Regulation 3(2) defines five categories of Scotch Whisky which must appear clearly and prominently on every bottle of Scotch Whisky sold.

- Single Malt Scotch Whisky – A Scotch Whisky distilled at a single distillery (i) from water and malted barley without the addition of any other cereals, and (ii) by batch distillation in pot stills. From 23 November 2012, Single Malt Scotch Whisky must be bottled in Scotland.
- Single Grain Scotch Whisky - A Scotch Whisky distilled at a single distillery (i) from water and malted barley with or without whole grains of other malted or unmalted cereals, and (ii) which does not comply with the definition of Single Malt Scotch Whisky.
- Blended Scotch Whisky - A blend of one or more Single Malt Scotch Whiskies with one or more Single Grain Scotch Whiskies.
- Blended Malt Scotch Whisky - A blend of Single Malt Scotch Whiskies, which have been distilled at more than one distillery.
- Blended Grain Scotch Whisky - A blend of Single Grain Scotch Whiskies, which have been distilled at more than one distillery.

SWR provided added legal protection for the traditional regional names with Scotch Whisky production, ie ‘Highland’, ‘Lowland’, ‘Speyside’, ‘Campbeltown’, and ‘Islay’. These names can only appear on whiskies wholly distilled in those regions. A distillery name must not be used as a brand name on any Scotch Whisky which has not been wholly distilled in the named distillery. Labelling must not by any other means mislead consumers as to where the Scotch Whisky has been distilled.

SWR maintain the long standing rule on the use of age statements, i.e. the only age which may be stated is the age of the youngest Scotch Whisky in the product. When distillation or vintage year will be used, then only one year may be mentioned together with the year of bottling or age statement which must appear in the same field of vision as the year of distillation or vintage, and all of the whisky in the product must have been distilled in that vintage year.

In Spain, the *Regulation of the Specific Denomination “Brandy de Jerez”* and its Regulating Council was approved by means of Ministerial Order dated June 13, 2005. This regulation contains the technical specifications relating to the production, ageing, packaging and labeling of Brandy de Jerez.

The technical specifications of the product are included in the *Technical File of the Geographical Indication of Brandy de Jerez* that was approved by the Regional Ministry of Agriculture and Fisheries via Order dated February 9, 2015, that went into force on February 20, 2015. This regulation contains the specifications of the product, compliance with which, must be verified to enable use of the protected name. The Geographic Indication “Brandy de Jerez” is protected in the European Union, in accordance with its registration as a protected geographical indication, as per regulation (EU) no. 110/2008 relating to the definition, description, presentation, labelling and protection of the geographic indication of spirit drinks.

In order to be considered a Brandy de Jerez, it must be made according to the methods set down by the Regulating Council. The area of production and ageing of Brandy de Jerez must be exclusively within the Sherry triangle, which is defined by the boundaries of Jerez dela Frontera, Sanlucar de Barrameda and El Puerto de Santa Maria, and bottling must be carried out exclusively in the wineries that are registered and authorized by the Regulating Council. Its production process is based on the solera system (seulo or floor) in oak butts previously seasoned with sherry. Different types of sherry give the brandy a different flavor. The traditional ageing system of criaderas (nurseries) and soleras (suelo or floor) must be used.

In Jerez, it is possible to use wine spirits of a higher degree of alcoholic content provided that the distillate or holandas does not exceed amaximum of the 50% of the alcoholic content of the finished product. The holandas must always represent 50% minimum of the final brandy.

Brandy de Jerez can be classified into three categories as per its period of ageing:

- Brandy de Jerez Solera – ageing for more than six months expressed in UBEs (Basic Ageing Unit)
- Brandy de Jerez Solera Reserva - ageing for more than one year expressed in UBEs.
- Brandy de Jerez Gran Reserva - ageing for more than three years expressed in UBEs.

The development of Regulation (EU) 110/2008 in Spain by approval of the Spanish Royal Decree 164/2014 has authorized the traditional production methods of Brandies. Labelling is regulated by Regulation (EU) no. 1169/2011.

MEG

Presidential Decree ("PD") 957, RA 4726 and Batas Pambansa ("BP") 220 are the principal statutes that regulate the development and sale of real property as part of a condominium project or subdivision projects for residential, commercial, industrial and recreational purposes. The HLURB is the administrative agency which, together with LGU, enforces these decrees and has jurisdiction to regulate the real estate trade and business.

All subdivision and condominium plans are required to be filed with the HLURB and the pertinent LGU of the area in the project is situated. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require prior approval of the relevant government body or agency.

The development of subdivision and condominium projects can commence only after the relevant government body has issued the development permit.

The issuance of a development permit is dependent on, among others (i) compliance with required project standards and technical requirements which may differ depending on the nature of the project, and (ii) issuance of a barangay clearance, the HLURB locational clearance, Department of Environment and Natural Resources ("DENR") permits, and Department of Agrarian Reform ("DAR") conversion or exemption orders. A bond equivalent to 10% of the total project cost is required to be posted by the project developer to ensure commencement of the project within one year from the issuance of the development permit.

Developers who sell lots or units in a subdivision or a condominium project are required to register the project with and obtain a license to sell from the HLURB. Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB.

Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB, by itself or upon a verified complaint from an interested party, for reasons such as involvement in fraudulent transactions, misrepresentation about the subdivision project or condominium project in any literature which has been distributed to prospective buyer. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

Real estate dealers, brokers and salesmen are also required to register with the HLURB before they can sell lots or units in a registered subdivision or condominium project. On June 29, 2009, *RA 9646 or the Real Estate Service Act of the Philippines* was signed into law. RA 9646 strictly regulates the practice of real estate brokers by requiring licensure examinations and attendance in continuing professional education programs.

Further, *Republic Act No. 7279* requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer; within the same or adjacent regions, whenever feasible, and in accordance with the standards set by the HLURB. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with either the LGU or any of the housing agencies in socialized housing development.

RA 6552, or the Maceda Law, was promulgated to protect real estate buyers on installment basis (including residential condominium units but excluding industrial and commercial lots) by giving the buyers a total of at least 60-day grace period within which to pay any unpaid installments without any interest. RA 6552 also requires the sellers of real estate to give the buyers a refund of at least 50% of total payments made should the sale be cancelled provided the buyers have paid at least two years of installments. RA 6552 covers the business of the Company as it applies to all transactions or contracts involving the sale or financing of real estate through installment payments.

Shopping malls are regulated by the local government unit of the city or municipality where the shopping mall is located. Shopping mall operators must secure a mayor's permit or municipal license before operating. Shopping mall operators must also comply with the provisions of *Republic Act No. 9514 or the Fire Code*, and other applicable local ordinances. Shopping malls that have restaurants and other food establishments as tenants must obtain a sanitary permit from the Department of Health. Shopping malls that discharge commercial wastewater must apply for a wastewater discharge permit from the DENR. As a tourism-related establishment, shopping malls may obtain accreditation from the Department of Tourism ("DOT"). A shopping mall can only be accredited upon conformity with the minimum physical, staff and service requirements promulgated by the DOT.

Hotels and resorts follow national accreditation standards as promulgated by the DOT under *Memorandum Circular No. 2012-02* in May 2012, pursuant to the Tourism Act of 2009. The Memorandum Circular adopts the star grading system, with five levels of accommodation standards which are equivalent to one to five stars. For instance, a one-star rating will be granted to hotels which achieve 251 to 400 points (25% to 40% of the standards) and a five-star rating will be granted to hotels which achieve 851 to 1,000 points (85% to 100% of the standards. Once an application for accreditation is filed, the DOT sends an inspection team to conduct an audit of the establishment and determine compliance its classification. The Certificate of Accreditation issued by the DOT is valid for two years, unless sooner revoked. The rights over the accreditation are non-transferable.

Certain investment properties are registered with *PEZA*, and this provides significant benefits to tenants. PEZA requirements for registration of an IT park or building differ depending on whether it is located in or outside Metro Manila. These requirements include clearances or certifications issued by the city or municipal legislative council, the DAR, the National Water Resources Board, and the DENR. The PEZA is a government corporation that operates, administers, and manages designated special economic zones ("Ecozones") around the country. Ecozones are selected areas with highly developed or which has the potential to be developed into agro-industrial, commercial, banking, tourist/recreational, investment and financial centers. An Ecozone may contain any or all of the following: industrial estates, export processing zones, free trade zones, and tourist/recreational centers. There are several activities eligible for PEZA registration and incentives including, but not limited to, IT services, Tourism and Retirement activities. PEZA-registered enterprises located in an Ecozone are entitled to fiscal and non-fiscal incentives such as income tax holidays and duty free importation of equipment, machinery and raw materials. Retirement Ecozone developers/ operators and retirement Ecozone facilities enterprises are entitled to fiscal and non-fiscal incentives.

The Group routinely secures the required government approvals for its projects during the planning and construction and marketing stages of project development, including operations of its malls and lease properties. The Group is not aware of any pending government regulation that is expected to materially affect its business. The group believes it has obtained the required government approvals relevant for each project at its current state of development.

Travellers
RA 9160, as amended, or the Anti-Money Laundering Act of 2001 ("AMLA"), prohibits money laundering, a crime whereby the proceeds of an unlawful activity are transacted, thereby making them appear to have originated from legitimate sources. A "covered transaction" under the AMLA refers to a transaction in cash or other equivalent monetary instrument involving a total amount in excess of P500,000 within one banking day. Covered institutions must report all transactions to the Anti-Money Laundering Council within five working days of occurrence, unless the supervising authority concerned prescribes a longer period, which period shall not exceed 10 working days. Penalties include fines of not less than P100,000 and imprisonment ranging from nine months to fourteen years, depending on the money laundering committed. As of this date, casinos and all other activities of Travellers are not covered by AMLA.

Travellers is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR. Although the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular No. 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended, the Supreme Court, on August 10, 2016, in Bloomberry Resorts and Hotels, Inc. vs. BIR, confirmed the legality of the aforesaid provision of the Provisional License subjecting the Company to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, when it affirmed that "exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to corporation(s), associations(s), agency(ies) or individual(s) with whom the PAGCOR or the operator has any contractual relationship in connection with the operations of the casino(s) authorized to be conducted under this Franchise, so it must be that all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos". This Decision has been affirmed with finality in the Supreme Court Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR.

Travellers is registered with PEZA as a Tourism Economic Zone for Maxims Hotel, Newport Entertainment and Commercial Center, Marriott Hotel Manila, Remington Hotel, Marriott Grand Ballroom, Marriott West Wing, Sheraton Manila Hotel, Hilton Manila and Maxims II. As such, it is entitled to certain tax incentives.

Philippine Competition Act
Republic Act No. 10667, otherwise known as the "*Philippine Competition Act*" was passed into law on July 21, 2015 and took effect on August 8, 2015. It is the first antitrust statute in the Philippines. It was enacted to attain a more equitable distribution of opportunities, income and wealth by enhancing economic efficiency; promoting free and fair competition in trade, industry and all commercial economic activities; preventing economic concentration and penalizing all forms of anti-competitive agreements. The law applies to any person or entity engaged in any trade, industry or commercial economic activity in the Philippines. Moreover, the law applies to international trade activities which have direct, substantial and reasonably foreseeable effects on the trade, industry or commerce in the Philippines.

On March 21, 2016, the *Implementing Rules and Regulations* ("IRR") of RA 10667 was issued to set forth the guidelines for the implementation of the said law. The IRR reiterated the acts prohibited under RA 10667, which include participation in anti-competitive agreements and abuse of dominant position; and provided for the details thereof. Under the IRR, engaging in agreements which have the object or effect of substantially preventing, restricting or lessening competition are prohibited. Entities that occupy the dominant positon in its industry are likewise prohibited from abusing its position by committing the following acts, among others: setting discriminatory prices, imposing barriers to entry and limiting production, markets or technical development to the prejudice of the customers.

The Group takes into account the provisions of RA 10667 and ensures that its business decisions and operations are within the parameters set forth by the Philippine Competition Act and that its business objectives are aligned with the constitutional goals for the national economy.

b.12. ***Research And Development***

The regular research and development activities of the group for the past three years have not amounted to a significant percentage of revenues. There are no new products or design being developed that would require a material amount of the group's resources.

b.13. ***Compliance With Environmental Laws***

All Philippine development projects, installations and activities located in areas surrounding the Laguna Lake are subject to regulatory and monitoring powers of the Laguna Lake Development Authority ("LLDA"). Since the glass plant and the brandy manufacturing complex are located in this area, permits to operate are being renewed with LLDA on a yearly basis.

Development projects that are classified by Philippine law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("ECC") prior to commencement. The Department of Environment and Natural Resources ("DENR") through its regional offices or through the Environmental Management Bureau ("EMB"), determines whether a project is environmentally cirtical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the project's environmental effects. The issuance of an ECC is a Government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

In Scotland, WMG has an environmental policy which commits it to ensure that its activities are conducted in ways which comply with the law and, so far as is reasonably and commercially practicable, do not harm the environment. In Spain, Grupo Empoerador considers it necessary to preserve the environment for its business to be viable long term and it is its main interest to take care and respect the environment as one of the pillars of its business culture.

The Company and its subsidiaries have not incurred material costs to comply with environmental laws.

b.14. ***Number Of Employees***

As of December 31, 2016, the Group has a total workforce of 38,186 personnel categorized by business segment as follows:

		End-2016	Anticipated Hiring in 2017
GADC……………………………………………….		28,440	……….3,906
Travellers………………………………………...		4,864	……………182
Megaworld……………………………………….		1,371	
GERI…………………………………………….		672	
Empire East…………………………………….		723	……………52
Suntrust…………………………………………..		285	…………….65
Emperador……………………………………….		1,819	
Whyte and Mackay,	487		
Grupo Emperador Spain,	163		
Others…………………………………………….		12	
Total ……………………………...…………...		38,186	…………4,205

The Group intends to hire additional employees in accordance with operational requirements.

Except for AWG and WML, none of the Company's or its subsidiaries' employees are formally covered by a collective bargaining agreement and represented by a labor union.

AWG has a renewed five-year collective bargaining agreement with its production employees covering the period up to January 20, 2020. The employees also agree to follow certain grievance procedures and to refrain from strikes during the term of the agreement**.** WML has recognition agreements with both UNITE and GMB trade unions and a three-year wage agreement has recently been put in place. Bodegas Fundador together with the rest of Jerez region companies has closed a collective wage agreement with the trade union and employees board members last November 2016 which will be in force until 2020.

Megaworld, EDI and WML maintain each a funded, tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees. GADC has a funded, defined benefit contribution retirement plan covering all regular full-time employees wherein employees are allowed to make voluntary contribution. GERI has an unfunded, non-contributory defined benefit plan covering all regular employees. The rest in the Group have no established corporate retirement plans. (See Note 27.2 to the Consolidated Financial Statements)

Employees of sub-franchisees do not form part of GADC's workforce except for certain members of the sub-franchisee management staff. Regular employees of GADC are beneficiaries of a bonus program, determined by, among others, the level of profits, performance appraisals and the employee's position and salary level.

The Group has not experienced any disruptive labor disputes, strikes or threats of strikes, and management believes that the Group’s relationship with its employees in general is satisfactory.

b.15. ***Major Business Risks and Management***

Risks are integral part of business. Opportunity for advancement cannot be achieved without taking risks. This is why the Company and its subsidiaries adopted a policy whereby risks are identified before they cause significant trouble for the business. They carefully prepare structured/strategic plans to anticipate the inherent risks in their activities and set up methods to mitigate the effects of these risks. Risks are prioritized based on their impact to business, and probability of occurrence. There is a monitoring system that keeps track of the indicators and the actions/corrections undertaken. Feedbacks, both internal and external, are important for current and emerging risks.

The Group's risk management is coordinated with the Board of Directors and focuses on actively securing short-to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The Group does not actively engage in the trading of financial assets for speculative purposes.

The major risks that the present business faces include:

- *Hazards and natural or other catastrophes*. The Company and its subsidiaries' assets are always exposed to losses or impairment through fire and natural or man-made disasters and accidents that may materially disrupt operations and result in losses. In particular, damage to project structures resulting from such natural catastrophes could also give rise to claims from third parties or for physical injuries or loss of property. EDI, Whyte and Mackay, Bodegas Fundador, Pik-Nik and GADC also run the risk of contamination through tampering of ingredients, bottles or products that could result in product recall or food poisoning which in turn could create negative publicity that could adversely affect sales. Safety precautionary measures have been undertaken and installed within the operating system. Adequate insurance policies are likewise taken to cover from these risks or mitigate effect of uninsured losses.

- *Regulatory developments*. The Group operates in highly regulated business environment. For example, in the property development and integrated tourism industries, it is required that a number of permits and approvals be obtained for development plans at both the national and local levels. Travellers is subject to gaming regulations for its casino operations. In the alcohol industry, there are restrictions on advertising, marketing and sales of alcoholic beverages to consumers and restrictions governing the operation of manufacturing facilities. In the QSR industry, GADC is subject to retail trade and other industry specific regulations. The group's results of operations could be affected by the nature and extent of any new legislation, interpretation or regulations, including the relative time and cost involved in procuring approvals for projects. If the group fails to meet safety, health and environmental requirements, it may also be subject to administrative, civil and criminal proceedings initiated by the Government, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against the Company, as well as orders that could limit or halt its operations. The Group, thus, keeps abreast of current happenings and immediately institute measures to contain any adverse effect on the group.

- *Money laundering and cheating at gaming areas.* Casino and gaming activities are cash intensive and involve significant amounts of revenue daily. Customers may seek to influence their gaming returns through cheating or other fraudulent methods. Fraudulent activities, including collusion and automated play, could cause Travellers and its customers to experience losses, harm its reputation and ability to attract customers, and materially and adversely affect its business, goodwill, financial condition and results of operations. Travellers takes numerous preventive and mitigating measures for the handling of chips, cash and gaming equipment. It uses special technologies to prevent and detect potential fraudulent and counterfeiting activities as well as high value and suspicious transactions.

- *Supply of raw materials and packaging materials*. Materials used in production demand high quality and specialty. The raw materials that GADC and Emperador group use, such as distilled neutral spirit, brandy distillates, chicken, beef and paper, are largely commodities and are subject to price volatility caused by changes in supply and demand, weather conditions, fuel costs for transportation and production, agricultural uncertainty and government controls. Megaworld, GERI and Travellers source construction materials such as lumber, steel and cement and may also experience shortages or increases in prices. Rising price changes will result in unexpected increases in production or construction costs and decreases in gross margins if such increased costs cannot be passed on to consumers or buyers. If these costs are passed on, any increase in prices could materially affect demand for and the relative affordability of such products. Purchasing, therefore, keeps posted about supply sufficiency in the market and always looks out for new potential sources.

- *Consumer tastes, trends and preferences*. Consumer preferences may shift due to a variety of factors, including changes in demographic and social trends, leisure activity patterns and a downturn in economic conditions, which may reduce customers' willingness to purchase premium branded products or properties. In addition, concerns about health effects due to negative publicity regarding alcohol or fast food consumption, negative dietary effects, project location, regulatory action or any litigation or customer complaint against companies in the industry may have an adverse effect on results of operations. Any significant changes in consumer preferences and failure to anticipate and react to such changes could result in reduced demand for consumer products or projects and erosion of its competitive and financial position. Likewise, the launch and ongoing success of new products is uncertain as is their appeal to customers. Product innovation and responsiveness to changing consumer tastes and trends, therefore, have been important aspects of the group's ability to sell their products.

- *Competition.* Each of the Company's primary business operations is subject to intense competition. Some competitors may have substantially greater financial and other resources than EMP, MEG, GERI, Travellers or GADC, which may allow them to undertake more aggressive marketing and to react more quickly and effectively to changes in the markets and in consumer preferences. In addition, the entry of new competitors into any of the Company's primary business segments may reduce the Company's sales and profit margins. Product innovation and premiumization have been the Group's key response to competition.

- *Interests of joint development partners*. Megaworld and GERI obtain a significant portion of its land bank through joint development agreements with landowners, as part of its overall land acquisition strategy and intends to continue to do so. A joint venture involves special risks where the venture partner may have economic or business interests or goals inconsistent with or different from those of the Group.

A further discussion on financial risk management objectives and policies is presented in the notes to the financial statements.

2. PROPERTIES

The following are the principal properties owned or leased by the Group, including those reserved for future developments as of December 31, 2016:

Description	Location	Owned/Limitations on Ownership
Lots & Facilities		
Brandy manufacturing facility	Santa Rosa, Laguna	Owned
Brandy manufacturing facility-Annex	Biñan, Laguna	Owned
Alcohol distillery plant	Nasugbu, Batangas	Owned
Glass manufacturing plant	Canlubang Industrial Estate, Calamba, Laguna	Owned
Warehouse Town – a warehouse complex	Caloocan City	Owned
Vineyard lands	Spain	Owned
Industrial facilities	Spain	Owned by Joint venture
Malt distilleries (4), grain distillery (1)	Scotland, UK	Owned
Bottling facility	Scotland, UK	Leased
Warehouses	Scotland, UK	Owned; leased
Several parcels for McDonald’s use	Various locations	Owned
Lot – Citiwood Heights	EDSA, Quezon City	Owned
Condominium Units and Subdivision Lots Under Development - Megaworld		
One Uptown Residence	Fort Bonifacio, Taguig City	Joint Venture
Uptown Ritz Residences	Fort Bonifacio, Taguig City	Joint Venture
Uptown Parksuites Residence	Fort Bonifacio, Taguig City	Joint Venture
The Venice Luxury Residences	McKinley Hill	Owned
Viceroy	McKinley Hill	Owned
The Florence	McKinley Hill	Owned
St. Moritz Private Estate Cluster One & Two	McKinley West, Fort Bonifacio	Joint Venture
81 Newport Boulevard	Newport, Pasay City	Joint Venture
101 Newport Boulevard	Newport, Pasay City	Joint Venture
One Eastwood Avenue 1	Eastwood City, Quezon City	Owned
One Eastwood Avenue 2	Eastwood City, Quezon City	Owned
Manhattan Heights B-C	Quezon City	Joint Venture
Manhattan Plaza	Quezon City	Joint Venture
One Madison Place 1-3	Iloilo City	
Lafayette Park Square	Iloilo City	Owned
The Palladium	Iloilo City	Owned
One Pacific Residence	Mactan Newtown, Cebu	Owned
One Manchester Place	Mactan Newtown, Cebu	Owned
Greenbelt Hamilton 1 & 2	Makati City	Owned
Paseo Heights	Makati City	Owned
Three Central	Makati City	Owned
Salcedo SkySuites	Makati City	Owned
Golf Hill Gardens	Quezon City	Owned
Noble Place	Manila City	Owned
Eastwood Global Plaza Luxury Residence	Eastwood, Quezon City	Joint Venture
San Antonio Residences	Gil Puyat Ave., Makati City	Owned
Forbes Hill	Nothill Gateway, Bacolod	Owned
Bayshore Residential Resort 1 & 2	Westside City	Joint Venture
Iloilo Boutique Hotel	Iloilo City	Joint Venture
Kingsford Hotel	Westside City	Owned
Saint Honore	Iloilo City	Joint Venture
The Ellis	Makati City	Owned
		Owned
Condominium Units in Completed Projects– Megaworld		

One Central	Makati City	
Greenbelt Madisons	Makati City	Owned
Greenbelt Chancellor	Makati City	Owned
Greenbelt Radisson	Makati City	Owned
Greenbelt Excelsior	Makati City	Owned
Paseo Parkview Suites 1,2	Makati City	Joint Venture
Two Central	Makati City	Owned
115 Upper McKinley	McKinley Hill	Owned
McKinley Hill Garden Villas	McKinley Hill	
The Woodridge 1,2	McKinley Hill	Joint Venture
Tuscany Private Estate	McKinley Hill	Joint Venture
Stamford Executive Residences	McKinley Hill	Joint Venture
Morgan Suites Executive Residences	McKinley Hill	Joint Venture
The Venice Luxury Residences - Alessandro	McKinley Hill	Owned
The Venice Luxury Residences – Bellini	McKinley Hill	Owned
The Venice Luxury Residences – Carusso	McKinley Hill	Owned
The Venice Luxury Residences – Domenico	McKinley Hill	Owned
The Venice Luxury Residences – Emanuele	McKinley Hill	Owned
The Bellagio 1,2,3	Fort Bonifacio	Owned
Forbeswood Heights	Fort Bonifacio	
Forbeswook Parklane 1 & 2	Fort Bonifacio	Joint Venture
8 Forbestown Road	Fort Bonifacio	Joint Venture
8 Newtown Boulevard	Cebu City	Joint Venture
150 Newport Boulevard	Newport City	Joint Venture
The Parkside Villas	Newport City	Owned
The Residential Resort at Newport	Newport City	Joint Venture
Palm Tree Villa -1 & 2	Newport City	Joint Venture
Eastwood Le Grand 1 - 3	Eastwood City	Joint Venture
Eastwood Parkview 1 & 2	Eastwood City	Joint Venture
Grand Eastwood Palazzo	Eastwood City	Owned
One Central Park	Eastwood City	Owned
One Orchard Road Tower 1 - 3	Eastwood City	Owned
The Eastwood Excelsior	Eastwood City	Owned
The Eastwood Lafayette 1,2,3	Eastwood City	Owned
One Lafayette Square	Eastwood City	Owned
Two Lafayette Square	Eastwood City	Owned
Marina Square Suites	Manila City	Owned
Greenhills Heights	San Juan City	Owned
Manhattan Parkway 1 - 3	Quezon City	Owned
Manhattan Heights Tower A and D	Quezon City	Joint Venture
Manhattan Parkview 1-3	Quezon City	Joint Venture
Manhattan Parkview Garden	Quezon City	Joint Venture
Mckinley West Subdivision	Taguig City	Joint Venture
El Jardin Del Presidente 1,2	Quezon City	Owned
8 Wack Wack Road	Mandaluyong City	Owned
Wack Wack Heights	Mandaluyong City	Owned
Cityplace Binondo A&B	Manila City	Owned
One Beverly Place	San Juan	Joint Venture
Rental Properties - Megaworld(1)		
Paseo Center	Makati City	Owned
The World Center	Makati City	Owned
California Garden Square Retail	Mandaluyong City	Owned
City Place Retail Mall	Manila City	Owned
Lucky Chinatown Mall	Manila City	Owned
One Beverly Place Retail	San Juan	Owned
Corinthian Hills Retail	Quezon City	Owned
Global One	Eastwood City	Owned
Techno Plaza 1	Eastwood City	Owned
Techno Plaza 2 Units	Eastwood City	Joint Venture

1800 Eastwood Avenue	Eastwood City	Owned
1880 Eastwood Avenue	Eastwood City	Owned
Cyber One Units	Eastwood City	Owned
IBM Plaza Units	Eastwood City	Owned
ICITE	Eastwood City	Owned
Eastwood City Walk 1 and 2	Eastwood City	Owned
Eastwood Mall	Eastwood City	Owned
Cyber Mall	Eastwood City	Owned
E-Commerce Plaza	Eastwood City	Owned
Commerce and Industry Plaza	McKinley Hill	Ground Lease
One Campus Place	McKinley Hill	Ground Lease
8 Campus Place	McKinley Hill	Ground Lease
8 Upper McKinley Road	McKinley Hill	Owned
Science Hub	McKinley Hill	Ground Lease
The Venice Piazza	McKinley Hill	Ground Lease
Three World Square	McKinley Hill	Owned
Two World Square	McKinley Hill	Owned
One World Square	McKinley Hill	Owned
McKinley Hill Parking building	McKinley Hill	Owned
Venice Corporate Center	McKinley Hill	Owned
The Venice Canal Mall (Phase 2)	McKinley Hill	Owned
Woodridge Residences	McKinley Hill	Joint Venture
Tuscany Retail	McKinley Hill	Joint Venture
Burgos Circle	Fort Bonifacio, Taguig City	Joint Venture
Uptown Parade	Uptown Bonifacio, Taguig City	Joint Venture
Uptown Place Mall	Uptown Bonifacio, Taguig City	Joint Venture
One World Center	Cebu	Owned
Two World Center	Cebu	Owned
Iloilo Richmonde Hotel	Iloilo Business Park, Iloilo City	Owned
One Global Center	Iloilo Business Park, Iloilo City	Owned
Emperador Steel Parking Building	Fort Bonifacio, Taguig City	Ground Lease
Uptown Bonifacio Tower 1 & 2	Uptown Bonifacio, Taguig City	Joint Venture
18/20 Upper McKinley	McKinley Hill	Owned
8 Newtown Boulevard	Mactan Newtown, Cebu	Joint Venture
Chinese Intl School	McKinley Hil	Ground Lease
Citibank	Eastwood City	Owned
Enderun	McKinley Hill	Ground Lease
McKinley West Towers A, B & C	McKinley West, Taguig City	Joint Venture
One Techno Place	Iloilo Business Park, Iloilo City	Owned
The Richmonde Plaza	Ortigas, Mandaluyong City	Owned
Two Global Center	Iloilo Business Park, Iloilo City	Owned
Hotels		
Richmonde HotelOrtigas(2)	Pasig City	Owned
Eastwood Richmode Hotel(2)	Quezon City	Owned
Belmont Luxury Hotel	Newport, Pasay City	Joint Venture
Condotels under development		
Savoy Hotel	Newport City	Joint Venture
Savoy Hotel Mactan	Mactan Newtown, Cebu	Owned
Belmont Hotel Mactan	Mactan Newtown, Cebu	Owned
Completed Projects – Empire East		
Little Baguio Gardens	San Juan, Metro Manila	Owned
Laguna BelAir 1 and 2	Don Jose, Sta. Rosa, Laguna	Joint Venture
Governors Place	Mandaluyong City	Joint Venture
Gilmore Heights	Gilmore Ave. cor N.Domingo, Quezon City	Joint Venture
Kingswood Tower	Makati City	Joint Venture
San Francisco Gardens	Mandaluyong City	Joint Venture

Greenhills Garden Square	Santolan Road, Quezon City	Owned
Central Business Park	Manggahan, Pasig City	Owned
Xavier Hills	Quezon City	Joint Venture
California Garden Square	Libertad St., Mandaluyong City	Owned
Laguna BelAir 3	Biñan, Laguna	Owned
Laguna BelAir 4	Sta. Rosa Ciy	Owned
Ongoing Projects- Empire East		
The Cambridge Village	Cainta, Rizal	Owned
Little Baguio Terraces	San Juan, Metro Manila	Joint Venture
Pioneer Woodlands	Mandaluyong City	Joint Venture
San Lorenzo Place	Makati City	Joint Venture
The Rochester	Pasig City	Owned
The Sonoma	Sta. Rosa City	Joint Venture
Kasara Urban Resort Residences	Eagle St., Pasig City	Owned
Southpoint Science Park	Gimalas, Balayan, Batangas	Owned
Subdivisions, condominiums, condotels, townhouses and leisure development projects - GERI:		
8 Sto. Domingo Place	Quezon City	Joint Venture
Caliraya Springs	Cavinti, Laguna	Joint Venture
Cathedral Heights	Quezon City	Joint Venture
Capitol Plaza	Quezon City	Co-development
Fairways &Bluewaters	Boracay, Aklan	Owned
Forest Hills	Antipolo City	Joint Venture
Goldridge Estate	Guiguinto, Bulacan	Joint Venture
Holiday Homes	Gen. Trias, Cavite	Joint Venture
Magnificat Executive Village	Lipa, Batangas	Joint Venture
Mango Orchard Plantation	Naic, Cavite	Joint Venture
Manila Southwoods	Biñan, Laguna	Joint Venture
Monte Cielo De Naga	Naga City	Joint Venture
Monte Cielo De Penafrancia	Naga City	Joint Venture
Mountain Meadows	Cagayan De Oro	Joint Venture
Newcoast Village	Malay, Aklan	Owned
NewcoastShophouse	Malay, Aklan	Joint Venture
Newcoast Boutique Hotel	Malay, Aklan	Joint Venture
Newport Hills	Lian, Batangas	Joint Venture
Nasugbu Harbour Town	Nasugbu, Batangas	Joint Venture
Northpointe	Baguio City	Joint Venture
Pahara at Southwoods	GMA, Cavite	Joint Venture
Palacio Real	Calamba, Laguna	Joint Venture
Palmridge Point	Talisay, Batangas	Joint Venture
Parco Bello	Muntinlupa City	Joint Venture
Alabang West	Las Piñas City	Joint Venture
Plaridel Heights	Plaridel, Bulacan	Joint Venture
Puerto Del Mar	Lucena City	Joint Venture
ResidenciaLipa	Lipa, Batangas	Joint Venture
Riverina	San Pablo City	Joint Venture
Sta. Barbara Heights	Sta. Barbara, Iloilo	Joint Venture
Domaine Le Jardin	Laurel, Batangas	Owned
Tierra Vista	Lipa, Batangas	Joint Venture
Windsor Heights	Tagaytay	Joint Venture
Vineyard Residences	Laurel, Batangas	Owned
Villa Maria	Fairways&Bluewater,Boracay	Owned
Villa Margarita	Fairways&Bluewater,Boracay	Owned
Villa Michaela	Fairways&Bluewater,Boracay	Owned
Villa Lucia	Fairways&Bluewater,Boracay	Owned
Villa Catalina	Fairways&Bluewater,Boracay	Owned
Villa Vittoria	Fairways&Bluewater,Boracay	Owned
Villa Muligan	Fairways&Bluewater,Boracay	Owned

Holland Park	Biñan, Laguna	Joint Venture
Oceanway Residences	Malay, Aklan	Owned
Lucerne at Domaine Le Jardin	Laurel, Batangas	Owned
Shopping Village	Laurel, Batangas	Owned
Vineyard Manor	Laurel, Batangas	Owned
Manila Southwoods Phase 5	GMA, Cavite	Joint Venture
Chancellor Hotel Boracay	Malay, Aklan	Owned
Belmont Hotel Boracay	Malay, Aklan	Owned
Savoy Hotel Boracay	Malay, Aklan	Owned
Hotels under Travellers		
Marriott Hotel(3)	Newport City	Owned
Maxims Hotel(3)	Newport City	Owned
Remington Hotel(3)	Newport City	Owned

Notes:
(1) Lease terms and rental rates vary depending on the property and the lessee.
(2) The Richmonde Hotel Ortigas and Eastwood Richmonde Hotel are operated by a subsidiary of Megaworld.
(3) Marriott Hotel, Maxims Hotel, Remington Hotel are part of RWM.

In addition, there are various operating lease agreements for McDonald's restaurant sites, offices and other facilities. These non-cancelable lease agreements are for initial terms of 5-40 years and, in most cases, provide for rental escalations, additional rentals based on certain percentages of sales and renewal options for additional periods of 5-25 years.

While the Group has sufficient land for future development, it continuously seeks opportunities to acquire and develop land in prime locations through purchase, joint venture arrangements or otherwise

3. LEGAL PROCEEDINGS

There are no material litigations or claims pending or, to the best knowledge of the Company, threatened against the Company or any of its subsidiaries or associates or any of their properties that would adversely affect the business or financial position of the Company or any of its subsidiaries or associates.

4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There are no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

5. MARKET PRICE AND DIVIDENDS ON COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

a. Market Information

The Company's common shares are traded on the Philippine Stock Exchange under the symbol of AGI. The closing price of the said shares on March 23, 2017 is P17.00. The trading prices of the said shares for each quarter within the last two years and subsequent interim period are set forth below:

	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
High	27.4	27.9	23.8	19.0	17.42	17.00	17.00	16.08
Low	22.5	21.5	15.1	15.1	12.60	13.98	14.94	12.20

(*Source: PSE Research Dept.)*

b. Shareholders

As of February 28, 2017, the Company had 1,327 stockholders, including nominees, holding 10,269,827,979 common shares and the Top Twenty Stockholders were as follows:

Rank	*Stockholder*	*No. of Shares Held*	*Per Cent to Total*
1	The Andresons Group, Inc.	4,028,823,194	39.230
2	PCD Nominee Corporation (Non-Filipino) *	2,911,477,058	28.350
3	PCD Nominee Corporation (Filipino)*	1,401,467,304	13.646
4	Altavision Resources, Inc.	451,574,334	4.397
5	Yorkshire Holdings, Inc.	255,773,508	2.491
6	Asiagroup Holdings, Inc.	220,004,000	2.142
7	Globaland Holdings, Inc.	220,004,000	2.142
8	Grand Bel Air Holdings, Inc.	220,004,000	2.142
9	Le Bristol Holdings, Inc.	216,100,000	2.104
10	California Orchard Growers Investments, Inc.	120,000,000	1.168
11	Eastwood Property Holdings, Inc.	112,600,000	1.096
12	Andrew L. Tan	63,684,078	0.620
13	Andresons Global, Inc.	30,088,596	0.293
14	Megaworld Cebu Properties, Inc.	10,000,000	0.097
15	Kingson Uy Siok Sian	5,001,100	0.049
16	Lucio W. Yan &/or Clara Y. Yan	1,000,000	0.010
17	First Centro, Inc.	364,200	0.004
18	Jianhua Su	202,500	0.002
19	American Wire & Cable Co., Inc.	200,000	0.001
20	Ching Bun Teng	150,000	0.001

Please refer to Item 11 on page 76 for stockholders holding 5% or more. * PCD Nominee Corporations (Non-Filipino and Filipino) is comprised of several nominees and the participants with 5% or more are indicated in Security Ownership on page65.

c. **Dividends In The Two Most Recent Years And Subsequent Interim Period**

It is the Company's policy to periodically declare a portion of its unrestricted retained earnings as dividend usually in the third quarter of each year. The declaration of dividends depends upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends out of its unrestricted retained earnings only. Unrestricted retained earnings 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. Cash dividends are subject to the approval by the Board of Directors (BOD). Stock dividends are subject to the approval by both the BOD and at least two-thirds (2/3) of the outstanding capital stock of the stockholders at a stockholders' meeting called for such purpose.

On August 26, 2014, the Company declared cash dividend of P0.38 per share, payable to all stockholders of record as of September 08, 2014, out of the unrestricted retained earnings of the Company as of 31 December 2013. On August 12, 2015, the Company declared cash dividend of P0.31 per share, payable to all stockholders of record as of September 1, 2015, out of the unrestricted retained earnings of the Company as of December 31, 2014. On August 19, 2016, the Company declared cash dividend of P0.31 per share, payable to all stockholders of record as of September 05, 2016, out of the unrestricted retained earnings of the Company as of December 31, 2015.

d. **Recent Sales Or Issuance Of Unregistered Or Exempt Securities**

On December 19, 2011 and March 14, 2013, options to subscribe to common stock of the Company totaling 46.5 million and 59.1 million, respectively, were granted to key executives and senior officers, including the CEO and President, at an exercise price of P9.175 and P12.9997, respectively. The total number of outstanding options granted is 105.6 million options to subscribe to the same number of common shares. A total of 31.0 million options have vested as of December 31, 2014 and additional 19.7 million have vested in March 2014. No options have been exercised and no stocks have been issued as of to-date.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

a. Key Performance Indicators

Presented below are the top five (5) key performance indicators of the Company and subsidiaries:

In Million Pesos	2016	2015	2014	Growth 2016	2015
REVENUES	**139,741**	**139,098**	**125,405**	**0.46%**	**10.92%**
Non-recurring gains[1]	136	188	525		
Recurring revenues	**139,605**	**138,910**	**124,880**	**0.50%**	**11.23%**
NET PROFIT	**22,819**	**21,686**	**21,110**	**5.22%**	**2.73%**
Non-recurring gains[1]	136	68	215		
Recurring net profit	**22,683**	**21,618**	**20,895**	**4.93%**	**3.46%**
NET PROFIT TO OWNERS OF AGI	**14,801**	**13,965**	**13,246**	**5.99%**	**5.42%**
Non-recurring Gains[1]	136	29	215		
Recurring net profit to owners	**14,665**	**13,936**	**13,031**	**5.23%**	**6.94%**
Net profit rate	16.33%	15.59%	16.83%		
Recurring NP rate	16.25%	15.56%	16.73%		
NP Attributable to parent	10.59%	10.04%	10.56%		
Recurring NP attributable to parent	10.50%	10.03%	10.43%		
Return on investment/assets [NP/TA]	4.64%	4.83%	5.15%		
	31-Dec-16	31-Dec-15	31-Dec-14		
TOTAL ASSETS	491,297	448,725	409,619	9.49%	10%
CURRENT ASSETS	230,074	225,720	220,869	1.93%	2.20%
CURRENT LIABILITIES	123,072	89,733	92,541	37.15%	-3.03%
Current ratio	1.87x	2.52x	2.39x		
Quick ratio	0.95x	1.40x	1.40x		

[1]Non-recurring gains in 2014 refer to P520.2 million gain from acquisition and deconsolidation of subsidiaries of MEG and P4.6 million from acquisitions of GADC, with P310.0 million one-time expenses on acquisition by EMP. In 2015, there is P181 million gain on sale of investment in an associate of Megaworld, P3.7 million gain on acquisition of GADC subsidiary, P3.5 million gain on divestment interest and P120 million one-time expenses on acquisition by EMP. In 2016, there is P88.8 million gains from acquisition and deconsolidation of Meg subsidiaries and P46.9 million from disposal of a GADC subsidiary.

- Revenue growth – measures the percentage change in revenues over a designated period of time. Performance is measured both in terms of amount and volume, where applicable.
- Net profit growth – measures the percentage change in net profit over a designated period of time.
- Net profit rate– computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs.
- Return on asset investment [or capital employed]– the ratio of net profit to total assets - measures the degree of efficiency in the use of resources to generate net income.
- Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash,marketable securities, accounts receivables] is divided by current liabilities.

b. Discussion And Analysis Of Operation

The following discussion and analysis must be read in conjunction with the submitted audited consolidated financial statements and the related notes thereto.

b.1. Results Of Operations – By Subsidiary Groups

2016	MEG	EMP	RWM	GADC	Others	TOTAL
Revenues	46,814	40,938	27,635	22,811	5,604	143,802
Intercompany/ Adjustment	-126	-22	-58	0	-3,855	
Consolidated	**46,688**	**40,916**	**27,577**	**22,811**	**1,749**	**139,741**
% contribution	33.41%	29.28%	19.74%	16.32%	1.25%	100.00%
Costs and expenses	31,616	31,502	24,172	21,049	2,790	**111,129**
Intercompany/ Adjustment	3	-27	-34	0	-30	
Consolidated	**31,619**	**31,475**	**24,138**	**21,049**	**2,760**	**111,041**
Tax Expense	**3,489**	**1,743**	**64**	**529**	**56**	**5,881**
Net profit	11,709	7,693	3,399	1233	2,758	26,792
Intercompany/ Adjustment	-129	5	-24	0	-3,825	
Consolidated	**11,580**	**7,698**	**3,375**	**1,233**	**-1,067**	**22,819**
% contribution	50.75%	33.73%	14.79%	5.41%	-4.68%	100.00%
Net profit to owners	11,332	7,693	3,402	1220	2,758	26,405
Intercompany/ Adjustment	-3,767	-1,400	-1,918	-622	-3,897	
Consolidated	**7,565**	**6,293**	**1,484**	**598**	**-1,139**	**14,801**
% contribution	51.11%	42.52%	10.03%	4.04%	-7.70%	100.00%
2015	MEG	EMP	RWM	GADC	Others	TOTAL
Revenues	44,992	43,660	27,803	20,421	6,476	143,352
Intercompany/ Adjustment	-94	0	33	0	-4,193	
Consolidated	**44,898**	**43,660**	**27,836**	**20,421**	**2,283**	**139,098**
% contribution	32.28%	31.39%	20.01%	14.68%	1.64%	100.00%
Costs and expenses	31,133	35,210	23,736	19,295	2,936	112,310
Intercompany/ Adjustment	-22	0	0	0	-117	
Consolidated	**31,111**	**35,210**	**23,736**	**19,295**	**2,819**	**112,171**
Tax Expense	**3,285**	**1,490**	**49**	**366**	**51**	**5,241**
Net profit	10,575	6,960	4,018	760	3,489	25,802
Intercompany/ Adjustment	-72	0	33	0	-4,077	
Consolidated	**10,503**	**6,960**	**4,051**	**760**	**-588**	**21,686**
% contribution	48.43%	32.09%	18.68%	3.51%	-2.71%	100.00%
Net profit to owners	10,215	6,960	4,021	751	3,489	25,436
Intercompany/ Adjustment	-3,417	-1,288	-2,206	-383	-4177	
Consolidated	**6,798**	**5,672**	**1,815**	**368**	**-688**	**13,965**
% contribution	48.68%	40.62%	13.00%	2.63%	-4.93%	100.00%

2014	MEG	EMP	RWM	GADC	Others	TOTAL
Revenues	53,029	31,951	31,713	18,748	11,154	146,595
Intercompany/ Adjustment	-12,213	0	-41	0	-8,936	
Consolidated	**40,816**	**31,951**	**31,672**	**18,748**	**2,218**	**125,405**
% contribution	32.55%	25.48%	25.26%	14.95%	1.76%	100.00%
Costs and expenses	28,354	23,842	26,193	17,640	2,870	98,899
Intercompany/ Adjustment	-9	-18	-81	0	-22	
Consolidated	**28,345**	**23,824**	**26,112**	**17,640**	**2,848**	**98,769**
Tax Expense	**3,120**	**1,904**	**76**	**310**	**116**	**5,526**
Net profit	21,555	6,204	5,445	798	8,168	42,170
Intercompany/ Adjustment	-12,204	18	40	0	-8,914	
Consolidated	**9,351**	**6,222**	**5,485**	**798**	**-746**	**21,110**
% contribution	44.29%	29.48%	25.98%	3.78%	-3.53%	100.00%
Net profit to owners	21,220	6,204	5,445	794	8,168	41,831
Intercompany/ Adjustment	-15,279	-1,132	-2,849	-405	-8920	
Consolidated	**5,941**	**5,072**	**2,596**	**389**	**-752**	**13,246**
% contribution	44.85%	38.29%	19.60%	2.94%	-5.68%	100.00%

Year-on-year Change	MEG	EMP	RWM	GADC	Others	TOTAL
2016						
Revenues	3.99%	-6.29%	-0.93%	11.70%	-23.36%	0.46%
Costs and expenses	1.63%	-10.61%	1.69%	9.09%	-2.08%	-1.01%
Tax Expense	6.21%	16.98%	30.61%	44.54%	9.80%	12.21%
Net profit	10.26%	10.59%	-16.69%	62.20%	81.60%	5.22%
Net profit to owners	11.29%	10.94%	-18.27%	62.52%	65.37%	5.99%
2015						
Revenues	10.00%	36.65%	-12.11%	8.93%	2.86%	10.92%
Costs and expenses	9.76%	47.79%	-9.10%	9.38%	-1.05%	13.57%
Tax Expense	5.29%	-21.74%	-35.53%	18.06%	-56.03%	-5.16%
Net profit	12.33%	11.86%	-26.16%	-4.69%	-21.24%	2.73%
Net profit to owners	14.42%	11.84%	-30.06%	-5.48%	-8.37%	5.42%

- Amounts are in million Pesos. Numbers may not add up due to rounding off. Percentages are taken based on full numbers, not from the presented rounded amounts.
- At AGI consolidated level, revenues and costs and expenses may not tally the totals as separately reported by subsidiaries as there may be items reclassified from/to revenues to/from costs or expenses at AGI consolidated level.
- RWM revenues are presented gross of promotional allowance, which is then included under costs and expenses.
  GERI was deconsolidated in 2014 at AGI level as it now belongs and consolidated in MEG group.

