

COVER SHEET

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S.E.C. Registration Number

A L L I A N C E G L O B A L G R O U P , I N C .
 A N D S U B S I D I A R I E S

(Company's Full Name)

7 T H F L O O R , 1 8 8 0 E A S T W O O D
 A V E N U E , E A S T W O O D C I T Y
 C Y B E R P A R K , 1 8 8 E . R O D R I G U E Z
 J R . A V E N U E , B A G U M B A Y A N ,
 Q U E Z O N C I T Y

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

DINA INTING

Contact Person

8709-2038 to 41

Company Telephone Number

1 2

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Month Day
Fiscal Year

1 7 - Q

FORM TYPE

3rd Thursday of June

Annual Meeting

(QUARTERLY REPORT FOR JUNE 30, 2020)

Certificate of Permit to Offer
Securities for Sale

Secondary License Type, If Applicable

S E C

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

1,003

Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU

Document I.D.	Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. *For the quarterly period ended* **June 30, 2020**
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. **7thFloor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez Jr. Ave., Bagumbayan, 1110 Quezon City**
Address of principal office
8. **(632) 870920-38 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*

<i>Title of Each Class</i>	<i>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</i>
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Common

9,818,634,579

(net of 451,193,400 buyback shares held by AGI)

10. *Are any or all of these securities listed on a Stock Exchange?* **Yes, on the Philippine Stock Exchange.**
11. (a) *AGI has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.*

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

PART I – FINANCIAL INFORMATION

1. FINANCIAL STATEMENTS

Consolidated Statements of Financial Position
Consolidated Statements of Comprehensive Income
Consolidated Statements of Changes in Equity
Consolidated Statements of Cash Flows
Notes to Interim Consolidated Financial Statements
Schedule of Financial Soundness Indicators
Aging Schedule of Trade and Other Receivables Under Current Assets

The interim consolidated financial statements (“ICFS”) have been prepared in accordance with the Philippine Financial Reporting Standards (“PFRS”) and Philippine Accounting Standard 34, *Interim Financial Reporting*. As such, they do not include all of the information and disclosures required for full annual consolidated financial statements, and thus should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2019 (“ACFS”). The accounting policies and methods used in the ICFS are consistent with those applied in ACFS. There were amendments to existing standards adopted by the Group effective January 1, 2020 but they did not impact the ICFS because such amendments were merely clarificatory (see Note 2.2 to the ICFS). Accounting estimates, assumptions and judgments are used in preparing these statements; and while these are believed to be reasonable under the circumstances, actual results may ultimately differ from such estimates (see Note 3 to both the ACFS and ICFS).

The ICFS comprise the financial statements of the Company and its subsidiaries, after elimination of material intercompany transactions. In addition, shares of stock of the Company acquired by any of these subsidiaries are recognized as treasury shares and presented at cost as a deduction in the consolidated statements of changes in equity. 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.

Business Segments

The Group is organized into four major business segments, which aptly correspond to its operating subsidiaries, namely Megaworld, Emperador, Travellers or RWM, and GADC, which in turn represent the main products and services provided by the Group and the lines of business in which the Group operates, i.e. real estate property development and leasing, manufacture and distribution of distilled spirits, tourism-entertainment and gaming, and quick-service restaurants operations (see Note 4 to the ICFS).

The Group disaggregates revenues recognized from contracts with customers into these segments that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This same disaggregation is used in earnings releases, annual reports and investor presentations.

Please refer to Note 1 to the ICFS and ACFS for a comprehensive list of subsidiaries, associates and joint ventures.

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF INTERIM FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The world has seen the pandemic spread of a novel strain of coronavirus ("COVID-19") that continues to affect more and more countries, territories and humankind. To curb the spread of COVID-19 and stem its transmission in their places, the governments across the world, including the Philippines, have implemented extensive measures that caused disruptions to human and economic activities, such as travel bans and restrictions (suspension of public transport, limit on number of passengers, curfew hours), home isolation and quarantine (stay-at-home orders), physical distancing (1-2 meters apart in all areas outside of home), mass gathering limitations (no big group meetings) and closure of non-essential businesses (all types of recreational venues and most public places including malls, bars, dining places and hotels). The Philippines was declared under a state of calamity from March 17 and put into varying degrees of lockdown – a four-phased transition of community quarantine ("CQ") - depending on the severity of infections hereafter. The entire Luzon, its associated islands, and almost the whole country were under enhanced CQ ("ECQ") (the strictest phase) from March 17 to May 15, which paralyzed all non-essential activities and public transportation. Restrictions have started to ease from mid-May, as the governments tried to balance economic and health concerns. Metro Manila, Laguna, Batangas and Cavite were under the general CQ ("GCQ") (third phase) from June 1 to August 3 [with the increasing number of cases, they were put back to modified ECQ ("MECQ") (second phase) from August 4 to August 18]. Earlier in January, the Taal Volcano eruption immediately put Batangas and Cavite under a state of calamity and a month later, the whole of Calabarzon. It is in this general background that the Group operated its first half of the year.