These strong performances are reflected in the profit and loss accounts, as follows:

In Million Pesos	2016	2015	2014	2016 vs 2015	2015 vs 2014
REVENUES					
Sale of goods	74,739	77,192	62,036	-3.18%	24.43%
Consumer goods	41,608	44,465	32,529	-6.42%	36.69%
Revenues from real estate (RE) sales	33,131	32,727	29,507	1.23%	10.91%
RE sales	27,451	27,262	24,607	0.69%	10.79%
Realized gross profit on RE sales	3,979	3,787	3,229	5.07%	17.27%
Interest income on RE sales	1,701	1,678	1,671	1.39%	0.39%
Rendering of services	62,172	58,482	58,559	6.31%	-0.13%
Gaming	23,649	24,217	28,377	-2.35%	-14.66%
Sales by company-operated quick-service restaurant	20,540	18,476	16,921	11.17%	9.19%
Franchise revenues	2,089	1,864	1,495	12.06%	24.65%
Rental income	10,485	9,185	7,463	14.16%	23.08%
Other services	5,409	4,740	4,303	14.11%	10.16%
Hotel operations	3,790	3,265	2,987	16.07%	9.30%
Other services	1,619	1,475	1,316	9.76%	12.13%
Share in net profits of associates and joint ventures	356	269	123	32.38%	118.86%
Finance and other income	2,474	3,156	4,687	-21.61%	-32.68%
TOTAL	139,741	139,098	125,405	0.46%	10.92%
COSTS AND EXPENSES					
Cost of goods sold	46,020	50,443	40,131	-8.77%	25.70%
Consumer goods sold	26,307	30,493	21,229	-13.73%	43.64%
RE sales	15,515	15,435	14,364	0.52%	7.46%
Deferred gross profit on RE sales	4,198	4,515	4,538	-7.03%	-0.50%
Cost of services	30,870	30,163	28,095	2.34%	7.36%
Gaming-license fees, promo allowances	10,856	11,362	11,543	-4.46%	-1.56%
Services	20,014	18,801	16,552	6.45%	13.59%
Other operating expenses	27,219	25,712	26,087	5.86%	-1.44%
Selling and marketing	11,383	11,075	12,644	2.78%	-12.41%
General and administrative	15,835	14,637	13,443	8.19%	8.88%
Finance costs and other charges	6,933	5,852	4,456	18.46%	31.34%
TOTAL	111,041	112,171	98,769	-1.01%	13.57%
TAX EXPENSE	5,881	5,241	5,526	12.22%	-5.16%
NET PROFIT	22,819	21,686	21,110	5.22%	2.73%

Amounts in million pesos; numbers may not add up due to rounding off. n/m-not meaningful

For the Year Ended December 31, 2016 vs. 2015

The Group net profited P22.8 billion in 2016, up 5% from P21.7 billion in 2015, as revenues inched to P139.7 billion and operating efficiencies improved across all segments. Net profit attributable to owners amounted to P14.8 billion, up 6% year-on-year.

The Group has adopted an aggressive expansion strategy since 2013, to expand its product portfolios and geographic footprint both in the Philippines and across the globe to further seal growth in business earnings.

Megaworld, the country's largest developer of integrated urban townships and the biggest lessor of office spaces, reportedly grew its group net profit by 12% to P11.6 billion (net of P82 million non-recurring gain) from P10.4 billion (net of P181 million non-recurring gain) a year ago. The sustained double-digit growth was attributed to stronger rental revenues that soared 15% in 2016 to an all-time high of P10.0 billion as well as the group's efficient operating cost management. Consolidated revenues, excluding non-recurring gains, which include Global-Estate Resorts, Inc. (GERI), Empire East Land Holdings, Inc. (Empire East) and Suntrust Properties, Inc. (Suntrust), grew 4% year-on-year to P46.7 billion. The group now has twenty-two townships nationwide. Earlier this year, Megaworld unveiled its 21st integrated urban township, the 140-hectare Maple Grove in General Trias, Cavite and ,later this year, the 22nd township under a new concept of 'integrated lifestyle community', the 640-hectare Eastland Heights in Antipolo, Rizal. Township development remains to be a key strength, with focus on strengthening the various components on top of residential business, such as offices, malls and commercial developments and hotels. About 23% of real estate sales were from Fort Bonifacio projects, 47% from other Metro Manila projects, 15% from Luzon outside Metro Manila and 14% from Visayas. The Megaworld-GERI-Empire East-Suntrust brands shared 60-16-15-9 of real estate sales. The office and mall leasing business provided the earning stability for the group. Hotel revenues grew 46% from a year ago as hotel portfolio expanded with the introduction of another local hotel brand, Belmont Hotel, which launched its first hotel in Newport City last year. The group now has three homegrown hotel brands – Richmonde, Belmont and Savoy. The group's operating results brought in 33% and 51% to AGI's consolidated revenues and net profit, respectively.

Emperador, the world's largest brandy company and owner of the world's 5th largest Scotch whisky manufacturer, realized a consolidated net profit pf P7.7 billion which is 11% higher than a year ago. The year was marked with a significant milestone as Emperador takes over the largest and oldest brandy producer in Spain - the 286-year old Bodegas Fundador - at end-February, fortifying Emperador as the largest brandy company in the world. The acquisition bolstered EMP's brandy business and sherry wine business in Spain and United Kingdom, adding four iconic brands to the Group's portfolio – 'Fundador Brandy de Jerez', the first Spanish brandy to be marketed; 'Terry Centenario', the largest brandy in Spain; 'Tres Cepas', a market leader in Equatorial Guinea; and 'Harveys', the number 1 selling sherry wine in the world and the leader in UK where it holds the distinction of being the only sherry wine that can be served to the Queen in Buckingham Palace. Consolidated revenues were reported at P41.0 billion this year as compared to P43.6 billion a year ago, a 6% slowdown attributed to the termination at end-2015 of distribution of an agency brand from the Scotch whisky business. Own Scotch whisky labels, led by Dalmore and Jura, were driving offshore growth particularly in USA, Europe, Latin America and Travel Retail. The brandy business, which combined Emperador and Fundador brands, on the other hand, turned over revenues higher by 11% year-on-year. Gross profit margins improved to 37% from 32% a year ago. The brandy segment's gross profit rate was up 40% as compared to 39% a year ago due to cost efficiencies. The Scotch whisky segment, which has a relatively low gross margin, improved its GP rate to 28% this year from 20% a year ago. The Scotch whisky business contributed about 28% and 14% of EMP's consolidated revenues and net profit, respectively. EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization, amounted to P11.0 billion in 2016 and P9.6 billion in 2015 representing 27% and 22% margin in the respective years. The group accounted for 29% and 34% of AGI's consolidated revenues and net profit, respectively.

Travellers, the owner and operator of RWM, ended the year with revenues of P27.6 billion, net profit of P3.4 billion, and EBITDA growing 4% to P6.4 billion. Gross gaming revenues amounted to P23.6 billion, supported by an improved win rate and stable growth in the non-VIP segment. Non-gaming revenues, which include hotel and food and beverage, expanded to P2.6 billion. Total room count for the three hotels (Maxims Hotel, Remington Hotel and Marriott Hotel Manila) has increased to 1,454 with the addition of 228 premier rooms and suites from Marriott West Wing which formally opened on November 30, 2016. The Marriott Grand Ballroom which became fully operational in June 2015 provided added revenues during the year. Increased revenues were also seen in the entertainment front, specifically with the RWM's theatrical production of Annie. Direct costs, which included promotional allowance, for the year contracted with the decrease in promotional allowance as Travellers preferred the traditional rolling-based commissions. Other operating costs increased due to higher marketing and promotions and depreciation. The group contributed 20% and 15% to AGI's consolidated revenues and consolidated net profit, respectively.

GADC, the master franchise holder of McDonald's brand in the Philippines, reported a 62% surge in net profit to P1.2 billion from P760 million a year ago as revenues climbed 12% to P22.8 billion. This all-time high is achieved from the opening of 44 new restaurants (22 company-owned, 17 franchised, 1 joint venture), renovation of existing restaurants, expansion of business extensions (delivery service, drive-thru, dessert centers, midnight hours and breakfast daypart), the introduction of new products (Chicken Fillet ala King, Cheesy Eggdesal, Mushroom Soup) and the continuous marketing and promotions of core menu. The new and improved Burger McDo was introduced on May 27, 2016. The new restaurants contributed about 3% to total system sales while business extensions comprise 23% of the total. Drive-thru is the extension which has the biggest contribution of 12% of total revenues. There were 520 restaurants operating by the end of 2016, as compared to 481 restaurants a year ago, out of which 275 were company owned and operated as compared to 254 a year ago. Systemwide same-store sales grew by 7% year-on-year. Price increases were also strategically implemented in order to mitigate the impact of increase in cost of raw materials and to maintain the level of product quality. Cost of sales and services went up by 7%, primarily due to cost of inventory which increased by 6% brought about by increase in sales volume, higher prices of imported raw materials and the shift in product mix. These operating results translated into 16% and 5% of the consolidated revenues and net profit of AGI and subsidiaries.

Revenues, as a result of the foregoing, totaled P139.7 billion this year as compared to P139.1 billion a year ago. Service revenues grew by 6% or P3.7 billion which mitigated the 3% contraction in sale of goods. The growth in service revenues (gaming, hotel, quick-service restaurants, rentals, cinemas) was attributed to the 11% increment in quick-service restaurant sales, 14% jump in rental income and 16% boom in hotel revenues. The contraction in sale of goods (real estate, alcoholic beverages and snack products) was attributed to an agency brand which Emperador's WMG stopped distributing by the end of 2015.

Costs and expenses decreased 1.0% year-on-year. Cost of goods sold, which is a function of sales, decreased by 9%, while cost of services went up 2% due to higher restaurant sales and brisk hotel and rental operations. Other operating expenses rose 6% primarily due to higher general marketing expenditures and depreciation at RWM, payroll and rentals of GADC, salaries and benefits of MEG employees, and operating expenses of the new Spanish business unit. There was also an increase in strategic marketing spend in the Scotch core malt brands as compared to a year ago.

Share in net profits of associates and joint ventures increased 32% year-on-year due to take-up of share in net profit of EMP's joint venture which was up 69% this year.

Finance and other income went down 22% this year because of lower cash level during the year as compared to a year ago which resulted in lower interest income earnings during the year. **Finance costs and other charges** went up 18% due to higher interest expense this year as new loans were obtained during the year.

Income tax increased by 12% this year as compared to a year ago, which is attributed to higher taxable income for Megaworld, EMP and GADC this year.

Net profit attributable to owners grew by *6%*.

For the Year Ended December 31, 2015 vs. 2014

The Group's financial performance continues to be compelling in spite of the challenges faced by the gaming business. The Group ended the year with revenues growing 11.2% to P139 billion (net of P189 million non-recurring gain) from P125 billion (net of 525 billion non-recurring gain) a year ago, which resulted in net profit of P22 billion, up 3.5% from P21 billion a year ago, which further gave net profit to owners of P14 billion, up 6.9% from P13 billion a year ago. All businesses showed positive profitable results and contributions.

Megaworld's core net profit reached P10 billion (net of P181 million non-recurring gain), a 10.5% increase from its P9 billion (net of P12.2 billion non-recurring gain at its level) reported a year ago. Its strong roster of townships across Luzon, Visayas and Mindanao provided the impetus for the 9% growth in revenues excluding non-recurring gains. Revenues from leasing, residential sales and hotel operations climbed 23%, 11% and 10%, respectively, during the year. The Group launched five townships during the year, namely, The Upper East (34ha) and Northhill (53ha) in Bacolod City, Sta. Barbara Heights (173ha) in Iloilo, a prime property (35.6ha) in Pampanga and Westside City (31ha) in Parañaque City, or a total of about 330ha of land. Suntrust launched 2 residential projects: Fountain Grove (horizontal) in Bacolod and One Lake Shore Drive Towers 3 and 4 (vertical) in Davao while GERI launched Holland Park (4towers) in Southwoods City and commercial lots in Sta. Barbara Shophouse District. During the year, Megaworld completed 16 residential and 6 BPO office towers with retail components while GERI completed 2 for the 4 condominium clusters of Oceanway Residences in Boracay Newcoast, Phase 2 of Sta. Barbara Heights and the commercial building in Twin Lakes called Twin Lakes Shopping Village. ELI realized sales across all its high-rise and horizontal projects, with the bulk coming from San Lorenzo Place and SouthPoint Science Park. The group contributed 32% and 48% to AGI's consolidated revenues and net profit, respectively, in 2015.

Emperador hit P7 billion net profit and P44 billion revenues, up 12% and 37% year-on-year. These are inclusive of offshore operations, with full-year results of Scotch whisky business tucked in. The Scotch whisky business reported P16 billion revenues and P1 billion net profit for full year 2015 which represent 38% and 16% of respective consolidated totals. The share in net profit of Bodega Las Copas that was added to consolidated revenues and net profit amounted to P130 million in 2015 versus P40 million in 2014. Emperador now has a much bigger product portfolio of brandy and whisky that has greater global presence and which positions it to premiumization opportunities in the Philippine market. Emperador introduced the 'The Dalmore' line locally and relaunched 'Andy Player' during the year. The group contributed 31% and 32% to AGI's consolidated revenues and net profit, respectively in 2015.

Travellers focused on building a base in 2015, particularly in the Mass and Premium Mass segments and controlled its operating costs so it remained profitable even as revenues and net profit declined year-on-year. In 2015, revenues totaled P28 billion which turned in P4 billion net profit. While drops volumes contracted during the year, the win rates improved from last year. Travellers continues to expand its non-gaming facilities and offerings. Hotel occupancy remaines strong with all 3 hotels registering average occupancy of above 86% for the entire year. With the Marriott Grand Ballroom now fully operational, the MICE market is a key differentiator. The group turned in 20% and 19% of AGI's consolidated revenues and net profit, respectively.

GADC's total revenues grew by 9% primarily due to the opening of 28 new restaurants (QSRs), reimaging of 28 (35 in 2014) existing restaurants, expansion of business extensions (delivery service, drive-thru, dessert centers, midnight hours and breakfast daypart), the introduction of new products (Chicken Fillet Ala King, Cheesy Eggdesal), Limited Time Offer Products (McGriddles, Shake Shake Fries, Twister Fries, Bacon Burgers, Dessert Campaigns, McRib, Chicken Muffin and Sweet Ham Special), and aggressive advertising/promotional campaigns to support Extra Value Meals (Chicken McDo Price Reduction, Coke Glass), Everyday McSavers (Float, Sundae and Fries), McSaver Meals, Desserts and Breakfast. Average sales per restaurant increased by 4%, with 3% growth in sales per company-owned restaurant and 6% for sales per franchised restaurant. Business extensions provided a growth rate of 15%, with Drive-thru boosted total revenues by 11%. Value pricing strategy is adopted in order to drive more guest count and price adjustments are strategically implemented to mitigate the increase in cost of raw materials and to maintain the level of product quality. This is however outspaced by the increases in prices of imported raw materials and product mix shift and costs of utilities and crew labor. As a result, net profit contracted slightly 5% year-on-year. GADC's results accounted for 15% and 4% of AGI's consolidated revenues and net profit, respectively.

Revenues with or without the one-time items***,*** thus, as a result of the foregoing, grew by 10.9% year-on-year. Sale of goods soared by 24.4% from 36.7% expansion in sale of consumer goods (distilled spirits, beverages and snacks) and 11% growth in real estate revenues. Rendering of services (gaming, hotels, restaurants, rentals), on the other hand, is at same level as last year with revenues from company-operated QSRs, franchised QSRs, rentals of office and retail spaces and hotel operations growing by 9.2%, 24.7%, 23.1% and 9.3%, respectively, which offset the 14.7% drop in gaming revenues at RWM.

Costs and expenses went up by 13.6% year-on-year. Costs of goods sold and services rendered expanded by 25.7% and 7.4%, respectively, as a result of revenue growth. Other operating expenses contracted by 1.4% due to lower advertising and promotions inspite of increases in salaries and employee benefits, utilities, rentals and commissions. These five accounts comprised 59.7% and 59.4% of other operating expenses in 2015 and 2014, respectively. The decrease in advertising and promotions is primarily attributed to the contraction in RWM's general marketing expenditures.

Share in net profits of associates and joint ventures more than doubled at 118.9% year-on-year due to take-up of share in net profit of associates and joint venture of MEG, EMP and GADC.

Finance and other income shrank 32.7% from a year ago because of one-time gains from acquisitions and divestments (P188 million in 2015 and P525 million in 2014) and reversal of liabilities (P6 million in 2015 and P121 million in 2014) in 2014 and lower interest income in 2015.

Finance costs and other charges increased by 31.3% due to foreign currency losses of Travellers and Megaworld from translation of their foreign-currency denominated bonds.

Tax expense totaled P5.2 billion, down 5.2% from P5.5 billion a year ago, primarily due to reductions in taxes of Travellers and Emperador inspite of increase in Megaworld and GADC.

Net profit attributable to owners grew by *5.4%, or 6.9%* before non-recurring gains.

Financial Condition

December 31, 2016 vs 2015

Consolidated total assets amounted to P491.3 billion at end-2016 from P448.7 billion at beginning of year. The Group is strongly liquid with **current assets** exceeding **current liabilities** 1.9times. Current assets amounted to P230.0 billion while current liabilities amounted to P123.1 billion at the end of the year.

For most of the balance sheet accounts, there is a corresponding note found in the audited consolidated financial statements where details, breakdown or composition of the accounts are presented. Please refer to those notes accompanying the consolidated financial statements. In summary:

Cash and cash equivalents dipped by P19.9 billion or 29% to end at P48.7 billion from P68.6 billion at the beginning of the year, primarily due to cash outlaid in the completion of Emperador's acquisition of assets of Bodegas Fundador; capital expenditures and business expansion of RWM, Megaworld and GADC; and dividend payments. Cash flows from operating, financing and investing activities during the period were presented in the consolidated statements of cash flows.

Financial assets at fair value through profit or loss went up 30% or P2.4 billion from additional investments made during the year and marked-to-market gains by the end of the year.

Current trade and other receivables rose 18% or P8.6 billion and **Non-current trade and other receivables** climbed 9% or P2.9 billion mainly from real estate customers. Advances to contractors and suppliers, which are due within one year, soared 1.73 times due to mobilization or initial payments made for real estate construction projects. Megaworld group pumped up its project development across all segments.

Inventories increased 8% or P6.3 billion from the maturing inventories of Spanish brandy and Scotch whisky and the condominium units for sale. Emperador is currently laying down stocks for future growth of its Scotch whisky.

Property development costs escalated 35% or P5.2 billion due to various ongoing development projects under Megaworld group.

Other current assets increased 25% or P1.6 billion mainly due to an increase in input vat, refundable deposits and timing of prepayments and subsequent charging to profit or loss of such expenses.

Advances to landowners and joint ventures escalated by 6% or P266 million due to development of projects.

Non-current Available-for-sale financial assets dwindled 73% or P1.6 billion from securities sold to get fresh funds. **Current available-for-sale financial assets** consist of euro-denominated bonds maturing in 2017.

Investment in and advances to associates and other related parties decreased 14% primarily due to a related party which became a subsidiary and consolidated in 2016 by Megaworld.

Property, plant and equipment swelled 25% or P16.7 billion primarily from the assets of the acquired Spanish business unit which include vineyards and buildings; massive constructions at RWM which expanded a new wing and will add three new hotels; and new hotel buildings of Megaworld. The Marriott West Wing in RWM formally opened its doors to the public in November 2016 while the three hotels, Hilton Manila, Sheraton Manila Hotel, and Maxims II, will be completed by 2018. It will also include an additional gaming area, new retail spaces and six basement parking decks.

Investment property increased 29% or P14.1 billion as more revenue-generating property get completed by Megaworld.

Intangible assets ballooned 27% or P8.0 billion from the acquired Spanish trademarks and the goodwill resulting in the business unit acquisition.

Deferred tax assets rose 30% or P229 million principally from GADC's retirement and other long-term employee benefits.

Other non-current assets dropped 50% or P4.9 billion primarily due to decrease in advances for future investment being made by Travellers to PAGCOR in connection with development of Site A. In 2016, the Group received parcels of land amounting to P3.7 billion from PAGCOR which were offset or deducted from the advances account. There was also a P2.85 billion advance payment made in 2015 for the purchase of Bodegas Fundador which was applied and closed upon completion of the purchase in February 2016. Moreover, the end-2016 balance included deposit for certain brandy assets and an acquired mortgage receivable on a leased bottling plant in UK, which will decrease as rentals are billed.

Interest bearing loans, both current and non-current portions combined, increased 33% or P18.8 billion from the new loans obtained by Travellers (P7.0 billion), Megaworld (P7.0), GERI (P2.0 billion), SPI (P0.4 billion), EMP (P4.7 billion) and AGI during the year. Principal amortizations and repayments were made as they fall due.

Income tax payable went up 78% or P492 million due to higher taxable profit and the resulting accrual of annual taxes which were higher for EMP and GADC.

Bonds payable, current and non-current combined, increased 13.4% or P7.3 billion due to higher forex translation this year and the free-up of Megaworld bonds held by the Group. Last yearend, such bonds were deducted from the bonds payable balance in consolidation, and this year, such bonds had been sold or traded already.

Advances from related parties escalated 17% or P250 million due to advances made by Megaworld during the year.

Retirement benefit obligation expanded 40% or P738 million primarily from additions booked by WMG and GADC.

Redeemable preferred shares increased by 4% or P84 million due to interest accretion only.

The **changes in equity components** are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners of AGI increased 7% or P10.0 billion primarily from net profit share for the year and marked-to-market gains on available-for-sale financial assets, which were partly reduced by the actuarial and translation losses during the year. The equity to non-controlling interest increased by 5% from net profit share for the year.

December 31, 2015 vs 2014

Total assets amounted to P448.7 billion at end of 2015 from P409.6 billion at beginning of year, up 9.6% primarily due robust business across all business segments. The Group is strongly liquid with **current assets** exceeding **current liabilities** 2.5times. Current assets amounted to P225.7 billion while current liabilities amounted to P89.7 billion at end of the current year.

For most of the balance sheet accounts, there is a corresponding note found in the audited consolidated financial statements where details, breakdown or composition of the accounts are presented. Please refer to those notes accompanying the consolidated financial statements. In summary:

Cash and cash equivalents shrank by P13.5 billion or 16.4% to end at P68.6 billion from P82.1 billion at the beginning of the year, primarily due to the capital expenditures, business expansion activities and debt repayments during the current year. Cash flows from operating, financing and investing activities during the period were presented in the consolidated statements of cash flows.

Financial assets at fair value through profit or loss soared 85.5% or P3.7 billion due to additional investments during the year, which include adjustments for gains in fair values and currency translations at year-end.

Current trade and other receivables rose up P6.3 billion or 14.7% primarily due to Megaworld group's robust sales, UK sales, and additional advances paid by Megaworld and Travellers to their suppliers and contractors in connection with the ongoing expansion works. **Noncurrent trade and other receivables** went up by P3.9 billion or 13.5% due to higher real estate sales.

Inventories increased by P4.9 billion or 6.7% due primarily to additional real estate lots, condominium units and resort shares completed and put up for sale, increase in Scotch whisky work-in-process, and other materials.

Property development costs went up by P2.5 billion or 19.9%, reflecting the costs incurred in ongoing real estate projects.

Available-for-sale financial assets dipped by P3.8 billion or 63.4% from asset disposals to get fresh funds for financing purposes and marked-to-market changes in values. Marketable securities at Megaworld level depreciated in market values. The loss to adjust carrying values to market prices is shown under Equity portion of the statement of financial position.

Land for future development increased by 37.1% or P4.9 billion primarily from acquisitions and contribution of a new MEG subsidiary.

Investments in and advances to associates and other related parties expanded by P2.5 billion or 30.8% due to ELI's acquisition of an associate, Travellers' joint venture in a newly-incorporated entity, and an increase in advances to other related parties.

Property, plant and equipment increased by P12.0 billion or 22.2% with the ongoing constructions at Phase 2 (expansion of Marriott Hotel and Marriott West Wing) and Phase 3 (extension of Maxims Hotel, new Hilton Manila Hotel and new Sheraton Manila Hotel) at RWM, a new local distillery plant for Emperador, hotels brands under Megaworld, and McDonald's stores;

plus the ongoing upgrade of IT system in Scotland. Marriott Grand Ballroom which is part of Phase 2 formally opened in July 2015. Marriott West Wing is scheduled for turnover by end of second quarter of 2016. Phase 3, which shall also include a new gaming area, additional retail space and six-level basement parking decks, is scheduled to be turned over by end of 2017.

Investment property expanded by P10.4 billion or 27.6% from completion of properties for lease of Megaworld group. In 2015, Megaworld completed 6 BPO office towers with retail components in Uptown Bonifacio, Mactan Newtown, McKinley West and Iloilo Business Park and GERI completed Twin Lakes Shopping Village.

Other current assets escalated 16.6% or P938 million due to increase in input vat and advances to suppliers of Megaworld group. **Other non-current assets** soared by 90.1% or P4.7 billion due to the P1.5 billion additional advances for future investment made by Travellers and the P2.8 billion deposit made by Emperador for the acquisition of the brandy and sherry business from Beam Suntory. Refundable deposits and accumulated jackpot seed money also increased from a year ago.

Trade and other payables went up by 3.37% or P1.3 billion as trade payables, accrued expenses, retentions, gaming license fees, and liabilities for land acquisition increase. This is due to the aggressive real estate development, construction works and timing of accruals at yearend.

Current interest-bearing loans increased by 7.7% or P2.0 billion while **non-current interest-bearing loans** surged by 261.6% or P21.0 billion, for a total increase of P23.7 billion which is attributed to new long-term loans obtained by Megaworld, GERI and ELI to finance their project development and expansion activities. While Emperador fully settled all its existing loans in the first half of the year, it incurred new short-term foreign loans primarily to finance its offshore expansion in the later part of the year

Income tax payable decreased by 31.3% or P287 million due to lower unpaid taxes at the end of the year by EMP, GADC, MEG and Travellers.

Current bonds payable decreased by P5 billion from the full redemption of Megaworld bonds upon maturity in May 2015. **Non-current bonds payable** increased by P3.0 billion or 5.9% due to weaker peso translations of long-term USdollar-denominated bonds of Megaworld ($450 million), Travellers ($300 million) and AGC ($500 million).

Advances from related parties rose up by 65.1% or P588 million which is attributed to advances obtained by Megaworld group.

Retirement benefit obligation went down 31.8% or P870 million which is attributed to the reductions for the plans of Megaworld and Emperador, which include the balance in Whyte and Mackay.

Deferred tax liabilities increased by 13.0% or P1.3 billion due to tax differences in Megaworld group arising primarily from their uncollected gross profit and capitalized interest.

Other non-current liabilities grew by 12.5% or P3.0 billion from increases in reserve for property development, deferred income on real estate sales and deferred rental income, which are reflective of aggressive real estate development and pre-selling activities. The reserve pertains to costs to complete the development of various projects while the deferred income represents unearned revenue.

The changes in **equity components** are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners of AGI increased by P10.6 billion or 8.4% which is attributed to net profit for the year and other comprehensive income.

*b.2. **Liquidity and Capital Resources***

The consolidated statements of financial position showed strong liquidity with current assets exceeding current liabilities 1.9times and 2.5times at end of 2016 and 2015, respectively. Total-liabilities-to-equity ratios were at 1.0:1 and 0.9:1 at the end of 2016 and 2015, respectively, while interest-bearing-debt-to-controlling-equity ratios were correspondingly at 0.76:1, 0.65:1, and 0.76:1. Assets exceeded liabilities 2.0times and equity 2.0times as well.

In general, working capital was sourced internally from operations and bank loans during the year. In the ensuing year, the Group expects to meet its working capital and investment requirements from operating cash flows and debt. It may also from time to time seek other sources of funding, if necessary, depending on its financing needs and market conditions.

Amounts in Million Pesos	31-Dec-16	31-Dec-15	31-Dec-14
Cash and equivalents	48,673	68,594	82,059
FVTPL/AFS financial assets	11,138	10,260	10,323
Total Available	59,811	78,854	92,382
Interest-bearing debt –current	60,831	28,705	31,661
Interest-bearing debt- noncurrent	77,831	83,791	59,726
Equity-linked securities- non- current*	5,263	5,259	5,254
Total Debt	143,924	117,755	96,641
Net debt [total debt less total available]	-84,113	-38,901	-4,259
Available Cash and financial assets to total debt [total available / total debt]	42%	67%	96%
Total debt to total Equity [total debt / total Equity]	58%	51%	51%

*Equity-linked debt securities are presented under Other non-current liabilities.

*b.3. **Prospects for the future***

AGI has a proven track record of creating value over time and is confident in its ability to deliver sustainable profitable growth and value for its stakeholders. AGI remains vigilant on delivering its business goals and intends to continue to adopt prudent measures to ensure financial sustainability. It is always on the lookout for new opportunities that will enhance the overall profitability of the group while maintaining established products and markets.

Emperador group is best positioned to capitalize on premiumization opportunities, with its bigger product portfolio of brandy and Scotch whisky and greater global reach. The group is looking forward into an exciting integration.

Megaworld has a strong roster of townships nationwide that are backed by sizable landbanking and carefully-thought masterplans. Its aggressive thrust to grow its investment properties has resulted in increased recurring income stream which has insulated it from the vagaries of the property cycle. It recently introduced another concept in real estate development which it calls the 'integrated lifestyle community' and targets to add more developments under this category.

Travellers sees a lot of potential for further growth, as it continues to expand its non-gaming facilities and offerings. Now with the Marriott Grand Ballroom fully operational, the MICE market becomes a key differentiator. The diversity of its non-gaming businesses and attractive entertainment offerings will set Travellers apart as a tourist destination.

GADC targets to open more stores and is consistently bringing out innovations to delight customers.

In 2017, all the business segments are expected to sustain their growth trajectory in line with targets and will continue to bolster their presence in their respective fields.

b.4. ***Others***

There are no other known material events subsequent to the end of the year that would have a material impact on the current year.

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way. The Group does not have nor anticipate having any cash flow or liquidity problems within the next twelve months. AGI and its subsidiaries are not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Group, including any default or acceleration of an obligation.

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

There are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There are also no known events that will cause material change in the relationship between costs and revenues.

There are no other significant elements of income or loss that did not arise from continuing operations.

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

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

7. FINANCIAL STATEMENTS

The audited consolidated financial statements, together with Statement of Management's Responsibility and Auditors' Report, and supplementary schedules are attached and filed herewith.

The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS), on the historical cost basis except for the measurement of certain financial assets and liabilities. The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The estimation and judgments are based upon management's evaluation of relevant facts and circumstances of the financial statements. Actual results may ultimately vary from those estimates.

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

8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATERS

a. External Audit Fees And Services

*a.1. **Audit and audit-related services***

Punongbayan&Araullo ("P&A") has been appointed as the principal accountant since 2003. In compliance with SEC Rule 68 paragraph 3 (b) (iv) (Rotation of External Auditors), and as adopted by the Company, external auditors or engagement partners are rotated or changed every five years. For 2016 and 2015, the lead engagement partner is Ms. Mailene S. Bisnar.

The fees, excluding out-of-pocket expenses and vat, for each of the last two fiscal years totaled P2,255,000 and P2,190,000 for the audit of 2016 and 2015 annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.

*a.2. **Tax fees and all other fees***

There were no separate tax fees billed and no other products and services provided by P&A to AGI for the last two fiscal years.

*a.3. **Audit Committee's approval***

All the above services have been approved by the Audit Committee through the internal policies and procedures of approval. The Committee is composed of Alejo L. Villanueva as Chairman and Sergio R. Ortiz-Luis, Jr. and Andrew L. Tan as members.

b. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

P&A, as principal auditors, issued an unqualified opinion on the consolidated financial statements. As such, there had been no disagreements with them on any accounting principles or practices, financial disclosures, and auditing scope or procedure.

PART III - CONTROL AND COMPENSATION INFORMATION

9. DIRECTORS AND EXECUTIVE OFFICERS

a. Directors And Executive Officers

Directors are elected annually by the stockholders to serve until the election and qualification of their successors. Two independent directors, Messrs. Sergio Ortiz-Luis, Jr. and Alejo Villanueva, Jr., were elected in the last annual stockholders' meeting on September 29, 2016.

The table below sets forth each member of the Company's Board as of February 28, 2017:

Name	Age	Citizenship	Position
Andrew L. Tan	67	Filipino	Chairman
Sergio R. Ortiz-Luis, Jr.	73	Filipino	Independent Director/Vice Chair
Kingson U. Sian	55	Filipino	Director
Winston S. Co	59	Filipino	Director
Katherine L. Tan	65	Filipino	Director
Kevin Andrew L. Tan	37	Filipino	Director
Alejo L. Villanueva, Jr.	75	Filipino	Independent Director

The table below sets forth the Company's executive officers as of February 28, 2017:

Name	Age	Citizenship	Position
Kingson U. Sian	55	Filipino	President
Katherine L. Tan	65	Filipino	Treasurer
Kevin Andrew L. Tan	37	Filipino	Executive Director
Dina D.R. Inting	57	Filipino	Chief Financial Officer
Dominic V. Isberto	42	Filipino	Corporate Secretary
Rolando D. Siatela	55	Filipino	Assistant Corporate Secretary

Andrew L. Tan
Chairman of the Board

Mr. Tan has served as Chairman of the Board since September 2006 and as Vice-Chairman of the Board from August 2003 to September 2006. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No.of Term/ Years
Emperador Inc.	Chairman	Aug 2013	May 2016	3
Megaworld Corporation	Chairman & President	Aug 1989	June 2016	27
Travellers International Hotel Group, Inc.	Director	July 2008	June 2016	8
Global-Estate Resorts, Inc. (subsidiary of Megaworld)	Chairman	January 2011	June 2016	5
Empire East Land Holdings, Inc. (subsidiary of Megaworld)	Chairman	July 1994	June 2016	22

Mr. Tan is concurrently the Chairman of the Board and President of Megaworld Land,Inc., Richmonde Hotel Group International Limited, The Bar Beverage, Inc., and Yorkshire Holdings, Inc. He is also Chairman of Emperador Distillers, Inc., Alliance Global Brands, Inc., Adams Properties, Inc., Consolidated Distillers of the Far East, Inc., Eastwood Cyber One Corporation, Megaworld Central Properties, Inc., Megaworld Foundation, Inc., Townsquare Development Inc., and Adams Properties, Inc. He also serves as Vice-Chairman and Treasurer of Golden Arches Development Corporation and Golden Arches Realty Corporation. He sits in the boards of Andresons Global, Inc., The Andresons Group, Inc., and Twin Lakes Corporation. He pioneered the live-work-play-learn model in the real estate development through the Megaworld Corporation's integrated township communities, fueling the growth of the business process outsourcing ("BPO") industry, food and beverage, and quick service restaurants industries. Mr. Tan graduated Magna Cum Laude from the University of the East with a degree of Bachelor of Science in Business Administration.

Sergio R. Ortiz-Luis, Jr.
Independent Director/Vice-Chairman

Mr. Ortiz-Luis has served as Independent Director and Vice-Chairman of the Board since September 2007. He is the President of the Philippine Exporters Confederation, Inc. (PHILEXPORT) and Honorary Chairman and Treasurer of the Philippine Chamber of Commerce & Industry. He is also Honorary Chairman of Integrated Concepts & Solutions, Inc. and Vice Chairman of Export Development Council. He is a Director of Waterfront Philippines, Inc., Philippine Estate Corporation, B.A. Securities, Manila Exposition Complex, Inc., Calapan Ventures, Inc. and Jolliville Holdings Corporation. He is also an Independent Director of Forum Pacific, Inc.

Kingson U. Sian
Director and President

Mr. Sian has served as Director and President since February 20, 2007. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Emperador Inc.	Director	Aug 2013	May 2016	3
Megaworld Corporation	Director/Executive Director	Apr 2007	June 2016	9
Travellers International Hotel Group, Inc.	Director and President	June 2008	June 2016	7
	Chief Executive Officer	Oct 2014	June 2016	2

He is the Chairman & President of Asia Finest Hotels & Resorts, Inc., Megaworld Resort Estates, Inc., Prestige Hotels & Resorts, Inc., and Manila Bayshore Property Holdings, Inc. He is Director/President of Adams Properties, Inc., Eastwood Cyber One Corporation, Eastwood Locator's Assistance Center, Inc., and Forbestown Properties Holdings, Inc.. He is also a Director of Asia E-Commerce, Inc., Citywalk Building Administration, Inc., Eastwood Corporate Plaza Building Administration, Inc., Eastwood City Estates Association, Inc., Forbes Town Commercial Center Administration, Inc., ICITE Building Administration, Inc., Paseo Center Building Administration, Inc., Techno Plaza One Building Administration, Inc., and World Café, Inc. He is the Senior Vice President & Chief Executive Officer of Megaworld Land, Inc. Mr. Sian graduated from the University of the Philippines with the degree of Bachelor of Science in Business Economics. He obtained his Masteral Degree in Business Administration for Finance and Business Policy from the University of Chicago.

Katherine L. Tan
Director and Treasurer

Ms. Tan has served as Director and Treasurer since February 2007. She holds positions in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Emperador Inc.	Director and Treasurer	Aug 2013	May 2016	3
Megaworld Corporation	Director	Aug 1989	June 2016	27
	Treasurer	Aug 1989	June 1995	6

She is the Chairman and President of Andresons Global, Inc. and Choice Gourmet Banquet, Inc. She is also Director/President of Consolidated Distillers of the Far East, Inc., Raffles and Company, Inc., and The Andresons Group, Inc. She is the Director/Treasurer of Alliance Global Brands, Inc., Emperador Brandy, Inc., Emperador Distillers, Inc., and Yorkshire Holdings, Inc. She is also Director of Emperador International Limited, Kenrich Corporation, McKesterPik-Nik International Limited, Megaworld Cayman Islands, Inc., Venezia Universal Limited, and The Bar Beverage, Inc. She is the Treasurer of Newtown Land Partners, Inc. Ms. Tan graduated from St. Scholastica's College with a degree in Nutrition.

Winston S. Co
Director

Mr. Co has served as Director of Alliance Global Group, Inc. since 1998 where he previously was Vice Chairman of the Board from November 1999 to August 2003 and Chairman from June 1998 to October 1999. He holds position in the following other listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Emperador Inc.	President and CEO	Aug 2013	May 2016	3

He is the Chairman and President of New Town Land Partners, Inc., Chairman of Anglo Watsons Glass, Inc. and Director/President of Emperador Distillers, Inc. He sits in the boards of Alliance Global Brands, Inc., Forbes Town Properties & Holdings, Inc., McKester Pik-Nik International Limited, Raffles & Company, Incorporated, and The Bar Beverage, Inc. He is also Senior Vice President of The Andresons Group, Inc. Mr. Co is a Magna Cum Laude graduate of Jose Rizal College with a Bachelor of Science in Commerce.

Kevin Andrew L. Tan
Director
Mr. Tan has served as Director since April 20, 2012. He holds position in the following other listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/
Empire East Land Holdings, Inc.	Director	June 2015	June 2016	1
Global-Estate Resorts, Inc.	Director	June 2014	June 2016	2

He is concurrently a Director of 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 has over 11 years of experience in retail leasing, marketing and operations. He currently heads the Commercial Division of Megaworld Corporation, 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, and Lucky Chinatown Mall in Binondo, Manila. Mr. Tan holds a Bachelor of Science Business Administration degree, major in Management, from the University of Asia and the Pacific.

Alejo L. Villanueva, Jr.
Independent Director

Mr. Villanueva has served as Independent Director since August 2001. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Emperador Inc.	Independent Director	Aug 2013	May 2016	3
Empire East Land Holdings, Inc.	Independent Director	June 2007	June 2016	9
Suntrust Home Developers, Inc.	Independent Director	Oct 2012	Oct 2016	4

He is the Chairman of Ruru Courier Systems, Inc. and Vice Chairman of Public Relations Counsellors Foundation of the Philippines, Inc. He is Director of First Capital Condominium Corporation, a non-stock non-profit corporation. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project ofUSAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

Dina D.R. Inting
Chief Financial Officer

Ms. Inting has served as First Vice President for Finance since January 1996 and at present its Compliance Officer and Corporate Information Officer. She holds position in the following other listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Emperador Inc.	Chief Financial Officer, Compliance Officer and Corporate Information Officer	Aug 2013	May 2016	3

She is currently director of Progreen Agricorp, Inc. She gained an extensive experience in the fields of audit, comptrollership, treasury, finance, branch operations and personnel management from her previous employments. She is a Cum Laude graduate of Bachelor of Science in Commerce major in Accounting, Honors Program, at the Philippine College of Commerce (Polytechnic University of the Philippines), holds a certificate in Organizational Development from the Ateneo de Manila University, and is a Certified Public Accountant.

Dominic V. Isberto
Corporate Secretary

Mr. Isberto has served as the Corporate Secretary since September 14, 2007. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Global-Estate Resorts, Inc.	Corporate Secretary and Assistant Corporate Information Officer	Jan 2011	June 2016	5
Emperador Inc.	Corporate Secretary	Aug 2013	May 2016	3

He is also the Corporate Secretary of Twin Lakes Corporation, Eastwood City Estates Association, Inc., Suntrust Properties, Inc. and Fil-Estate Properties, Inc. He also serves as Assistant Corporate Secretary of Adams Properties, Inc. Mr. Isberto has experience in litigation and banking and corporate law. He has a degree in Management Engineering from the Ateneo de Manila University and obtained his Bachelor of Laws degree from the University of the Philippines.

Rolando D. Siatela
Assistant Corporate Secretary

Mr. Siatela has served as Assistant Corporate Secretary since August 30, 2002. He holds position on the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Suntrust Home Developers, Inc.	Corporate Secretary and Corporate Information Officer	May 2006	Oct 2016	10
Megaworld Corporation	Assistant Corporate Secretary	Oct 2006	June 2016	10
Global-Estate Resorts, Inc.	Assistant Corporate Secretary	Jan 2011	June 2016	5
Emperador Inc.	Assistant Corporate Secretary	Aug 2013	May 2016	3

He is a Director of Asia Finest Cuisine, Inc. He is the Corporate Secretary of ERA Real Estate Exchange, Inc., ERA Real Estate, Inc., and Oceanic Realty Group International, Inc. He concurrently serves as Asst. Corporate Secretary of Suntrust Properties, Inc. He was employed as Administrative and Personnel Officer with Batarasa Consolidated, Inc. and served as Assistant Corporate Secretary and Chief Administrative Officer of The Andresons Group, Inc.

b. Significant Employees

The Company does not have employees who are not executive officers but expected to make significant contribution to the business.

c. Family Relationships

Chairman/CEO Andrew L. Tan is married to Treasurer/Director Katherine L. Tan and Director/Executive Director Kevin Andrew L. Tan is their son. Another son, Kendrick Andrew L. Tan is the Corporate Secretary and Executive Director of EDI, and Director/Executive Director of EMP. Both siblings are currently serving as directors of AWG, Newtown Land Partners, Inc., and Yorkshire Holdings, Inc.

d. Involvement In Legal Proceedings

The Company has no knowledge of any of the following events that occurred during the past five (5) years up the date of this report that are material to an evaluation of the ability or integrity of any director or executive officer or control person of the Company:

- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- 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
- 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.

10. EXECUTIVE COMPENSATION

a. Executive Compensation

Name and Principal Position
Andrew L. Tan, Chairman (CEO)
Kingson U. Sian, President (COO)
Katherine L. Tan, Treasurer
Kevin Andrew L. Tan, Executive Director
Dina D. Inting, FVP-Finance
Dominic V. Isberto, Corporate Secretary
Rolando D. Siatela, Asst. Corporate Secretary

The officers receive fixed salary on a monthly basis from the respective subsidiaries or businesses they principally handle. Hence, for years 2016, 2015 and 2014, no compensation was received from AGI, the holding company, and neither will there be for 2017, except for an allowance for Mr. Kingson Sian which started in February 2007.

***b.* Compensation Of Directors**

In a board resolution passed in November 2007, members of the Company's Board of Directors began to receive per diem allowance for attendance in board meetings.

***c.* Employment Contracts, Termination Of Employment And Change-In-Control Arrangements**

There are no employment contract between the Company and a named executive officer; and no compensatory plan or arrangement, including payments to be received from the Company, with respect to a named executive officer, that results or will result from the resignation, retirement or any other termination of such executive's employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officer's responsibilities following a change-in-control and amount involved, including all periodic payments or installments, that exceeds P2.5 million.

***d.* Warrants And Options**

On July 27, 2011, the Board of Directors of the Company approved an Executive Stock Option Plan (the "Plan") and this was approved on September 20, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the Plan is to enable the key Company executives and senior officers who are largely responsible for its further growth and development to obtain an ownership interest in the Company, thereby encouraging long-term commitment to the Company. The Plan is being administered by the Compensation and Remuneration Committee (the "Committee") of the Board, composed of the following: Alejo L. Villanueva, Jr., Independent Director, as Chairman, and Winston S. Co and Kevin Andrew L. Tan, as members.

Under the Plan, the Company initially reserves for exercise of stock options up to approximately three percent (3%) of the Company's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Stock options may be granted within ten (10) years from the adoption of the Plan and may be exercised within seven (7) years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for nine (9) months immediately preceding the date of grant. The options shall vest within three (3) 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 (3) year period. The Company shall receive cash for the stock options.

On December 19, 2011, 46.5 million options were granted to certain key executives and senior officers, including the CEO and President, at an exercise price of P9.175 with a market price of P10.28 on the date of grant. On March 14, 2013, additional 12.6 million options were granted to certain key executives at an exercise price of P12.9997 with a market price of P21.65 at the date of grant. As of December 31, 2014, a total of 50.7 million options have vested but not yet exercised. 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. As of this time, the Company cannot determine if options can be exercised with less than forty percent (40%)

of the total price of the shares so purchased. The Company does not provide or arrange for loans to enable qualified participants to exercise their options.

11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) **Security Ownership of Record and Beneficial Owners owning more than 5% of the Company's outstanding common stock as of February 28, 2017:**

Title of Class	*Name and Address of Record Owner &Relationship w/ Issuer*	*Name of Beneficial Owner & Relationship w/ Record Owner*	*Citizenship*	*No. of Shares*	*Percent Owned*
Common	THE ANDRESONS GROUP, INC. 7/F 1880 Eastwood Avenue, Eastwood City Bagumbayan, Quezon City,[1]	THE ANDRESONS GROUP, INC. (TAGI)	Filipino	4,028,823,194	39.23%
Common	PCD NOMINEE CORPORATION (NON-FILIPINO) 37/F Tower 1, The Enterprise Center, 6766 Ayala Avenue, Makati City [2]	THE HONGKONG AND SHANGHAI CORP. LTD. (Non-Filipino) HSBC Securities Services 12th Floor, The Enterprise Center, Tower I, 6766 Ayala Avenue corner Paseo de Roxas, Makati City. [2]	Non-Filipino	1,288,674,046	28.35%
Common	YORKSHIRE HOLDINGS, INC. 28/F The World Centre 330 Sen. Gil Puyat Avenue, Makati City, Metro Manila [3]	YORKSHIRE HOLDINGS, INC. (YHI)	Filipino	1,583,459,842	15.41%
Common	PCD NOMINEE CORPORATION (NON-FILIPINO) G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	DEUTSCHE BANK MANILA-CLIENTS A/C[2] 26/F Ayala Tower One Ayala Triangle, Makati City	Non-Filipino	1,106,907,000	11.24%

[1]Mr. Andrew L. Tan is the Chairman of the Board of TAGI, is authorized to appoint proxy to vote for the shares.
[2] HSBC and Deutsche are participants of the PCD Nominee Corporation. The beneficial owners of the shares are not known to the Company.
[3]Mr. Andrew L. Tan, Chairman of YHI is authorized to appoint proxy to vote for the shares which includes direct and indirect beneficial ownership through Altavision Resources, Inc., Asiagroup Holdings, Inc., Globaland Holdings, Inc. Grand Belair Holdings, Inc., and Le Bristol Holdings, Inc.

(2) **Security Ownership of Management as of February 28, 2017:**

Title	*Name of Beneficial Owner*	*Citizenship*	*Amount*	*Percent*
Common	Andrew L. Tan *(Chairman of the Board)*	Filipino	63,684,078	0.62%
Common	Sergio R. Ortiz-Luis, Jr. *(Director)*	Filipino	1	0.00%
Common	Winston S. Co *(Director)*	Filipino	2,728	0.00%
Common	Kingson U. Sian *(Director)*	Filipino	5,001,100	0.04%
Common	Katherine L. Tan *(Director)*	Filipino	1	0.00%
Common	Alejo L. Villanueva, Jr *(Director).*	Filipino	1	0.00%
Common	Kevin Andrew L. Tan *(Director)*	Filipino	1	0.00%
Common	Dina D. Inting*(FVP-Finance)*	Filipino	2,758	0.00%
Directors and Executive Officers as a Group			73,693,668	0.72%

12.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the material related party transactions described in the notes to the consolidated financial statements of the Company for the years 2016, 2015, and 2014 (*please see as filed with this report*), there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as director, stockholder of more than ten percent (10%) of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such director or officer or stockholder of more than ten percent (10%) of the Company's voting shares had or is to have a direct or indirect material interest

PART IV - EXHIBITS AND SCHEDULES

13. EXHIBITS AND REPORTS ON SEC FORM 17-C

(b) **Reports on SEC Form 17-C Filed During The Last Six Months Of The Report Period (June 1 to December 31, 2016)**

Date	Disclosures
22 July 2016	Notice of Annual Stockholders' Meeting
28 July 2016	Resetting of the Annual Stockholders' Meeting
10 August 2016	Notice of Analysts' Briefing
15 August 2016	Press Release: "Alliance Global records P11.3bn net income in 1H"
19 August 2016	Declaration of Cash Dividend
29 September 2016	Results of Annual Stockholders' Meeting
29 September 2016	Results of Organizational Meeting
29 September 2016	Press Release: AGI to spend more than P150B for two-year expansion programs across businesses
04 October 2016	Certifications on Qualifications of Independent Directors
08 November 2016	Notice of Analysts Briefing
14 November 2016	Press Release: "Alliance Global 9M net profit grows 7% to P17.3B"
28 November 2016	Submission of Certificates of Completion of the Corporate Governance Seminar of the Directors and Key-Officers of the Company
20 December 2016	Notice to Holders of Notes (USD$500M 6.50% Guaranteed Notes
20 December 2016	Press Release: Alliance Global set to build modern rehab center facility in Taguig

SIGNATURES

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

Alliance Global Group, Inc.
Issuer

By:

ANDREW L. TAN
Chairman and CEO
(Principal Executive Officer)

KINGSON U. SIAN
President and COO
(Principal Operating Officer)

DINA D.R. INTING
Chief Financial Officer
(Principal Financial Officer and as Principal Accounting Officer and Comptroller)

DOMINIC V. ISBERTO
Corporate Secretary

March 29, 2017

SUBSCRIBED AND SWORN to before me this APR. 10, 2017 affiants exhibiting to me their Passports/SSS No., as follows:

NAMES	PASSPORT/SSS NO.	DATE OF ISSUE	PLACE OF ISSUE
Andrew L. Tan	EC1087269	May 14, 2014 to May 13, 2019	Manila
Kingson U. Sian	EB7369260	February 12, 2013 to 2018	Manila
Dominic V. Isberto	SSS 33-1952824-1		
Dina D.R. Inting	SSS 03-5204775-3		

Notary Public

ATTY. RENATO R. BALISACAN, JR.
Notary Public for Makati City until December 31, 2017
Roll No. 60563 / Commission No. M-130
23' Floor, Philamlife Tower, Paseo de Roxas, Makati City
PTR No. 8744247. 01/12/2016. Ilocos Norte
IBP No. 1019782. 01/04/2016. Ilocos Norte
MCLE Compliance No. IV-0017791

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Book No. IV
Series of 2017.

RENATO R. BALISACAN JR.
NOTARY PUBLIC
ROLL NO. 60563
MAKATI CITY, PHILS.

ALLIANCE GLOBAL

Alliance Global Group, Inc.
7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez Jr. Avenue, Bagumbayan, 1110 Quezon City
Tel. Nos. 7092038-41 Fax Nos. 7091966

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of ***Alliance Global Group, Inc. and Subsidiaries*** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2016 and 2015, 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 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 to do so.

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group 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 of the Board

KINGSON U. SIAN
President

DINA D.R. INTING
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this APR. 10, 2017 affiants exhibiting to me their Passport/SSS No., as follows:

Names	PassportNo./SSS No.	Date	Place of Issue
Andrew L. Tan	EC1087269	May 14, 2014 to 2019	Manila
Kingson U. Sian	EB7369260	February 12, 2013 to 2018	Manila
Dina D.R. Inting	SSS 03-5204775-3		

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Book No. IV
Series of 2017

RENATO R. BALISACAN, JR. NOTARY PUBLIC ROLL NO. 60563 MAKATI CITY, PHILS.

Notary Public

ATTY. RENATO R. BALISACAN, JR.
Notary Public for Makati City until December 31, 2017
Roll No. 60563 / Commission No. M-130
28th Floor, Philamlife Tower, Paseo de Roxas, Makati City
PTR No. 8744247. 01/12/2016. Ilocos Norte
IBP No. 1019782. 01/04/2016. Ilocos Norte
MCLE Compliance No. IV-0017791

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Report of Independent Auditors

The Board of Directors and the Stockholders
Alliance Global Group, Inc. and Subsidiaries
7[th] Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

Opinion

We have audited the consolidated financial statements of Alliance Global Group, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 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.

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) Consolidation Process

Description of the Matter

The Group's consolidated financial statements comprise the financial statements of Alliance Global Group, Inc. 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 layers of consolidation, identification and elimination of 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

Among others, our audit procedures to address the risk associated with the Group's consolidation process are as follows:

- Obtaining an understanding of the Group structure and consolidation process, including the procedures for identifying intercompany transactions and reconciling intercompany balances; and,

- Testing significant consolidation adjustments, which includes 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, by identifying such intercompany transactions and balances among the entities or business activities within the Group.

(b) Revenue Recognition on Sale of Pre-Completed Properties

Description of the Matter

The Group, through its Megaworld business segment, recognizes revenue from sale of pre-completed properties using the percentage-of-completion method after establishing that collection of the total contract price is reasonably assured, which is determined when a certain percentage of the total contract price has already been collected. Further, under the percentage-of-completion method, the Group recognizes gross profit based on the stage of completion as estimated by management with the assistance of project engineers. Revenue recognition from sale of pre-completed properties amounting to P33.1 billion was significant to our audit as it comprises 24% of total revenues of the Group. Further, revenue recognition involves significant management judgments and estimates. Management applies judgment in ascertaining the collectability of the contract price, and estimating the stage of completion and contract costs of the real estate project. An error in application of judgment and estimate could cause a material misstatement in the consolidated financial statements.

The Group's disclosures on its revenue recognition policy and details of total revenues are presented in Notes 2 and 23, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition on sale of pre-completed properties included the following:

- Testing, on a sample basis, the application of percentage of collection threshold on sales contracts entered during the year;
- Testing the reasonableness of the collection threshold as basis of determining revenue recognition criterion on the collectability of contract price;
- Ascertaining the qualification of project engineers who certified the stage of completion of projects;
- Testing the reasonableness of percentage of completion by performing physical inspection of selected projects under development and comparing our observations of physical stage of completion with cost-to-cost budgetary estimate; and,
- Evaluating the reasonableness of estimated contract costs with reference to contractors' and suppliers' quotes and historical costs of similar and recently completed projects.

(c) Revenue Recognition for Sale of Consumer Goods

Description of the Matter

Sale of consumer goods amounting to P41.6 billion, which mainly from its Emperador business segment, represents 30% of the Group's total revenues. The Group recognizes sale of goods when the risks and rewards of ownership of the goods have passed to the buyer, i.e., generally when the customer has acknowledged delivery of goods. We considered revenue recognition as a key audit matter since it involves significant volume of transactions, requires proper observation of cut-off procedures, and directly impacts the Group's profitability.

The Group's disclosures on its revenue recognition policy and details of total revenues are presented in Notes 2 and 23, respectively, to the consolidated financial statements.
How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

- Updating our understanding of the Group's revenue recognition policy, revenue processes and controls over the recognition and measurement of revenues from sale of goods;

- Performing substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per product/brand and location, and sales mix composition based on our expectations and following up variances from our expectations; and, verifying that the underlying data used in the analyses are valid;

- Testing sales invoices and delivery receipts immediately prior and subsequent to the current period to determine whether the related sales transactions are recognized in the proper reporting period;

- Testing sales invoices, delivery receipts and cash receipts, on a sample basis, of sales transactions throughout the current period to determine whether sale of goods is valid and actually occurred;

- Reviewing third party contracts and testing related sales invoices, delivery receipts and cash receipts, on sample basis, for bulk sales transactions; and,

- Confirming trade receivables, on a sample basis, as of the end of the current period from the sale of goods; and, performing alternative procedures such as, but not limited to, examining cash receipts, or sales invoices and delivery receipts.

(d) Revenue Recognition on Gaming Operations

Description of the Matter

The Group, through its Travellers business segment, is the operator of integrated gaming resorts and tourist destination, Resorts World Manila. Total revenue from gaming operations amounted to P23.6 billion in 2016. In our view, revenue recognition is significant to our audit because the amount is significant and it involves voluminous transactions at any given period of time, which undergo complex automated and manual gaming processes and controls under the Group's principal gaming and gaming-related systems.

The Group's disclosures on its revenue recognition policy and details of total revenues are presented in Notes 2 and 23, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition on gaming operations, which was considered to be a significant risk, included the following:

- Updating our understanding of the Group's gaming revenue processes and key controls over the recognition and measurement of gaming revenues;

- Testing key controls including, among others, those over major casino processes namely: buy-in and pay-out, float maintenance, end-of-day recording, casino credit billing and collection and month-end reconciliation procedures;

- Performing analytical review procedures on gaming revenues, drops and win rates from both gaming tables and slot machines based on our expectations and followed up variances from our expectations;

- Testing the recognition and measurement of gaming revenues by tracing a sample of transactions throughout the current period to source data to verify the accuracy of reported gaming revenues; and,

- Performing detailed observation of cash count procedures at the end of the reporting period to verify the appropriateness of the Group's cut-off procedures on gaming revenues.

(e) Acquisition of Fundador

Description of the Matter

In 2016, the Group, through its Emperador business segment, completed the purchase of Fundador, a Spanish brandy and sherry business in Jerez de la Frontera, Cadiz, Spain for a total consideration of P14.7 billion, which resulted in the recognition of goodwill, tangible and intangible assets amounting to P1.5 billion, P6.6 billion and P6.7 billion, respectively.

We considered the acquisition of Fundador as a key audit matter due to the significance and complexity of the transaction.

The Group's disclosures of the acquisition, accounting policy for business combination, and management judgment are disclosed in Notes 1, 2 and 3 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the acquisition of Fundador included, among others, the following:

- Reading the relevant minutes of meeting of the Group and the related Asset Purchase Agreement for the acquisition of Fundador;
- Evaluating whether the transaction qualifies as a business combination under PFRS 3, Business Combination;
- Testing the assumptions and methodology of the independent third party valuation expert engaged by the Group on the valuation of identifiable assets acquired and purchase price allocation process, as assisted by our own internal valuation specialist;
- Checking the appropriateness of recognition of the tangible and intangible assets acquired, including recalculation of the resulting goodwill from the acquisition; and,
- Evaluating the sufficiency and adequacy of disclosures in the Group's consolidated financial statements in accordance with PFRS.

(f) Impairment of Goodwill and Trademarks with Infinite Useful Life

Description of the Matter

Under Philippine Accounting Standard 36, *Impairment of Assets,* the Group is required to annually test the amounts of its goodwill and trademarks, from its Emperador business segment, with infinite useful life for impairment. As at December 31, 2016, goodwill amounted to P19.8 billion while the trademarks, which include "Jura", "The Dalmore", "Fundador Brandy", "Terry Centenario", "Tres Cepas Brandy" and "Harveys", amounted to P16.6 billion. We considered the impairment as a key audit matter because the amounts of goodwill and trademarks are material to the consolidated financial statements. In addition, management's assessment process is highly judgmental, and is based on significant assumptions, specifically the determination of the discount rate and cash flows projections used in determining the value-in-use of the trademarks and the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's policy on impairment assessment of goodwill and trademarks with infinite useful life is more fully described in Note 2 to the consolidated financial statements while their corresponding carrying amounts are presented in Note 15 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the goodwill and trademarks with infinite useful life included, among others, the following:

- Evaluating the reasonableness of assumptions and methodology used in determining the value-in-use of cash-generating units attributable to the trademarks and goodwill, which include the discount rate and the cash flow projections by comparing them to external and historical data; and, performing sensitivity analysis of the projections and discount rate to determine whether a reasonably possible change in assumptions could cause the carrying amount of cash generating units to exceed the recoverable amount; and,

- Comparing the net present value of excess earnings attributable to the trademarks and cash generating units over which the goodwill was allocated against the carrying amounts of trademarks and goodwill.

(g) Fair Value of Investment Properties

Description of the Matter

The carrying amount of the Group's investment properties, which mainly from its Megaworld business segment, carried at cost less accumulated depreciation as at December 31, 2016 is P62.3 billion. As required by Philippine Accounting Standard 40, *Investment Property*, the Group disclosed in Note 14 to the consolidated financial statements the total fair value of its investment properties amounting to P260.5 billion. Management determined the fair value using the discounted cash flows model using assumptions that are mainly based on market conditions existing at the end of the reporting period, such as the receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements and appropriate discount rate.

The disclosure on fair value of investment properties was significant in our audit as the amount is material to the consolidated financial statements and that the processes of determining the fair value involves significant estimates.

The method and assumptions used in determining the fair value of investment properties is more fully described in Notes 3 and 33 to the consolidated financial statements while the fair value of investment properties as at December 31, 2016 is presented in Note 14.

How the Matter was Addressed in the Audit

We tested the integrity of inputs of the projected cash flows used in the valuation to lease contracts and other supporting documents. We challenged the discount rate used in the valuation by comparing with industry data, taking into consideration comparability and market factors.

(h) Existence and Valuation of Inventories

Description of the Matter

Inventories amounted to P84.9 billion as at December 31, 2016, which mainly from its Megaworld and Emperador business segments. The valuation of inventories is at the lower of cost or net realizable value (NRV).

Real estate inventories principally comprise of land for future development, property development costs, residential and condominium units for sale, and golf and resort shares for sale while consumable inventories mostly comprise of alcoholic beverages. Future realization of inventories is affected by price changes in the costs incurred necessary to complete and make a sale. Due to the significant volume and carrying amount of inventories, and the high level of judgment in estimating its NRV, we considered the existence and valuation of inventories as significant to our audit.

The Group's disclosures on accounting policy, estimation uncertainty, and Inventories account are presented in Notes 2, 3, and 8, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the existence and valuation of inventories included, among others, the following:

On existence of inventories:

- Performing, on a sample basis, physical inspection of real estate properties held as inventories;
- Observing physical inventory count procedures on consumer goods and obtaining relevant cut-off information and copy of count control documents;
- Performing a physical count test on consumer goods, on a sample basis, during the physical inventory count procedures and other test count dates, and verifying the inventory movements during the intervening periods between the actual count and reporting dates to further test the quantities of inventory items as of the reporting date; and,
- Performing substantive analytical review procedures over inventory-related ratios such as, but not limited to, inventory turnover and current period's components of inventories; and, verifying that the underlying data used in the analyses are valid.

On valuation of inventories:

- Updating our understanding of the method of inventory costing and accounting policy on the lower of cost or NRV;

- Performing a price test, on a sample basis, of inventory items by examining supporting documents such as, but not limited to, construction contracts for real estate inventories, purchase contracts and invoices, and relevant importation documents;

- Performing detailed analysis of the Group's standard costing of inventories through analytical review procedures of actual costs during the current period against the budgeted standard, and testing significant actual costs, on a sample basis, by agreeing with contracts and invoices;

- Determining whether the application of the lower of cost or NRV is appropriate and consistent with prior periods; and,

- Evaluating the sufficiency and appropriateness of the amount of allowance for inventory write-down by testing the key assumptions used on the expected realization of inventories.

(i) Taxation of Gaming Revenues

Description of the Matter

The Group, through its Travellers business segment, is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with the Philippine Amusement and Gaming Corporation (PAGCOR). The Bureau of Internal Revenue (BIR), however, issued Revenue Memorandum Circular (RMC) 33-2013 in April 2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended. In August 2016, the Philippine Supreme Court (SC), in *Bloomberry Resorts and Hotels, Inc. vs. BIR* (the SC Decision), confirmed that "all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos." The SC Decision has been affirmed with finality by the SC in a Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. In our view, the taxation on gaming revenues is significant to our audit as it triggered uncertainty in current and previous years as a result of RMC 33-2013 and prior to the SC Decision in 2016.

The Group's disclosures on the taxation of gaming revenues are included in Notes 2, 28 and 30 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

- Testing the Group's compliance on the PAGCOR license fees during the current and previous years;

- Reading and corroborating the relevant SC Decision dated August 10, 2016 and SC Resolution dated November 28, 2016, as assisted by our own legal specialists; and,

- Evaluating the sufficiency and adequacy of disclosures in the Group's consolidated financial statements in accordance with PFRS.

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 17-A, which we obtained prior to the date of the auditors' report, and the Group's SEC Form 20-IS (Definitive Information Statement) and Annual Report, which are expected to be made available to us after that date, for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Mailene Sigue-Bisnar.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 5908624, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 15, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-20-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 29, 2017

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2016	2015
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 48,672,938,017**	P 68,593,959,027
Trade and other receivables - net	6	**57,600,956,140**	48,974,257,881
Financial assets at fair value through profit or loss	7	**10,465,266,604**	8,071,599,462
Inventories - net	8	**84,928,119,642**	78,630,596,803
Property development costs	2	**20,105,196,663**	14,858,143,294
Available-for-sale financial assets - net	11	**66,501,898**	-
Other current assets	9	**8,235,312,421**	6,591,193,029
Total Current Assets		**230,074,291,385**	225,719,749,496
NON-CURRENT ASSETS			
Trade and other receivables - net	6	**35,678,314,324**	32,815,736,822
Advances to landowners and joint ventures	10.1	**4,859,000,177**	4,593,436,457
Available-for-sale financial assets - net	11	**606,613,388**	2,188,729,177
Land for future development	2	**22,079,341,640**	18,115,516,349
Investments in and advances to associates and other related parties	12	**9,224,586,430**	10,668,198,034
Property, plant and equipment - net	13	**82,993,671,075**	66,274,228,540
Investment property - net	14	**62,306,769,151**	48,170,946,188
Intangible assets - net	15	**37,524,214,229**	29,562,197,769
Deferred tax assets	28	**980,756,248**	751,558,125
Other non-current assets	9	**4,969,404,868**	9,864,457,430
Total Non-current Assets		**261,222,671,530**	223,005,004,891
TOTAL ASSETS		**P 491,296,962,915**	P 448,724,754,387

	Notes	2016	2015
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	16	**P 38,967,103,207**	P 38,899,002,354
Interest-bearing loans	17	**21,095,657,317**	28,704,613,782
Income tax payable		**1,122,497,897**	629,965,773
Bonds payable	18	**39,734,990,308**	-
Other current liabilities	20	**22,151,381,020**	21,499,813,670
Total Current Liabilities		**123,071,629,749**	89,733,395,579
NON-CURRENT LIABILITIES			
Interest-bearing loans	17	**55,500,216,708**	29,071,029,819
Bonds payable	18	**22,330,589,969**	54,719,727,451
Advances from related parties	29	**1,741,255,704**	1,491,160,829
Retirement benefit obligation	27	**2,604,306,467**	1,866,100,741
Redeemable preferred shares	19	**2,013,695,292**	1,929,355,258
Deferred tax liabilities - net	28	**11,454,686,710**	11,587,737,168
Other non-current liabilities	20	**26,476,910,868**	27,138,053,551
Total Non-current Liabilities		**122,121,661,718**	127,803,164,817
Total Liabilities		**245,193,291,467**	217,536,560,396
EQUITY			
Equity attributable to owners of the parent company	21	**147,140,151,266**	137,056,497,134
Non-controlling interest		**98,963,520,182**	94,131,696,857
Total Equity		**246,103,671,448**	231,188,193,991
TOTAL LIABILITIES AND EQUITY		**P 491,296,962,915**	P 448,724,754,387

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
REVENUES				
Sale of goods	23	P 74,739,178,749	P 77,191,938,805	P 62,035,977,237
Rendering of services	23	62,172,432,145	58,481,511,173	58,558,856,300
Share in net profits of associates and joint ventures - net	12	355,605,317	268,621,860	122,737,983
Finance and other income	26	2,473,666,563	3,155,787,700	4,687,588,254
		139,740,882,774	139,097,859,538	125,405,159,774
COSTS AND EXPENSES				
Cost of goods sold	24	46,019,543,082	50,442,851,655	40,130,669,400
Cost of services	24	30,870,331,895	30,163,499,053	28,094,670,463
Other operating expenses	25	27,218,660,549	25,712,056,719	26,087,776,019
Finance costs and other charges	26	6,932,664,573	5,852,497,011	4,455,909,712
		111,041,200,099	112,170,904,438	98,769,025,594
PROFIT BEFORE TAX		28,699,682,675	26,926,955,100	26,636,134,180
TAX EXPENSE	28	5,880,979,710	5,240,654,206	5,526,445,051
NET PROFIT		22,818,702,965	21,686,300,894	21,109,689,129
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains (losses) on remeasurement of retirement benefit obligation	27	(807,696,890)	887,318,413	(414,155,236)
Share in other comprehensive income (loss) of associates and joint ventures	12	(27,975,475)	38,744,144	-
Deferred tax income (expense) relating to components of other comprehensive income	28	130,194,376	(206,483,118)	86,813,531
		(705,477,989)	719,579,439	(327,341,705)
Items that will be reclassified subsequently to profit or loss				
Translation adjustments	2	(2,602,327,527)	(773,889,829)	(819,063,669)
Net unrealized fair value gains (losses) on available-for-sale financial assets	11	1,094,114	(1,116,201,288)	620,309,706
Decrease in revaluation reserves due to available-for-sale financial assets sold by subsidiaries		-	-	(214,810,937)
Deferred tax income (expense) relating to components of other comprehensive income	28	(13,068,552)	(20,960,996)	30,684,518
		(2,614,301,965)	(1,911,052,113)	(382,880,382)
TOTAL COMPREHENSIVE INCOME		P 19,498,923,011	P 20,494,828,220	P 20,399,467,042
Net profit attributable to:				
Owners of the parent company		P 14,801,009,539	P 13,964,765,317	P 13,246,243,353
Non-controlling interest		8,017,693,426	7,721,535,577	7,863,445,776
		P 22,818,702,965	P 21,686,300,894	P 21,109,689,129
Total comprehensive income attributable to:				
Owners of the parent company		P 13,239,431,722	P 13,581,880,917	P 13,581,880,917
Non-controlling interest		6,259,491,289	6,912,947,303	6,912,947,303
		P 19,498,923,011	P 20,494,828,220	P 20,494,828,220
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company:	22			
Basic		P 1.4587	P 1.3763	P 1.3065
Diluted		P 1.4437	P 1.3715	P 1.2999

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

		Attributable to Owners of the Parent Company												
										Retained Earnings				
	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares – at cost	Net Actuarial Losses on Retirement Benefit Plan	Net Fair Value Gains (Losses) on Available-for-Sale Financial Assets	Accumulated Translation Adjustments	Dilution Gain	Share Options	Appropriated	Unappropriated	Total	Noncontrolling Interest	Total Equity
Balance at January 1, 2016		P 10,269,827,979	P 34,395,380,979	(P 936,157,074)	(P 71,269,938)	(P 690,503,745)	(P 2,370,232,891)	P 19,980,402,684	P 727,492,290	P 1,990,590,660	P 73,760,966,190	P 137,056,497,134	P 94,131,696,857	P 231,188,193,991
Transactions with owners:														
Share-based compensation	21, 27	-	-	-	-	-	-	-	88,261,583	-	-	88,261,583	48,020,050	136,281,633
Reclassification adjustment					(11,091,008)	1,100,000			(71,077,821)		(113,265,968)	(194,334,797)	194,334,797	-
Change in percentage ownership		-	-	-	-	-	-	-	-	-	95,823,396	95,823,396	(112,820,053)	(16,996,657)
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	143,598,107	143,598,107
Dividend from investee		-	-	-	-	-	-	-	-	-	-	-	(1,700,800,865)	(1,700,800,865)
Cash dividends declared	21	-	-	-	-	-	-	-	-	-	(3,145,527,772)	(3,145,527,772)	-	(3,145,527,772)
		-	-	-	(11,091,008)	1,100,000	-	-	17,183,762	-	(3,162,970,344)	(3,155,777,590)	(1,427,667,964)	(4,583,445,554)
Appropriation of retained earnings	21	-	-	-	-	-	-	-	-	2,084,587,400	(2,084,587,400)	-	-	-
Reversal of appropriation	21	-	-	-	-	-	-	-	-	(1,542,340,660)	1,542,340,660	-	-	-
Total comprehensive income		-	-	-	(503,068,166)	1,167,147,883	(2,225,657,534)	-	-	-	14,801,009,539	13,239,431,722	6,259,491,289	19,498,923,011
Balance at December 31, 2016		**P 10,269,827,979**	**P 34,395,380,979**	**(P 936,157,074)**	**(P 585,429,112)**	**P 477,744,138**	**(P 4,595,890,425)**	**P 19,980,402,684**	**P 744,676,052**	**P 2,532,837,400**	**P 84,856,758,645**	**P 147,140,151,266**	**P 98,963,520,182**	**P 246,103,671,448**
Balance at January 1, 2015		P 10,269,827,979	P 34,395,380,979	(P 936,157,074)	(P 551,140,907)	(P 505,662,807)	(P 1,692,318,460)	P 19,980,402,684	P 577,813,280	P 1,225,000,000	P 63,707,319,305	P 126,470,464,979	P 91,012,950,893	P 217,483,415,872
Transactions with owners:														
Issuances during the year		-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation	21, 27	-	-	-	-	-	-	-	149,679,010	-	-	149,679,010	150,322,881	300,001,891
Change in percentage ownership		-	-	-	-	-	-	-	-	-	-	-	(2,291,217,054)	(2,291,217,054)
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	254,687,970	254,687,970
Dividend from investee		-	-	-	-	-	-	-	-	-	-	-	(1,907,995,136)	(1,907,995,136)
Cash dividends declared	21	-	-	-	-	-	-	-	-	-	(3,145,527,772)	(3,145,527,772)	-	(3,145,527,772)
		-	-	-	-	-	-	-	149,679,010	-	(3,145,527,772)	(2,995,848,762)	(3,794,201,339)	(6,790,050,101)
Appropriation of retained earnings	21	-	-	-	-	-	-	-	-	1,990,590,660	(1,990,590,660)	-	-	-
Reversal of appropriation	21	-	-	-	-	-	-	-	-	(1,225,000,000)	1,225,000,000	-	-	-
Total comprehensive income		-	-	-	479,870,969	(184,840,938)	(677,914,431)	-	-	-	13,964,765,317	13,581,880,917	6,912,947,303	20,494,828,220
Balance at December 31, 2015		P 10,269,827,979	P 34,395,380,979	(P 936,157,074)	(P 71,269,938)	(P 690,503,745)	(P 2,370,232,891)	P 19,980,402,684	P 727,492,290	P 1,990,590,660	P 73,760,966,190	P 137,056,497,134	P 94,131,696,857	P 231,188,193,991
Balance at January 1, 2014		P 10,269,827,979	P 33,611,840,432	(P 955,217,410)	(P 227,805,621)	(P 911,161,576)	(P 903,939,309)	P 10,974,217,660	P 264,469,448	P 2,145,000,000	P 53,400,459,760	P 107,667,691,363	P 82,553,954,269	P 190,221,645,632
Transactions with owners:														
Issuances during the year		-	783,540,547	139,708,955	-	-	-	-	-	-	-	923,249,502	-	923,249,502
Share-based compensation	21, 27	-	-	-	-	-	-	-	313,343,832	-	-	313,343,832	-	313,343,832
Change in percentage ownership		-	-	-	-	-	-	8,997,252,151	-	-	(3,575,572)	8,993,676,579	2,074,643,166	11,068,319,745
Acquisition of a subsidiary		-	-	(120,648,619)	4,006,419	-	-	8,932,873	-	-	-	(107,709,327)	-	(107,709,327)
Dividend from investee		-	-	-	-	-	-	-	-	-	-	-	(1,479,092,318)	(1,479,092,318)
Cash dividends declared	21	-	-	-	-	-	-	-	-	-	(3,855,808,236)	(3,855,808,236)	-	(3,855,808,236)
		-	783,540,547	19,060,336	4,006,419	-	-	9,006,185,024	313,343,832	-	(3,859,383,808)	6,266,752,350	595,550,848	6,862,303,198
Appropriation of retained earnings	21	-	-	-	-	-	-	-	-	1,225,000,000	(1,225,000,000)	-	-	-
Reversal of appropriation	21	-	-	-	-	-	-	-	-	(2,145,000,000)	2,145,000,000	-	-	-
Total comprehensive income		-	-	-	(327,341,705)	405,498,769	(788,379,151)	-	-	-	13,246,243,353	12,536,021,266	7,863,445,776	20,399,467,042
Balance at December 31, 2014		P 10,269,827,979	P 34,395,380,979	(P 936,157,074)	(P 551,140,907)	(P 505,662,807)	(P 1,692,318,460)	P 19,980,402,684	P 577,813,280	P 1,225,000,000	P 63,707,319,305	P 126,470,464,979	P 91,012,950,893	P 217,483,415,872

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 28,699,682,675	P 26,926,955,100	P 26,636,134,180
Adjustments for:				
Depreciation and amortization	24, 25	5,100,711,730	4,486,155,305	4,293,318,046
Interest expense	26	4,856,184,716	4,030,183,353	4,281,446,845
Unrealized foreign currency losses (gains) - net		1,833,760,579	1,671,668,080	(29,509,849)
Interest income	26	(1,818,829,674)	(2,477,581,190)	(2,589,097,758)
Share in net profits of associates and joint ventures	12	(355,605,317)	(268,621,860)	(122,737,983)
Impairment and other losses	6, 8, 25	166,497,656	51,187,163	287,425,470
Fair value gains	26	(159,134,466)	(257,633,748)	(8,363,512)
Stock option benefit expense	27	136,281,633	300,444,171	313,343,832
Gain on sale of investments in an associate	26	(82,459,513)	(181,347,731)	-
Income from acquisition and deconsolidation of subsidiaries	26	(53,333,760)	(3,758,167)	(524,766,704)
Loss (gain) on disposal of property, plant and equipment, investment property and intangible assets	26	35,820,601	(1,779,421)	(69,298,776)
Unrealized loss on interest rate swap	26	31,769,386	30,186,511	36,405,850
Loss (gain) on sale of investment in available-for-sale financial assets	26	(11,942,807)	34,615,950	(41,859,502)
Dividend income	26	(6,312,863)	(15,376,038)	(20,278,117)
Gain on reversal of liabilities	26	-	(6,000,000)	(121,428,571)
Gain on reversal of impairment losses	13	-	(1,877,430)	-
Reversal of preacquisition loss	26	-	(291,847)	(9,150,638)
Operating profit before working capital changes		38,373,090,576	34,317,128,201	32,311,582,813
Increase in trade and other receivables		(10,815,452,815)	(12,471,473,657)	(13,545,274,090)
Decrease (increase) in financial assets at fair value through profit or loss		1,381,247,869	(2,874,686,770)	2,976,051,218
Increase in inventories		(6,646,895,698)	(5,010,665,696)	(13,207,753,710)
Increase in property development costs		(5,200,693,240)	(2,467,537,709)	(1,950,203,880)
Increase in other current assets		(2,954,106,410)	(1,614,508,215)	(1,721,938,963)
Increase (decrease) in trade and other payables		(574,864,877)	1,346,538,032	10,623,483,673
Increase (decrease) in other current liabilities		599,129,197	(1,060,888,298)	1,114,963,317
Increase in retirement benefit obligation		34,207,167	16,743,203	205,550,332
Increase (decrease) in other non-current liabilities		(321,679,183)	3,347,111,659	8,598,925,379
Cash generated from operations		13,873,982,586	13,527,760,750	25,405,386,089
Cash paid for taxes		(4,455,061,359)	(4,210,292,049)	(4,283,611,063)
Net Cash From Operating Activities		9,418,921,227	9,317,468,701	21,121,775,026
Balance carried forward		P 9,418,921,227	P 9,317,468,701	P 21,121,775,026

	Notes	2016	2015	2014
Balance brought forward		P 9,418,921,227	P 9,317,468,701	P 21,121,775,026
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	13	(15,258,990,246)	(13,362,202,290)	(9,891,036,964)
Investment property	14	(12,979,191,612)	(12,896,131,534)	(8,727,663,262)
Subsidiaries, associates and a business unit	12	(12,208,064,237)	(956,432,437)	(25,804,429,496)
Land for future development		(1,687,208,045)	(4,358,367,202)	(4,097,181,884)
Available-for-sale financial assets	11	(161,284,871)	(536,169,158)	(1,687,722,424)
Intangible assets	15	-	(125,000)	(1,158,446,571)
Proceeds from:				
Sale of available-for-sale financial assets		1,689,935,683	3,240,197,938	1,553,703,097
Collections of advances from associates and other related parties	12	386,790,457	193,297	1,258,582,989
Sale of investment in associates	12	343,867,951	422,256,169	5,000,000
Disposal of property, plant and equipment		76,795,977	205,139,013	937,649,618
Disposal of investment property		766,776	33,846,200	455,094,610
Disposal of intangible assets		-	-	1,219,545
Decrease (increase) in other non-current assets		2,025,977,244	(4,675,923,285)	(2,908,143,881)
Interest received		1,578,065,218	2,190,794,144	2,460,586,253
Collections (advances) to landowners, joint ventures and other related parties		(265,563,720)	230,269,524	-
Additional advances granted to (collected from) associates		(35,162,769)	(1,557,034,759)	(996,006,650)
Cash dividends received		99,704,157	15,376,038	20,278,117
Net Cash Used in Investing Activities		(36,393,562,037)	(32,004,313,342)	(48,578,516,903)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Interest-bearing loans and bonds		46,474,698,987	50,622,198,717	26,897,068,225
Issuance of shares of subsidiaries		-	13,737,924	-
Issuance of equity-linked debt securities		-	-	5,253,600,000
Sale of treasury shares		-	-	802,600,883
Payment of interest-bearing loans		(27,657,660,328)	(32,852,765,742)	(9,632,098,450)
Interest paid		(6,504,307,008)	(5,230,421,625)	(4,409,911,861)
Dividends paid	21	(4,846,328,637)	(5,053,522,908)	(3,855,808,236)
Advances granted and paid to related parties	29	(1,405,950,723)	(420,471,559)	(2,362,902,237)
Advances collected and received from related parties	29	1,330,728,915	2,404,220,900	1,617,259,882
Payments of derivative liabilities	20	(339,463,500)	(324,351,375)	(318,270,188)
Net Cash From Financing Activities		7,051,717,706	9,158,624,332	13,991,538,018
NET DECREASE IN CASH AND CASH EQUIVALENTS		(19,922,923,104)	(13,528,220,309)	(13,465,203,859)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		68,593,959,027	82,058,836,647	94,977,525,445
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF NEW SUBSIDIARIES		1,902,094	63,342,689	387,730,871
PREACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		-	-	158,784,190
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 48,672,938,017	P 68,593,959,027	P 82,058,836,647

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash activities which are not reflected in the cash flows, including the following: (a) exchanges or purchases or sale on account of real estate and other assets that remain unpaid at end of year; (b) reclassifications or transfers of property as it goes through its various stages of development, such as incurred costs from Land for Future Development to Property Development Costs or to Investment Property or to Inventoris; (c) borrowing costs capitalized under Property Development Costs or Construction in Progress; (d) prior year's deposits applied during the year.

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General Information

Alliance Global Group, Inc. (the Company, Parent Company, or AGI) was registered with the Philippine Securities and Exchange Commission (SEC) on October 12, 1993 and began operations in 1994 as a glass-container manufacturer. On March 12, 1999, it obtained approval from the SEC to broaden its primary business into that of a holding company. Given a wider scope of business, AGI immediately diversified its investment holdings and on April 19, 1999, AGI listed its shares in the Philippine Stock Exchange (PSE). Currently, the Company and its subsidiaries, associates and joint ventures (collectively referred to as the Group) operate businesses in real estate development, tourism-entertainment and gaming, food and beverage, and quick–service restaurant under the following entities (see Notes 4 and 12):

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2016	2015	2014
Subsidiaries					
Megaworld and subsidiaries					
Megaworld Corporation	Megaworld	(a)	**67%**	67%	67%
Megaworld Resort Estates, Inc.		(b)	**83%**	83%	83%
Sonoma Premiere Land, Inc.		(c)	**73%**	73%	73%
Megaworld Land, Inc.			**67%**	67%	67%
Prestige Hotels and Resorts, Inc.			**67%**	67%	67%
Mactan Oceanview Properties and Holdings, Inc.			**67%**	67%	67%
Megaworld Cayman Islands, Inc.		(d)	**67%**	67%	67%
Richmonde Hotel Group International Ltd.	RHGI	(e)	**67%**	67%	67%
Eastwood Cyber One Corporation	ECOC		**67%**	67%	67%
Megaworld Cebu Properties, Inc.			**67%**	67%	67%
Megaworld Newport Property Holdings, Inc.			**67%**	67%	67%
Oceantown Properties, Inc.			**67%**	67%	67%
Piedmont Property Ventures, Inc.			**67%**	67%	67%
Stonehaven Land, Inc.			**67%**	67%	67%
Streamwood Property, Inc.			**67%**	67%	67%
Suntrust Properties, Inc.	SPI		**67%**	67%	67%
Luxury Global Hotels and Leisures, Inc.			**67%**	67%	67%
Suntrust Ecotown Developers, Inc.	SEDI		**67%**	67%	67%
Arcovia Properties, Inc.	API		67%	67%	67%
Citywalk Building Administration, Inc.			**67%**	67%	67%
Forbestown Commercial Center Administration, Inc.			**67%**	67%	67%
Paseo Center Building Administration, Inc.			**67%**	67%	67%
Uptown Commercial Center Administration, Inc.			**67%**	67%	67%
Global One Integrated Business Services, Inc.			**67%**	67%	67%
Luxury Global Malls, Inc.			**67%**	67%	67%
Davao Park District Holdings Inc.	DPDHI		**67%**	67%	67%
Governor's Hills Science School, Inc.			**67%**	67%	67%
Sunrays Properties Management, Inc.			**67%**	67%	67%
Suntrust One Shanata, Inc.			**67%**	67%	67%
Suntrust Two Shanata, Inc.			**67%**	67%	67%
Belmont Newport Luxury Hotels, Inc.		(f)	**67%**	67%	-
Global One Hotel Group, Inc.		(f)	**67%**	67%	-
Ilo-ilo Center Mall Administration, Inc.		(f)	**67%**	67%	-

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2016	2015	2014
Subsidiaries					
Megaworld and subsidiaries					
Newtown Commercial Center Administration, Inc.		(f)	**67%**	67%	-
Valley Peaks Property Management, Inc.		(f)	**67%**	67%	-
Landmark Seaside Properties, Inc.	LSPI	(g)	**67%**	-	-
San Vicente Coast, Inc.	SVCI	(h)	**67%**	-	-
Megaworld Bacolod Properties, Inc.	MBPI	(i)	**62%**	62%	-
Southwoods Mall Inc.	SMI	(j)	**61%**	61%	54%
Megaworld Global-Estate, Inc.		(k)	**60%**	60%	59%
Manila Bayshore Property Holdings, Inc.	MBPHI	(l)	**57%**	57%	57%
Twin Lakes Corp.	TLC		**56%**	56%	45%
Empire East Land Holdings, Inc.	EELHI		**55%**	55%	55%
Valle Verde Properties, Inc.			**55%**	55%	55%
Empire East Communities, Inc.			**55%**	55%	55%
Sherman Oak Holdings, Inc.			**55%**	55%	55%
Eastwood Property Holdings, Inc.			**55%**	55%	55%
20th Century Nylon Shirt, Inc.		(i)	**55%**	55%	-
Global-Estate Resorts, Inc.	GERI	(m)	**55%**	55%	54%
Fil-Estate Properties, Inc.	FEPI		**55%**	55%	54%
Aklan Holdings Inc.			**55%**	55%	54%
Blu Sky Airways, Inc.			**55%**	55%	54%
Fil-Estate Subic Development Corp.			**55%**	55%	54%
Fil-Power Construction Equipment Leasing Corp.			**55%**	55%	54%
Golden Sun Airways, Inc.			**55%**	55%	54%
La Compaña De Sta. Barbara, Inc.			**55%**	55%	54%
MCX Corporation			**55%**	55%	54%
Pioneer L-5 Realty Corp.			**55%**	55%	54%
Prime Airways, Inc.			**55%**	55%	54%
Sto. Domingo Place Development Corp.			**55%**	55%	54%
Fil-Power Concrete Blocks Corp.			**55%**	55%	54%
Fil-Estate Golf and Development, Inc			**55%**	55%	54%
Golforce, Inc.			**55%**	55%	54%
Fil-Estate Urban Development Corp.			**55%**	55%	54%
Novo Sierra Holdings Corp.			**55%**	55%	54%
Global Homes and Communities, Inc.			**55%**	55%	54%
Megaworld Central Properties, Inc.			**51%**	51%	51%
Townsquare Development, Inc.			**50%**	50%	50%
Golden Panda-ATI Realty Corporation			**50%**	50%	50%
Soho Cafe and Restaurant Group, Inc.	SCRGI	(g)	**50%**	-	-
La Fuerza, Inc.	LFI		**45%**	45%	45%
Fil-Estate Industrial Park, Inc.			**44%**	44%	43%
Megaworld-Daewoo Corporation	MDC		**40%**	40%	40%
Laguna Bel-Air School, Inc.			**40%**	40%	40%
Gilmore Property Marketing Associates Inc.	GPMAI		**35%**	35%	35%
Megaworld Globus Asia, Inc.			**34%**	34%	34%
Philippine International Properties, Inc.			**34%**	34%	34%
Maple Grove Land, Inc.	MGLI	(h)	**34%**	-	-
Southwoods Ecocentrum Corp.		(n)	**33%**	31%	30%
Philippine Aquatic Leisure Corp.		(n)	**33%**	31%	30%
Sherwood Hills Development Inc.			**30%**	30%	30%
Oceanfront Properties, Inc.	OFPI		**28%**	28%	27%
Lucky Chinatown Cinemas, Inc.	LCCI	(o)	**-**	67%	67%
McKinley Cinemas, Inc.	MCI	(o)	**-**	67%	-
Uptown Cinemas, Inc.	UCI	(o)	**-**	67%	-
Eastwood Cinema 2000, Inc.	EC2000	(o)	**-**	37%	37%
Emperador and subsidiaries					
Emperador Inc.	EMP or Emperador	(p)	**82%**	82%	81%
Emperador Distillers, Inc.	EDI		**82%**	82%	81%
Emperador International Ltd.	EIL	(e)	**82%**	82%	81%
The Bar Beverage, Inc.			**82%**	82%	81%
Grupo Emperador Spain, S.A.	GES	(q)	**82%**	82%	81%
Bodega San Bruno, SL	BSB	(q)	**82%**	82%	81%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2016	2015	2014
Subsidiaries					
Emperador and subsidiaries					
Bodegas Fundador SLU	BFS	(q)	**82%**	82%	-
Emperador Gestion S.L.	Gestion	(q)	**82%**	**-**	**-**
Complejo Bodeguero San Patricio SL	Complejo	(q)	**82%**	-	-
Emperador Europe SARL	EES	(q)	**82%**	82%	81%
Emperador Asia Pte Ltd.	EA	(q)	**82%**	82%	81%
Emperador Holdings (GB) Limited.	EGB	(q)	**82%**	82%	81%
Emperador UK Limited	EUK	(q)	**82%**	82%	81%
Whyte and Mackay Group Limited	WMG	(q)	**82%**	82%	81%
Whyte and Mackay Limited	WML	(q)	**82%**	82%	81%
Whyte and Mackay Warehousing Ltd.	WMWL	(q)	**82%**	82%	81%
Cocos Vodka Distillers Philippines, Inc.		(f)	**82%**	82%	-
Tradewind Estates, Inc.	TEI	(r)	**82%**	100%	100%
Alcazar de Bana Holdings Company, Inc.	Alcazar	(h)	**82%**	-	-
ProGreen AgriCorp, Inc.		(g)	**82%**	-	-
Anglo Watsons Glass, Inc.	AWGI		**64%**	64%	81%
GADC and subsidiaries					
Golden Arches Development Corporation	GADC		**49%**	49%	49%
Golden Arches Realty Corporation			**49%**	49%	49%
Clark Mac Enterprises, Inc.			**49%**	49%	49%
Advance Food Concepts Manufacturing, Inc.	AFCMI		**49%**	49%	46%
Golden Laoag Foods Corporation			**38%**	38%	38%
Davao City Food Industries, Inc.			**37%**	37%	37%
Red Asian Food Solutions			**37%**	37%	37%
First Golden Laoag Ventures			**34%**	34%	34%
Retiro Golden Foods, Inc.			**34%**	34%	34%
McDonald's Anonas City Center			**34%**	34%	34%
McDonald's Puregold Taguig			**29%**	29%	29%
Golden City Food Industries, Inc.	GCFII		**29%**	29%	29%
McDonald's Bonifacio Global City			**27%**	27%	27%
Molino First Golden Foods, Inc.	MFGFI		**26%**	26%	26%
GY Alliance Concepts, Inc.	GYACI		**19%**	19%	19%
Onzal Development Corp.	ODC	(s)	**-**	49%	-
Travellers and subsidiaries					
Travellers International Hotel Group, Inc.	Travellers	(t)	**47%**	47%	47%
APEC Assets Limited	APEC		**47%**	47%	47%
Bright Leisure Management, Inc.			**47%**	47%	47%
Deluxe Hotels and Recreation, Inc.			**47%**	47%	47%
Entertainment City Integrated Resorts & Leisure, Inc.			**47%**	47%	47%
Grand Integrated Hotels and Recreation, Inc.			**47%**	47%	47%
Grandservices, Inc.			**47%**	47%	47%
Grandventure Management Services, Inc.			**47%**	47%	47%
Lucky Star Hotels and Recreation, Inc.			**47%**	47%	47%
Majestic Sunrise Leisure & Recreation, Inc.			**47%**	47%	47%
Net Deals, Inc.			**47%**	47%	47%
Newport Star Lifestyle, Inc.			**47%**	47%	47%
Royal Bayshore Hotels & Amusement, Inc.			**47%**	47%	47%
FHTC Entertainment & Production, Inc.	FHTC		**47%**	47%	47%
Bright Pelican Leisure and Production, Inc.			**47%**	47%	47%
Golden Peak Leisure and Recreation, Inc.			**47%**	47%	47%
Westside City Resorts World, Inc.	WCRWI	(u)	**47%**	47%	47%
Purple Flamingos Amusement and Leisure Corporation			**47%**	47%	47%
Red Falcon Amusement and Leisure Corporation			**47%**	47%	47%
Agile Fox Amusement and Leisure Corporation		(f)	**47%**	47%	-
Aquamarine Delphinium Leisure and Recreation, Inc.		(f)	**47%**	47%	-

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2016	2015	2014
Subsidiaries					
Travellers and subsidiaries					
Brilliant Apex Hotels and Leisure Corporation		(f)	**47%**	47%	-
Coral Primrose Leisure and Recreation Corporation		(f)	**47%**	47%	-
Lucky Panther Amusement and Leisure Corporation		(f)	**47%**	47%	-
Luminescent Vertex Hotels and Leisure Corporation		(f)	**47%**	47%	-
Magenta Centaurus Amusement and Leisure Corporation		(f)	**47%**	47%	-
Sapphire Carnation Leisure and Recreation Corporation		(f)	**47%**	47%	-
Scarlet Milky Way Amusement and Leisure Corporation		(f)	**47%**	47%	-
Sparkling Summit Hotels and Leisure Corporation		(f)	**47%**	47%	-
Valiant Leopard Amusement and Leisure Corporation		(f)	**47%**	47%	-
Vermillion Triangulum Amusement and Leisure Corporation		(f)	**47%**	47%	-
Westside Theatre Inc.		(f)	**47%**	47%	-
Corporate and Others					
New Town Land Partners, Inc.	NTLPI		**100%**	100%	100%
Great American Foods, Inc.		(v)	**100%**	100%	100%
McKester America, Inc.		(v)	**100%**	100%	100%
Alliance Global Brands, Inc.			**100%**	100%	100%
McKester Pik-nik International Limited	MPIL	(e)	**100%**	100%	100%
Venezia Universal Ltd.		(e)	**100%**	100%	100%
Travellers Group Ltd.		(e)	**100%**	100%	100%
Alliance Global Group Cayman Islands, Inc.	AG Cayman	(d)	**100%**	100%	100%
Greenspring Investment Holdings Properties Ltd.	Greenspring	(e)	**100%**	100%	100%
Shiok Success International, Ltd.		(e)	**100%**	100%	100%
Dew Dreams International, Ltd.		(e)	**100%**	100%	100%
First Centro, Inc.	FCI		**100%**	100%	100%
Oceanic Realty Group International, Inc.			**100%**	100%	100%
ERA Real Estate Exchange, Inc.			**100%**	100%	100%
Global One Real Estate Spain, SAU	GORES	(w)	**-**	100%	100%
Adams Properties, Inc.	Adams		**60%**	60%	60%
Associates					
First Premiere Arches Restaurant Inc.	FPARI	(x), 12.6	**49%**	-	-
Bonifacio West Development Corporation	BWDC		**31%**	31%	31%
Suntrust Home Developers, Inc.	SHDI	12.3	**29%**	29%	29%
First Oceanic Property Management, Inc.		(y)	**29%**	29%	29%
Citylink Coach Services, Inc.		(y)	**29%**	29%	29%
Palm Tree Holdings and Development Corporation	PTHDC		**27%**	27%	27%
Boracay Newcoast Hotel Group, Inc.	BNHGI	(z), 12.4	**17%**	25%	32%
Fil-Estate Network, Inc.	FENI		**11%**	11%	11%
Fil-Estate Sales, Inc.	FESI		**11%**	11%	11%
Fil-Estate Realty and Sales Associates, Inc.	FERSAI		**11%**	11%	11%
Fil-Estate Realty Corp.	FERC		**11%**	11%	11%
Pacific Coast Mega City, Inc.	PCMCI	12.2	**11%**	11%	-
Nasugbu Properties, Inc.	NPI		**8%**	8%	8%
Joint Ventures					
Front Row Theatre Management, Inc.	FRTMI	(aa), 12.5	**50%**	50%	-
Bodegas Las Copas, SL	BLC	(bb)	**41%**	41%	41%

Explanatory notes:

(a) AGI's effective ownership interest is derived from its 44% direct ownership and 3% direct holdings of FCI, 18% direct holdings of NTLPI and 2% holdings of other subsidiaries.

(b) AGI and Megaworld directly owns 49% and 51%, respectively.
(c) A subsidiary through 60% and 40% direct ownership of EELHI and FCI, respectively.
(d) Foreign subsidiaries operating under the laws of the Cayman Islands.
(e) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands (BVI).
(f) Incorporated subsidiaries in 2015.
(g) Newly acquired subsidiaries in 2016.
(h) Newly incorporated subsidiaries in 2016.
(i) Acquired subsidiaries in 2015.
(j) Effective ownership over SMI increased in 2015 due to additional subscriptions made by Megaworld.
(k) A subsidiary of through 60% and 40% direct ownership of GERI and Megaworld, respectively
(l) A subsidiary of through 50/50 ownership of Travellers and Megaworld.
(m) AGI's effective ownership interest represents its indirect holdings through Megaworld, which owns 82% of GERI as at December 31, 2016 and 2015. Megaworld owns 80% of GERI as at December 31, 2014.
(n) As a result of additional investments from GERI in 2016 and 2015, indirect ownership interest over these subsidiaries increased in proportion to the increase in effective interest over GERI.
(o) In 2016, Megaworld disposed its ownership interest over LCCI, MCI, UCI and EC2000. No gain or loss was recognized from the disposal.
(p) In 2015, the Company made additional investment in EMP increasing its effective ownership to 82%.
(q) Subsidiaries under EIL. EA is operating under the laws of Singapore while GES and its subsidiaries, BSB and BFS, are operating under the laws of Spain. EES is operating under the laws of Luxembourg. EGB (the ultimate UK parent) is operating under the laws of England and Wales. EUK, WMG, WML and WMWL are operating under the laws of Scotland. EA, EES and EGB are direct subsidiaries of EIL.
(r) In March 2016, AGBI sold its 100% ownership over TEI to EDI, a subsidiary of EMP; hence, the Company's effective interest decreased to 82%.
(s) In December 2016, GADC sold its full ownership interest over ODC to AGI and a third party. The retained interest is now reclassified as available-for-sale (AFS) financial assets.
(t) Travellers' common shares are directly owned 15% by AGI, 3% by FCI, 2% by Megaworld, 46% by Adams, 24% by Genting Hongkong Limited (GHL) and 10% by the public.
(u) AGI's effective ownership is through 1% direct ownership, 45% through 95% ownership of Travellers, and 1% through ownership of other subsidiaries within the Group (i.e., FCI, Megaworld and Adams).
(v) Foreign subsidiaries of MPIL operating under the laws of United States of America.
(w) Foreign subsidiary operating under the laws of Spain. In 2016, the Group disposed its investment in GORES.
(x) In 2016, FCI acquired 49% ownership in FPARI, a domestic corporation engaged in establishing, maintaining, operating and managing, for its own account, or for the account of other entities or individuals, restaurants, bars and general food catering services, specifically McDonald's.
(y) Subsidiaries of SHDI, an associate of Megaworld
(z) In 2016 and 2015, FEPI further sold its 15% ownership interest each year over BNHGI to third parties.
(aa) A joint venture through FHTC.
(bb) A foreign joint venture under GES and operating under the laws of Spain.

The Company, its subsidiaries, associates and joint ventures are incorporated and operating in the Philippines, except for such foreign subsidiaries and joint ventures as identified in the preceding table (see explanatory notes d, e, q, v, w and bb above).

AGI's shares of stock and those of Megaworld, EMP, Travellers, GERI, EELHI and SHDI are listed in and traded through the PSE.

The principal activities of the Group are further described in Note 4.

The Company's registered office and primary place of business is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

1.2 *Business Acquisitions and Disposals*

(a) 2016 Acquisitions

In February 2016, Emperador, through its subsidiary BFS, acquired the Spanish brandy and sherry business (Business Unit) of Beam Suntory Spain, S.L. The goodwill recognized from this acquisition reflects the opportunity to strengthen the Group's position in the global drinks market, and the synergies and economies of scale expected from combined operations.

Also in 2016, Megaworld acquired various business entities primarily to expand its reach in the local market (see Note 1.1).

The details of the recognized amounts of identifiable assets acquired and total consideration paid are as follows:

	Spanish Brandy and Sherry Business	Various Acquisitions by Megaworld
Recognized amounts of assets acquired:		
Tangible assets	P 6,592,734,082	P 1,131,637,070
Intangible assets	6,662,974,698	-
	13,255,708,780	1,131,637,070
Recognized amount of liabilities acquired	-	(25,580,071)
Net assets acquired	13,255,708,780	1,106,056,999
Fair value of consideration transferred:		
Cash	14,718,366,134	5,000,000
Advances to related parties	-	1,100,445,738
	14,718,366,134	1,105,445,738
Goodwill (gain on acquisition)	1,462,657,354	(2,027,645)
Non-controlling interest	-	(675,882)
Preacquisition income loss	-	3,314,788

(b) 2015 Acquisitions

In 2015, Megaworld and GADC acquired various subsidiaries for business expansion. The acquisitions are individually insignificant to the Group.

The aggregate information relating to the total recognized amounts of identifiable assets acquired and total consideration paid is presented in the succeeding page.

Recognized amount of tangible assets acquired	P	3,135,842,532
Recognized amount of liabilities assumed	(	25,168,087)
Net assets acquired		3,110,674,445
Total cash consideration transferred		2,855,308,414
Gain on acquisition		3,758,167
Non-controlling interest		266,556,861
Preacquisition loss	(	291,847)

(c) *2016 Disposals*

In 2016, the Group disposed ownership interests in various entities thereby losing control (see Note 1.1). The carrying amount of net assets of the entities at the date of disposal and the resulting gain on deconsolidation are as follows:

Current assets (excluding cash)	P	9,612,358
Non-current assets		320,099,653
Current liabilities	(	133,614,177)
Non-current liabilities	(	118,647,500)
Total net assets		77,450,334
Total consideration received in cash		199,900,330
Cash and cash equivalents disposed of	(	75,643,883)
Net cash received		124,256,447
Derecognized non-controlling interest	(	4,500,000)
Gain on deconsolidation	P	51,306,113

1.3 Approval of the Consolidated Financial Statements

The Board of Directors (BOD) approved on March 29, 2017 the issuance of the consolidated financial statements of the Group as at and for the year ended December 31, 2016 (including the comparative financial statements as at December 31, 2015 and for the years ended December 31, 2015 and 2014).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated 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 consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). 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.

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 all items of income and expenses in a single consolidated statement of comprehensive 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 a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Company's functional and presentation 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 Company's functional currency (see Note 2.18). Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Basis of Consolidation

The Group's consolidated financial statements comprise the financial statements of the Company and its subsidiaries, as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses, dividends and unrealized profits and losses from intercompany transactions that are recognized in assets are eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

In addition, shares of stock of the Company acquired by any of its subsidiaries are recognized as treasury shares and these are presented as deduction in the consolidated statement of changes in equity at cost (see Note 2.14). Any changes in their market values, as recognized separately by the subsidiaries, are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as addition to or deduction from additional paid-in capital (APIC).

The financial statements of subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting principles. Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

The Group accounts for its investments in subsidiaries and associates, interests in joint arrangements, and transactions with non-controlling interest as follows:

(a) *Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when 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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date the Group obtains control until such time that such control ceases. The Group 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 (see Note 2.10). 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, including 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 recognized amounts of acquiree's identifiable 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 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 2.10).

(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 arrangement. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method of accounting. 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 associates are included in the amount recognized as investment in associates.

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 Share in Net Profits (Losses) of Associates and Joint Ventures account in the consolidated statement of comprehensive income. These changes include subsequent depreciation, amortization and impairment of the fair value adjustments of the associates' assets and liabilities.

Impairment loss is provided when there is objective evidence that the investments in associates will not be recovered (see Note 2.19).

Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity, for example, resulting from the associates' accounting for AFS financial assets, are recognized in other comprehensive income or equity of the Group, as applicable.

Any non-income related equity movements of the associates that arise, for example, from the distribution of dividends or other transactions with the associates' shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. 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 profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded 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 Group 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 asset transferred.

(c) Interests in Joint Arrangements

For interest in a joint operation, the Group recognizes in its consolidated financial statements its share of 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 operation. No adjustments or other consolidation procedures are required since the assets, liabilities, income and expenses of the joint operation are recognized in the separate financial statements of the operators.

For interest in a joint venture, the Group recognizes in its consolidated financial statements its interest using the equity method. Under the equity method, the interest in a joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share in the profit or loss of the joint venture after the date of acquisition. Unrealized gains arising from transactions with joint venture are eliminated to the extent of the Group's interest in joint venture against the related investment. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

(d) Transactions with Non-controlling Interest

The Group's transactions with non-controlling interest 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 interest that result in gains and losses for the Group are also recognized in equity.

When the Group 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 amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds beneficial interests in various subsidiaries and associates as presented in Notes 1 and 12.

2.3 Adoption of New and Amended PFRS

(a) Effective in 2016 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and 38 (Amendments)	:	Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 16 and 41 (Amendments)	:	Property, Plant and Equipment, and Agriculture – Bearer Plants
PFRS 10, PFRS 12 and PAS 28 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception
PFRS 11 (Amendments)	:	Joint Arrangements – Accounting for Acquisitions of Interest in Joint Operations
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

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

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure Initiative*. The amendments encourage entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, they clarify that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendments clarify that an entity's share in other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. They further clarify that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements. The amendments did not affect the Group's consolidated financial statements.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 38 (Amendments), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization*. The amendments in PAS 16 clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendments to PAS 38 introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendments also provide guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset. The amendments did not affect the Group's consolidated financial statements.

(iii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 41 (Amendments), *Agriculture – Bearer Plants*. The amendments define a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendments further clarify that produce growing on bearer plants remains within the scope of PAS 41. The amendments did not affect the Group's consolidated financial statements.

(iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, PFRS 12 (Amendments), *Disclosure of Interests in Other Entities*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception*. These amendments address the concerns that have arisen in the context of applying the consolidation exception for investment entities. They clarify which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarify whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. These amendments also permit a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries. The amendments did not have any impact on the Group's consolidated financial statements.

(v) PFRS 11 (Amendments), *Joint Arrangements – Accounting for Acquisitions of Interest in Joint Operations*. The amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, *Business Combinations*, to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRS, except for those principles that conflict with the guidance in PFRS 11. The amendments did not have any impact on the Group's consolidated financial statements.

(vi) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:

- PAS 19 (Amendments), *Employee Benefits – Discount Rate: Regional Market Issue*. The amendments clarify that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

- PFRS 5 (Amendments), *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal.* The amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. They also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of PFRS 5.

- PFRS 7 (Amendments), *Financial Instruments: Disclosures – Servicing Contracts*. The amendments provide additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) Effective in 2016 that are not Relevant to the Group

The following new PFRS, amendments and annual improvements to existing standards that are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Group's consolidated financial statements:

PAS 27 (Amendments)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 14	:	Regulatory Deferral Accounts

Annual Improvements to PFRS (2012-2014 Cycle)		
PAS 34 (Amendments)	:	Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report
PFRS 7 (Amendments)	:	Financial Instruments: Disclosure – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements

(c) *Effective Subsequent to 2016 but are not Adopted Early*

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2016, 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) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the consolidated statement of financial position including those changes identified immediately above.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

(iii) PFRS 2 (Amendments), *Share-based Payment – Classification and Measurement of Share-based Payment Transactions* (effective from January 1, 2018). The amendments contain three changes covering the following matters: the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment; the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and, the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

(iv) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL) which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the outstanding principal. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, do not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(v) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*.

This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Relative to the adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of Philippine Interpretations Committee Question & Answer No. 2016-04, Application of PFRS 15, "*Revenue from Contracts with Customers," on Sale of Residential Properties under Pre-completion Contracts*, which provides that sales of residential properties under pre-completion stage can be recognized over time until completion of construction.

Management is currently assessing the impact of this standard on the Group's consolidated financial statements.

(vi) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similar to a financial liability using the effective interest method.

However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard on the Group's consolidated financial statements.

(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.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. 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.*

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets currently relevant to the Group is presented below and in the succeeding pages.

(i) Financial Assets at FVTPL

This category includes financial assets that are either classified as held-for-trading or that meets certain conditions and are designated by the entity to be carried at FVTPL upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at FVTPL) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

The Group's financial assets included in this category consist mainly of investments in marketable debt and equity securities and derivative instruments.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (except Advances to contractors and suppliers), Advances to associates and other related parties (included under Investments in and Advances to Associates and Other Related Parties account), Time deposits and Refundable security deposits (included under Other Assets account). Cash and cash equivalents 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.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(iii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets classification in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months after the end of the reporting period.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Net Unrealized Gains (Losses) on Available-for-sale Financial Assets account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in Net Unrealized Gains (Losses) on Available-for-sale Financial Assets is reclassified from equity to profit or loss and is presented as reclassification adjustment within consolidated other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial asset is impaired. The Group recognizes impairment loss based on the category of financial assets as presented in the succeeding page.

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of reversal is recognized in profit or loss.

(ii) Carried at Cost – AFS Financial Assets

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment loss, relating to financial assets that are recognized in profit or loss are presented as part of Finance and Other Income and Finance Costs and Other Charges in the consolidated statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) 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.

2.5 Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using weighted average method, except for food, supplies and other consumables which use the first-in, first-out method. Finished goods and work-in-process include the cost of raw materials, direct labor and a proportion of manufacturing overhead (including an element of depreciation) based on normal operating capacity. The cost of raw materials include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials, spare parts and other operating supplies is the current replacement cost.

Real estate for sale are carried at the lower of cost and NRV. Cost includes costs incurred for development and improvement of the properties and borrowing costs on loans directly attributable to the projects which were capitalized during construction (see Note 2.16). Accounting policies for real estate development transactions are discussed in more detail in Note 2.6.

2.6 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Land for Future Development account. These costs are reclassified to Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans, if any, incurred during the development of the real estate properties are also capitalized by the Group as part of Property Development Costs (see Note 2.16). Once a revenue transaction occurs on a per project basis, up to the stage the unit is sold, the related property development costs are reclassified to Real Estate for Sale classified under Inventories account (see Note 2.5) in the consolidated statement of financial position.

The cost of real estate property sold before completion of the development, if any, is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property (see Note 24). The estimated expenditures for the development of sold real estate property, as determined by the project engineers, are presented as part of Cost of Goods Sold in the consolidated statement of comprehensive income with a corresponding credit to the liability account, Reserve for property development account under Other Liabilities account in the consolidated statement of financial position (see Note 20).

Costs of properties and projects accounted for as Land for Future Development, Property Development Costs and Real Estate for Sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and NRV.

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.

2.7 Other Assets

Other assets presented either under current or non-current assets classification in the consolidated statement of financial position 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 entity and the asset has a cost or value that can be measured reliably.

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), such assets are classified as non-current assets.

2.8 Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value. As no finite useful life for land can be determined, the related carrying amount is not depreciated. Land held for use in production or administration is stated at cost less any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use, including borrowing costs (see Note 2.16) and asset retirement obligation (ARO) relating to property and equipment installed/constructed on leased properties [see Note 3.2(n)]. GADC is legally required under various lease agreements to dismantle the installations and restore the leased sites at the end of the lease term. It is also a Group's policy to remove permanent improvements or additions which contain designs and configurations inherent to GADC's business signs, trademarks, trade names, patent and other similar intellectual property rights belonging to McDonald's Corporation (McDonald's) upon the termination or expiration of lease contract. The present value of ARO is recognized as part of the balance of the related property, plant and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The outstanding ARO as at the end of the reporting period is presented as part of Other Non-current Liabilities account in the consolidated statement of financial position (see Note 20).

Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and land improvements	5 to 50 years
Condominium units	10 to 25 years
Machinery and equipment	2 to 12 years
Fixtures and other equipment	3 to 10 years
Transportation equipment	3 to 10 years

Leasehold improvements are amortized over the life of the assets of 5 to 40 years or the term of the lease, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.16) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

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 2.19).

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 those assets.

The residual values, estimated useful lives and method of depreciation of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon sale or 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 profit or loss in the year the item is derecognized.

2.9 Investment Property

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Property and are carried at cost less accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation (see Note 2.19).

Cost capitalization, depreciation, impairment loss and asset derecognition are recorded in the same manner as in Property, Plant and Equipment (see Note 2.8). Depreciation of investment property (excluding land) is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years.

Transfers to, or from, investment property shall be made when and only when there is a change in use or purpose for such property.

2.10 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss in the consolidated statement of comprehensive income as incurred.

Goodwill represents the excess of the cost of an acquisition and any non-controlling interest in the acquiree over the fair value of the Group's share of the net identifiable assets at the date of acquisition [see Notes 2.2(a) and (b)]. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed (see Note 2.19). Negative goodwill, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost, is recognized directly to income.

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.

Where appropriate, the cost of acquisition which includes any asset or liability resulting from a contingent consideration arrangement is measured at its fair value at the date of acquisition. 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 to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the date of acquisition that if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its fair value at the date of acquisition (the date the Group attains control) and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the date of acquisition that have previously been recognized in other comprehensive income are reclassified to profit or loss in the consolidated statement of comprehensive income, where such treatment would be appropriate if such interests were disposed of.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of the related goodwill (see Note 2.11).

2.11 Intangible Assets

Intangible assets include goodwill, trademarks, leasehold rights and computer software. Except goodwill and some specific trademarks, all other intangible assets have finite lives and are carried at cost less accumulated amortization and any impairment in value. Goodwill and certain trademarks are not amortized, but are reviewed for impairment at least annually (see Notes 2.10 and 15).

The cost of trademarks, leasehold rights and computer software includes the acquisition price and other direct costs. Capitalized costs are amortized on a straight-line basis over the estimated useful life of 10 and 3 years, for trademarks [except specific trademarks with indefinite useful lives (see Note 15)] and computer software, respectively, and over the term of the lease for leasehold rights. Capitalized costs for trademarks with indefinite useful lives are not amortized. In addition, these assets are subject to impairment testing as described in Note 2.19. When these assets are retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

Costs associated with maintaining computer software and any costs associated with research activities are recognized as expense in profit or loss as incurred.

2.12 Financial Liabilities

The categories of financial liabilities relevant to the Group are more fully described below and in the succeeding pages.

(a) Financial Liabilities at FVTPL

Financial liabilities are classified in this category if they are held-for-trading or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

The Group occasionally uses derivative financial instruments, such as foreign exchange forward contracts and interest rate swaps. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative, which are presented under the Other Assets or Other Liabilities (current and non-current) account in the consolidated statement of financial position (see Note 20).

The Group's derivative instruments provide economic hedges under the Group's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

(b) Financial Liabilities at Amortized Costs

This category pertains to financial liabilities that are not held-for-trading or not designated as FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings.

Financial liabilities, which include Interest-bearing Loans, Bonds Payable, Trade and Other Payables (except tax-related payables), Advances from Related Parties, Redeemable Preferred Shares, Equity-linked debt securities and Guaranty deposits (presented as part of Other Non-current Liabilities) are recognized when the Group becomes a party to the contractual agreements of the instrument.

All interest-related charges incurred on financial liabilities are recognized as an expense in profit or loss under the caption Finance Costs and Other Charges in the consolidated statement of comprehensive income.

Interest-bearing Loans, Bonds Payable and Equity-linked debt securities are raised for support of long-term funding of operations. These are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss 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.

Trade and Other Payables, Advances from Related Parties and Guarantee deposits are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Redeemable Preferred Shares of GADC and TLC which are mandatorily redeemable at the option of the holder, are recognized at fair value, net of transaction costs, on inception date and presented as a liability in the consolidated statement of financial position; the liability is subsequently measured at amortized cost. The corresponding accretion of the liability and the dividends paid on those shares are charged as part of Interest expense under Finance Costs and Other Charges account in the consolidated statement of comprehensive income.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are declared by the BOD.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of 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 end of 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.

2.13 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 commitment 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, possible 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.

2.14 Equity

Capital stock represents the nominal value of shares that have been issued.

APIC includes any premiums received on the issuance or reissuance of capital stock. Any transaction costs associated with such issuances of shares are deducted from APIC, net of any related income tax benefits. Excess of proceeds over acquisition cost of treasury shares is also added to APIC.

Treasury shares are AGI shares reacquired by the Company but not cancelled or AGI shares held by subsidiaries for investment purposes. These are carried at cost of reacquiring such shares (see Note 2.2).

Net actuarial gains or losses on post-employment benefit plan pertain to actuarial gains or losses from remeasurement of post-employment benefit obligation.

Net unrealized fair value gains or losses on AFS financial assets pertains to cumulative mark-to-market valuations on such securities [see Note 2.4(a)].

Accumulated translation adjustments represent the translation adjustments resulting from the conversion of foreign currency denominated financial statements of certain subsidiaries into the Group's presentation currency (see Note 2.18).

Dilution gain or loss arises when an investor or the Group exercises its pre-emptive rights to maintain its ownership interest in an investee. This represents the difference between the book value per share in an investee versus the Group's offer price at the time the rights are exercised. This also includes the Group's share in previous period's profit (loss) as a result of the current increase (decrease) in equity ownership over its subsidiaries. Dilution gain or loss is recognized on investments of which the Group continues to exercise control.

Share options represent the value of share options during vesting period upon recognition of share-based remuneration expense in profit or loss [see Note 2.20(d)].

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the profit and loss section of the consolidated statement of comprehensive income, reduced by the amount of dividends declared.

2.15 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured by reference to the fair value of consideration received or receivable by the Group; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue, net of rebates and trade discounts, is recognized when the risks and rewards of ownership of the goods have passed to the buyer. This is generally when the customer acknowledged delivery of goods.

(b) *Sale of residential and condominium units [included under Real Estate (RE) Sales]* – For financial reporting purposes, revenues from transactions covering sales of residential and condominium units for occupancy are recognized using the full accrual method while sales of units sold prior to completion are recognized under the percentage-of-completion method.

Under the full accrual method, revenue is recognized in full when the risks and rewards of ownership of the properties have passed to the buyer, i.e., generally when the customer has acknowledged delivery of goods. Under the percentage-of-completion method, realization of gross profit is recognized by reference to the stage of development of the properties (i.e., revenue is recognized in the period in which the work is performed). The unrealized gross profit on a year's sales is presented as Deferred gross profit on RE sales (under Cost of Goods Sold account) in the consolidated statement of comprehensive income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred income on real estate sales (under Other Current and Non-current Liabilities) in the consolidated statement of financial position.

The sale is recognized when a certain percentage of the total contract price has already been collected. The amount of real estate sales recognized in the consolidated statement of income is equal to the total contract price, net of day-one loss related to the discounting of noninterest-bearing receivables.

If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyer are initially recorded as Customers' deposits and presented as part of Other Liabilities (current and non-current) in the consolidated statement of financial position. Revenues and costs relative to forfeited or back out sales are reversed in the current year.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from real estate sales is used by the Group.

(c) *Interest income on real estate sales* – considered in the determination of total revenue for real estate sales (see Note 23). It is recognized when interest accrues taking into account the underlying sale of real estate under installment method through in-house financing (not through externally financed home loans obtained by customers).

(d) *Sale of undeveloped land and golf and resort shares (included under RE Sales)* – Revenues on sale of undeveloped land and golf and resort shares for sale are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably.

(e) *Construction contracts* – Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered using the cost recovery and percentage-of-completion methods. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

(f) *Gaming revenues* – Revenue is recognized from net wins from gaming activities which represent the difference between coins and currencies deposited into the gaming machines and the payments to customers and, for other games, the difference between gaming wins and losses.

(g) *Revenue from hotel operations* – Revenue from hotel operations is recognized when services are rendered. This is presented under Revenue from Rendering of Services (see Note 23).

(h) *Sales from Company-operated quick-service restaurants* – Revenue from restaurant sales operations are recognized when the services are rendered, that is, food and beverage products or promotional items purchased by customers have been delivered and accepted by the customers.

(i) *Franchise revenues* – Revenue from franchised McDonald's restaurants (including the restaurant operated by a joint venture) includes continuing rental, royalty and management fees. These are recognized in the period earned.

(j) *Rentals* – Rental income is recognized on a straight-line basis over the duration of the lease terms [see Note 2.17(b)]. For tax purposes, rental income is recognized based on the contractual terms of the lease. Advance rentals and refundable rental deposits, if any, are recorded as deferred rental. Deferred rental, specifically the refundable rental deposit, is measured at amortized cost using the effective interest rate method.

(k) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

(l) *Dividends* – Revenue is recognized when the right to receive the payment is established.

Revenue and expenses are recognized excluding the amount of value-added tax (VAT).

The Group provides a membership card for its gaming patrons (i.e., of Travellers). Members earn points on gaming activity and such points are redeemable for complimentary goods and services such as room accomodations, food, beverages and others. Members may also earn special coupons or awards as determined during marketing promotions. The Group records revenue for the original transaction and a provision (and a corresponding recognition of promotional allowances in profit or loss) for the value of the points earned by members by reference to the relative fair values of the complimentary goods or services.

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs (see Note 2.16) and estimated costs to complete the project, determined based on estimates made by the project engineers (see Note 2.6).

Cost and expenses (other than cost of real estate sales) are recognized in profit or loss upon utilization of the services or receipt of the goods or at the date they are incurred.

All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.16).

2.16 Borrowing Costs

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 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.

2.17 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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 consolidated 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 asset or assets and the arrangement conveys a right to use the asset.

2.18 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Foreign currency transactions during the period 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

(b) *Translation of Financial Statements of Foreign Subsidiaries*

The operating results and financial position of foreign subsidiaries (see Note 1) which are measured using the United States (U.S.) dollars, British pound sterling and European Union euro, their functional currencies, are translated to Philippine pesos, the 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 of the reporting period;

(ii) Income and expenses for each profit or loss account are translated at the average exchange rates over the reporting period (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 in other comprehensive income and in a separate component of equity under Accumulated Translation Adjustments account.

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 the gain or loss on sale.

The translation of the financial statements into Philippine peso should not be construed as a representation that the foreign currency amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.19 Impairment of Non-financial Assets

The Group's Investments in associates and joint ventures, Intangible Assets, Investment Property, Property, Plant and Equipment and other non-financial assets are subject to impairment testing. 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 for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts 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.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.20 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as a defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment 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 cover all regular full-time employees. The respective pension plans are tax-qualified, noncontributory and administered by respective trustees of three significant subsidiaries.

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 using a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing and Exchange Corporation, 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.

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 consolidated 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, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance and Other Income or Finance Costs and Other Charges account in the consolidated statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity (i.e., Social Security System). 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 and 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 when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Share-based Employee Remuneration

The Group grants share options to key executive officers and employees eligible under each share option plan of the Parent Company, Megaworld, GERI and EMP. 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 profit or loss and the corresponding share option is recorded in the equity section of the consolidated statement of financial position.

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 vested on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

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 APIC, and the cost of the share option under Share Options account is reclassified to APIC.

(e) Bonus Plans

The Group recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the Group's profits after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(f) *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 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 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in 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 end of 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 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 carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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 in 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 form the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts 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. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are 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.

2.22 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the parent company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares [e.g., vested share options (see Note 21.5)].

2.23 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 considers the Group's major subsidiaries, as disclosed in Note 4, which represent the main products and services provided by the Group and the line of business in which the Group operates.

Each of these operating segments, which represents the major subsidiaries within the Group, is managed separately by each respective officers and management. 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 financial statements. However, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to any segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.24 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its 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. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Group and close members of the family of any such individual; and, (d) certain funded retirement plans, administered by trustee banks, of three significant subsidiaries.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated 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 JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the 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 differ 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) Recognizing Revenue for Real Estate Activities

The Group uses judgement 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.

(b) Assessing Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(c) Distinguishing Investment Properties, Owner-Occupied Properties and Land for Future Development

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Investment property comprise of properties held to earn rental or for capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process while Land for Future Development are properties intended solely for future development. The Group considers each property separately in making its judgment.

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.

(d) Distinguishing Residential and Condominium Units for Sale and Investment Properties

Residential and condominium units 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 judgement.

(e) Distinguishing AFS Financial Assets and Golf and Resort Shares

In determining whether golf and resort shares shall be accounted for as either inventories or 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 it intends to sell a developed property together with the club share.

(f) Determining Control, Joint Control or Significant Influence

Judgment is exercised in determining whether the Group has control, joint control or significant influence over an entity. In assessing each interest over an entity, the Group considers voting rights, representation on the board of directors or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

(g) *Distinguishing Asset Acquisition and Business Combinations*

The Group acquires entities that own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business.

The Group 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.

In 2016 and 2015, the Group gained control over various entities as described in Note 1. Based on management's assessment, the acquisition of MBPI in 2015 was accounted for as an asset acquisition; hence, no goodwill or gain on acquisition was recognized. MBPI is engaged in the same line of business as Megaworld. All other acquisitions in 2016 and 2015 were accounted for as business combinations.

(h) *Distinguishing Operating and Finance Leases*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a 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.

(i) *Classifying Preferred Shares as Financial Liability*

The Group determines the classification of preferred shares based on the substance of the contractual agreement and the characteristics of a financial liability or an equity instrument (see Note 19).

(j) *Recognizing Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and disclosures on relevant provisions and contingencies are presented in Note 30.

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 Using the Percentage-of-Completion Method

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts [see Note 2.15(b)].

There were no changes in the assumptions or basis for estimation during the year. The realized gross profit on real estate sales recognized in 2016, 2015 and 2014 is disclosed in Note 23.

(b) Impairment of Trade and Other Receivables

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6.

(c) Valuation of Inventories and Real Estate Properties

In determining the net realizable values of inventories and real estate properties, management takes into account the most reliable evidence available at the dates the estimates are made. Net realizable value is one of the key variables used in analyzing property development costs, residential and condominium units for sale, golf and resort shares for sale and land for future development for possible impairment. The Group's core business is subject to changes in market factors that directly affect the demand for inventories and real estate properties such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of the carrying amounts of these assets is also affected by price changes in the costs incurred necessary to make a sale. Changes in the sources of estimation may cause significant adjustments to the Group's inventories and real estate properties within the next financial reporting period.

The amounts of allowance for inventory obsolescence provided by management are based on, among others, age and status of inventories and the Group's past experience. The net realizable value of inventories and an analysis of allowance for inventory write-down are presented in Note 8.

Considering the Group's pricing policy, the net realizable values of certain real estate properties are higher than their related costs.

(d) Fair Valuation of Financial Assets Other than Trade and Other Receivables

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement are determined using verifiable objective evidence such as foreign exchange rates, interest rates and volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and other comprehensive income.

Management estimates the fair value of financial instruments where active market quotes are not available based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The carrying amounts of financial assets at FVTPL and AFS financial assets are disclosed in Notes 7 and 11, respectively.

(e) Fair Valuation of Investment Properties

Investment properties are measured using the cost model. The fair value disclosed in Note 14 to the consolidated financial statements were estimated either by: (i) using the fair value of similar properties in the same location and condition; or, (ii) using the discounted cash flows valuation technique since the information on current or recent prices of certain investment property is not available. 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.

(f) Fair Valuation of Share Options

The Group estimates the fair value of the Executive Share Option (the Options) by applying an option valuation model, considering the terms and conditions on which the executive share option were granted. The estimates and assumptions used are presented in Note 21.5 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the share price (i.e., the Parent Company, Megaworld, GERI and EMP) and fair value of the specific common shares. Changes in these factors can affect the fair value of share options at grant date.

The fair value of the Options recognized as part of Salaries and employee benefits is shown under Other Operating Expenses account in the consolidated statement of comprehensive income (see Note 25). A corresponding credit to Share Options Outstanding for options related to the Group is presented in the equity portion of the consolidated statement of financial position (see Note 21.5).

(g) Estimating Useful Lives of Property, Plant and Equipment, Investment Property and Intangible Assets

The Group estimates the useful lives of property, plant and equipment, investment property and intangible assets with finite lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment property and intangible assets 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.

Specific trademarks mentioned in Note 15 were assessed to have an indefinite useful lives considering that there is no foreseeable limit to the period over which such trademarks are expected to generate cash inflows for the Group (i.e., trademarks for The Dalmore and Jura have been in existence for more than 100 years). Moreover, there are no legal or similar limits imposed on the period over which the Group has control or can use the said trademarks.

The carrying amounts of property, plant and equipment, investment property and intangible assets are analyzed in Notes 13, 14 and 15, respectively. Actual results, however, may vary due to changes in factors mentioned above.

Based on management assessment, no change in the estimated useful lives of property, plant and equipment, investment property and intangible assets is necessary in 2016 and 2015.

(h) Impairment of Non-financial Assets

Goodwill and specific intangible assets with indefinite life are reviewed annually for impairment. An impairment review on all other non-financial assets is performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.19. 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.

Impairment loss recognized on Property, Plant and Equipment is discussed in Note 13. There is no impairment loss recognized on the Group's investment properties, goodwill, trademarks and other intangible assets and other non-financial assets based on management's evaluation for the years ended December 31, 2016, 2015 and 2014.

(i) Determining 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. An analysis of the carrying amount of deferred tax assets, which management assessed to be fully utilizable in the coming years, is presented in Note 28.1.

(j) Valuation of Post-employment Defined Benefit 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 actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment 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 27.2.

(k) Determining Fair Value of Gaming Points and Estimation of Liability for Unredeemed Gaming Points

The Group provides gaming points to its patrons based on gaming activity. Gaming points are redeemable in a wide selection of redemption categories. The Group recognizes the fair values of gaming points, based on redemption terms, historical redemption pattern of patrons and fair value of promotional activities per source (i.e., hotel, food and beverage, and others). The Group reassesses the measurement basis used for calculating the fair value of gaming points on a regular basis. The carrying value of the gaming points accrued by the Group is presented as Unredeemed gaming points under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

(l) Recognizing Liability and Equity Components of Compound Financial instruments

Equity-linked debt securities (ELS) instrument contains both a liability and an equity component as this instrument creates a financial liability and grants an option to the holder to convert it into an equity instrument of the issuer. The equity component is assigned the residual value after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

The Group determined the carrying amount of the liability component by measuring the fair value of similar liabilities that do not have an associated equity component. Consequently, after deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole, it was determined that the equity component of the ELS has no value; hence, no equity component was recognized in the consolidated financial statements. The carrying amount of the ELS is presented as part of Other Non-current Liabilities account in the consolidated statements of financial position (see Note 20).

(m) Provision for Restoration of Leased Property

Property, plant and equipment includes the estimated cost of dismantling and restoring leased properties (building and leasehold improvements) to their original condition for which the Group is liable (see Note 2.8). The estimated cost was initially based on a recent cost to dismantle facilities. This was adjusted to consider estimated incremental annual cost up to the end of the lease term. The estimated dismantling cost was discounted using the prevailing market rate at the inception of the lease for an instrument with maturity similar to the term of the lease.

The carrying amount of ARO and provision for dilapidation are presented as part of Other Non-current Liabilities account in the consolidated statements of financial position (see Note 20).

(n) Provision for Onerous Lease

The Group determines the provision for leasehold properties which are no longer used in the business for which the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease using discounted cash flows and assumptions relating to future sublet income expectations. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost and sublet assumptions would result in a significant change in the amount of provision recognized with a corresponding effect on profit or loss.

The carrying amount of provision for onerous lease is presented as part of Other Non-current Liabilities account in the consolidated statements of financial position (see Note 20).

(o) 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 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. Any other change would be recognized in consolidated profit or loss in the subsequent period.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group is organized into major business segments, which are the major subsidiaries of the Group. These represent the main products and services provided by the Group and the line of business in which the Group operates (see Note 2.23). Presented below is the basis of the Group in reporting its primary segment information.

(a) The *Megaworld* segment consists of development of real estate, integrated resorts, leasing of properties and hotel operations business which is primarily undertaken by Megaworld Corporation and subsidiaries, the Group's forerunner in the real estate industry.

(b) The *Travellers* segment relates to tourism-oriented business that integrates entertainment, hospitality and leisure, including gaming, as that of Resorts World Manila, which is operated by Travellers International Hotel Group, Inc. and subsidiaries.

(c) The *GADC* segment refers to operations of McDonald's restaurants in the Philippines in accordance with the franchise agreement between GADC and McDonald's Corporation, USA.

(d) The *Emperador* segment refers to the manufacture and distribution of distilled spirits, including the production of glass containers, which is undertaken by Emperador Inc. and subsidiaries.

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, trade and other receivables, inventories, property, plant and equipment, intangible assets and investment properties. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and bonds payable.

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

Segment information can be analyzed as follows for the years ended December 31, 2016, 2015 and 2014:

	2016				
	Megaworld	**Travellers**	**GADC**	**Emperador**	**Total**
REVENUES					
Sales to external customers	P 45,159,209,745	P 27,490,917,963	P 22,629,168,991	P 40,470,950,595	P 135,750,247,294
Intersegment sales	129,197,283	58,136,406	-	22,485,362	209,819,051
Finance and other revenues	1,529,137,444	85,896,223	182,258,141	444,501,068	2,241,792,876
Segment revenues	46,817,544,472	27,634,950,592	22,811,427,132	40,937,937,025	138,201,859,221
Cost of sales and expenses excluding depreciation and amortization	(27,260,830,172)	(21,036,434,023)	(19,714,018,727)	(30,053,548,917)	(98,064,831,839)
	19,556,714,300	6,598,516,569	3,097,408,405	10,884,388,108	40,137,027,382
Depreciation and amortization	(1,486,971,728)	(1,643,106,203)	(1,102,983,228)	(708,238,131)	(4,941,299,290)
Finance cost and other charges	(2,867,726,950)	(1,458,618,238)	(231,718,113)	(713,874,962)	(5,271,938,263)
Profit before tax	15,202,015,622	3,496,792,128	1,762,707,064	9,462,275,015	29,923,789,829
Tax expense	(3,489,339,020)	(64,314,408)	(529,208,455)	(1,742,331,316)	(5,825,193,199)
SEGMENT PROFIT	**P 11,712,676,602**	**P 3,432,477,720**	**P 1,233,498,609**	**P 7,719,943,699**	**P 24,098,596,630**
SEGMENT ASSETS AND LIABILITIES					
Segment assets	**P 282,832,774,666**	**P 73,934,705,268**	**P 15,617,095,043**	**P 93,657,270,308**	**P 466,041,845,285**
Segment liabilities	**119,545,632,116**	**31,683,728,199**	**10,220,260,865**	**40,626,020,465**	**202,075,641,645**

	2015				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 43,106,965,673	P 27,719,688,907	P 20,339,823,705	P 43,309,839,802	P 134,476,318,087
Intersegment sales	93,909,127	(32,929,706)	-	-	60,979,421
Finance and other revenues	1,791,188,160	116,287,960	81,529,137	350,349,040	2,339,354,297
Segment revenues	44,992,062,960	27,803,047,161	20,421,352,842	43,660,188,842	136,876,651,805
Cost of sales and expenses excluding depreciation and amortization	(27,039,717,335)	(21,557,822,114)	(18,064,249,651)	(34,027,719,502)	(100,689,508,602)
	17,952,345,625	6,245,225,047	2,357,103,191	9,632,469,340	36,187,143,203
Depreciation and amortization	(1,348,751,764)	(1,402,874,562)	(1,046,140,030)	(639,514,403)	(4,437,280,759)
Finance cost and other charges	(2,722,669,407)	(775,371,564)	(184,499,714)	(543,116,587)	(4,225,657,272)
Profit before tax	13,880,924,454	4,066,978,921	1,126,463,447	8,449,838,350	27,524,205,172
Tax expense	(3,284,678,495)	(49,370,190)	(365,972,332)	(1,489,782,064)	(5,189,803,081)
SEGMENT PROFIT	P 10,596,245,959	P 4,017,608,731	P 760,491,115	P 6,960,056,286	P 22,334,402,091
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 252,105,958,522	P 68,119,691,610	P 13,829,633,657	P 96,600,733,758	P 430,656,017,547
Segment liabilities	104,018,432,250	25,103,384,020	8,939,177,060	41,249,488,480	179,310,481,810

	2014				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 38,037,325,483	P 31,557,796,008	P 18,416,598,616	P 31,461,270,278	P 119,472,990,385
Intersegment sales	12,213,404,741	40,887,560	-	-	12,254,292,301
Finance and other revenues	2,778,519,577	114,569,512	331,435,577	489,170,118	3,713,694,784
Segment revenues	53,029,249,801	31,713,253,080	18,748,034,193	31,950,440,396	135,440,977,470
Cost of sales and expenses excluding depreciation and amortization	(25,452,945,290)	(23,568,121,238)	(16,541,609,442)	(23,316,371,477)	(88,879,047,447)
	27,576,304,511	8,145,131,842	2,206,424,751	8,634,068,919	46,561,930,023
Depreciation and amortization	(1,300,385,226)	(1,516,728,535)	(919,497,248)	(404,805,804)	(4,141,416,813)
Finance cost and other charges	(1,591,978,535)	(1,026,706,225)	(178,478,645)	(102,935,717)	(2,900,099,122)
Profit before tax	24,683,940,750	5,601,697,082	1,108,448,858	8,126,327,398	39,520,414,088
Tax expense	(3,120,330,226)	(75,568,162)	(310,494,049)	(1,904,172,008)	(5,410,564,445)
SEGMENT PROFIT	P 21,563,610,524	P 5,526,128,920	P 797,954,809	P 6,222,155,390	P 34,109,849,643
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 222,696,668,271	P 62,704,306,464	P 12,260,171,563	P 96,183,811,446	P 393,844,957,744
Segment liabilities	80,666,774,428	23,106,167,980	7,980,931,664	44,775,107,154	156,528,981,226

4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2016	2015	2014
Revenues			
Total segment revenues	**P 138,201,859,221**	P 136,876,651,805	P 135,509,985,632
Unallocated corporate revenue	**1,748,842,604**	2,282,187,154	2,149,466,443
Elimination of intersegment revenues	**(209,819,051)**	(60,979,421)	(12,254,292,301)
Revenues as reported in consolidated profit or loss	**P 139,740,882,774**	P 139,097,859,538	P 125,405,159,774
Profit or loss			
Segment operating profit	**P 24,098,596,630**	P 22,334,402,091	P 34,109,849,643
Unallocated corporate profit (loss)	**(1,070,074,614)**	(587,121,776)	(745,868,213)
Elimination of intersegment revenues	**(209,819,051)**	(60,979,421)	(12,254,292,301)
Profit as reported in consolidated profit or loss	**P 22,818,702,965**	P 21,686,300,894	P 21,109,689,129
Assets			
Segment assets	**P 466,041,845,285**	P 430,656,017,547	P 393,844,957,744
Unallocated corporate assets	**25,255,117,630**	18,068,736,840	15,773,966,350
Total assets reported in the consolidated statements of financial position	**P 491,296,962,215**	P 448,724,754,387	P 409,618,924,094
Liabilities			
Segment liabilities	**P 202,075,641,645**	P 179,310,481,810	P 156,528,981,226
Unallocated corporate liabilities	**43,117,649,822**	38,226,078,586	35,606,526,996
Total liabilities reported in the consolidated statements of financial position	**P 245,193,291,467**	P 217,536,560,396	P 192,135,508,222

Intersegment revenues in 2014 include P12.2 billion gain recognized by Megaworld upon its sale of Travellers' common shares to the Parent Company.

Concentration of revenue is considered when at least 10% of total segment revenue is generated from a single customer. There is no concentration of the Group's revenue in a single customer as the 10% threshold has not been met in any of the years presented.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	Note	2016	2015
Cash on hand and in banks		**P 23,131,024,687**	P 32,398,766,521
Short-term placements	30.3(a)	**25,541,913,330**	36,195,192,506
		P 48,672,938,017	P 68,593,959,027

Cash in banks generally earn interest at rates based on daily bank deposit rates [see Notes 26 and 31.1(b)].

Short-term placements are made for varying periods up to 90 days and earn effective interest per annum ranging from 0.6% to 2.5% in 2016, 1.2% to 2.8% in 2015 and 1.1% to 4.0% in 2014. Placements amounting to P115.7 million and P114.7 million as at December 31, 2016 and 2015, respectively, which earn effective interest of 1.4% in 2016, and 1.3% in 2015 and 2014, and have a term of 360 days for those years, are shown under Other Current Assets account in the consolidated statements of financial position (see Note 9).

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of:

	Notes	2016	2015
Current:			
Trade receivables	17(p, cc), 29.2	**P43,580,278,243**	P 37,555,371,270
Advances to contractors and suppliers		**12,457,276,299**	10,708,984,576
Due from employees and related parties	29.6	**812,050,310**	273,130,005
Accrued interest receivable		**181,572,152**	207,618,669
Others	30.4	**1,320,509,088**	943,166,939
		58,351,686,092	49,688,271,459
Allowance for impairment		**(750,729,952)**	(714,013,578)
		57,600,956,140	48,974,257,881
Non-current:			
Trade receivables	29.2	**35,682,910,226**	32,812,624,224
Others		**7,629,034**	15,337,534
		35,690,539,260	32,827,961,758
Allowance for impairment		**(12,224,936)**	(12,224,936)
		35,678,314,324	32,815,736,822
		P93,279,270,464	P 81,789,994,703

Most receivables from trade customers, particularly those relating to real estate sales, are covered by postdated checks. As at December 31, 2016 and 2015, the Group has outstanding receivables assigned to local banks amounting to P1,089.4 million and P1,066.4 million, respectively [see Note 17(p and cc)].

The installment period of real estate sales contracts averages from one to five years. These trade receivables are noninterest-bearing and are remeasured at amortized cost using the effective interest rate of 10%. Interest income from amortization amounted to P1,700.9 million, P1,677.6 million and P1,671.1 million for the years ended December 31, 2016, 2015 and 2014, respectively. These amounts are presented as Interest income on real estate sales under Revenue from Sale of Goods account in the consolidated statements of comprehensive income (see Note 23).

Advances to contractors and suppliers pertain to noninterest-bearing and unsecured advances to the Group's contractors and suppliers as initial payment or mobilization funds for services to be rendered and goods to be delivered to the Group. These are reduced proportionately upon receipt of progress billings from said suppliers.

Due from employees and related parties pertain to noninterest-bearing, unsecured and immediately demandable advances, settlement of which is generally made in cash, or through deduction from employees' salary or employees' liquidation of business related expenses (see Note 29.6).

Others include receivables from insurance claims, loan receivable, rental receivable and receivable from sale of subsidiary.

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain receivables were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer as the titles to the real estate properties remain with the Group until the receivables are fully collected (see Note 31.2).

A reconciliation of the allowance for impairment at the beginning and end of the reporting periods is shown below.

	Notes	**2016**	2015
Balance at beginning of year		**P 726,238,514**	P 725,938,324
Impairment losses during the year	25	**40,591,819**	35,555,627
Reversal of impairment previously recognized	26	**(3,875,445)**	(24,845,025)
Write-off of trade receivables previously provided with allowance		**-**	(10,410,412)
Balance at end of year		**P 762,954,888**	P 726,238,514

Impairment losses are presented as part of Other Operating Expenses (see Note 25), while the gain on reversal is presented as part of Miscellaneous under Finance and Other Income (see Note 26).

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to Trade and Other Receivables as the amounts recognized consist of a large number of receivables from various customers.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of foreign investments, held for trading, as follows:

	2016	2015
Marketable debt securities	**P 9,242,483,204**	P 5,724,173,088
Quoted equity securities	**1,222,783,400**	2,347,426,374
	P 10,465,266,604	P 8,071,599,462

Marketable debt securities, which bear interest ranging from 2.8% to 8.3%, 2.5% to 10.6% and 2.8% to 11.1% per annum as at December 31, 2016, 2015 and 2014, respectively, are measured at their fair values determined directly by reference to published prices quoted in an active market. The net changes in fair values of these financial assets are presented as part of either Fair value gains or Fair value losses under Finance and Other Income or Finance Costs and Other Charges, respectively, in the consolidated statements of comprehensive income (see Note 26). Interest income amounting to P285.5 million, P569.1 million and P995.1 million for 2016, 2015 and 2014, respectively, is shown as part of Finance and Other Income account in the consolidated statements of comprehensive income (see Note 26).

A portion of marketable debt securities placed with certain foreign banks is covered by a set-off provision. The loans set-off against marketable debt securities amounted to U.S.$45.1 million (P2,248.8 million) and U.S.$45.8 million (P2,151.0 million) as at December 31, 2016 and 2015, respectively.

Changes in foreign currency value arising from such investments are taken up in profit or loss and are recorded either as part of Fair value gains under Finance and Other Income account or Fair value losses under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26).

8. INVENTORIES

The details of inventories are shown below.

	Notes	2016	2015
At cost –			
Real estate for sale	17(cc)	**P 60,091,240,355**	P 58,325,562,562
At net realizable value:			
Work-in-process goods		**13,532,427,366**	11,494,183,891
Finished goods		**3,244,991,251**	2,383,315,627
Raw materials		**3,100,031,589**	1,860,851,150
Golf and resort shares for sale		**2,669,705,396**	2,487,372,777
Food, supplies and other consumables		**2,548,122,730**	2,374,804,113
		25,095,278,332	20,600,527,558
Allowance for inventory write-down	2.5	**(258,399,045)**	(295,493,317)
		24,836,879,287	20,305,034,241
		P 84,928,119,642	P 78,630,596,803

Real estate for sale pertains to the accumulated costs incurred in developing residential houses, lots and condominium units for sale. Total cost includes capitalized borrowing costs amounting to P1,540.4 million, P642.3 million and P466.0 million in 2016, 2015, and 2014, respectively, forming part of the Inventory and Property Development Costs accounts (see Notes 17 and 18). The amount capitalized was determined using a capitalization rate of 4.32%, 5.53% and 6.19% in 2016, 2015 and 2015, respectively. Certain real estate for sale are subject to negative pledge on certain loans obtained by the Group [see Note 17(m)].

Work-in-process pertains mainly to substantial inventory of aged whisky stocks in Scotland which mature over periods of up to 60 years. These maturing whisky stock inventory amounted to P11,030.3 million and P11,087.1 million as of December 31, 2016 and 2015, respectively.

Golf and resort shares for sale comprise of proprietary or membership shares (landowner 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. Food, supplies and other consumables, on the other hand, include paper and packaging, promotional materials, membership program items, operating supplies, spare parts, fuel and lubricants.

A reconciliation of the allowance for inventory write-down at the beginning and end of the reporting periods is shown below.

	Notes	**2016**	2015
Balance at beginning of year		**P 295,493,317**	P 283,980,886
Reversals of write-down	26	**(75,813,133)**	(4,119,105)
Additional losses during the year	25	**38,718,861**	15,631,536
Balance at end of year		**P 258,399,045**	P 295,493,317

The additional losses on inventories were recognized to reduce the carrying values of cased stocks and dry goods in 2016 and 2015. The additional losses are shown as Write-down of inventories under Other Operating Expenses account (see Note 25) in the consolidated statements of comprehensive income. The reversal of write-down is shown as part of Miscellaneous under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 26).

9. OTHER ASSETS

The composition of this account is shown below.

	Notes	2016	2015
Current:			
Input VAT		**P 5,510,958,384**	P 3,990,674,261
Prepayments		**1,316,988,835**	1,115,078,851
Creditable withholding tax		**609,162,285**	622,494,744
Refundable deposits		**218,393,171**	358,464,766
Time deposits	5	**115,737,185**	114,739,381
Deferred commission		**59,089,057**	59,389,160
Guarantee deposits		**36,310,054**	36,693,382
Others		**368,673,450**	293,658,484
		8,235,312,421	6,591,193,029
Non-current:			
Refundable deposits		**1,632,348,277**	1,412,568,856
Advances for future investment	30.3	**968,194,588**	4,088,235,294
Property mortgage receivable		**597,604,251**	-
Advance payments for assets acquisition		**866,362,114**	3,316,846,369
Deferred input VAT		**270,699,487**	350,158,096
Accumulated jackpot seed money		**170,676,888**	148,550,000
Claims for tax refund		**112,282,175**	112,282,175
Rental receivable		**26,888,817**	27,711,589
Front-end payment for credit facility		**-**	71,545,250
Loans receivables		**-**	20,000,000
Others		**324,348,271**	316,559,801
		4,969,404,868	9,864,457,430
		P 13,204,717,289	P 16,455,650,459

Prepayments include paid taxes, insurance, rentals and advertising, which are expected to be realized in the next reporting period.

Advances for future investment pertain to the advances made by Travellers to Philippine Amusement and Gaming Corporation (PAGCOR) starting 2014 in connection with the development of Site A of the Entertainment City Project in accordance with the Provisional License Agreement with PAGCOR (see Note 30.3). In 2016 and 2015, Travellers made additional payments to PAGCOR amounting to P0.6 billion and P1.5 billion, respectively, to fulfill the future investment. Further, in 2016, MBPHI [see Note 1.1 footnote (l)], who shall develop the non-casino components of Site A, received parcels of land from PAGCOR, amounting to P3.7 billion, which will be used for the non-casino components of Site A. As a consideration for the transfer, the advances for future investment was reduced by P3.7 billion. Travellers remains committed to fulfill the investment as at December 31, 2016.

In 2016, EMP purchased from one of its property lessors an outstanding mortgage debt on one of the Group's leased properties. The purchased mortgage asset entitles the Group to full security over the leased property and to monthly interest payments from the property lessor. However, the Group remains as lessee over the property; hence, it is still required to make monthly lease payments to the property lessor.

In 2016, the Group made a deposit amounting to P449.3 million for a certain acquisition, which remains outstanding as of December 31, 2016. Advance payments for asset acquisition in 2015 includes P2.8 billion deposit made by EMP Group to acquire the brandy and sherry business from Beam Suntory (see Note 1.2). The deposit was applied in full against the total consideration paid in 2016.

Current others include operating and office supplies and food and beverage inventory while non-current others include prepaid rentals and non-financial deposits or advances to suppliers.

10. ADVANCES TO/FROM LANDOWNERS AND JOINT VENTURES

10.1 Advances to Landowners and Joint Ventures

The Group enters into numerous joint operation agreements for the joint development of various real estate projects. The joint operation agreements stipulate that the Group's joint operator shall contribute parcels of land and 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. Costs incurred for these projects are recorded under the Real estate for sale under Inventories account or Property Development Costs account in the consolidated statements of financial position (see Note 2.6).

The Group also grants noninterest-bearing, secured cash advances to a number of landowners and joint operators under the joint operation agreements they entered into with landowners covering the development of certain parcels of land. Under the terms of the joint operation agreements, 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.

Repayments of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the owner's share in saleable lots or in the form of cash to be derived from the sales of the landowner's share in the saleable lots and residential and condominium units.

As at December 31, 2016 and 2015, the Group's management has assessed that the advances to joint ventures are fully recoverable. Accordingly, no impairment loss was recognized in those years.

As at December 31, 2016 and 2015, there has been no outstanding commitment for cash advances under the joint arrangements. The net commitment for construction expenditures amounts to:

	2016	2015
Total commitment for construction expenditures	**P25,275,787,747**	P 24,076,339,196
Total expenditures incurred	**(18,965,104,576)**	(16,403,084,016)
Net commitment	**P 6,310,683,171**	P 7,673,255,180

The Group's interests in joint operations and projects, ranging from 50% to 95% in 2016 and 2015, are as follows:

Megaworld:
- McKinley Hill
- McKinley West
- Newport City
- Manhattan Garden City
- Noble Place
- Uptown Bonifacio
- Northill Gateway

GERI:
- Alabang West
- Boutique
- Shopwise
- Oceanway Residences
- Savoy Hotel
- Belmonte Hotel
- MSW Phase 6 Pahara
- Newport Hills
- Pahara at Southwoods
- Sta. Barbara Heights Phase 1, 2 & 3

SPI:
- Capitol Plaza
- Governor's Hills
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills
- Sentosa
- Asmara
- 88 Gibraltar
- One Lakeshore
- Riva Bella
- Solana
- Gentri Heights
- Fountain Grove
- Palm City
- The Mist Residence

EELHI:
- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon projects

The aggregate amounts of current assets, long-term assets, current liabilities and long-term liabilities as at December 31, 2016 and 2015, and income and expenses for each of the three years in the period ended December 31, 2016 related to the Group's interest in these joint arrangements, are not presented or disclosed as these are only joint operations in which the Group is an operator [see Note 2.2(c)].

As at December 31, 2016 and 2015, the Group has assessed that the probability of loss that may arise from contingent liabilities is remote and there are no other contingent liabilities with regard to these joint operations.

10.2 Advances from Joint Ventures

This account represents the share of joint venture partners in the proceeds from the sale of certain projects in accordance with various joint venture agreements entered into by the Group. The total outstanding balance is presented as part of Advances from Related Parties account in the consolidated statements of financial position (see Note 29.7).

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale (AFS) financial assets is reflected in the statements of financial position as follows:

	2016	2015
Current	**P 66,501,898**	P -
Non-current	**606,613,388**	2,188,729,177
	P 673,115,286	P 2,188,729,177

This account comprises the following:

	2016	2015
Quoted marketable debt securities	**P 260,449,586**	P 1,868,193,490
Equity securities:		
Quoted	**129,142,426**	131,135,359
Unquoted	**286,781,214**	192,658,268
Allowance for impairment	**(3,257,940)**	(3,257,940)
	283,523,274	189,400,328
	412,665,700	320,535,687
	P 673,115,286	P 2,188,729,177

The securities can be further analyzed as follows:

	2016	2015
Local	**P 609,871,328**	P 323,793,627
Allowance for impairment	**(3,257,940)**	(3,257,940)
	606,613,388	320,535,687
Foreign	**66,501,898**	1,868,193,490
	P 673,115,286	P 2,188,729,177

The reconciliation of the carrying amounts of AFS financial assets are as follows:

	2016	2015
Balance at beginning of year	**P 2,188,729,177**	P 5,972,087,128
Additions	**102,680,652**	536,169,158
Disposals	**(1,677,992,876)**	(3,201,853,091)
Fair value gains (losses)	**59,698,333**	(1,116,201,288)
Reclassification	**-**	(1,472,730)
Balance at end of year	**P 673,115,286**	P 2,188,729,177

Marketable debt securities bear interests ranging from 5.4% to 10.6% per annum in 2016, and ranging from 2.3% to 10.6% per annum in 2015. Certain debt securities amounting to P66.5 million will mature in 2017 and are classified under current assets in the 2016 consolidated statement of financial position. As at December 31, 2016 and 2015, there were no permanent decline in value on these securities; therefore, no losses are transferred from equity to profit or loss.

Equity securities consist of local shares of stock and various club shares which are denominated in Philippine pesos. Golf club shares are proprietary membership shares.

The fair values of quoted AFS financial assets have been determined by reference to published prices in an active market. The changes in the fair value arising from these AFS financial assets amounted to P59.7 million gain in 2016, P1,116.2 million loss in 2015 and P620.3 million gain in 2014 and are presented as part of Net Unrealized Fair Value Gains (Losses) on AFS Financial Assets in the consolidated statements of comprehensive income.

Upon disposal of various AFS financial assets, the Group realized gain amounting to P11.9 million in 2016 and P41.9 million in 2014, and loss amounting to P34.6 million in 2015. These are included under Finance and Other Income and Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26).

12. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND OTHER RELATED PARTIES

12.1 Breakdown of Carrying Values

The details of investments in and advances to associates and other related parties and interest in joint ventures, which are carried at equity method, are presented in the succeeding page.

	Notes	2016	2015
Investments of Megaworld in Associates:			
Acquisition costs:			
PCMCI	12.2	**P 877,776,746**	P 877,776,746
SHDI	12.3	**875,445,000**	875,445,000
NPI		**734,396,528**	734,396,528
BNHGI	12.4	**293,602,421**	534,510,859
BWDC		**199,212,026**	199,212,026
PTHDC		**64,665,000**	64,665,000
FERC		**28,000,000**	28,000,000
FENI		**10,000,003**	10,000,003
FESI		**7,808,360**	7,808,360
FERSAI		**4,000,000**	4,000,000
		3,094,906,084	3,335,814,522
Accumulated share in net losses:			
Balance at beginning of year		**(561,522,560)**	(700,136,780)
Share in net profits for the year		**136,866,743**	138,614,220
Balance at end of year		**(424,655,817)**	(561,522,560)
Accumulated equity in other comprehensive income:			
Balance at beginning of year		**38,744,144**	-
Share in other comprehensive income (loss) of associate		**(27,975,475)**	38,744,144
Balance at end of year		**10,768,669**	38,744,144
		2,681,018,936	2,813,036,106
Investment of EMP in BLC, a joint venture – acquisition cost		**3,703,721,965**	3,703,721,965
Accumulated share in net profits:			
Balance at beginning of year		**169,542,466**	39,534,826
Share in profits for the year		**219,276,919**	130,007,640
Dividend received during the year		**(93,391,294)**	-
Balance at end of year		**295,428,091**	169,542,466
		3,999,150,056	3,873,264,431
Investment of Travellers in FRTMI, a joint venture – acquisition cost	12.5	**10,000,000**	10,000,000
Accumulated share in net loss:			
Balance at beginning of year		**-**	-
Share in net loss for the year		**(538,345)**	-
Balance at end of year		**(538,345)**	-
		9,461,655	10,000,000
Balance carried forward		**P 6,689,630,647**	P 6,696,300,537

	Notes	2016	2015
Balance brought forward		**P 6,689,630,647**	P 6,696,300,537
Investment of FCI in FPARI, an associate– acquisition cost	12.6	**14,700,000**	-
		6,704,330,647	6,696,300,537
Advances to Associates and Other Related Parties	29.5	**2,520,255,783**	3,971,897,497
		P 9,224,586,430	P 10,668,198,034

The total share in net profits amounts to P355.6 million, P268.6 million and P122.7 million for the years ended December 31, 2016, 2015 and 2014 respectively. These amounts are shown as Share in Net Profits of Associates and Joint Ventures – Net account in the consolidated statements of comprehensive income.

The carrying costs of Investments in Associates is lower than the book values of such investments in the investees' books; hence, management has assessed that recognition of impairment losses in 2016, 2015 and 2014 is not necessary.

12.2 PCMCI

In 2015, EELHI acquired 750,000,000 PCMCI shares amounting to P877.8 million representing 20% ownership interest. Through this acquisition, the Group acquired an ability to exert significant influence over PCMCI.

12.3 SHDI

The shares of stock of SHDI are listed in the PSE. The total quoted or market value of investments in this associate amounted to P0.9 billion and P0.8 billion as at December 31, 2016 and 2015, respectively.

12.4 BNHGI

In December 2014, FEPI sold 40% of its equity interest in its subsidiary, BNHGI. Management assessed that the Group has lost control over BNHGI due to the loss of the Group's ability to direct the relevant activities of BNHGI. The fair value of the new interest of the Group in BNHGI amounting to P775.4 million was recognized as the deemed cost of the new investment in associate. Accordingly, a gain from sale amounting to P377.5 million was recognized which is presented as part of Gain on acquisitions and deconsolidation of subsidiaries under Finance and Other Income account in the 2014 consolidated statement of comprehensive income (see Note 26).

In 2016 and 2015, FEPI sold another 15% ownership interest each year, reducing the Group's effective ownership over BNHGI to 17% and 25%, respectively. Gain on sale of investment in associate amounting to P82.5 million and P181.3 million was recognized in 2016 and 2015, respectively and presented under Finance and Other Income in the consolidated statements of comprehensive income (see Note 26).

12.5 FRTMI

In 2015, the Group entered into a joint venture agreement with Viva Live, Inc. to form FRTMI, a joint venture and newly incorporated entity in the same year. The investment made by the Group amounting to P10.0 million is accounted for under the equity method. FRTMI started commercial operations in June 2016.

12.6 FPARI

In 2016, FCI acquired 49% ownership in FPARI, a domestic corporation engaged in establishing, maintaining, operating and managing, for its own account, or for the account of other entities or individuals, restaurants, bars and general food catering services, specifically McDonald's.

12.7 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net profit (loss) of the associates and joint ventures are as follows as at and for the years ended December 31, 2016 and 2015 (in thousands):

	2016			
	Assets	Liabilities	Revenues	Net Profit (Loss)
NPI	P 5,675,416	P 1,317,006	P 18	(P 123)
BLC	5,132,925	1,056,563	4,140,938	438,554
BWDC	2,759,329	2,749,338	443,284	280,292
PCMCI	2,451,853	8,433	-	(6,422)
BNHGI	1,800,435	196,475	-	(108)
PTHDC	1,136,165	1,007,332	5	(766)
SHDI	684,683	402,542	417,351	47,758
FERC	277,875	209,509	-	-
FERSAI	157,909	173,014	-	-
FESI	61,571	16,234	1,521	(2,415)
FENI	98,511	93,113	-	-
FRTMI	4,538	638	90	(1,077)
	P 20,241,210	**P 7,230,197**	**P 5,003,207**	**P 755,693**

	2015			
	Assets	Liabilities	Revenues	Net Profit (Loss)
FRTMI	P 5,000,000	P 23,000	P -	(P 23,000)
PMCI	2,458,016	8,173	-	(9,234)
NPI	5,675,539	1,317,006	21	(18)
BWDC	3,327,984	2,637,530	384,745	259,062
BNHGI	1,799,799	196,247	-	(2,020)
PTHDC	1,136,404	1,006,804	6	(1,190)
SHDI	585,451	346,424	365,069	53,726
FERC	277,875	209,508	-	-
FERSAI	157,909	173,014	-	-
FESI	64,232	18,248	1,819	(1,768)
FENI	98,511	931,113	-	-
BLC	5,054,709	1,063,831	3,315,098	260,015
	P 25,636,429	P 7,930,898	P 4,066,758	P 535,573

13. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment at the beginning and end of the reporting periods are shown below.

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
December 31, 2016							
Cost	P 12,582,510,927	P 44,152,563,556	P 19,843,643,000	P 1,015,546,308	P 9,554,335,481	P 20,668,602,178	P 107,817,201,450
Accumulated depreciation, amortization and impairment	(183,255,383)	(8,479,481,389)	(10,645,276,674)	(594,039,740)	(4,921,477,189)	-	(24,823,530,375)
Net carrying amount	**P 12,399,255,544**	**P 35,673,082,167**	**P 9,198,366,326**	**P 421,506,568**	**P 4,632,858,292**	**P 20,668,602,178**	**P 82,993,671,075**
December 31, 2015							
Cost	P 11,056,902,519	P 36,558,047,118	P 18,876,650,033	P 889,003,599	P 8,564,373,419	P 13,006,191,319	P 88,951,168,007
Accumulated depreciation, amortization and impairment	(160,463,480)	(7,382,843,468)	(10,079,353,913)	(486,249,489)	(4,568,029,117)	-	(22,676,939,467)
Net carrying amount	P 10,896,439,039	P 29,175,203,650	P 8,797,296,120	P 402,754,110	P 3,996,344,302	P 13,006,191,319	P 66,274,228,540
January 1, 2015							
Cost	P 9,744,801,843	P 27,023,462,781	P 17,273,114,250	P 835,103,164	P 6,543,083,196	P 12,542,167,037	P 73,961,732,271
Accumulated depreciation, amortization and impairment	(125,913,465)	(6,264,369,660)	(8,878,835,010)	(426,226,366)	(4,047,650,123)	-	(19,742,994,624)
Net carrying amount	P 9,618,888,378	P 20,759,093,121	P 8,394,279,240	P 408,876,798	P 2,495,433,073	P 12,542,167,037	P 54,218,737,647

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the reporting periods is shown below.

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
Balance at January 1, 2016 net of accumulated depreciation amortization and impairment	P 10,896,439,039	P 29,175,203,650	P 8,797,296,120	P 402,754,110	P 3,996,344,302	P 13,006,191,319	P 66,274,228,540
Transfer from investment properties	-	-	-	-	457,721,767	-	457,721,767
Additions	26,086,122	3,109,764,343	1,309,997,571	148,988,825	980,817,163	10,962,996,747	16,538,650,771
Additions due to acquired subsidiaries and business unit	1,641,237,414	1,946,144,699	525,133,832	463,738	10,056,278	14,424,834	4,137,460,795
Disposals – net	(141,715,128)	(30,720,024)	(54,151,140)	(3,867,648)	(16,083,847)	(178,791)	(246,716,578)
Disposals due to deconsolidation of subsidiaries	-	-	-	-	(87,509,567)	-	(87,509,567)
Reclassifications – net	-	3,223,295,679	89,070,368	-	5,128,330	(3,314,831,931)	2,662,446
Impairment loss	-	(164,871,580)	(1,626,076)	-	-	-	(166,497,656)
Depreciation and amortization charges for the year	(22,791,903)	(1,585,734,600)	(1,467,354,349)	(126,832,457)	(713,616,134)	-	(3,916,329,443)
Balance at December 31, 2016 net of accumulated depreciation, amortization and impairment	**P 12,399,255,544**	**P 35,673,082,167**	**P 9,198,366,326**	**P 421,506,568**	**P 4,632,858,292**	**P 20,668,602,178**	**P 82,993,671,075**
Balance at January 1, 2015 net of accumulated depreciation, amortization and impairment	P 9,618,888,378	P 20,759,093,121	P 8,394,279,240	P 408,876,798	P 2,495,433,073	P 12,542,167,037	P 54,218,737,647
Additions	1,321,887,733	1,146,538,457	1,602,068,559	111,488,824	898,457,795	9,302,139,494	14,382,580,862
Disposals – net	(16,387,925)	(77,944,101)	(70,510,806)	(20,165,794)	(18,350,966)	-	(203,359,592)
Reclassifications – net	-	8,610,363,965	182,285,100	(220,134)	1,220,745,231	(8,838,115,212)	1,175,058,950
Effect of foreign currency adjustment	6,600,867	(1,348,293)	3,989,691	-	65,884	-	9,308,149
Impairment loss – reversal	-	1,877,430	-	-	-	-	1,877,430
Depreciation and amortization charges for the year	(34,550,014)	(1,263,376,929)	(1,314,815,664)	(97,225,584)	(600,006,715)	-	(3,309,974,906)
Balance at December 31, 2015 net of accumulated depreciation, amortization and impairment	P 10,896,439,039	P 29,175,203,650	P 8,797,296,120	P 402,754,110	P 3,996,344,302	P 13,006,191,319	P 66,274,228,540

Construction in progress includes accumulated costs incurred on the casino and hotel sites being constructed as part of Travellers' investment commitment in accordance with its Provisional License Agreement with PAGCOR [see Note 30.3(a)]. In 2016, the construction of Marriott West Wing, which is a 10-storey annex to the Marriott and with additional 228 rooms, was completed. In 2015, the construction of Marriott Grand Ballroom, which is a grand ballroom and convention center with a seating capacity of up to 4,000, was completed. Accordingly, the accumulated costs incurred for these facilities amounting to P3,003.5 million in 2016 and P8,420.5 million in 2015 were reclassified from Construction in progress to Buildings and leasehold improvements in those years. Additions to construction in progress include capitalized borrowing costs amounting to P779.8 million, P1,007.7 million and P189.0 million in 2016, 2015 and 2014, respectively, determined using a capitalization rate of 4.1% to 7.4%, 5.6% to 7.4% and 5.5% to 7.4% in 2016, 2015 and 2014, respectively (see Notes 17 and 18).

In 2015, GADC recognized gain on reversal of impairment losses amounting to P1.9 million. In 2016 and 2014, GADC recognized impairment losses of P166.5 million and P210.0 million, respectively, to write down to recoverable amount certain stores' property and equipment. Impairment losses are presented as Impairment of property, plant and equipment under Other Operating Expenses in the consolidated statements of comprehensive income (see Note 25), while the gain on reversal of the impairment losses are presented as part of Miscellaneous under Finance and Other Income account in the 2015 consolidated statement of comprehensive income (see Note 26). The value in use was computed using GADC's weighted average cost of capital of 15.5%, 16.0% and 18.0% in 2016, 2015 and 2014, respectively.

The Group recognized a net gain on disposal of various property, plant and equipment totaling P1.8 million in 2015 and P69.3 million in 2014, which is presented as part of Gain on disposal of PPE, investment properties and intangible assets – net under Finance and Other Income in the consolidated statements of comprehensive income (see Note 26). In 2016, the Group recognized a loss on disposal of various property, plant and equipment amounting to P35.8 million which is presented as part of Loss on disposal of PPE, investment properties and intangible assets – net account in the 2016 consolidated statement of comprehensive income (see Note 26).

The amount of depreciation is presented as part of Depreciation and Amortization which is presented under cost of goods sold, cost of services and other operating expenses (see Notes 24 and 25). In 2016 and 2015, depreciation expense amounting to P218.7 million and P198.6 million, respectively, was capitalized to form part of the work-in-process inventory. Such capitalized amount represents depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held.

Certain land and building is collateralized by GADC to a local bank. As at December 31, 2016, the carrying values of the land and building amounted to P112.1 million and P35.1 million, respectively [see Note 17(z)].

As at December 31, 2016 and 2015, total cost of fully depreciated assets that are still being used in operations amounted to P3.9 billion and P3.1 billion, respectively.

14. INVESTMENT PROPERTY

The Group's investment property includes several parcels of land, buildings and improvements which are held for investment purposes only, either to earn rental income or for capital appreciation or both. The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of the reporting periods are shown below.

	Land and Land Improvements	Buildings and Improvements	Total
December 31, 2016			
Cost	P 10,044,499,117	P 59,686,451,713	P 69,730,950,830
Accumulated depreciation	-	(7,424,181,679)	(7,424,181,679)
Net carrying amount	**P 10,044,499,117**	**P 52,262,270,034**	**P 62,306,769,151**
December 31, 2015			
Cost	P 9,823,058,912	P 44,538,546,995	P 54,361,605,907
Accumulated depreciation	-	(6,190,659,719)	(6,190,659,719)
Net carrying amount	P 9,823,058,912	P 38,347,887,276	P 48,170,946,188
January 1, 2015			
Cost	P 9,568,371,898	P 33,106,007,625	P 42,674,379,523
Accumulated depreciation	(136,338,719)	(4,795,748,682)	(4,932,087,401)
Net carrying amount	P 9,432,033,179	P 28,310,258,943	P 37,742,292,122

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting periods is shown below.

	Land and Land Improvements	Buildings and Improvements	Total
Balance at January 1, 2016, net of accumulated depreciation	P 9,823,058,912	P 38,347,887,276	P 48,170,946,188
Transfer to property and equipment	-	(457,721,767)	(457,721,767)
Additions	163,153,826	12,816,037,786	12,979,191,612
Additions due to acquired subsidiaries and business unit	22,276,500	-	22,276,500
Disposals	-	(766,776)	(766,776)
Reclassifications – net	36,009,879	2,796,263,277	2,832,273,156
Depreciation charges for the year	-	(1,239,429,762)	(1,239,429,762)
Balance at December 31, 2016, net of accumulated depreciation	**P 10,044,499,117**	**P 52,262,270,034**	**P 62,306,769,151**
Balance at January 1, 2015, net of accumulated depreciation	P 9,432,033,179	P 28,310,258,943	P 37,742,292,122
Additions	513,077,164	12,383,054,370	12,896,131,534
Disposals	-	(33,846,200)	(33,846,200)
Reclassifications – net	(122,051,431)	(1,053,007,519)	(1,175,058,950)
Depreciation charges for the year	-	(1,258,572,318)	(1,258,572,318)
Balance at December 31, 2015, net of accumulated depreciation	P 9,823,058,912	P 38,347,887,276	P 48,170,946,188

Rental income earned from the investment property amounted to P10.5 billion, P9.2 billion and P7.5 billion for the years ended December 31, 2016, 2015 and 2014, respectively, and shown as Rental income under Rendering of Services in the consolidated statements of comprehensive income (see Note 23). The direct operating costs, exclusive of depreciation, incurred by the Group relating to the investment property amounted to P563.0 million, P468.4 million and P471.7 million in 2016, 2015 and 2014, respectively, are presented as part of Cost of Services in the consolidated statements of comprehensive income (see Note 24). The operating lease commitments of the Group as a lessor are fully disclosed in Note 30.1.

In 2016, certain projects under property development costs were reclassified to investment properties due to change in management's intention. At the date of reclassification, the properties were fully constructed and started earning rental income.

Depreciation charges are presented as part of Depreciation and amortization under Cost of Services account in the consolidated statements of comprehensive income (see Note 24).

As at December 31, 2016 and 2015, none of the Group's investment properties were held as collateral.

The fair market values of these properties amounted to P260.8 billion and P207.5 billion as at December 31, 2016 and 2015, respectively. These are estimated either by reference to current prices for similar properties or by calculation of the present value of the estimated cash inflows anticipated until the end of the life of the investment property (see Note 33.4).

15. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of the reporting periods are shown below (see Note 2.11).

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Total
December 31, 2016					
Cost	P 19,848,347,372	P 16,655,559,198	P 1,194,058,929	P 29,758,358	P 37,727,723,857
Accumulated amortization	-	-	(176,008,250)	(27,501,378)	(203,509,628)
Net carrying amount	**P 19,848,347,372**	**P 16,655,559,198**	**P 1,018,050,679**	**P 2,256,980**	**P 37,524,214,229**
December 31, 2015					
Cost	P 18,385,690,018	P 10,095,457,168	P 1,155,954,708	P 29,758,358	P 29,666,860,252
Accumulated amortization	-	-	(78,562,744)	(26,099,739)	(104,662,483)
Net carrying amount	P 18,385,690,018	P 10,095,457,168	P 1,077,391,964	P 3,658,619	P 29,562,197,769
January 1, 2015					
Cost	P 18,385,690,018	P 11,000,870,823	P 1,194,058,929	P 29,633,358	P 30,610,253,128
Accumulated amortization	-	(802,540,987)	(38,104,221)	(24,682,563)	(865,327,771)
Net carrying amount	P 18,385,690,018	P 10,198,329,836	P 1,155,954,708	P 4,950,795	P 29,744,925,357

A reconciliation of the carrying amounts at the beginning and end of the reporting periods of intangible assets is shown below.

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Total
Balance at January 1, 2016, net of accumulated amortization	P 18,385,690,018	P 10,095,457,168	P 1,077,391,964	P 3,658,619	P 29,562,197,769
Additions due to consolidation of subsidiaries and business unit	1,462,657,354	6,662,974,698	-	-	8,125,632,052
Amortization for the year	-	(102,872,668)	(59,341,285)	(1,401,639)	(163,615,592)
Balance at December 31, 2016, net of accumulated amortization	**P 19,848,347,372**	**P 16,655,559,198**	**P 1,018,050,679**	**P 2,256,980**	**P 37,524,214,229**
Balance at January 1, 2015, net of accumulated amortization	P 18,385,690,018	P 10,198,329,836	P 1,155,954,708	P 4,950,795	P 29,744,925,357
Additions due to consolidation of subsidiaries	-	-	-	125,000	125,000
Amortization for the year	-	(102,872,668)	(78,562,744)	(1,417,176)	(182,852,588)
Balance at December 31, 2015, net of accumulated amortization	P 18,385,690,018	P 10,095,457,168	P 1,077,391,964	P 3,658,619	P 29,562,197,769

Trademarks include brand names "Emperador Brandy," "Generoso Brandy" and "The BaR" which were acquired up to 2008. In 2013, the Group registered another trademark under the new brand name "Emperador Deluxe."

In 2014, from the Group's acquisition of WMG Group, the trademarks "Jura" and "The Dalmore" were also recorded. In 2016, the Group's acquisition of the Business Unit in Jerez resulted in the recognition of four new trademarks, which amounted to P6.7 billion, to the Group's brand portfolio, namely "Fundador Brandy", "Terry Centenario Brandy", "Tres Cepas Brandy", and "Harveys" sherry wine [see Note 1.2(a)]. These trademarks have infinite useful lives; hence, no amortization was recognized for these brands for the periods presented.

The amortization of trademarks with finite useful lives amounted to P102.9 million for each of the three years in the period ended December 31, 2016 and are shown as part of Depreciation and amortization under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25).

The remaining useful lives, as at December 31, of the trademarks with finite useful lives are as follows:

	2016	2015
Emperador Brandy	**1 month**	13 months
Generoso Brandy	**1 month**	13 months
The BaR	**1.5 years**	2.5 years
Emperador Deluxe	**6.5 years**	7.5 years

In 2014, WCRWI entered into a lease agreement with Nayong Pilipino Foundation (NPF) covering certain parcels of land located at the Manila Bay Reclamation Area in Parañaque City for a period of 25 years, renewable for another 25 years under the terms mutually acceptable to the parties. Upon effectivity of the lease agreement, WCRWI has paid NPF an advance rental of P1.0 billion (presented under Leasehold rights) covering the first 20 years of the lease. The amount of amortization charges in 2016 and 2015 amounted to P50.0 million and P66.7 million, respectively, which is presented as part of Rental under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25). There was no amortization recognized in 2014 as the lease agreement entered by WCRWI is close to the end of the reporting period and the amount of amortization is not significant during such year.

Based on the Group's assessment, no impairment loss is required to be recognized on the carrying value of the Group's trademarks as the products that carry such brands are fast moving consumer products. Further, no impairment loss is required to be recognized on the carrying value of the other intangible assets (goodwill, leasehold rights and computer software) in 2016, 2015 and 2014.

As at December 31, 2016, the Group has no contractual commitments for the acquisition of any additional trademarks, leasehold rights and computer software.

16. TRADE AND OTHER PAYABLES

The breakdown of this account follows:

	Notes	**2016**	2015
Trade payables	29.1	**P 21,398,846,869**	P 21,209,079,619
Accrued expenses	18, 29.3	**8,664,793,944**	7,041,401,900
Retention payable		**3,954,252,112**	3,328,641,361
Accrued Interest		**1,316,215,677**	1,178,076,064
Due to related parties	29.6	**643,933,434**	430,329,812
Output VAT payable		**553,834,979**	508,138,283
Gaming license fees payable	28.3	**455,765,634**	2,643,207,205
Unredeemed gaming points		**345,075,419**	357,319,592
Withholding tax payable		**185,843,917**	112,825,990
Liabilities for land acquisition		**-**	789,104,396
Others		**1,448,541,222**	1,300,878,132
		P 38,967,103,207	P 38,899,002,354

Trade payables significantly comprise of obligations to subcontractors and suppliers of construction materials for the Group's projects and suppliers of raw materials. These also include unredeemed gaming chips determined as the difference between total gaming chips placed in service and the actual inventory of gaming chips under control or in custody, casino deposit certificates from patrons and other gaming-related liabilities.

Accrued expenses include accruals for salaries and other benefits, utilities, local and overseas travel, training and recruitment, due and subscription, advertising, rentals, marketing and other operating expenses of the Group.

Retention payable pertains to amount withheld from payments made to contractors for construction work performed to ensure compliance and completion of contracted projects. Upon completion of the contracted projects, the retained amounts are returned to the contractors.

The unredeemed gaming points liability represents the estimated costs of unredeemed casino gaming points issued, which are redeemable for complimentary goods or services of the Group (see Note 2.15).

Liabilities for land acquisition in 2015 represent the unpaid portion of land for future development acquired by the Group. The outstanding balance was fully settled in 2016.

Others include accrued construction costs, unearned rentals, and payables to government and other regulatory agencies, and various unreleased checks which are reverted to liability.

17. INTEREST-BEARING LOANS

The composition of the Group's outstanding bank loans is shown below.

	2016	2015
Current:		
Local	**P 18,420,889,667**	P 4,739,879,636
Foreign	**2,674,767,650**	23,964,734,146
	21,095,657,317	28,704,613,782
Non-current:		
Local	**36,075,216,708**	29,071,029,819
Foreign	**19,425,000,000**	-
	55,500,216,708	29,071,029,819
	P 76,595,874,025	P 57,775,643,601

The summarized terms and conditions of each availed loan as at December 31, 2016 and 2015 are as follows:

Outstanding Principal Balance 2016	2015	Explanatory Notes	Interest Rate	Security	Maturity date
P 19,425,000,000	P -	(a)	Margin of 1.55% plus EURIBOR	Unsecured	2021
8,750,000,000	10,000,000,000	(b)	Fixed at 5.401%	Unsecured	2022
5,000,000,000	5,000,000,000	(c)	Fixed at 5.035%	Unsecured	2020
5,000,000,000	-	(d)	Fixed at 6.4274%	Unsecured	2021
5,000,000,000	-	(e)	Fixed at 3.0%	Unsecured	2017
4,615,384,615	5,000,000,000	(f)	Fixed at 5.05%	Unsecured	2022
3,846,153,846	4,615,384,615	(g)	Fixed at 5.125%	Unsecured	2021
3,500,000,000	-	(h)	Fixed at 3.6%	Unsecured	2017
2,674,767,650	-	(i)	0.75% over LIBOR	Secured	2017
2,000,000,000	-	(j)	Fixed at 5.2632%	Unsecured	2021
2,000,000,000	-	(k)	Fixed based on 5-year PDST-R2 Fixed based on plus 1.3% spread at 3% floor	Unsecured	2021
2,000,000,000	-	(l)	Fixed at 4.0%	Unsecured	2017
1,916,666,667	1,440,000,000	(m)	Floating from 3.1% to 5.4%	Unsecured	2022-23
1,500,000,000	1,500,000,000	(n)	Fixed based on 5-year PDST-R2 Fixed based on plus 1.3% spread at 5% floor	Unsecured	2020
1,500,000,000	1,200,000,000	(o)	3.15% to 5.15% subject to repricing	Unsecured	2020
1,500,000,000	-	(h)	Fixed at 3.7%	Unsecured	2017
1,047,551,066	997,439,756	(p)	Variable prevailing market rate 5.15% to 5.5%	Secured	Upon collection of related assigned receivables
750,952,381	830,000,000	(q)	Fixed at 4.18% and 5.17%	Unsecured	2017
750,000,000	-	(r)	Fixed at 5.245%	Unsecured	2021
750,000,000	-	(r)	Fixed at 5.113%	Unsecured	2021
571,428,572	761,904,762	(s)	3.85% to 5.15%	Unsecured	2016 to 2019
500,000,000	500,000,000	(t)	5.0% subject to repricing	Unsecured	2020
500,000,000	-	(u)	Fixed at 5%	Unsecured	2021
427,083,333	500,000,000	(v)	Fixed at 5.035%	Unsecured	2020
400,000,000	-	(w)	3.15% subject to repricing	Unsecured	2021
235,238,095	260,000,000	(x)	Fixed at 4.71%	Unsecured	2017
200,000,000	200,000,000	(y)	5.25% subject to repricing	Unsecured	2020
85,714,286	102,857,143	(z)	Fixed at 5%	Secured	2021
63,050,705	64,971,354	(aa)	Fixed at 0.82%	Unsecured	2017
45,000,000	118,333,333	(bb)	Fixed at range of 5.50% to 5.75%	Unsecured	2017
41,882,809	69,002,604	(cc)	Fixed at range of 7.0% and 9.0%	Secured	Upon collection of assigned receivable
-	467,500,000	(dd)	Variable based on floating 6-month PDSTF-R plus Spread	Unsecured	2016
-	221,808,235	(ee)	Floating at 2% plus benchmark	Unsecured	2016
-	26,679,007	(ff)	Fixed at 4.0%	Unsecured	2016
-	18,410,793,000	(gg)	Variable based EURIBOR spread	Unsecured	2016
-	1,010,668,792	(hh)	0.8% over LIBOR	Secured	2016
-	4,478,301,000	(gg)	0.66% subject to repricing	Unsecured	2016
P 76,595,874,025	P 57,775,643,601				

(a) Loans denominated in foreign currency obtained by EIL from international financial institutions.

(b) Loan obtained by Megaworld from a local bank in two tranches in March and June 2015 to fund various real estate projects and retire currently maturing obligations. Principal repayment on this seven-year loan commenced in June 2016 and interest is paid quarterly.

(c) Loan obtained by Megaworld from a local bank in December 2015 for a five-year term. The principal repayments shall commence in March 2017 and interest is paid quarterly.

(d) Loan obtained by Megaworld from a local bank in November 2016 for a five-year term. The principal repayments shall commence in February 2018 and interest is paid quarterly.

(e) Loan obtained by AGI from a local bank for general corporate purposes. Principal and interest shall be paid lump-sum in 2017.

(f) Loan obtained by Megaworld from a local bank in November 2015. The principal repayments on this seven-year loan commenced in November 2016 and interest is payable semi-annually.

(g) Loan obtained by Megaworld from a local bank in 2014. The principal repayments on this seven-year loan commenced in August 2015 while interest is paid semi-annually.

(h) Loans obtained by Travellers from a local bank for working capital requirements. Both principal and interest are payable lump-sum in 2017.

(i) Loan denominated in foreign currency obtained by WMG from a foreign bank. The loan is secured by way of floating charge against WMG's inventories.

(j) Loan obtained by Megaworld from a local bank payable in August 2016 for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in November 2018 and interest is paid quarterly.

(k) Five-year loan obtained by GERI from a local bank in 2016, with a grace period of two years on principal installment. The loan is payable in quarterly installments of P125.0 million commencing on the 9th quarter from the date of initial drawdown and balloon payment at the end of five years.

(l) Loan obtained by Travellers from a P10.0 billion loan facility from a local bank. The principal and interest shall be paid in 2017.

(m) Loan obtained by EELHI from a local bank with a negative pledge on assets (see Note 8).

(n) Five-year loan obtained by GERI from a local bank in 2015. The loan is payable quarterly commencing on the 9th quarter from the date of initial drawdown.

(o) Five-year loan obtained by SPI from a local bank in 2015, payable in monthly installments after two years from draw down.

(p) Loans obtained by SPI from a local bank in 2015 through assignment of trade receivables (see Note 6).

(q) Loans obtained by GADC from local banks. Quarterly principal payments commenced in September 2016.

(r) Loans availed by EDI from local bank for a term of five years payable for twelve quarterly payments.

(s) Loans drawn by GADC from a P1.0 billion credit facility granted by a local bank. Principal is payable in quarterly installments.

(t) Five-year oan obtained by LFI from a local bank in December 2015 . Quarterly installments begin in March 2017, plus interest.

(u) Loans availed by EDI from local bank for a term of five years payable for twelve quarterly payments.

(v) Five-year loan obtained by OFPI from a local bank in 2015..

(w) Five-year loan obtained by SPI from a local bank in 2016, payable on a monthly basis after a grace period of two years from the date of availment.. The loan bears floating interest which is subject to repricing every 30-180 days.

(x) Loan obtained by GADC from a local bank in June 2015 in relation to the P500.0 million loan facility. Principal repayments began in June 2016 and every quarter thereafter.

(y) Five-year loan obtained by SPI from a local bank. Quarterly repayment of the loan will begin in 2017.

(z) Balance from loan granted to GADC in December 2011 by a local bank for the purchase of land and building from the latter, payable monthly starting on the third year of the loan. The acquired land and building served as collateral on the loan (see Note 13).

(aa) Euro-denominated short-term loan availed by RHGI from a foreign commercial bank. In June 2016, RHGI renewed the loan for another year.

(bb) Outstanding balance of short-term loans availed by SPI from local banks in 2015 and 2016.

(cc) Loans obtained by EELHI through assignment of receivables. Certain residential and condominium units for sale with carrying value of P188.4 million and P312.1 million as of December 31, 2016 and 2015, respectively, were used as collateral for the loans (see Note 6).

(dd) Seven-year loan obtained by Megaworld in 2009 which was fully paid in 2016.

(ee) Loan drawn by Travellers in 2012 from a P11.0 billion loan facility with a local bank, to settle Travellers' secured loans from the same bank. The loan was fully paid in 2016 (see Note 13).

(ff) Short-term loans availed by AFCMI from a local bank in December 2015, to finance working capital requirements. Such loans were fully paid in 2016.

(gg) Loans denominated in foreign currency obtained by EIL from international financial institutions. These were fully paid in 2016.

(hh) Loan obtained by WMG from an international commercial bank secured by way of floating charge over its inventory.

As at December 31, 2016, the Group complied with related loan covenants, including maintaining certain financial ratios, at the reporting dates.

Total interest expense attributable to these loans, including amortization of capitalized transaction costs, amounted to P778.3 million, P497.4 million and P197.8 million for the years ended December 31, 2016, 2015 and 2014, respectively, and are presented as part of Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26). Interest charges capitalized for the years ended December 31, 2016, 2015 and 2014 are included as part of additions to Construction in progress under Property, Plant and Equipment account (see Note 13), Real estate for sale under Inventories account (see Note 8) and Property Development Costs account (see Note 2). The amounts of outstanding accrued interest as at December 31, 2016 and 2015 are presented as part of Accrued Interest under Trade and Other Payables account (see Note 16).

18. BONDS PAYABLE

This account consists of bonds payable of the Company's subsidiaries as follows:

	2016	2015
Current:		
AG Cayman	**P 24,855,927,368**	P -
Travellers	**14,879,062,940**	-
	39,734,990,308	-
Non-current:		
Megaworld	**22,330,589,969**	17,314,139,585
AG Cayman	**-**	23,383,990,867
Travellers	**-**	14,021,596,999
	22,330,589,969	54,719,727,451
	P 62,065,580,277	P 54,719,727,451

The significant terms of the bonds are discussed below and in the succeeding page.

Face Amount	Outstanding Principal Balance 2016	Outstanding Principal Balance 2015	Explanatory Notes	Interest Rate	Nature	Maturity
$500.0 million	P 24.9 billion	P 23.4 billion	(a)	Fixed at 6.50%	Unsecured	2017
$300.0 million	14.9 billion	14.0 billion	(b)	Fixed at 6.90%	Unsecured	2017
$250.0 million	12.4 billion	7.9 billion	(c)	Fixed at 4.25%	Unsecured	2023
$200.0 million	9.9 billion	9.4 billion	(d)	Fixed at 6.75%	Unsecured	2018
	P 62.1 billion	P 54.7 billion				

(a) On August 18, 2010, AG Cayman issued seven-year bonds with accrued interest semi-annually in arrears on February 18 and August 18 of every year. The bonds are listed in the Singapore Exchange Securities Trading Limited. The net proceeds of the bonds are used to finance capital and project expenditures, refinance certain existing indebtedness of certain subsidiaries, and for general corporate purposes.

Subject to certain exceptions, the bonds may be redeemed by AG Cayman at their principal amount plus any accrued and unpaid interest. The bonds are unconditionally and irrevocably guaranteed by AGI which, together with certain subsidiaries, is required to comply with certain covenants. As at December 31, 2016, the Group is in compliance with the covenants.

(b) On November 3, 2010, Travellers issued seven-year bonds with accrued interest semi-annually in arrears every May 3 and November 3 of each year. The bonds are listed in the Singapore Exchange Securities Trading Limited. The net proceeds of the bonds are intended to finance capital and project expenditures, to refinance certain existing indebtedness, and for general corporate purposes of Travellers.

Subject to certain exceptions, Travellers may, at its option, redeem the bonds (i) in full at a price of 100.0% of the principal if certain changes in laws, treaties, regulations or rulings affecting taxes would require Travellers to pay certain additional amount; and, (ii) at any time prior to November 3, 2014, up to 35.0% of the principal amount at a price of 106.9% of the principal amount with the net cash proceeds of an equity offering.

Also, Travellers is required to make an offer to purchase the bonds at a price of 101.0% of the principal amount following a change in control (e.g., a sale or other disposition of all or substantially all of the properties or assets of Travellers to any person or entity).

(c) On April 17, 2013, Megaworld issued 10-year term bonds with semi-annual interest payments every April 10 and October 10. The proceeds of the bond issuance is being used by Megaworld for general corporate purposes.

(d) On April 15, 2011, Megaworld issued seven-year term bonds with accrued interest semi-annually in arrears every April 15 and October 15 each year. The proceeds received from this bond are also being used by Megaworld to finance its capital expenditures for its real estate projects.

Interest expense on the bonds payable, including amortization of capitalized transaction costs, amounted to P3.4 billion in 2016, P2.8 billion in 2015 and P3.5 billion in 2014. These amounts are presented as part of Interest expense under Finance and Other Charges account in the consolidated statements of comprehensive income (see Note 26). Interest charges capitalized for the years ended December 31, 2016, 2015 and 2014 are included as part of additions to Construction in progress under Property, Plant and Equipment (see Note 13), Real estate for sale under Inventories account (see Note 8) and Property Development Costs account (see Note 2). The amounts of outstanding accrued interest as at December 31, 2016 and 2015 are presented as part of Accrued interest under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

19. REDEEMABLE PREFERRED SHARES

The Group's redeemable preferred shares pertain to preferred shares issued by GADC and TLC as presented below and in the succeeding page. The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance and are classified as a non-current liability in the consolidated statements of financial position.

	2016	2015
GADC	**P 755,707,392**	P 671,367,358
TLC	**1,257,987,900**	1,257,987,900
	P 2,013,695,292	P 1,929,355,258

19.1 GADC's Redeemable Preferred Shares

The shares were issued in March 2005 to McDonald's Restaurant Operations (MRO), a company incorporated in the U.S.A. and is a subsidiary of McDonald's Corporation. The features of these preferred shares with par value per share of P61,066 each are presented below (in exact amounts).

Class	Voting	No. of Shares Authorized and Issued	Total Par Value (undiscounted)	Additional payment in the event of GADC's liquidation
A	No	778	P 47,509,348	U.S.$1,086 per share or the total peso equivalent of U.S.$845,061
B	Yes	25,000	1,526,650,000	U.S.$1,086 per share or the total peso equivalent of U.S.$27,154,927

Additional features of the preferred shares are as follows:

(a) Redeemable at the option of the holder after the beginning of the 19th year from the date of issuance (March 2005) for a total redemption price equivalent to the peso value on the date that the shares were issued;

(b) Has preference as to dividend declared by the BOD, but in no event shall the dividend exceed P1 per share; and,

(c) Further, the holder of preferred shares is entitled to be paid a certain amount of peso equivalent for each class of preferred shares, together with any unpaid dividends, in the event of liquidation, dissolution, receivership, bankruptcy or winding up of GADC.

The redeemable preferred shares are recognized at fair values on the date of issuance which were determined as the sum of all future cash payments, discounted using the prevailing market rates of interest as of the transaction date for similar instruments with similar term of 18 years.

The accretion of GADC's redeemable preferred shares in 2016, 2015 and 2014 amounted to P84.3 million, P74.9 million and P68.3 million, respectively, and is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26). As at December 31, 2016 and 2015, the carrying value of the GADC redeemable preferred shares amounted to P755.7 million and P671.4 million, respectively, shown as part of Redeemable Preferred Shares account in the consolidated statements of financial position. As at December 31, 2016 and 2015, the fair value of these shares amounted to P1,036.9 million and P989.0 million, respectively, as determined by discounting the sum of all future cash flows using prevailing market rates of interest for instrument with similar maturities at a discount rate of 6.83% and 3.27%, respectively.

19.2 TLC's Redeemable Preferred Shares

These were issued by TLC in September 2012 consisting of 1,258.0 million shares which are nonvoting, earns dividend at a fixed annual rate of 2.50% and subject to the existence of TLC's unrestricted retained earnings. These were issued in exchange for certain parcels of land with total fair value of P1,338.2 million. The issuance through the exchange of land was approved by the SEC on April 17, 2013.

The preferred shares have a maturity of 10 years and shall be redeemed every anniversary date beginning on the sixth anniversary date until expiration of the 10-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 accrued dividends on these preferred shares amounting to P118.1 million and P89.1 million as at December 31, 2016 and 2015, respectively, are presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 20). The related interest expense recognized for the years ended December 31, 2016, 2015 and 2014 amounting to P28.9 million each year is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26). As at December 31, 2016 and 2015, the fair values of the redeemable preferred shares on the date of issuance approximate their par value.

20. OTHER LIABILITIES

The composition of this account is shown below.

	Notes	2016	2015
Current:			
Reserve for property development	2.6	**P 7,460,325,834**	P 6,437,971,861
Customers' deposits	2.15(b)	**6,145,027,638**	5,889,473,914
Deferred income on real estate sales	2.15(b)	**5,561,346,611**	5,653,790,826
Unearned revenues		**1,672,152,962**	1,639,368,747
Derivative liability	2.12(a)	**356,819,015**	10,782,959
Deferred rental income	2.15(j)	**197,890,667**	355,831,050
Others		**757,818,293**	1,512,594,313
		22,151,381,020	21,499,813,670
Non-current:			
Reserve for property development	2.6	**8,846,206,033**	9,751,642,232
Equity-linked debt securities		**5,262,906,379**	5,259,137,443
Deferred income on real estate sales	2.15(b)	**5,119,282,510**	4,808,072,809
Deferred rental income	2.15(j)	**4,334,195,802**	3,346,201,751
Customers' deposit	2.15(b)	**1,092,454,082**	1,062,317,494
Accrued Interest		**562,730,466**	283,528,767
Provision for onerous lease		**346,041,898**	476,915,255
Guaranty deposits		**294,114,566**	223,742,615
Provision for dilapidations		**134,475,781**	317,343,255
Accrued rent		**129,346,664**	110,423,563
Asset retirement obligation	2.8	**61,269,090**	52,254,229
Derivative liability	2.12(a)	**-**	614,964,522
Others	19.2	**293,887,597**	831,509,616
		26,476,910,868	27,138,053,551
		P 48,628,291,888	P 48,637,867,221

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.

The current derivative liability represents the reduction in fair market value as at December 31, 2016 of currency forward options contract entered into with certain foreign banks. On the other hand, the derivative liability consists of the fair market value of the interest rate swap entered into by Travellers with a certain foreign bank at a notional amount of U.S.$250.0 million. Changes in the fair values of these current derivatives financial liabilities are presented as part of Fair value losses while those for non-current financial liability are presented under Unrealized loss on interest rate swap under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26).

Equity-linked debt securities (ELS) instrument arises from the subscription agreement between EMP and Arran Investment Private Limited for the issuance of additional common shares of EMP. The ELS may be converted into 480.0 million common shares (conversion shares) of EMP. The ELS bears a fixed annual interest rate of 5.0% and variable interest in an amount equal to the dividends that would be payable on the conversion shares if they were issued prior to the date that any dividend is declared by EMP. The fixed interest is payable either in cash or in new EMP shares (interest shares) on the conversion date, December 4, 2019, or December 4, 2021, as applicable. The variable interest is payable in cash on the date that the Issuer pays such dividends to its shareholders. Interest expense amounted to P364.0 million, P341.2 million and P19.8 million in 2016, 2015 and 2014, respectively, and is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26).

Provision for onerous lease pertains to WML's existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or subleased at a discount. The provision takes into account the current market conditions, expected future vacant periods, and expected future sublet benefits.
Provision for dilapidations is recognized for the present value of the costs to be incurred by WML for the restoration of the leased properties to a specified condition at the end of the lease term in 2029 as provided in the tenant repairing clauses of lease agreements.

Others, which are currently due, include liabilities on stocks purchases and due to condo unit holders arising from condo hotel operations while Others, which are not currently due, include accrued dividends on redeemable preferred shares (see Note 19.2) and security and miscellaneous deposits.

21. EQUITY

21.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2016	2015	2014	**2016**	2015	2014
Common shares – P1 par value						
Authorized	**12,950,000,000**	12,950,000,000	12,950,000,000	**P 12,950,000,000**	P 12,950,000,000	P 12,950,000,000
Issued and outstanding:	**10,269,827,979**	10,269,827,979	10,269,827,979	**P 10,269,827,979**	P 10,269,827,979	P 10,269,827,979
Treasury stock – at cost	**(122,964,200)**	(122,964,200)	(122,964,200)	**(936,157,074)**	(936,157,074)	(936,157,074)
Total outstanding	**10,146,863,779**	10,146,863,779	10,146,863,779	**P 9,333,670,905**	P 9,333,670,905	P 9,333,670,905

On March 12, 1999, the SEC approved the initial public offering of the Company's 336.1 million shares (248.1 million then outstanding and 88.0 million new issues) at P1.27 per share. The shares were initially listed in the PSE on April 19, 1999.

A 10% stock dividend was approved by the SEC and listed in September 1999. Three private placements ensued up to January 2011, of which 1.5 billion shares were listed in 2006. Then, a 10% rights offering of 200.47 million shares and 1:1 stock rights of 2.2 billion shares were approved and listed in 2005 and 2007, respectively. In 2007, there were also a share-swap transaction and a follow-on international offering wherein 4.1 billion and 1.8 billion shares, respectively, were issued and listed.

As at December 31, 2016 and 2015, the quoted closing price per share was P12.78 and P16.10, respectively. There are 863 holders, which include nominees, of the Company's total issued and outstanding shares as at December 31, 2016. The percentage of the Company's shares of stock owned by the public is 42.02% and 42.04% as at December 31, 2016 and 2015, respectively.

21.2 Additional Paid-in Capital

APIC consists mainly of P21.9 billion from the stock rights offering, share swap transaction and international offering in 2007. In 2014, the Group reissued treasury shares, resulting to an increase in APIC by P783.5 million. There was no similar transaction in 2016 and 2015.

21.3 Dilution Gain

The movement in dilution gain is a direct result of dilution in the Company's ownership interest in certain subsidiaries when such subsidiaries offer pre-emptive stock rights, underwent international stock offering, and acquire additional shares, in years prior to 2011.
In 2014, the movement is due to changes in ownership interest in certain subsidiaries.

21.4 Dividends

On August 19, 2016, August 12, 2015 and August 26, 2014, the BOD approved the declaration of cash dividends of P0.31, P0.31 and P0.38 per share, respectively. Total dividends amounting to P3,183.65 million in 2016, P3,183.65 million in 2015 and P3,902.53 million in 2014, were payable to stockholders of record as at September 5, 2016, September 1, 2015 and September 8, 2014, respectively. The said dividends were fully paid on September 19, 2016, September 14, 2015, and September 22, 2014, respectively. The amounts presented in the consolidated statements of changes in equity are net of dividends paid to subsidiaries.

21.5 Share Options

(a) Of the Company

On July 27, 2011, the BOD approved an Executive Share Option Plan (ESOP) for the Company's key executive officers, which was subsequently ratified by the stockholders on September 20, 2011. Under the ESOP, the Company shall initially reserve for exercise of share options up to 300.0 million common shares, or 3% of the outstanding capital stock, which may be issued out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and continue to be exercisable in accordance with terms of issue. The options shall vest within three years from date of grant (offer date) and the holder may exercise only a third of the option at the end of each year of the three-year vesting period. The vested option may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for nine months immediately preceding the date of grant.

On December 19, 2011, pursuant to this ESOP, the Company granted share options to certain key executives to subscribe to 46.5 million common shares of the Company, at an exercise price of P9.175. As at December 31, 2016, all of the said options vested but none were exercised.

On March 14, 2013, the Company granted additional 59.1 million share options to certain key executives at an exercise price of P12.9997. As at December 31, 2016, all of the said additional options vested and none were exercised.

The fair values of the options granted were 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:

		March 2013 Grant		December 2011 Grant
Option life		7 years		7 years
Share price at grant date	P	21.65	P	10.28
Exercise price at grant date	P	12.9997	P	9.175
Average fair value at grant date	P	9.18	P	2.70
Average standard deviation of share price returns		35.29%		37.75%
Average dividend yield		2.10%		1.70%
Average risk-free investment rate		2.92%		2.87%

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time within the life of the option.

(b) *Of Megaworld*

On April 26, 2012, Megaworld's BOD approved an ESOP for its key executive officers, and on June 15, 2012, the stockholders adopted it.

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 Megaworld. The exercise price shall be at a 15% discount from the volume weighted average closing price of Megaworld's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, Megaworld granted share options to certain key executives to subscribe to 235.0 million of its common shares, at an exercise price of P1.77 per share. As at December 31, 2016, none of the said options vested and exercised.

In 2013, additional share options were granted to certain key executives to subscribe to 20.0 million common shares of the Megaworld 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 P3.0 per share.

There were no additional share options granted in 2016 and 2015.

In 2016 and 2014, 5.0 million options each year were forfeited due to resignation of key executive officers. No option has vested as of December 31, 2016.

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	11.44 to 30.17 years
Average share price at grant date	P 2.54 to P4.52
Average exercise price at grant date	P 1.7731 to P3.2299
Average fair value at grant date	P 1.21 to P2.19
Average standard deviation of share price returns	1.03%
Average dividend yield	1.13%
Average risk-free investment rate	4.63%

The underlying expected volatility was determined by reference to historical date of Megaworld's shares over a period of time consistent with the option life.

Megaworld recognized a total of P29.5 million, P31.2 million and P30.1 million share-based executive compensation in 2016, 2015 and 2014, respectively, as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income and a corresponding credit in Non-controlling Interest account under equity.

(c) Of GERI

On September 23, 2011, the BOD of GERI approved an ESOP for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of GERI, who are largely responsible for its further growth and development, to obtain an ownership interest and thereby encourage long-term commitment to GERI. The ESOP is being administered by the Executive Compensation Committee of GERI's BOD.

Under the ESOP, GERI shall initially reserve for exercise of share options up to 500.0 million common shares of its 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 exercise price shall be at a 15% discount from the volume weighted average closing price of GERI's shares for twelve months immediately preceding the 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. GERI shall receive cash for the share options.

Pursuant to this ESOP, on February 16, 2012, key executive officers were granted options to subscribe to 100.0 million GERI shares, at an exercise price of P1.93. 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.

As at December 31, 2016 and 2015, a total of 283.3 million and 200.0 million options have vested but none of these have been exercised yet by any of the option holders as at the end of both reporting periods.

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 P18.5 million, P115.1 million and P10.0 million share-based compensation in 2016, 2015, and 2014, respectively, as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income and a corresponding credit in Non-controlling Interest account under equity.

(d) Of EMP

On November 7, 2014, EMP's BOD approved an ESOP for qualified employees of EMP Group.

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 Group provided that the employee has continuously served for 11 years after the option offer date. The exercise price shall be at a 15% discount from the volume weighted average closing price of EMP's shares of nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2015, EMP granted share options to certain key executives of EDI to subscribe to 118.0 million common shares of EMP at an exercise price of P7.0 per share.

The fair value of the options 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		20.23 years
Average share price at grant date	P	8.90
Average exercise price at grant date	P	7.00
Average fair value at grant date	P	4.09
Average standard deviation of share price returns		10.24%
Average dividend yield		1.08%
Average risk-free investment rate		4.89%

The underlying expected volatility was determined by reference to historical prices of EMP's shares over a period of one year.

A total of P136.3 million, P300.4 million and P313.3 million share-based executive compensation is recognized and presented as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income for the years 2016, 2015 and 2014, respectively (see Note 27.3).

21.6 Appropriated Retained Earnings

In 2016, the BOD of GADC appropriated P4.3 billion for the continuing business expansion. Such business expansion projects include construction of new stores and distribution centers, renovation of existing stores, development of information technology projects, store site acquisition and office renovations. The construction of new stores and renovation of existing stores are expected to be completed within a period of three to four months and spread throughout 2017. The development of information technology projects is expected to start by the second quarter of 2017 and be completed in 2018. Acquisition of store sites is expected to start by the second half of 2017 while office renovations are expected to begin in the last quarter of the year.
In 2015 and 2014, GADC appropriated P3.1 billion and P2.5 billion, respectively, for business expansion projects. These have been fully utilized in 2016 and 2015, respectively; hence, appropriations were reversed.

In November 2015, AWGI appropriated portion of its retained earnings amounting to P550.0 million for the rehabilitation of the glass manufacturing plant in 2016, which have extended up to 2017. The rehabilitation of the glass manufacturing plant is expected to be completed within 2017.

21.7 Subsidiaries with Material Non-controlling Interest

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

Name	Proportion of Ownership Interest and Voting Rights Held by NCI 2016	2015	Subsidiary's Profit Allocated to NCI 2016	2015
Megaworld	**33%**	33%	**P 4,015,151**	P 3,705,150
Travellers	**53%**	53%	**1,890,365**	2,234,931
GADC	**51%**	51%	**635,693**	392,659
Emperador	**18%**	18%	**1,464,529**	1,287,610

Dividends paid to NCI amounted to P1.7 billion, P1.9 billion and P1.5 billion in 2016, 2015 and 2014, respectively.

The summarized financial information of the subsidiaries, before intragroup elimination, is shown below (in thousands).

	December 31, 2016			
	Megaworld	Travellers	GADC	Emperador
Non-current assets	P 138,052,700	P 56,933,340	P 9,400,729	P 52,012,431
Current assets	140,689,818	19,375,450	6,966,339	42,289,970
Total assets	**P 278,742,518**	**P 76,308,790**	**P 16,367,068**	**P 94,302,401**
Non-current liabilities	P 94,234,642	P 334,438	P 2,944,336	P 30,164,796
Current liabilities	40,889,535	31,349,290	7,275,925	11,913,117
Total liabilities	**P 135,124,177**	**P 31,683,728**	**P 10,220,261**	**P 42,077,913**
Revenues	**P 46,817,544**	**P 25,094,629**	**P 22,629,169**	**P 41,018,101**

	December 31, 2016			
	Megaworld	Travellers	GADC	Emperador
Profit for the year attributable to:				
Owners of Parent	P 11,331,824	P 3,402,125	P 1,220,012	P 7,693,367
NCI	377,537	(3,598)	13,487	-
Profit for the year	11,709,361	3,398,527	1,233,499	7,693,367
Other comprehensive loss attributable to:				
Owners of Parent	(968,850)	(6,073)	(31,718)	(2,857,728)
NCI	(67,978)	-	-	-
Other comprehensive loss for the year	(1,036,828)	(6,073)	(31,718)	(2,857,728)
Total comprehensive income for the year	**P 10,672,533**	**P 3,392,454**	**P 1,201,781**	**P 4,835,639**
Net cash from (used in)				
Operating activities	P 3,918,234	P 7,722,489	P 3,735,337	(P 792,136)
Investing activities	(12,997,729)	(11,224,221)	(1,700,277)	(15,190,437)
Financing activities	2,710,193	(4,252,075)	(829,241)	(3,021,061)
Net cash inflow (outflow)	**(P 6,369,302)**	**(P 7,753,807)**	**P 1,205,819**	**(P 19,003,634)**

	December 31, 2015			
	Megaworld	Travellers	GADC	Emperador
Non-current assets	P 120,509,398	P 50,185,572	P 8,284,094	P 39,065,592
Current assets	131,175,366	19,582,366	6,001,123	59,193,041
Total assets	P 251,684,764	P 69,767,938	P 14,285,217	P 98,258,633
Non-current liabilities	P 80,792,592	P 14,919,190	P 3,047,274	P 8,684,106
Current liabilities	36,478,817	12,828,346	5,891,903	39,488,876
Total liabilities	P 117,271,409	P 27,747,536	P 8,939,177	P 48,172,982
Revenues	P 44,995,660	P 24,602,122	P 20,339,824	P 43,645,077
Profit for the year attributable to				
owners of Parent	P 6,869,652	P 1,782,678	P 367,832	P 5,672,446
NCI	3,705,150	2,234,931	392,659	1,287,610
Profit for the year	10,574,802	4,017,609	760,491	6,960,056
Other comprehensive income (loss) attributable to:				
Owners of Parent	(1,635,911)	9,081	46,519	(300,086)
NCI	(799,841)	11,403	48,418	(68,117)
Other comprehensive income (loss) for the year	(2,435,752)	20,484	94,937	(368,203)
Total comprehensive income for the year	P 8,139,050	P 4,038,093	P 855,428	P 6,591,853

	December 31, 2015			
	Megaworld	Travellers	GADC	Emperador
Net cash from (used in)				
Operating activities	P 1,649,796	P 6,674,017	P 2,337,407	P 2,699,991
Investing activities	(17,970,448)	(9,670,558)	(1,601,984)	(6,197,676)
Financing activities	13,940,766	(2,802,235)	(311,617)	(2,559,402)
Net cash inflow (outflow)	(P 2,379,886)	(P 5,798,776)	P 423,806	(P 6,057,087)

22. EARNINGS PER SHARE

Earnings per share is computed as follows:

	2016	2015	2014
Basic:			
Net profit attributable to owners of the parent company	**P 14,801,009,539**	P 13,964,765,317	P 13,246,243,353
Divided by the weighted average number of outstanding common shares	**10,146,863,779**	10,146,863,779	10,138,358,746
	P 1.4587	P 1.3763	P 1.3065
Diluted:			
Net profit attributable to owners of the parent company	**P 14,801,009,539**	P 13,964,765,317	P 13,246,243,353
Divided by the weighted average number of outstanding common shares	**10,252,463,779**	10,181,954,022	10,190,162,998
	P 1.4437	P 1.3715	P 1.2999

As at December 31, 2016, 2015 and 2014, there are 105.6 million, 35.1 million and 33.6 million potentially dilutive shares, respectively, from the Company's ESOP (see Note 21.5). However, such number of dilutive shares has no significant effect on the weighted average number of outstanding common shares and, consequently, has little effect on the 2016, 2015 and 2014 diluted EPS.

23. REVENUES

The breakdown of revenues from sale of goods and rendering of services is presented below and in the succeeding page.

	Notes	**2016**	2015	2014
Sale of Goods:				
Revenues from Real Estate sales:				
Real estate (RE) sales	2.15(b,d)	**P 27,450,993,911**	P 27,262,297,450	P 24,606,554,437
Realized gross profit on RE sales	2.15(b)	**3,978,988,971**	3,786,994,581	3,229,266,841
Interest income on RE sales	6	**1,700,850,559**	1,677,596,838	1,671,138,097
		33,130,833,441	32,726,888,869	29,506,959,375
Sales of consumer goods	2.15(a)	**41,608,345,308**	44,465,049,936	32,529,017,862
		P 74,739,178,749	P 77,191,938,805	P 62,035,977,237

	Notes	2016	2015	2014
Rendering of Services:				
Gaming	2.15(f)	**P 23,648,754,406**	P 24,216,681,861	P 28,376,733,234
Sales by company-operated quick-service restaurants	2.15(h)	**20,540,105,188**	18,475,579,809	16,921,020,974
Rental income	14	**10,485,484,341**	9,184,772,674	7,462,668,868
Hotel operations	2.15(g)	**3,789,710,840**	3,264,933,286	2,987,140,694
Franchise revenues	2.15(i)	**2,089,063,803**	1,864,243,896	1,495,577,642
Others		**1,619,313,567**	1,475,299,647	1,315,714,888
		P 62,172,432,145	P 58,481,511,173	P 58,558,856,300

Individual sublicense arrangements granted to franchisees and joint venturers generally include a lease and a license to use the McDonald's system in the Philippines and, in certain cases, the use of restaurant facility, generally for a period of 3 to 20 years provided, however, that should GADC's license rights from McDonald's be terminated at an earlier date or not renewed for any reason whatsoever, these sublicense agreements shall thereupon also be terminated.

Others include income from commissions, construction, cinema operations, property management operations, parking, laundry, arcade, bingo and production shows.

24. COST OF GOODS SOLD AND SERVICES

The components of cost of goods sold and services are as follows:
2012

	Notes	2016	2015	2014
Cost of Goods Sold:				
Cost of consumer goods sold:				
Direct materials used		**P 21,158,868,946**	P 27,351,007,298	P 28,779,892,005
Change in work in process and finished goods		**1,957,971,123**	574,114,567	(9,452,425,808)
Salaries and employee benefits	27.1	**1,032,839,073**	758,345,142	253,613,904
Depreciation and amortization	13, 15	**646,844,347**	520,867,517	370,375,806
Indirect materials and other consumables		**265,936,525**	285,586,448	446,173,945
Outside services		**224,995,771**	243,896,811	225,434,391
Utilities		**205,292,917**	199,722,841	202,545,524
Repairs and maintenance		**199,587,113**	118,267,079	99,947,875
Taxes and licenses		**82,846,890**	45,430,774	35,878,436
Supplies		**80,688,274**	90,219,850	99,277,030
Other direct and overhead costs		**451,155,189**	305,065,644	167,868,314
		P 26,307,026,168	P 30,492,523,971	P 21,228,581,422
Cost of RE sales:	2.15			
Actual costs		**10,822,973,859**	9,520,350,982	7,762,486,949
Estimated costs to complete	2.6	**4,691,677,819**	5,914,591,370	6,601,382,238
		15,514,651,678	15,434,942,352	14,363,869,187
Deferred gross profit on RE sales	2.6	**4,197,865,236**	4,515,385,332	4,538,218,791
		P 46,019,543,082	P 50,442,851,655	P 40,130,669,400

	Notes	2016	2015	2014
Cost of Services:				
Food, supplies and other consumables		**P 9,682,901,580**	P 9,232,150,550	P 8,254,659,729
Gaming license fees	30.3(c)	**5,212,622,104**	5,308,814,127	6,203,179,668
Salaries and employee benefits	27.1	**5,500,010,460**	5,284,971,588	4,318,125,264
Rental		**3,441,030,356**	3,216,207,324	3,090,990,551
Promotional allowance	2.15	**2,396,289,323**	3,117,567,390	2,502,976,854
Depreciation and amortization	13, 14, 15	**1,407,397,031**	1,365,736,393	1,312,901,467
Casino operating expense		**573,649,310**	268,339,360	485,916,735
Outside services		**523,816,634**	409,244,645	243,976,043
Flight operations		**338,691,065**	373,707,628	73,616,115
Entertainment, amusement and recreation		**30,287,816**	63,601,073	170,790,956
Other direct and overhead costs		**1,763,636,216**	1,523,158,975	1,437,537,081
		P 30,870,331,895	P 30,163,499,053	P 28,094,670,463

Total cost of RE sales pertains to actual and estimated construction costs. A further analysis of these costs follows:

	Notes	2016	2015	2014
Cost of RE sales:	2.15			
Contracted services		**P 13,467,972,535**	P 12,851,666,636	P 12,120,803,695
Land cost		**1,764,172,819**	2,058,899,931	1,770,144,307
Borrowing costs		**230,608,589**	331,643,102	273,887,171
Other development costs		**51,897,735**	192,732,683	199,034,014
		P 15,514,651,678	P 15,434,942,352	P 14,363,869,187

Deferred gross profit on real estate sales pertains to the unrealized portion of gross profit on a year's real estate sales.

Other direct and overhead costs include costs incurred for insurance, waste disposal, meals and various other costs.

25. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2016	2015	2014
Advertising and promotions	29.2	**P 7,744,771,626**	P 7,215,923,519	P 8,838,474,580
Salaries and employee benefits	27.1	**5,184,938,181**	4,722,463,895	3,906,405,251
Depreciation and amortization	13, 15	**2,993,184,859**	2,599,551,395	2,579,790,544
Professional fees and outside services		**1,388,911,334**	1,093,324,654	1,084,037,742
Commissions		**1,266,390,961**	1,182,614,368	1,097,461,661
Utilities		**1,137,852,660**	1,150,875,287	765,238,642
Royalty	29.6	**1,059,923,224**	923,028,088	862,366,072
Rental	15	**1,009,152,130**	1,077,411,329	895,129,897
Taxes and licenses		**852,537,538**	842,717,343	1,038,518,994
Transportation and travel		**665,878,858**	626,245,120	565,420,089
Management fees	29.3	**442,592,805**	471,697,945	402,665,835
Freight and handling		**437,708,284**	888,372,559	914,947,142
Repairs and maintenance		**376,106,316**	405,619,385	429,023,839
Representation and entertainment		**171,311,998**	152,860,046	132,407,764
Impairment of property, plant and equipment	13	**166,497,656**	-	209,995,122
Communication and office expenses		**48,782,212**	42,312,207	50,135,251
Impairment of receivables	6	**40,591,819**	35,555,627	55,475,139
Write-down of inventories	8	**38,718,861**	15,631,536	21,973,209
Insurance		**7,044,281**	7,339,131	5,456,659
Miscellaneous		**2,185,764,946**	2,258,513,285	2,232,870,587
		P 27,218,660,549	P 25,712,056,719	P 26,087,776,019

Miscellaneous expenses include expenses incurred for security services, supplies and other consumables, donations, training and development, dues and subscriptions, and various other expenses.

These other operating expenses are classified by function as follows:

	2016	2015	2014
General and administrative expenses	**P 16,735,925,815**	P 15,492,506,948	P 14,177,420,086
Selling and marketing expenses	**10,482,734,734**	10,219,549,771	11,910,355,933
	P 27,218,660,549	P 25,712,056,719	P 26,087,776,019

26. OTHER INCOME AND CHARGES

Other income and charges provide details of Finance and Other Income account and Finance Costs and Other Charges account as presented in the statements of comprehensive income.

	Notes	**2016**	2015	2014
Finance and other income:				
Interest income	5, 7	**P 1,818,829,674**	P 2,477,581,190	P 2,589,097,758
Fair value gains – net	7	**159,134,466**	257,633,748	8,363,512
Gain on sale of investments in an associate	12.4	**82,459,513**	181,347,731	-
Gain on acquisitions and deconsolidation of subsidiaries	12	**53,333,760**	3,758,167	524,766,704
Gain on sale of investment in AFS financial assets – net	11	**11,942,807**	-	41,859,502
Dividend income		**6,312,863**	15,376,038	20,278,117
Gain on reversal of liabilities		**-**	6,000,000	121,428,571
Gain on disposal of PPE, investment properties and intangible assets – net	13	**-**	1,779,421	69,298,776
Preacquisition income		**-**	291,847	9,150,638
Miscellaneous – net	6, 8, 13	**341,653,480**	212,019,558	1,303,344,676
		P 2,473,666,563	P 3,155,787,700	P 4,687,588,254
Finance costs and other charges:				
Interest expense	10.2, 17, 18 19, 20, 28	**P 4,856,184,716**	P 4,030,183,353	P 4,281,446,845
Foreign currency losses – net		**1,789,065,678**	1,551,620,605	57,235,428
Loss on disposal of PPE, investment properties and intangible assets – net		**35,820,601**	-	-
Unrealized loss on interest rate swap	20	**31,769,386**	30,186,511	36,405,850
Loss on sale of investment in AFS financial assets – net	11	**-**	34,615,950	-
Miscellaneous		**219,824,192**	205,890,592	80,821,589
		P 6,932,664,573	P 5,852,497,011	P 4,455,909,712

In 2015, GADC acquired 100% ownership over ODC for a total cash consideration of 129.3 million. The transaction resulted in the recognition of gain on acquisition of subsidiary amounting to P3.8 million.

In January 2014, Megaworld acquired additional 16.67% ownership in LFI, increasing its total ownership interest to 66.67%; thereby, obtaining control. The fair value of the identifiable net assets of P3.7 billion exceeded the acquisition cost of P3.6 billion; hence, a gain on acquisition (negative goodwill) of P77.6 million was recognized from the acquisition.

In December 2014, Megaworld also acquired 100% ownership in DPDHI to increase its landbank position in Davao City. The transaction was settled in cash amounting to P495.4 million and a gain on acquisition of P65.1 million was recognized.

The recognized gain on sale of investment in associates represents the difference between the proceeds from sale over the carrying amount of the Group's investment in BNHGI, partially sold in 2016 and 2015 (see Note 12.4), and GSTAI, sold in 2014.

In 2014, FEPI sold 40% of its ownership interest in BNHGI. The deconsolidation of BNHGI resulted in the recognition of gain on deconsolidation amounting to P377.5 million (see Note 12.4).

Also in 2014, AFCMI obtained control over MFGFI and GYACI which resulted to a gain on acquisition amounting to P3.6 million and P1.0 million, respectively.

Miscellaneous income refers to gain on sale of non-current assets, marketing fees and others.

Miscellaneous expenses pertain to amortization of discounts on security deposits, bank charges, impairment loss on receivables and other related fees.

27. SALARIES AND EMPLOYEE BENEFITS

27.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	**2016**	2015	2014
Short-term employee benefits		**P 11,167,948,376**	P 9,990,150,534	P 7,854,178,380
Post-employment defined benefit	27.2	**413,557,705**	475,185,920	310,622,207
Share option benefit expense	21.5, 27.3, 29.8	**136,281,633**	300,444,171	313,343,832
		P 11,717,787,714	P 10,765,780,625	P 8,478,144,419

These are classified in the consolidated statements of comprehensive income as follows:

	Notes	**2016**	2015	2014
Cost of goods sold	24	**P 1,032,839,073**	P 758,345,142	P 253,613,904
Cost of services	24	**5,500,010,460**	5,284,971,588	4,318,125,264
Other operating expenses	25	**5,184,938,181**	4,722,463,895	3,906,405,251
		P 11,717,787,714	P 10,765,780,625	P 8,478,144,419

27.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

Except for Megaworld, GERI, GADC, EDI and WML, the Company and all other subsidiaries have no established corporate retirement plans. Travellers, AWGI and TEI compute its retirement obligation based on the provisions of Republic Act (R.A.) No. 7641, *The Retirement Pay Law*. The amounts of retirement benefit expense and obligation were actuarially determined using the projected unit credit method for those with corporate retirement plans and those retirement plans following R.A. 7641. Whereas, the Company and the other subsidiaries within the Group have not accrued any post-employment benefit obligation as each entity has less than ten employees.

The Group's management believes that the non-accrual of the estimated post-employment benefits will not have any material effect on the Group's consolidated financial statements.

Megaworld, EDI and WML maintains a funded, tax-qualified, noncontributory retirement plan that is being administered by each trustee bank covering all regular and full-time employees. GERI has an unfunded, noncontributory defined benefit plan covering all regular employees. GERI's plan provides for a lump-sum benefit equal to 85% to 150% of the employees' monthly salary for every year of qualified duration of service. GADC has a funded, defined contribution retirement plan covering all regular and full-time employees, which allows voluntary employee contribution.

Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment 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 2016 and 2015.

The amounts of retirement benefit obligation as of the end of the reporting periods, presented as non-current liability in the consolidated statements of financial position, are determined as follows:2012

	2016	2015
Present value of the obligation	**P 14,156,797,542**	P 12,904,284,510
Fair value of plan assets	**(11,552,491,075)**	(11,038,183,769)
	P 2,604,306,467	P 1,866,100,741

The movements in the present value of retirement benefit obligation are as follows:

	2016	2015
Balance at beginning of year	**P 12,896,319,852**	P 13,636,601,974
Remeasurement losses (gains)	**2,421,552,675**	(1,011,864,498)
Current service and interest costs	**718,528,665**	773,308,860
Effects of foreign currency adjustment	**(443,156,000)**	7,846,290
Availment of sabbatical leave	**(1,882,829)**	(2,132,264)
Additions due to consolidation of new subsidiary	**7,964,658**	-
Benefits paid	**(1,442,529,479)**	(499,475,852)
Balance at end of year	**P 14,156,797,542**	P 12,904,284,510

The movements in the fair value of plan assets of funded retirement plans of the Group are presented below.

	2016	2015
Balance at beginning of year	**P 11,038,183,769**	P 10,899,926,023
Contributions paid into the plan	**334,241,600**	340,000,000
Actual return on plan assets	**398,530,707**	387,601,222
Actuarial gain (loss)	**1,502,635,070**	(118,865,632)
Foreign exchange adjustment	**(1,298,771,500)**	14,140,851
Benefits paid	**(422,328,571)**	(484,618,695)
Balance at end of year	**P 11,552,491,075**	P 11,038,183,769

The plan assets of Megaworld pertaining only to cash and cash equivalents amounted to P196.1 million and P140.6 million as at December 31, 2016 and 2015, respectively. The plan assets of EMP and GADC in 2016 and 2015 consist of the following:

	2016	2015
Investments in:		
Other securities and debt instruments	**68.27%**	64.54%
Long-term equity investments	**25.13%**	28.24%
Unit investment trust fund	**1.46%**	1.02%
Cash and cash equivalents	**0.87%**	1.22%
Property	**4.25%**	4.97%
Loans and receivables	**0.02%**	0.01%
	100.00%	100.00%

Actual returns in 2016 and 2015 amounted to P398.5 million and P387.6 million, respectively.

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for loans and receivables and property which are at Level 3.

The amounts of post-employment benefits expense recognized as part of Salaries and Employee Benefits in profit or loss (see Note 27.1) and other comprehensive income are as follows:

	2016	2015	2014
Reported in profit or loss:			
Current service cost	**P413,557,705**	P 475,185,920	P 325,213,109
Remeasurement gain	**-**	-	(14,546,900)
Curtailment gain	**-**	-	(44,002)
	P413,557,705	P 475,185,920	P 310,622,207

	2016	2015	2014
Reported in OCI:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**(P2,536,455,322)**	P 852,331,941	(P832,416,099)
Demographic assumptions	**186,326,140**	9,325,795	(18,374,487)
Experience adjustments	**1,539,642,898**	29,485,586	412,104,547
Return on plan assets (excluding amounts in net interest expense)	**2,789,394**	(3,824,909)	24,530,803
	(807,696,890)	887,318,413	(414,155,236)
Tax expense	**130,194,376**	(206,483,118)	86,813,531
	(P 677,502,514)	P 680,835,295	(P327,341,705)

In 2016 and 2015, post-employment benefits expense amounting to P154.3 million and P179.0 million were incurred for WML's defined contribution plan, respectively, and thus will not be included in the current service cost presented under the movement of post-employment benefit obligation.

The amounts of post-employment benefits expense are included as part of Salaries and employee benefits account under Other Operating Expenses in the consolidated statements of comprehensive income.

In determining the post-employment benefit obligation, the following actuarial assumptions were used:

	2016	2015
Discount rates	**4.49% - 6.80%**	3.55% - 5.40%
Expected rates of salary increases	**4.00% - 10.00%**	4.00% - 10.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The discount rates assumed were based on the yields of long-term government bonds, as of the valuation dates. The applicable period used approximate the average years of remaining working lives of the Group's employees.

(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 Risks

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 plans have relatively balanced investment in cash and cash equivalents, equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity 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 defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after 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

(i) Sensitivity Analysis

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding page.

		Maximum Impact on Post-employment Obligation	
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2016			
Discount rate	**+/-0.5% to +/-5.38%**	**(P 153,051,334)**	**P 156,509,283**
Salary increase rate	**+/-1.0% to +/-4.0%**	**227,152,534**	**(123,061,377)**
December 31, 2015			
Discount rate	+/-0.5% to +/-14.3%	(P 791,165,042)	P 750,361,047
Salary increase rate	+/-1.0% to +/-11.0%	459,982,085	(268,342,730)

The 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 defined benefit obligation 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 defined benefit obligation 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 defined benefit obligation 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 strategy 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 equities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P2,604.3 million based on the Group's latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 22 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan as at December 31 are as follows:

	2016	2015
Within one year	**P 382,108,071**	P 371,687,523
More than one year to five years	**1,248,125,084**	1,223,854,206
More than five years to ten years	**1,311,752,719**	1,287,297,395
More than ten years to 15 years	**778,683,224**	662,634,444
More than 15 years to 20 years	**1,472,193,362**	1,166,762,031
More than 20 years	**35,469,691,751**	21,590,449,193
	P 40,662,554,211	P 26,302,684,792

The Group expects to contribute in 2017, P40.0 million and P20.0 million to the retirement plan maintained for Megaworld and GADC, respectively. GERI and EMP have yet to decide the amount of future contributions to their existing retirement plans.

27.3 Share Option Benefits

The Group's share option benefit expense includes the amounts recognized by the Company, Megaworld, GERI and EMP over the vesting period of the options granted by them (see Note 21.5). Options for 388.9 million shares and 285.9 million shares have vested as at December 31, 2016 and 2015, respectively. Share option benefits expense, included as part of Salaries and Employee Benefits amounted to P136.3 million in 2016, P300.4 million in 2015 and P313.3 million in 2014 (see Note 27.1).

28. TAXES

28.1 Current and Deferred Taxes

The tax expense (income) reported in the consolidated statements of comprehensive income for the years ended December 31 are as follows:

	2016	2015	2014
Reported in consolidated profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 4,888,671,510**	P 3,917,658,855	P 3,923,667,182
Final tax at 20% and 7.5%	**94,301,242**	103,732,980	138,822,313
Preferential tax rate at 5%	**43,955,624**	19,247,898	58,117,064
Minimum corporate income tax (MCIT) at 2%	**30,142,769**	23,850,865	164,745,654
Others	**52,836,625**	41,356,179	138,327,833
	5,109,907,770	4,105,846,777	4,423,680,046
Deferred tax expense relating to origination and reversal of temporary differences	**771,071,940**	1,134,807,429	1,102,765,005
	P 5,880,979,710	P 5,240,654,206	P 5,526,445,051
	2016	2015	2014

	2016	2015	2014
Reported in consolidated other comprehensive income –			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(P 117,125,824)**	P 227,444,114	(P 117,498,049)

ECOC, SEDI and Travellers are Philippine Economic Zone Authority – registered entities which are entitled to 5% preferential tax rate on gross income from registered activities in lieu of all local and national taxes and to other tax privileges.

In November 2011, the Board of Investments approved SPI's application for registration on a certain project. SPI is entitled to income tax holiday for three years from November 2011 or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms.

The reconciliation of tax on consolidated pretax income computed at the applicable statutory rates to consolidated tax expense is as follows:

	2016	2015	2014
Tax on consolidated pretax income at 30%	**P 8,609,904,803**	P 8,078,118,494	P 7,990,840,254
Adjustment for income subjected to different tax rates	**(348,542,968)**	(329,600,325)	(2,450,052,961)
Tax effects of:			
Income not subject to RCIT	**(8,637,611,499)**	(8,254,918,534)	(6,453,316,654)
Nondeductible expenses	**6,264,672,750**	5,871,926,109	6,294,003,108
Tax benefit arising from unrecognized deferred tax asset	**494,620,447**	355,488,785	503,607,237
Additional deduction with the use of Optional Standard Deduction (OSD)	**(405,692,407)**	(558,234,820)	(488,708,892)
Changes in tax rates	**(100,089,472)**	-	-
Adjustment to current tax from prior years	**27,256,320**	-	-
Others	**(23,538,264)**	77,874,497	130,072,959
Tax expense reported in consolidated profit or loss	**P 5,880,979,710**	P 5,240,654,206	P 5,526,445,051

The deferred tax assets and liabilities as at December 31 presented in the consolidated statements of financial position relate to the following:

	2016	2015	2014
Deferred tax assets:			
Retirement benefit obligation	**P 567,259,624**	P 356,887,221	P 403,758,306
MCIT	**150,326,920**	150,733,088	146,272,494
Allowance for impairment losses	**112,376,019**	122,298,594	110,753,187
Accrued rent	**28,662,399**	32,995,141	36,213,490
Net operating loss carry-over (NOLCO)	**20,849,612**	16,281,073	9,874,627
Allowance for inventory write-down	**11,396,504**	18,484,887	19,724,387
Unrealized income – net	**3,078,688**	13,771,175	7,091,727
Others	**86,806,482**	40,106,946	42,147,748
	P 980,756,248	P 751,558,125	P 775,835,966

	2016	2015	2014
Deferred tax liabilities – net:			
Uncollected gross profit	**P 9,661,687,872**	P 8,884,257,510	P 7,617,315,708
Capitalized interest	**1,803,280,040**	1,431,498,138	998,345,338
Brand valuation	**1,489,925,000**	1,797,409,000	1,994,428,801
Unrealized foreign currency gains – net	**(1,220,035,435)**	(667,367,207)	(323,118,182)
Retirement benefit obligation	**(295,187,069)**	(245,597,333)	-
Difference between the tax reporting base and financial reporting base of property, plant and equipment	**287,572,150**	258,790,669	234,176,793
Translation adjustments	**(109,801,221)**	(96,732,669)	(117,693,665)
Fair value adjustment	**101,765,080**	363,554,500	426,376,168
Uncollected rental income	**52,328,557**	7,882,177	29,427,068
Others	**(316,848,264)**	(145,957,617)	(600,191,965)
	P 11,454,686,710	P 11,587,737,168	P 10,259,066,064

The deferred tax expense reported in the consolidated statements of comprehensive income is shown below.

	Consolidated Profit or Loss			Consolidated Other Comprehensive Income		
	2016	2015	2014	**2016**	2015	2014
Deferred tax expense (income):						
Uncollected gross profit	**P1,679,877,371**	P 1,266,941,802	P1,694,029,381	**P -**	P -	P -
Unrealized foreign currency gains - net	**(556,157,823)**	(344,249,025)	(60,343,457)	**-**	-	-
Capitalized interest	**371,781,902**	433,152,800	(111,644,539)	**-**	-	-
Brand valuation	**(307,484,000)**	(197,019,801)	-	**-**	-	-
Fair value adjustments on AFS	**(261,789,420)**	(62,821,668)	(2,817,304)	**-**	-	4,080
Retirement benefit obligation	**(210,775,818)**	46,871,085	(98,417,399)	**(164,057,272)**	206,483,118	(86,813,531)
Uncollected rental income	**44,446,380**	(21,544,891)	(69,636,728)	**-**	-	-
Difference between the tax reporting base and financial reporting base of property, plant and equipment	**28,781,481**	24,613,876	35,364,155	**-**	-	-
Translation adjustments	**(13,068,552)**	-	-	**(13,068,552)**	20,960,996	(30,688,598)
Allowance for impairment losses	**10,710,914**	11,545,407	(92,789,582)	**-**	-	-
NOLCO	**(4,568,539)**	(6,406,446)	(38,458,827)	**-**	-	-
MCIT	**1,144,098**	(4,460,594)	(122,954,873)	**-**	-	-
Accrued rent	**-**	3,218,349	(10,064,742)	**-**	-	-
Others	**(11,826,054)**	(15,033,465)	(19,501,080)	**-**	-	-
Deferred tax expense (income)	**P 771,071,940**	P 1,134,807,429	P1,102,765,005	**(P177,125,824)**	P227,444,114	(P 117,498,049)

The details of NOLCO, which can be claimed as deduction from the respective subsidiaries' future taxable income within three years from the year the loss was incurred, are shown below.

Year	Original Amount	Applied	Expired Balance	Remaining Balance	Valid Until
2016	P 783,771,805	P -	P -	P 783,771,805	2019
2015	744,065,328	(5,844,324)	-	738,221,004	2018
2014	1,568,565,938	(984,970)	-	1,567,580,968	2017
2013	2,650,351,662	-	(2,650,351,662)	-	
	P 5,746,754,733	**(P 6,829,294)**	**(P2,650,351,662)**	**P 3,089,573,777**	

Some companies of the Group are subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations. The details of excess MCIT over RCIT, which can be applied as deduction from the entities' respective future RCIT payable within three years from the year the MCIT was paid, are shown below.

Year Incurred	Original Amount	Expired	Remaining Balance	Valid Until
2016	P 25,386,401	P -	P 25,386,401	2019
2015	17,670,426	-	17,670,426	2018
2014	162,705,396	-	162,705,396	2017
2013	18,716,125	(18,716,125)	-	
	P 224,478,348	**(P 18,716,125)**	**P 205,762,223**	

The following summarizes the amount of NOLCO and other deductible temporary differences as at the end of 2016, 2015 and 2014 for which the related deferred tax assets– net have not been recognized by certain subsidiaries within the Group based on their assessments that the related tax benefits may not be realized within the prescriptive period:

	2016		2015		2014	
	Amount	**Tax Effect**	Amount	Tax Effect	Amount	Tax Effect
NOLCO	**P3,020,075,070**	**P 906,022,521**	P 4,371,152,888	P1,311,345,866	P 3,575,943,355	P1,072,783,007
Unrealized loss on interest rate swap	**561,969,185**	**168,590,756**	561,969,185	168,590,756	856,134,049	256,840,215
Unrealized foreign currency losses – net	**547,769,984**	**164,330,995**	547,769,984	164,330,995	45,480,627	13,644,188
Share-based compensation	**175,780,739**	**52,734,222**	175,780,739	52,734,222	130,877,036	39,263,111
Retirement benefit obligation	**73,391,230**	**22,017,369**	73,391,230	22,017,369	57,895,901	17,368,770
MCIT	**55,435,303**	**55,435,303**	55,087,856	55,087,856	55,859,616	55,859,616
Allowance for inventory write-down	**496,529**	**148,959**	496,529	148,959	483,969	145,191
ARO	**300,867**	**90,260**	300,867	90,260	-	-
Allowance for impairment	**28,167**	**8,450**	28,167	8,450	-	-
	P4,435,247,074	**P1,369,378,835**	P 5,785,977,445	P 1,774,354,733	P 4,722,674,553	P 1,455,904,098

28.2 Optional Standard Deduction

Corporate taxpayers have an option to claim itemized deductions or OSD equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for that particular taxable year.

In 2016, 2015 and 2014, the companies within the Group opted to continue claiming itemized deductions in computing for its income tax due, except for EDI, AWGI and MDC, which opted to claim OSD during the same taxable years.

28.3 Taxation of Casino Operations

Under the Provisional License Agreement with PAGCOR, Travellers is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues. The license fees are directly remitted by Travellers to PAGCOR as required under the Provisional License Agreement.

In April 2013, the Bureau of Internal Revenue BIR issued RMC 33-2013 declaring that PAGCOR and its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended.

In August 2016, the Philippine Supreme Court (SC), in *Bloomberry Resorts and Hotels, Inc. vs. BIR*, (the SC Decision) confirmed that "all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos." The SC Decision has been affirmed with finality by the SC in a Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR.

Total license fees recognized amounted to P5.2 billion, P5.3 billion and P6.2 billion in 2016, 2015 and 2014, respectively, and are presented as Gaming license fees as part of Cost of Services account in the consolidated statements of comprehensive income (see Note 24). The outstanding liabilities are presented as Gaming license fees payable under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

Prior to the SC Decision in 2016, PAGCOR issued Guidelines for a 10% Income Tax Allocation (ITA) measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively, inasmuch as 10% of the license fees was allocated for income tax on gaming, subject to quarterly and annual true-up mechanisms obliging the licensees to remit to PAGCOR any savings from the excess ITA over the actual tax paid on the gaming revenues. In 2016, the ITA ceased to be effective as a result of the SC Decision. As of December 31, 2015, portion of the Gaming license fees payable includes the 10% ITA.

29. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, jointly controlled entities, the Group's key management personnel and retirement fund, and others. The summary of the Group's transactions and balances with its related parties as of and for the years ended December 31, 2016, 2015 and 2014 are as follows:

Related Party Category	Notes	Amount of Transaction 2016	2015	2014	Outstanding Balance Receivable (Payable) 2016	2015
Parent Company and subsidiaries' stockholders:						
Redeemable preferred shares	19	**(P2,536,455,322)**	P -	P -	**(P 2,013,695,292)**	(P 1,929,355,258)
Casino transactions	29.2	**343,690,659**	2,878,377,127	7,941,612,756	**(16,989,712)**	
31,319,430						
Incidental rebate charges	29.2	**-**	155,568,762	1,946,203,700	**-**	-
Management fees	29.3	**379,568,801**	376,529,493	315,469,747	**(65,125,989)**	(44,043,669)
Issuance of ELS	20	**-**	-	5,280,000,000	**(5,280,000,000)**	(5,280,000,000)
Accounts payable	29.6	**2,500,000**	9,000,000	114,474,692	**(380,670,512)**	(378,170,512)

Related Party Category	Notes	Amount of Transaction 2016	2015	2014	Outstanding Balance Receivable (Payable) 2016	2015
Related party under common ownership:						
Purchase of raw materials	29.1	**3,368,144,240**	3,014,462,087	4,654,005,633	**(1,256,577,065)**	(1,200,024,526)
Purchase of imported goods	29.1	**10,684,018**	4,686,357	3,475,578	**(1,059,608)**	(207,002)
Sales of investment	29.4	**-**	-	5,000,000	**-**	-
Advances granted	29.5	**(1,297,135,789)**	1,553,845,244	(572,143,376)	**1,393,983,581**	2,691,119,370
Associates –						
Advances granted	29.5	**(154,505,925)**	2,996,218	273,273,910	**1,126,272,202**	1,280,778,127
Others:						
Accounts receivable	29.6	**538,920,305**	(1,559,905,766)	118,991,964	**812,050,310**	273,130,005
Accounts payable	29.6	**211,103,622**	(173,165,011)	(586,491,844)	**(263,262,922)**	(52,159,300)
Advances from joint venture partners and others	29.7	**250,094,875**	588,008,586	549,044,994	**(1,741,255,704)**	(1,491,160,829)

Unless otherwise stated, the outstanding balance of the Group's transactions with its related parties are unsecured, noninterest-bearing and payable on demand.

29.1 Purchase of Goods

Emperador imports raw materials such as alcohol, flavorings and other items, and finished goods through Andresons Global, Inc. (AGL), related party under common ownership. These transactions are payable within 30 days.

Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC.

The outstanding liability related to these purchases is presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

29.2 Joint Co-operation Agreement with Genting Hongkong, Ltd. (GHL)

In 2014, Travellers and GHL executed a joint co-operation agreement for certain services of GHL to Travellers whereby the consideration is a certain percentage of net turnover from casino operations. In 2015, Travellers and GHL discontinued the joint co-operation agreement.

Incidental rebate charges arising from this transaction are presented as part of Advertising and promotions under the Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25). There are no outstanding balances arising from this agreement as of December 31, 2016 and 2015.

Travellers also recognized outstanding accounts to and from GHL representing show money received by GHL from foreign patrons which GHL will later remit to Travellers. The outstanding balances are presented as part of Trade payables under Trade and Other Payables account in the 2016 consolidated statement of financial position and Trade receivables under Trade and Other Receivables account in the 2015 consolidated statement of financial position (see Notes 6 and 16).

29.3 Operations and Management Agreement with GHL

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. Management fees are presented as part of Management fees under the Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25).

The outstanding liability, which is unsecured, noninterest-bearing and payable in cash upon demand, arising from this transaction is presented as part of Accrued expenses in the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

29.4 Sale of Investment in GSTAI

In 2014, Travellers sold its investment in GSTAI to a related party under common ownership. There is no outstanding receivable arising from this transaction in 2014.

29.5 Advances to Associates and Other Related Parties

Entities within the Group grant advances to associates and other entities for working capital purposes. These advances to associates and other related parties are unsecured, noninterest-bearing and repayable upon demand. Settlement is generally made in cash or through offsetting arrangements. The outstanding balances of Advances to associates and other related parties, which are shown as part of Investments in and Advances to Associates and Other Related Parties account in the consolidated statements of financial position, are presented as follows (these mainly represent advances granted by Megaworld) [see Note 12.1]:

	2016	2015
Associates	**P 1,126,272,202**	P 1,280,778,127
Other related parties	**1,393,983,581**	2,691,119,370
	P 2,520,255,783	P 3,971,897,497

The movements in the Advances to Associates and Other Related Parties account are as follows:

	2016	2015
Balance at beginning of year	**P 3,971,897,497**	P 2,415,056,035
Cash advances granted	**35,162,769**	1,557,034,759
Advances eliminated through consolidation	**(1,100,014,026)**	-
Collections	**(386,790,457)**	(193,297)
Balance at end of year	**P 2,520,255,783**	P 3,971,897,497

As at December 31, 2016 and 2015, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired; hence, no impairment losses were recognized.

29.6 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billing, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. The amounts due from and to related parties are unsecured, noninterest-bearing and due and demandable any time. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of Due from/to Related Parties are presented under Trade and Other Receivables (see Note 6) and Trade and Other Payables (see Note 16) accounts, respectively, in the consolidated statements of financial position as follows:

	2016	2015
Due from Related Parties		
Officers and employees	**P 222,313,986**	P 199,519,892
Other related parties	**589,736,324**	73,610,113
	P 812,050,310	P 273,130,005
Due to Related Parties		
Stockholder	**P 380,670,512**	P 378,170,512
Other related parties	**263,262,922**	52,159,300
	P 643,933,434	P 430,329,812

The details of the due from/to related parties are as follows:

	2016	2015
Due from Related Parties		
Balance at beginning of year	**P 273,130,005**	P 1,833,035,771
Additions	**649,883,409**	200,760,828
Collections	**(110,963,104)**	(1,760,666,594)
Balance at end of year	**P 812,050,310**	P 273,130,005
Due to Related Parties		
Balance at beginning of year	**P 430,329,812**	P 594,494,823
Additions	**969,670,936**	55,545,720
Repayments	**(756,067,314)**	(219,710,731)
Balance at end of year	**P 643,933,434**	P 430,329,812

McDonald's granted GADC the nonexclusive right to adopt and use the McDonald's System in its restaurant operations in the Philippines. In March 2005, the license agreement was renewed for another 20 years, and provides for a royalty fee based on certain percentage of net sales from the operations of GADC's restaurants, including those operated by the franchisees. GADC recognized royalty expenses amounting to P1,059.9 million, P923.0 million and P862.4 million for 2016, 2015 and 2014, respectively (see Note 25). The outstanding payable to McDonald's relating to royalty expenses amounted to P197.9 million and P159.8 million as at December 31, 2016 and 2015, respectively, and presented as part of Due to Related Parties under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

GADC leases a warehouse and nine restaurant premises from MPRC, a company owned by MRO. The lease terms are for periods which are co-terminus with the lease agreements entered into by GADC with the owners of the land where the warehouse and restaurants are located. Except for the warehouse for which a fixed annual rental of P10.0 million is charged, rentals charged by MPRC to GADC are based on agreed percentages of gross sales of each store. Rental charged to operations amounted to P2.1 million, P2.0 million and P1.8 million in 2016, 2015 and 2014, respectively. The outstanding balance of this transaction amounted to P0.1 million as at December 31, 2016 and 2015.

As at December 31, 2016 and 2015, based on management's assessment, the outstanding balances of Due from officers and employees and related parties are not impaired, hence, no impairment losses were recognized.

29.7 Non-current Advances from Related Parties

Certain expenses of entities within the Group are paid for by other related parties. The advances are unsecured, noninterest-bearing, with no repayment terms, and generally payable in cash or through offsetting arrangements.

Advances from JV partners pertain to advances from golf share partners and lot owners which amounted to P471.1 million and P458.8 million in 2016 and 2015, respectively, net of deferred interest expense amounting to P31.1 million and P51.0 million, respectively. (See Note 10.2)

The amortization of deferred interest amounting to P19.8 million in 2016, 2015 and 2014 is presented as part of Interest expense under the Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26).

Details of Advances from Related Parties and JV Partners are presented as follows:

	2016	2015
Advances from related parties	**P1,270,198,038**	P1,032,335,872
Advances from JV partners	**471,057,666**	458,824,957
	P1,741,255,704	P1,491,160,829

29.8 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows (see Note 27.1):

	2016	2015	2014
Short-term employee benefits	**P 730,699,750**	P 598,151,482	P 532,622,621
Share-option benefit expense	**94,630,786**	295,951,143	313,343,832
Retirement benefits expense	**74,849,437**	44,846,176	44,186,742
	P 900,179,973	P 938,948,801	P 890,153,195

29.9 Transactions with the Retirement Plans

The Group has a formal retirement plan established separately for each significant subsidiary, particularly Megaworld, GERI, GADC, EDI and WML. These plans are defined benefit post-employment plan maintained for qualified employees, administered and managed by trustee banks (except for GERI which is still an unfunded plan). The carrying amount and the composition of the plan assets as at December 31, 2016 and 2015 are shown in Note 27.2.

Unit investment trust fund and equity and debt securities, which are included as plan assets under the fund consist of investments in corporations listed in the PSE. The retirement fund neither provides any guarantee or surety for any obligation of the Group. The retirement fund also does not have any investments in the Group's shares of stock.

COMMITMENTS AND CONTINGENCIES

30.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under non-cancellable operating lease agreements covering certain office and commercial spaces. The leases have terms ranging from 3 to 20 years, with renewal options, and include annual escalation rate of 5% to 10%.

Future minimum lease receivables under these leases as of December 31 are as follows:

	2016	2015	2014
Within one year	**P 10,862,959,288**	P 8,249,672,567	P 7,100,714,265
After one year but not more than five years	**56,270,960,545**	44,341,754,362	35,657,874,236
More than five years	**18,267,699,701**	14,314,334,326	11,299,924,365
	P 85,401,619,534	P 66,905,761,255	P 54,058,512,866

30.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases covering condominium units for administrative use. The leases have terms ranging from 1 to 40 years, with renewal options, and include a 5% to 10% annual escalation rate.

The future minimum rental payables under these non-cancellable leases as of the end of the reporting periods are as follows:

	2016	2015	2014
Within one year	**P 374,066,033**	P 375,258,419	P 151,425,413
After one year but not more than five years	**685,514,740**	875,894,424	367,182,124
More than five years	**591,096,671**	1,316,633,971	351,605,599
	P 1,650,677,444	P 2,567,786,814	P 870,213,136

30.3 Provisional License Agreement of Travellers with PAGCOR

On June 2, 2008, PAGCOR issued a Provisional License (License) authorizing Travellers to participate in the integrated tourism development project in two sites and to establish and operate casinos, and engage in gaming activities in the two sites. The term of Travellers' License shall be co-terminus with PAGCOR's franchise which will expire on July 11, 2033, and shall be renewed subject to the terms of the PAGCOR Charter.

(a) Investment Commitments

Under the terms of the License, Travellers and WCRWI are required to complete its U.S.$1.3 billion (about P64.8 billion) investment commitment in phases, which amount is divided into Site A and Site B with the minimum investment of U.S.$1.1 billion (about P54.8 billion) and U.S.$216.0 million (about P10.8 billion), respectively (collectively, the Project).

Travellers and WCRWI are required to fully invest and utilize in the development of the Project at least 40% of the respective phases of the investment commitment for Site A and Site B within two years from Site Delivery.

As a requirement in developing the aforementioned Project, Travellers transferred U.S.$100.0 million (about P4.9 billion) to an escrow account with a local bank mutually agreed by PAGCOR and Travellers. At any given time, the escrow account shall have a maintaining balance of not lower than U.S.$50.0 million (about P2.5 billion) (see Note 5). For failure to comply with such maintaining balance requirement after a 15-day grace period, Travellers shall be charged by PAGCOR an amount equal to P2.5 million for every 15 calendar days until the noncompliance is corrected. All funds for the development of the Project shall pass through the escrow deposit and all drawdown therefrom must be applied to the Project.

As at December 31, 2016, Travellers has spent P62.1 billion for its casino projects pursuant to its investment commitment under the License. It has short-term placements amounting to U.S.$62.8 million (about P3.0 billion) and U.S.$62.8 million (about 3.0 billion) as at December 31, 2016 and 2015, respectively, to meet its requirements with PAGCOR in relation to these investment commitments (see Note 5).

(b) Requirement to Establish a Foundation

Travellers, in compliance with the requirement of PAGCOR to incorporate and register a foundation for the restoration of cultural heritage, incorporated Resorts World Philippines Cultural Heritage Foundation Inc. (or the Foundation), formerly Manila Bayshore Heritage Foundation, Inc., on September 7, 2011 primarily to engage in various activities for charitable, educational, cultural and artistic purposes, and to promote, perpetuate, preserve and encourage Filipino culture.

The Foundation shall be funded by Travellers by setting aside funds on a monthly basis. The funds set aside shall be remitted to the foundation on or before the 10th day of the succeeding month. Travellers has recognized accrual, based on 2% of total gross gaming revenues from non-junket tables.

As at December 31, 2016 and 2015, Travellers remitted to the Foundation the donation dues for the current and prior years. Pursuant to PAGCOR's guidelines, the Foundation is tasked to undertake projects in line with the following disciplines: (i) restoration of cultural heritage; (ii) education infrastructure; and, (iii) environment and health. As at December 31, 2016, the following are the completed and on-going projects of the Foundation:

- Construction of school buildings in partnership with the Philippine Department of Education (DepEd) whereby five school buildings in various public schools in Metro Manila and Luzon were completed and turned over to DepEd and the collegiate universities, while one more school building is currently being constructed;

- Computerization project with DepEd through providing a computer laboratory to various public schools in various parts of the country whereby all phases of the said project covering 27 schools have been completed;

- Funding of the construction of a cadet barracks at the Philippine Military Academy (PMA) in Baguio City in a joint effort with another PAGCOR licensee's foundation, which was completed and turned over to PMA; and,

- Agreements with various universities to provide scholarship opportunities to poor but deserving students enrolled in the field of performing arts whereby the related funds have been granted for the scholars in each school.

(c) Tax Contingencies of Casino Operations

The PAGCOR Charter grants PAGCOR an exemption from taxes, income or otherwise, as well as exemption from any form of charges, fees, or levies, except for the 5% franchise tax on gross revenue or earnings derived by PAGCOR on its casino operations. On February 29, 2012, the BIR issued a circular which affirmed the nonexemption from corporate income taxation of PAGCOR by virtue of the amendment of R.A. No. 9337 of Section 27(c) of the National Internal Revenue Code of 1997.

Under the Travellers' License with the PAGCOR, Travellers is subject to the 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. In May 2014, PAGCOR issued Guidelines for a 10% ITA measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively (see Note 28.3).

On December 10, 2014, the SC en banc issued a Decision in the case of PAGCOR v. BIR, *G.R. No. 215427*, confirming that income from gaming operations is subject only to 5% franchise tax, in lieu of all other taxes, under P.D. No. 1869, as amended. The BIR's Motion for Reconsideration of the foregoing pronouncement was denied with finality in a resolution issued by the SC dated March 10, 2015.

In August 2016, the SC confirmed that "all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos." The SC Decision has been affirmed with finality by the SC in a Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR.

30.4 Participation in the Incorporation of Entertainment City Estate Management, Inc. (ECEMI)

As a PAGCOR licensee, Travellers committed itself to take part in the incorporation of ECEMI in 2012, a non-stock, non-profit entity that shall be responsible for the general welfare, property, services and reputation of the Bagong Nayong Pilipino Entertainment City Manila. As at December 31, 2016 and 2015, contributions made to ECEMI booked in favor of Travellers amounted to P1.3 million and is presented as part of Others under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

30.5 Others

As at December 31, 2016 and 2015, EELHI and SPI have unused lines of credit from certain banks and financial institutions totaling to P19.1 billion and P15.6 billion, respectively.

Travellers was granted a right by the Philippine Government to construct RunWay Manila, a pedestrian link bridge that will connect Ninoy Aquino International Airport Terminal 3 and Newport City, and which shall be accessible to the public, free of charge. RunWay Manila is fully financed by Travellers and is expected to be completed within the first half of 2017.

There are other 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. 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.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, AFS financial assets, interest-bearing loans, bonds payable, trade receivables and payables and derivative asset and liabilities which arise directly from the Group's business operations. The financial debts 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.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

31.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, Euros, UK pounds and US dollars, which are the functional currencies of the individual subsidiaries making the transactions. The currency exchange risk arises from transactions carried out in currencies other than the functional currency of the subsidiaries at each entity level.

Foreign currency denominated financial assets and liabilities, translated into Philippine pesos at period-end closing rate are as follows:

	2016		2015	
	U.S. Dollars	**HK Dollars**	U.S. Dollars	HK Dollars
Financial assets	**P 2,668,826,850**	**P 1,875,066,202**	P 10,145,546,404	P 1,813,558,543
Financial liabilities	**(37,979,525,901)**	**(427,946,563)**	(39,079,558,751)	(383,663,971)
	(P 35,310,699,051)	**P 1,447,119,639**	(P 28,934,012,347)	P 1,429,894,572

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and the U.S. dollar – Philippine peso exchange rate assumes +/- 7.50% and +/- 6.95% changes in exchange rate for the years ended December 31, 2016 and 2015, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 9.10% and +/- 6.97% changes for the year ended December 31, 2016 and 2015. These percentages have been determined based on the average market volatility in exchange rates in the previous year and 12 months, respectively, estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened against the U.S. dollar, with all other variables held constant, consolidated profit before tax would have increased by P2.6 billion and P2.0 billion for the years ended December 31, 2016 and 2015, respectively. If in 2016 and 2015, the Philippine peso had strengthened against the HK dollar, with all other variables held constant, consolidated profit before tax would have decreased by P0.1 billion in both years.

However, if the Philippine peso had weakened against the U.S. dollar and the HK dollar by the same percentages; then consolidated income before tax would have changed at the opposite direction by the same amount.

The Group periodically reviews the trend of the foreign exchange rates and monitors its non-functional currency cash flows.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to variable interest rates.

The sensitivity of the consolidated income before tax for the period to a reasonably possible change in interest rates of +/- 0.30% for Philippine peso and +/- 1.24% and U.S. dollar in 2016 and +/- 0.81% for Philippine peso and +/-0.53% for U.S. dollar in 2015 with effect from the beginning of the period. These percentages have been determined based on the average market volatility in interest rates, using standard deviation, in the previous year and 12 months, respectively, estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held as at December 31, 2016 and 2015, with effect estimated from the beginning of the period. All other variables held constant, the consolidated income before tax would have increased by P0.3 billion and P0.9 billion for the years ended December 31, 2016 and 2015, respectively. Conversely, if the interest rates decreased by the same percentage, consolidated income before tax would have been lower by the same amount.

31.2 Credit Risk

Generally, the Group's credit risk is attributable to trade and other receivable arising mainly from transactions with approved franchisees, installment receivables, rental receivables and other financial assets. The carrying values of these financial assets subject to credit risk are disclosed in Note 32.

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. Franchisees are subject to stringent financial, credit and legal verification process. In addition, accounts receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

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

Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

Trade and other receivables that are past due but not impaired are as follows:

	2016	2015
Not more than 30 days	**P 4,384,989,691**	P 2,366,208,718
31 to 60 days	**1,081,873,257**	1,791,680,836
Over 60 days	**2,184,716,830**	2,040,211,996
	P 7,651,579,778	P 6,198,101,550

31.3 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 basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds 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. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

As at December 31, 2016, the Group's financial liabilities have contractual maturities which are presented below.

	Current		**Non-current**	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**Later than 5 Years**
Trade and other payables	P 31,743,193,261	P 5,379,255,873	P -	P -
Interest-bearing loans	13,793,727,560	9,037,005,807	59,565,861,374	1,054,328,785
Bonds payable	1,116,433,863	40,744,406,381	12,945,153,375	12,717,881,563
ELS	-	-	-	6,738,766,650
Advances from related parties	-	-	-	2,424,926,309
Redeemable preferred shares	-	-	1,848,898,877	251,597,580
Security deposits	-	-	241,114,566	-
Derivative liabilities	356,819,015	-	-	-
Other liabilities	233,357,843	-	-	-
	P 47,243,531,542	**P 55,160,668,061**	**P 74,601,028,192**	**P 23,187,500,887**

As at December 31, 2015, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables	P 31,409,266,533	P 5,004,055,500	P -	P -
Interest-bearing loans	7,037,872,022	21,981,362,227	27,712,275,240	1,358,754,578
Bonds payable	488,168,100	488,168,100	47,720,324,913	7,941,219,038
ELS	-	-	6,738,766,650	-
Advances from related parties	-	-	1,998,248,486	-
Redeemable preferred shares	-	-	-	2,832,147,248
Security deposits	85,641,580	-	44,518,983	137,841,065
Derivative liabilities	10,782,959	-	614,964,522	-
Other liabilities	154,165,026	-	-	-
	P 39,185,896,220	P 27,473,585,827	P 84,829,098,794	P 12,269,961,929

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

31.4 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value (financial assets classified as AFS financial assets). 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 and their impact on the equity as at December 31, 2016 and 2015 are summarized as follows:

	Observed Volatility Rates		Impact on Equity	
	Increase	Decrease	Increase	Decrease
2016 - Investment in equity securities	**+37.30%**	**-37.30%**	**P 153,909,820**	**(P 153,909,820)**
2015 - Investment in equity securities	+26.31%	-26.31%	34,500,401	(34,500,401)

The maximum additional estimated loss in 2016 and 2015 is to the extent of the carrying value of the securities held as of these reporting dates with all other variables held constant. The estimated change in quoted market price is computed based on volatility of listed companies at the PSE for the past 12 months at 95% confidence level.

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.

32. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2016		2015	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	**P 48,672,938,017**	**P 48,672,938,017**	P 68,593,959,027	P 68,593,959,027
Trade and other receivables	6	**80,832,484,761**	**80,832,484,761**	70,856,800,739	70,856,800,739
Other financial assets	9	**1,916,384,154**	**1,916,384,514**	2,230,731,170	2,230,731,170
		P 131,421,806,932	**P 131,421,806,932**	P141,681,490,936	P 141,681,490,936
Financial assets at FVTPL:					
Marketable debt and equity securities	7	**P 10,465,266,604**	**P 10,465,266,604**	P 8,071,599,462	P 8,071,599,462
AFS Financial Assets:					
Debt securities	11	**P 260,449,586**	**P 260,449,586**	P 1,868,193,490	P 1,868,193,490
Equity securities	11	**412,665,700**	**412,665,700**	320,535,687	320,535,687
		P 673,115,286	**P 673,115,286**	P 2,188,729,177	P 2,188,729,177

	Notes	2016 Carrying Values	2016 Fair Values	2015 Carrying Values	2015 Fair Values
Financial Liabilities					
Financial liabilities at FVTPL –					
Derivative liabilities	20	**P 356,819,015**	**P 356,819,015**	P 625,747,481	P 625,747,481
Financial liabilities at amortized cost:					
Current:					
Trade and other payables	16	**P 36,907,266,143**	**P 36,907,266,143**	P 34,438,121,175	P 34,438,121,175
Interest-bearing loans	17	**21,095,657,317**	**21,095,657,317**	28,704,613,782	28,704,613,782
Bonds payable	18	**39,734,990,308**	**39,734,990,308**	-	-
Other current liabilities		**999,524,921**	**999,524,921**	292,779,105	292,779,105
		P 98,737,438,689	**P 98,737,438,689**	P 63,435,514,062	P 63,435,514,062
Non-current:					
Bonds payable	18	**P 22,330,589,969**	**P 22,330,589,969**	P 54,719,727,451	P 54,719,727,451
Interest-bearing loans	17	**55,500,216,708**	**55,500,216,708**	29,071,029,819	29,071,029,819
ELS	20	**5,262,906,379**	**5,262,906,379**	5,259,137,443	5,259,137,443
Redeemable preferred shares	19	**2,013,695,292**	**2,013,695,292**	1,929,355,258	1,929,355,258
Due to related parties	29	**1,741,255,704**	**1,741,255,704**	1,491,160,829	1,491,160,829
Security deposits		**294,114,566**	**294,114,566**	377,907,641	377,907,641
		P 87,142,778,618	**P 87,142,778,618**	P 92,848,318,441	P 92,848,318,441

See Notes 2.4 and 2.12 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 31.

FAIR VALUE MEASUREMENT AND DISCLOSURES

33.1 Fair Value Hierarchy

The hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource 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 financial asset or financial 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 of Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

33.2 Financial Instruments Measurements at Fair Value

The table below 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, 2016 and 2015.

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at FVTPL – Debt and equity securities	P 10,465,266,604	P -	P -	P 10,465,266,604
AFS financial assets:				
Debt securities	260,449,586			260,449,586
Equity securities	66,501,898	69,900,000	276,263,802	412,665,700
	P 10,792,218,088,	**P 69,900,000**	**P 276,263,802**	**P 11,138,381,890**
Financial liabilities:				
Financial liability at FVTPL – Derivative liabilities	**P 356,819,015**	**P -**	**P -**	**P 356,819,015**

	2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL – Debt and equity securities	P 8,071,599,462	P -	P -	P 8,071,599,462
AFS financial assets:				
Debt securities	1,868,193,490	-	-	1,868,193,490
Equity securities	131,135,359	63,680,000	125,720,328	320,535,687
	P 10,070,928,311	P 63,680,000	P 125,720,328	P 10,260,328,639
Financial liabilities:				
Financial liability at FVTPL – Derivative liabilities	P 625,747,481	P -	P -	P 625,747,481

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below are the information about how the fair values of the Company's classes of financial assets are determined.

(a) *Equity securities*

As at December 31, 2016 and 2015, instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL or AFS financial assets. These securities were valued based on their market prices quoted in various stock exchanges at the end of each reporting period.

Golf club shares classified as AFS financial assets are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity security held in a private company is included 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.

(b) Debt securities

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 (i.e., Stock Exchange) at the end of the reporting period and is categorized within Level 1.

33.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below and in the succeeding page shows the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as at December 31, 2016 and 2015.

	2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 48,672,938,017	P -	P -	P 48,672,938,017
Trade and other receivables	-	-	80,832,484,761	80,832,484,761
Other financial assets	-	-	1,916,384,514	1,916,384,514
	P 48,672,938,017	**P -**	**P 82,748,869,275**	**P 131,421,806,932**
Financial liabilities:				
Current:				
Trade and other payables	P -	P -	P 36,907,266,143	P 36,907,266,143
Interest-bearing loans	-	-	21,095,657,317	21,095,657,317
Bonds payable	39,734,990,308	-	-	39,734,990,308
Other current liabilities	-	-	999,524,921	999,524,921
Non-current:				
Bonds payable	22,330,589,969	-	-	22,330,589,969
Interest-bearing loans	-	-	55,500,216,708	55,500,216,708
ELS	-	-	5,262,906,379	5,262,906,379
Redeemable preferred shares	-	-	2,013,695,292	2,013,695,292
Due to related parties	-	-	1,741,255,704	1,741,255,704
Security deposits	-	-	294,114,566	294,114,566
	P 62,065,580,277	**P -**	**P123,814,637,030**	**P 185,880,217,307**

	2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 68,593,959,027	P -	P -	P 68,593,959,027
Trade and other receivables	-	-	70,856,800,739	70,856,800,739
Other financial assets	-	-	2,230,731,170	2,230,731,170
	P 68,593,959,027	P -	P 73,087,531,909	P 141,681,490,936
Financial liabilities:				
Current:				
Trade and other payables	P -	P -	P 34,438,121,175	P 34,438,121,175
Interest-bearing loans	-	-	28,704,613,782	28,704,613,782
Other current liabilities	-	-	292,779,105	292,779,105
Non-current:				
Bonds payable	54,719,727,451	-	-	54,719,727,451
Interest-bearing loans	-	-	29,071,029,819	29,071,029,819
ELS	-	-	5,259,137,443	5,259,137,443
Redeemable preferred shares	-	-	1,929,355,258	1,929,355,258
Due to related parties	-	-	1,491,160,829	1,491,160,829
Security deposits	-	-	377,907,641	377,907,641
	P 54,719,727,451	P -	P101,564,105,052	P 156,283,832,503

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value 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 Group uses valuation technique, it maximizes the use of observable market data where it is available and rely 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.

33.4 Investment Property Measured at Cost for which Fair Value is Disclosed

The fair value of the Megaworld's investment property, except for investment properties of API, and LFI's investment properties, was determined by calculating the present value of the cash inflows anticipated until the lif e of the investment property using a discount rate of 8%. The fair value of API and LFI's investment properties was determined by independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Groups investment property is their current use.

As at December 31, 2016 and 2015, the fair value of the Group's investment property amounted to P260.8 billion and P207.5 billion, respectively (see Note 14) and is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment property 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 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 2016 and 2015.

34. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

It monitors capital using the debt to equity ratio as shown below.

	2016	2015
Total liabilities	**P 245,193,291,467**	P 217,536,560,396
Equity attributable to owners of the parent company	**147,140,151,266**	137,056,497,134
Debt-to-equity ratio	**1.67:1**	1.59:1

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both periods.

35. SUBSEQUENT EVENTS

35.1 Acquisition of Pedro Domecq

On December 1, 2016, BLC signed an agreement with Pernod Richard to acquire its Domecq brandy wine business in Mexico. The purchase includes three brands of Mexican brandies: Presidente, Azteca de Oro and Don Pedro, and certain Mexican wine brands. The authorization from the Mexican Antitrust Authority to proceed was obtained on March 14, 2017. As of report date, the agreement is still undergoing completion of customary conditions.

35.2 Megaworld Issuance of Fixed Rate Bonds

In March 2017, the SEC approved the shelf registration of P30.0 billion fixed rate bonds of Megaworld. Relative to the first tranche of shelf registration, the SEC also granted the Company a permit to sell P8.0 billion, with an over subscription option of up to P4.0 billion, seven-year Series B fixed rate bonds due in 2024 with an interest rate of 5.35%. On March 28, 2017, the Company issued P12.0 billion bonds relative to the offer.

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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 the Stockholders
Alliance Global Group, Inc. and Subsidiaries
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Global Group, Inc. and subsidiaries (the Group) for the year ended December 31, 2016, on which we have rendered our report dated March 29, 2017. 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 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: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 5908624, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 15, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-20-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 29, 2017

Such supplementary information are the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 5908624, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 15, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-20-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 29, 2017

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

Alliance Global Group, Inc. and Subsidiaries
Schedule A - Financial Assets (Marketable Securities)
December 31, 2016

Financial Asset/Name of Banks		Amount Shown in Statement of Financial Position		Income Received and Accrued
Financial Assets at Fair Value Through Profit or Loss				
HSBC Private Bank	P	10,381,688,494	P	199,842,089
Bank of Singapore		83,578,110		81,096,463
		10,465,266,604		280,938,552
Available-for-sale Securities				
HSBC Private Bank		193,947,688		3,733,392
ALFA Holding		82,068,290		3,242,663
Various unquoted equity instruments		210,406,546		-
Various quoted equity instruments		116,792,762		-
Various club shares		69,900,000		-
		673,115,286		6,976,055
Total Financial Assets	**P**	**11,138,381,890**	**P**	**287,914,607**

Alliance Global Group, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2016

			Deductions		*Ending Balance*		
Name and Designation of Debtor	*Balance at the Beginning of Period*	*Additions*	*Amounts Collected*	*Amounts Written off*	*Current*	*Non-current*	*Balance at the End of Period*
Advances to Officers and Employees:							
Travellers - Officers and employees	P 115,368,766	P 13,035,703	P 58,346,276	p -	P 70,058,193	P -	P 70,058,193
- Other related parties	73,205,113	23,578,421	42,087,172	-	54,696,362	-	54,696,362
Megaworld - Officers and employees	-	1,125,069	-	-	1,125,069	-	1,125,069
-Other related parties	-	535,039,962	-	-	535,039,962	-	535,039,962
Emperador- Officers and employees	21,491,459	2,886,130	1,975,344	-	22,402,245	-	22,402,245
GADC- Officers and employees	62,659,667	74,218,124	8,149,312	-	128,728,479	-	128,728,479
FCI- Other related parties	405,000	-	405,000	-	-	-	-
	P 273,130,005	**P 649,883,409**	**P 110,963,104**	**P -**	**P 812,050,310**	**P -**	**P 812,050,310**

Legend:
Megaworld - Megaworld Corporation
Travellers - Travellers International Hotel Group, Inc.
Emperador- Emperador Inc.
GADC- Golden Arches Development Corporation

Alliance Global Group, Inc. and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31,2016

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions: Amounts Collected	Deductions: Amounts Written off	Ending Balance: Current	Ending Balance: Not current	Balance at End of Period
Due from Related Parties							
Newtown Land Partners, Inc.	P 3,235,510,585	P -	P 211,106,845	P -	P 3,024,403,740	p -	P 3,024,403,740
Emperador International, Ltd.	7,052,499,350	-	7,052,499,350	-	-	-	-
Venezia Universal, Ltd.	3,938,767,200	-	2,985,219,443	-	953,547,757	-	953,547,757
Greenspring Investment Property Holdings, Inc.	3,526,027,229	-	598,525,368	-	2,927,501,861	-	2,927,501,861
First Centro, Inc.	43,047,971	-	31,249,999	-	11,797,972	-	11,797,972
Tradewind Estates, Inc.	1,203,582,033	-	1,203,582,033	-	-	-	-
Alliance Global Brands, Inc.	1,059,406,479	-	432,833,735	-	626,572,744	-	626,572,744
Alliance Global Group Cayman Islands, Inc.	16,246,550	-	-	-	16,246,550	-	16,246,550
McKester Pik-Nik International, Ltd.	14,280,963,692	106,355,516	-	-	14,387,319,208	-	14,387,319,208
Anglo Watsons Glass, Inc.	5,485,576	-	5,485,576	-	-	-	-
Travellers International Hotel Group, Inc.	2,661,214,387	-	2,661,214,387	-	-	-	-

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2016

			Deduction			
Description	*Beginning Balance*	*Additions at Cost*	*Charged to Cost and Expenses*	*Charged to Other Accounts*	*Other Changes - Additions (Disposals)*	*Ending Balance*
Intangible Assets						
Goodwill	P 18,385,690,018	P 1,462,657,354	P -	P -	P -	P 19,848,347,372
Trademarks	10,095,457,168	P 6,662,974,698	(102,872,668)	-	-	16,655,559,198
Leasehold Rights	1,077,391,964	-	(59,341,285)	-	-	1,018,050,679
Computer Software	3,658,619	-	(1,401,639)	-	-	2,256,980
	P 29,562,197,769	**P 8,125,632,052**	**(P 163,615,592)**	**P -**	**P -**	**P 37,524,214,229**

Alliance Global Group, Inc. and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2016

Title of Issue and Type of Obligation		*Amount Authorized by Indenture*		*Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position*		*Amount Shown Under Caption "Long-Term Debt" in Related Statement of Financial Position*	
Loans:							
Interest bearing loans	P	54,433,055,670	P	18,357,838,962	P	36,075,216,708	a, b, c, d, e, f, g, h
Foreign borrowings:							
Megaworld	€	1,202,953.34		63,050,705		-	i
EIL	€	370,000,000		2,674,767,650		19,425,000,000	j
				21,095,657,317		55,500,216,708	
Bonds Payable:							
Issuer:							
AG Cayman	$	500,000,000		24,855,927,368			l
Travellers	$	300,000,000		14,879,062,940			m
Megaworld Corporation	$	200,000,000		-		9,925,792,877	n
	$	250,000,000		-		12,404,797,092	o
				39,734,990,308		22,330,589,969	
			P	**60,830,647,625**	**P**	**77,830,806,677**	

a *Interest-bearing loans include loans obtained by Megaworld pertaining to the following:*

1.) Loan obtained by Megaworld from a local bank to fund various real estate projects and retire currrently maturing obligations. Principal payment commenced in June 2016 while interest is paid quarterly.

2.) Loan obtained by Megaworld. The princial repayments shall commence in March 2017 and interest is paid quarterly.

3.) Loan obtained by Megaworld. The princial repayments shall commence in February 2018 and interest is paid quarterly.

4.) Loan obtained by Megaworld. The principal repayments commenced in November 2016 while interest is paid semi-annually.

5.) Loan obtained by Megaworld. The principal repayments commenced in August 2015 while interest is paid semi-annually.

6.) Loan obtained by Megaworld from a local bank payble for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in November 2018.

b *Interest-bearing loans include loans obtained by EELHI pertaining to the following:*

1) Loan obtained by EELHI from a local bank with a negative pledge on assets..

2.) Loans obtained by EELHI through assignment of recievables. Certain residential and condominium units for sale with carrying value of P 188.4 million and P312.1 million as of December 31, 2016 and 2015, respectively, were used as collateral for the loans.

c *Interest-bearing loans obtained by SPI include the following:*

1.) Loans obtained by SPI from a local bank through assignment of trade receivables.

2.) Loans obtained by SPI from a local bank through assignment of trade receivables.

3.) Loan obtained by SPI from a local bank payable on a monthly basis after a grace period of two years from the date of availment.

d *Loan obtained by Travellers from a local bank for working capital requirements and from a P10.0 billion loan facility.*

e *Interest-bearing loans also include loans obtained by GADC which includes the following:*

1.) Loans obtained by GADC from local banks. Quarterly principal payments commenced in September 2016.

2.) Loans drawn by GADC from a P1.0 billion credit facility granted by a local bank. Principal is payable in quarterly installments.

3.) Loan obtained by GADC from a local bank in relation to the P500.0 million loan facility.

4.) Balance from loan granted to GADC in December 2011 by a local bank for the purchase of land and building from the latter, payable monthly starting on the thir year of the loan. The acquired land and building served as collateral on the loan.

f *Short-term loan obtained by OFPI from a local bank which bears fixed annual interest rate of 5.035%.*

g *Loan obtained by LFI from a local bank to fund business acquition.*

h *Loan obtained by GERI from a local bank for a tem of five years from the date of initial drawdown inclusive of a grace period of two years on principal installment. The loan is payable in quarterly installments of P125.0 million commencing on the 9th quarter from the date of initial drawdown and balloon payment at the end of five years.*

i *Euro-denominated short-term loan availed by RHGI from a foreign commercial bank amounting to €1.3 million or a peso equivalent of P69.2 million originally maturing in 2015. In June 2015, RHGI renewed the loan for another year.*

j *Interest-bearing loans denominated in foreign currency obtained by EIL from international financial institutions.*

l *Alliance Global Group Cayman Islands, Inc. issued seven-year bonds with interest of 6.50% per annum payable semi-annually every February 18 and August 18 each year, which are listed in Singapore Exchange Securities Trading Limited. The bonds will mature on 2017.*

m *Travellers issued $300.0 million face value note, with nominal annual interest of 6.9% per, payable semi-annually. The notes bear annual effective effective interest of 7.2%.*

n *On April 15, 2011, Megaworld issued seven-year term bonds which bear interest of 6.75% per annum payable semi-annually in arrears every April 15 and October 15 each year. The bond will mature on April 15, 2018.*

o *On April 2013, Megaworld issued a 10-year term bonds which bears interest of 4.25% per annum payable semi-annually every Apirl 10 and April 10 and October 10 each year. The bond will mature on 2023*

Legend:

AGI - Alliance Global Group, Inc.
Megaworld - Megaworld Corporation
AG Cayman - Alliance Global Group Cayman Islands, Inc.
EELHI - Empire East Land Holdings, Inc.
SPI - Suntrust Properties, Inc.
GERI - Global-Estates Resorts, Inc.
GADC - Golden Arches Development Corporation
RHGI - Richmonde Hotel Group International Ltd.
EDI - Emperador Distillers, Inc.
EIL - Emperador International Ltd.
OFPI - Oceanfront Properties, Inc.
LFI - La Fuerza, Inc.

Alliance Global Group, Inc. and Subsidiaries
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2016

Title of issue and type of obligation	*Amount authorized by indenture*	*Balance at the beginning of year*	*Balance at the end*

-nothing to report-

Alliance Global Group, Inc. and Subsidiaries
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2016

Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is Filed	*Title of Issue of Each Class of Securities Guaranteed*	*Total Amount Guaranteed and Outstanding*	*Amount Owned by Person for which this Statement is Filed*	*Nature of Guarantee*
Alliance Global Group Cayman Islands, Inc. by Alliance Global Group, Inc.	US$ 500.0 million, 7-year, 6.5% note listed in the Singapore Exchange Securities Trading Limited	P 24,855,927,368	P 24,855,927,368	Guarantee of Principal and Interest

Alliance Global Group, Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2016

				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	12,950,000,000	10,269,827,979	105,600,000	5,885,335,832	68,690,940	4,315,801,207

ALLIANCE GLOBAL GROUP, INC.
7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark,
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

SCHEDULE I - Reconciliation of Parent Company Retained Earnings
Available for Dividend Declaration
For the Year Ended December 31, 2016

Unappropriated Retained Earnings at Beginning of Year	P	13,412,588,029
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		13,412,588,029
Net Profit Realized during the Year		
Net profit per audited financial statements		3,392,801,200
Other Transactions During the Year		
Cash dividends declared	(	3,183,646,674)
Retained Earnings Restricted for Treasury Shares		-
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**13,621,742,555**

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
SCHEDULE J - FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2016 and 2015

	12/31/16	12/31/15
Current ratio	1.87	2.52
Quick ratio	0.95	1.40
Liabilities-to-equity ratio	1.00	0.94
Interest-bearing debt to total equity	0.58	0.51
Asset-to-equity ratio	2.00	1.94
Interest rate coverage ratio	688%	766%
Net profit margin	16.33%	15.59%
Return on assets	4.64%	4.83%
Return on equity/investment	9.27%	9.95%
Return on investment of equity owners	10.06%	10.19%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.
Current ratio - computed as current assets divided by current liabilities
Quick ratio - computed as cash, marketable securities, accounts receivable divided by current liabilities.

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.
Liabilities-to-equity ratio - computed as total liabilities divided by stockholders'equity.
Interest-bearing debt to total equity ratio - computed as interest-bearing debt divided by total equity.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders'equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as profit before income tax and interest expense (EBIT) divided by interest.
In the computation, non-recurring gain is excluded from EBIT.

PROFITABILITY RATIOS
Net margin - computed as net profit divided by revenues
Return on assets - net profit divided by total assets
Return on investment - net profit divided by total stockholders' equity
Return on investment of equity owners - net profit attributable to owners of the parent divided by equity attributable to ownersof the parent company

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

SCHEDULE K - Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* *(effective January 1, 2018)*			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contract with Customers* *(effective January 1, 2018)*			✓
PFRS 16	Leases* *(effective January 1, 2019)*			✓

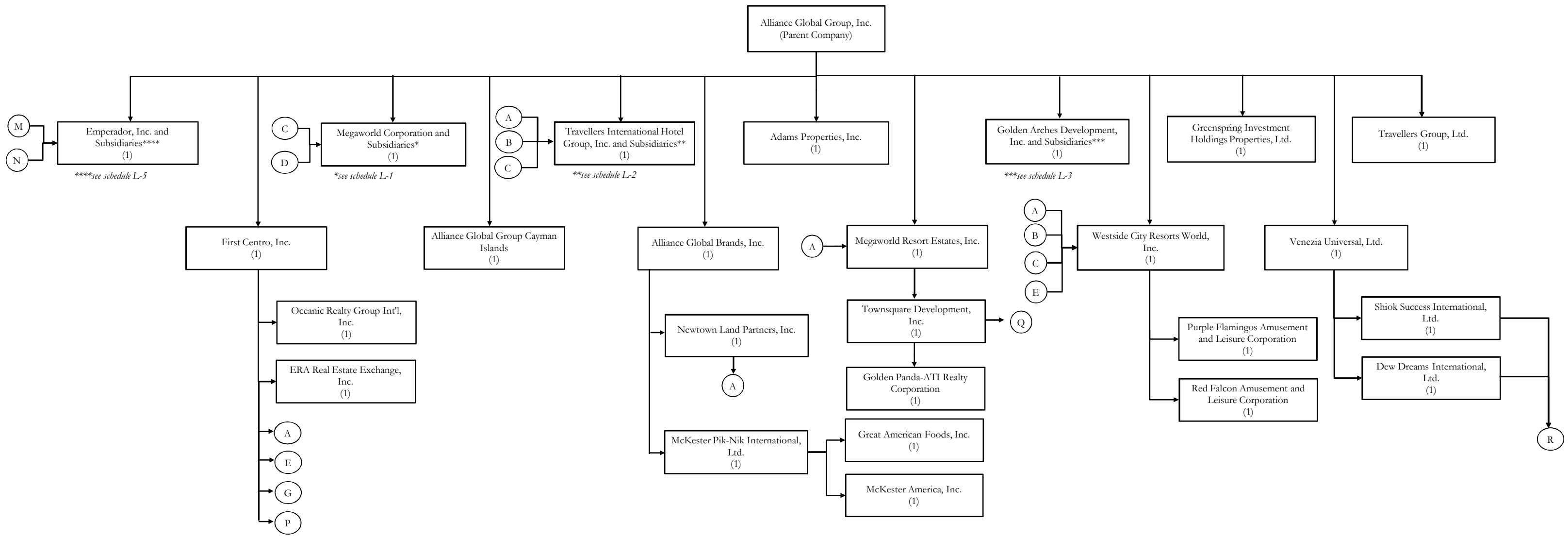
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative* *(effective January 1, 2017)*			✓
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses* *(effective January 1, 2017)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans – Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities – Applying the Consolidation Exception	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		

PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendments to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC – 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies*	✓		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance – No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases – Incentives	✓		
SIC-25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue – Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets – Web Site Costs			✓

* These standards will be effective for periods subsequent to 2016 and are not early adopted by the Group.

** These standards have been adopted in the preparation of consolidated financial statements but the Group has no significant transactions covered in both years presented.

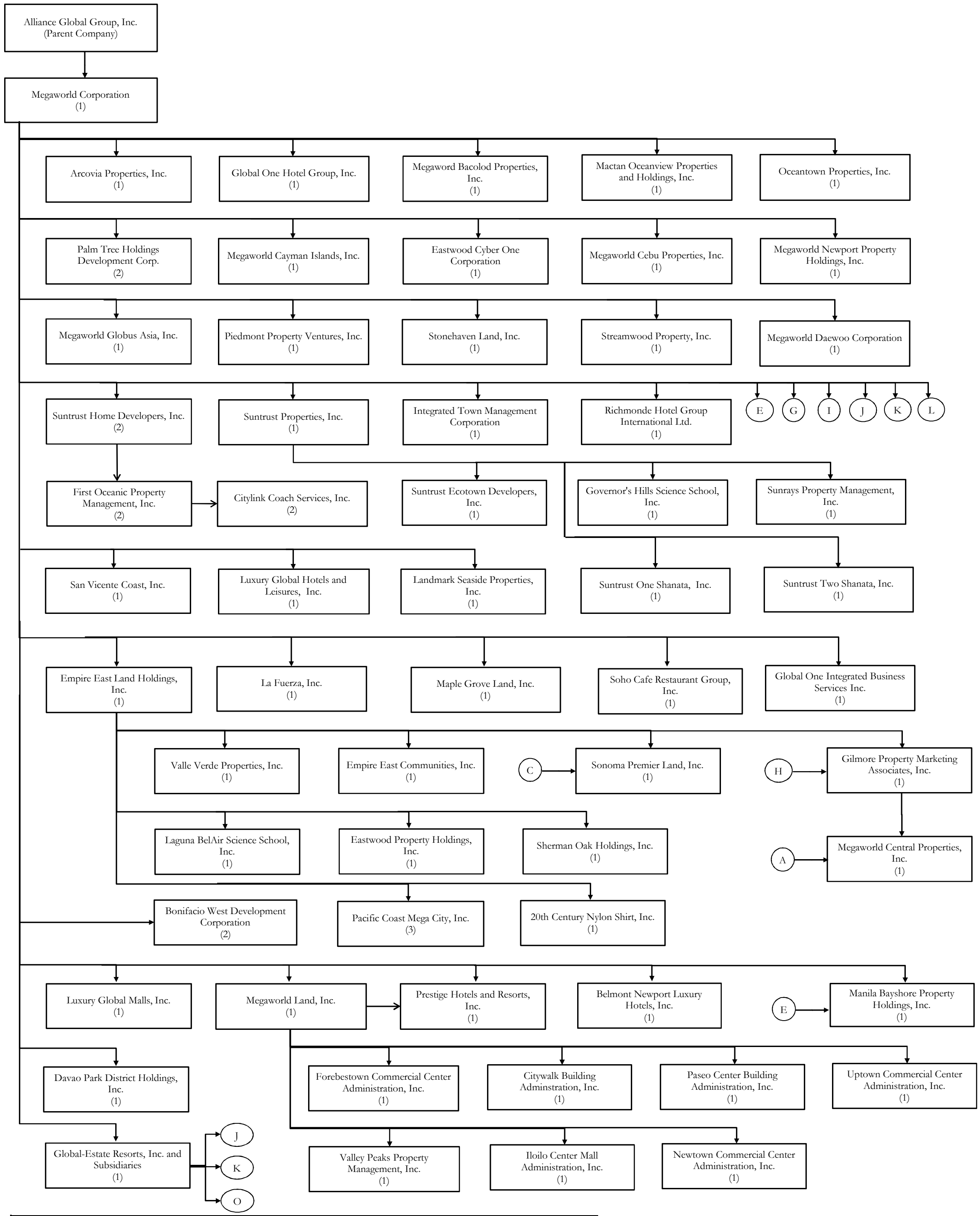
ALLIANCE GLOBAL GROUP, INC.
Schedule L – Map Showing the Relationship Between and
Among the Company and Its Related Parties
December 31, 2016



Legend

(1)	Subsidiary	A	Megaworld, Corp.	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.		
		E	Travellers International Hotel Group, Inc.	J	Twin Lakes, Corp.	O	File-Estate Properties, Inc.		

ALLIANCE GLOBAL GROUP, INC.
Schedule L-1 – Map Showing the Relationship Between and
Among the Company and Megaworld Corporation Group
December 31, 2016

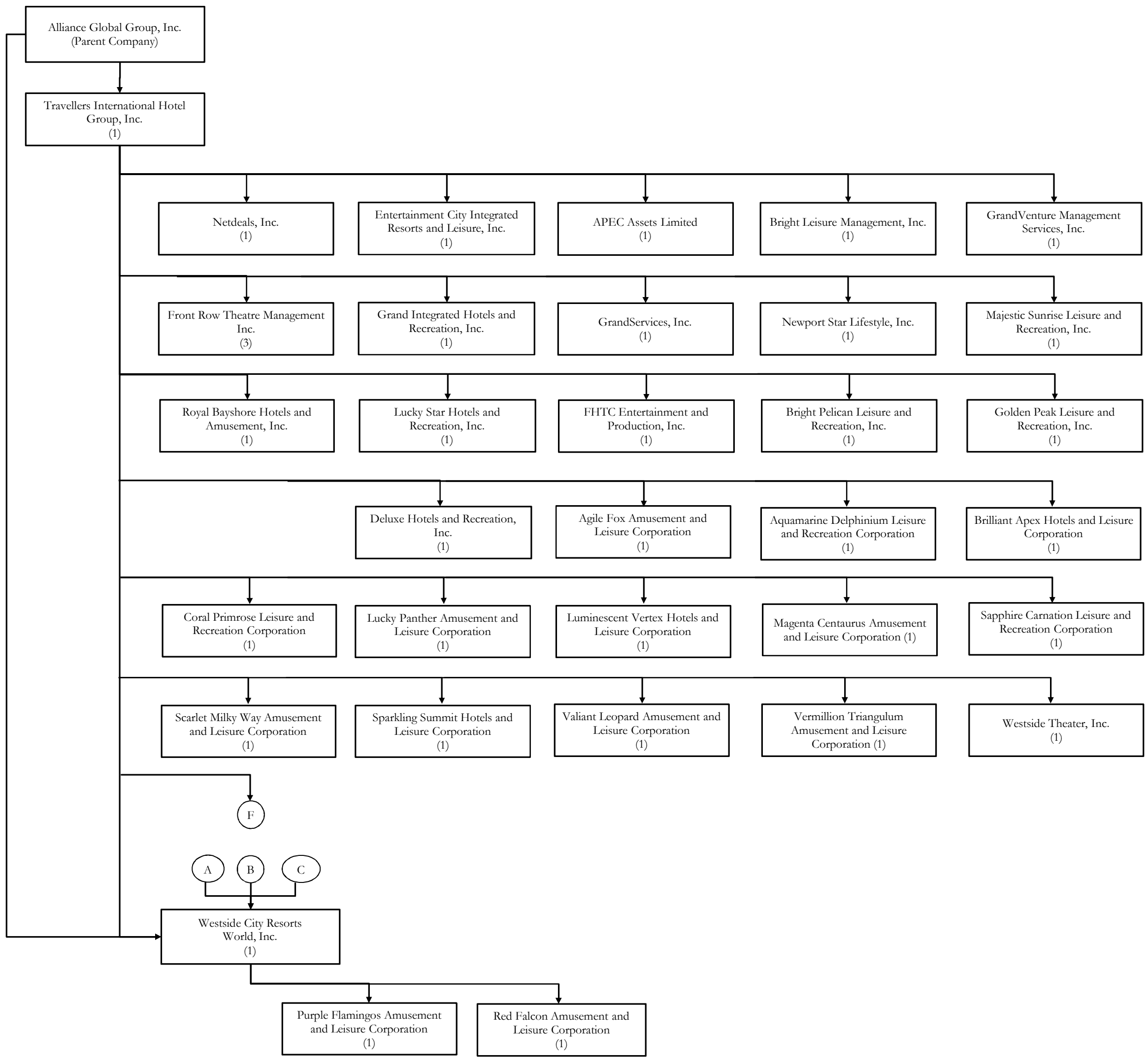


Legend

(1) Subsidiary (2) Associate (3) Jointly Controlled Entity

A	Megaworld Corporation	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	File-Estate Properties, 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.

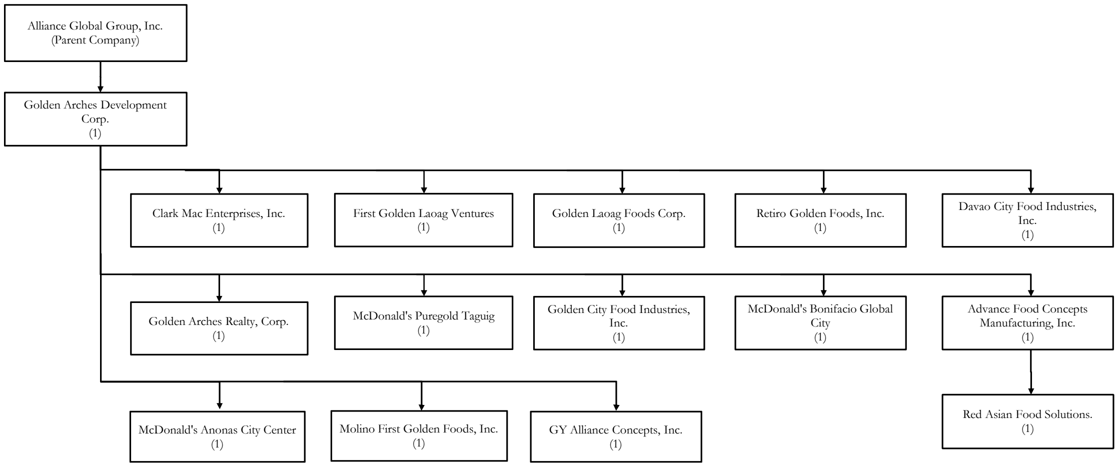
ALLIANCE GLOBAL GROUP, INC.
Schedule L-2 – Map Showing the Relationship Between and
Among the Company and Travellers Group
December 31, 2016



Legend

(1)	Subsidiary		
(2)	Associate		
(3)	Jointly Controlled Entity		
A	Megaworld Corporation	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	File-Estate Properties, 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.

ALLIANCE GLOBAL GROUP, INC.
Schedule L-3 – Map Showing the Relationship Between and
Among the Company and Golden Arches Development Corporation Group
December 31, 2016

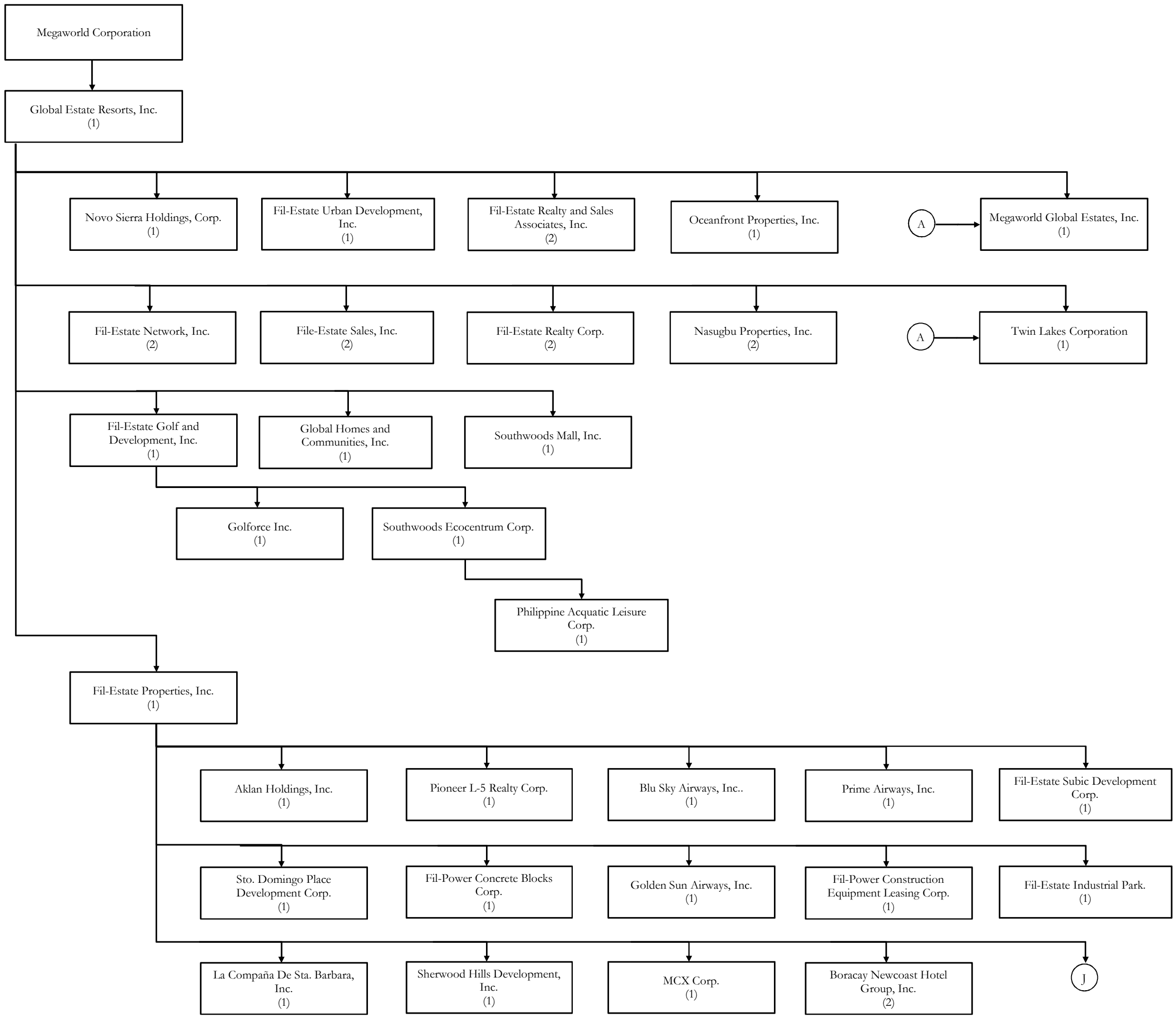


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	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	File-Estate Properties, 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.

ALLIANCE GLOBAL GROUP, INC.
Schedule L-4 – Map Showing the Relationship Between and
Among Megaworld and Global Estate Resorts Inc. Group
December 31, 2016

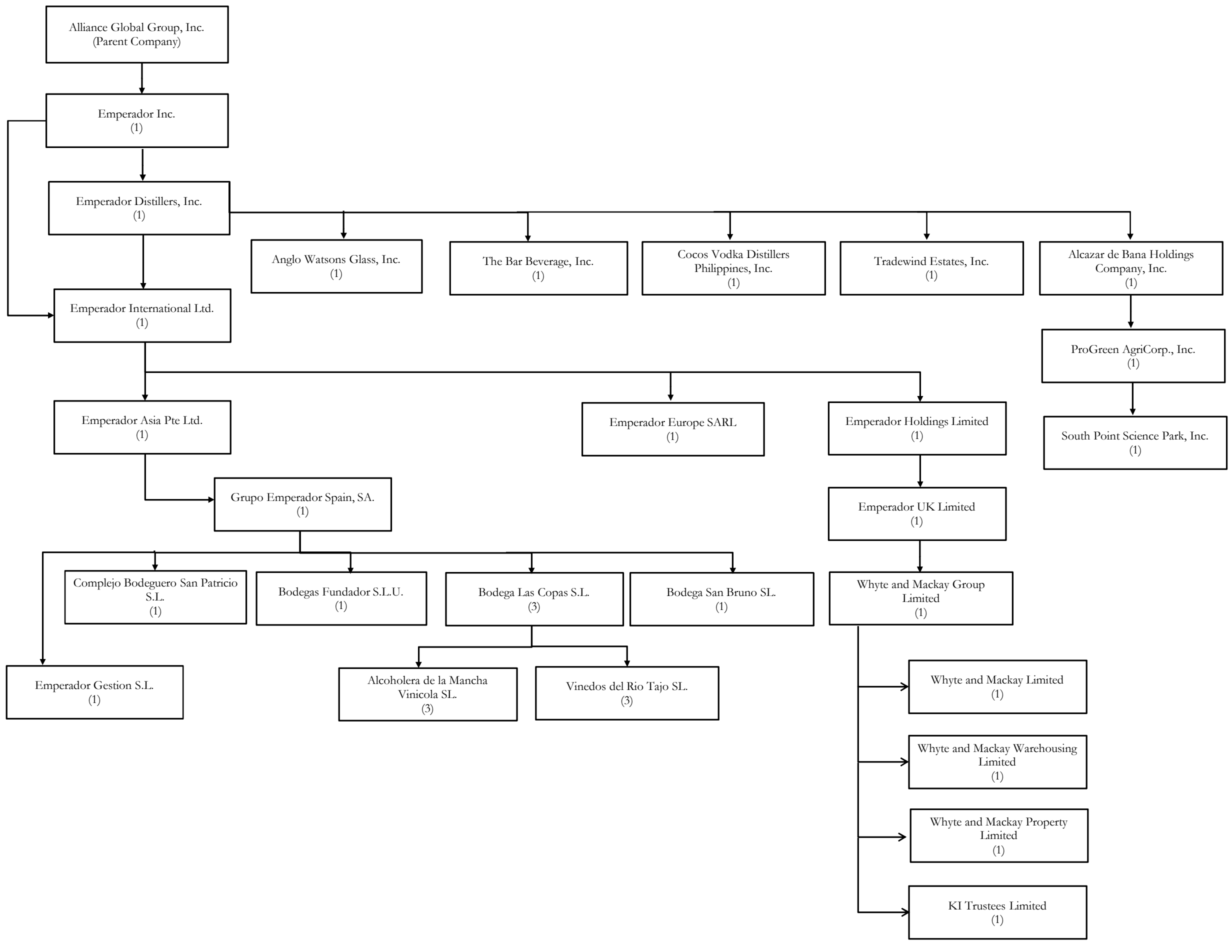


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	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	File-Estate Properties, 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.

ALLIANCE GLOBAL GROUP, INC.
Schedule L-5 – Map Showing the Relationship Between and
Among the Company and Emperador Inc.
December 31, 2016



Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	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	File-Estate Properties, 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.