Key Performance Indicators – Top Five

<i>In Million Pesos</i>	H1 2020	H1 2019	Q2 2020	Q2 2019	Q1 2020	Q1 2019
REVENUES	61,380	82,813	23,346	41,764	38,034	41,048
NET PROFIT	4,143	12,519	156	5,996	3,987	6,523
NET PROFIT TO OWNERS	3,798	8,101	838	3,749	2,960	4,352
Revenue Growth	-25.9%	15.5%	-44.1%	12.0%	-7.3%	19.2%
Net Profit Growth	-66.9%	0.6%	-97.4%	-11.9%	-38.9%	15.7%
NP Attributable to Owners Growth	-53.1%	3.7%	-77.6%	-11.1%	-32.0%	21.0%
Net profit rate	6.8%	15.1%	0.7%	14.4%	10.5%	15.9%
NP Attributable to Owners	6.2%	9.8%	3.6%	9.0%	7.8%	10.6%
Return on investment/assets [NP/TA]	0.6% half yr	2.2% half yr			0.6% qtr	
	Jun 30, 2020	Jan-June 2020 change	%	Jun 30, 2019	Mar 31, 2020	Dec 31, 2019
TOTAL ASSETS	645,279	803	0.1%	593,087	648,193	644,476
CURRENT ASSETS	295,878	(5,298)	-1.8%	273,019	301,036	301,176
CURRENT LIABILITIES	132,682	1,983	1.5%	94,189	130,372	130,699
Current ratio	2.2			2.9	2.3	2.3
Quick ratio	1.0			1.1	1.0	1.1
	H1 2020	H1 2019	Q2 2020	Q2 2019	Q1 2020	Q1 2019
Profit before tax and interest	10,159	19,431	2,769	9,564	7,390	9,867
Interest expense	3,372	2,883	1,698	1,404	1,675	1,479
Interest coverage rate	3.0	6.7	1.6	6.8	4.4	6.7

- Revenue growth – measures the percentage change in sales/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 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
- Interest coverage ratio - computed as profit before tax and interest expense divided by interest expense -measures the business' ability to meet its interest payments.

Results of Operations – First Half 2020 vs 2019

The Group's revenues fell 26% year-on-year to P61.4 billion in the first half of the year from P82.8 billion a year ago as the country traversed to the different phases of lockdown from the two-month ECQ. Net profit during the first half dipped 67% to P4.1 billion from P12.5 billion a year ago, with the portion attributable to owners sliding 53% to P3.8 billion from P8.1 billion. The graduation to less restrictive phases of lockdown (which started on May 16) saw second-quarter revenues contracting 44% to P23.3 billion which resulted in quarterly net profit to owners shrinking 78% to P0.8 billion. The Group's diversified sources of revenues, either by type of products or by geographic contribution, helped mitigate the impact of the pandemic.

By business segments, as represented by the major subsidiary groups, below shows the segments' contributions to the consolidated results:

<i>In Million Pesos</i>	MEG	EMP	RWM	GADC	Others	TOTAL
2020						
Revenues	23,793	21,389	6,130	9,696	864	61,872
Intercompany/ Adjustment	(206)	(10)	(5)	-	(271)	
Consolidated	23,587	21,379	6,125	9,696	593	61,380
<i>% contribution</i>	<i>38%</i>	<i>35%</i>	<i>10%</i>	<i>16%</i>	<i>1%</i>	<i>100%</i>
Costs and expenses	15,849	17,539	9,813	10,404	1,221	54,826
Intercompany/ Adjustment	-	(74)	(97)	(52)	(10)	
Consolidated	15,849	17,465	9,716	10,352	1,211	54,593
Tax Expense	2,062	539	33	8	2	2,644
Net profit	5,882	3,311	(3,716)	(716)	(359)	4,402
Intercompany/ Adjustment	(206)	64	92	52	(261)	
Consolidated	5,676	3,375	(3,624)	(664)	(620)	4,143
<i>% contribution</i>	<i>137%</i>	<i>81%</i>	<i>-87%</i>	<i>-16%</i>	<i>-15%</i>	<i>100%</i>
Net profit to owners	5,405	3,327	(3,715)	(709)	(360)	3,948
Intercompany/ Adjustment	(1,799)	(476)	1,972	414	(261)	
Consolidated	3,606	2,851	(1,743)	(295)	(621)	3,798
<i>% contribution</i>	<i>95%</i>	<i>75%</i>	<i>-46%</i>	<i>-8%</i>	<i>-16%</i>	<i>100%</i>
2019						
Revenues	31,724	21,450	14,065	15,542	738	83,519
Intercompany/ Adjustment	(81)	(30)	(408)		(187)	
Consolidated	31,643	21,420	13,657	15,542	551	82,813
<i>% contribution</i>	<i>38%</i>	<i>26%</i>	<i>16%</i>	<i>19%</i>	<i>1%</i>	<i>100%</i>
Costs and expenses	19,754	17,733	13,160	14,404	1,306	66,357
Intercompany/ Adjustment		(18)	(18)	(51)	(5)	
Consolidated	19,754	17,715	13,142	14,353	1,301	66,265
Tax Expense	3,103	451	63	392	20	4,029
Net profit	8,867	3,266	842	746	(588)	13,133

<i>In Million Pesos</i>	MEG	EMP	RWM	GADC	Others	TOTAL
Intercompany/ Adjustment	(81)	12	(390)	51	(182)	
Consolidated	8,786	3,254	452	797	(770)	12,519
% contribution	70%	26%	4%	6%	-6%	100%
Net profit to owners	8,307	3,250	845	751	(588)	12,565
Intercompany/ Adjustment	(2,803)	(562)	(585)	(332)	(182)	
Consolidated	5,504	2,688	260	419	(770)	8,101
% contribution	68%	33%	3%	5%	-10%	100%
Year-on-year Change Consolidated						
Revenues	-25.5%	-0.2%	-55.2%	-37.6%	7.7%	-25.9%
Costs and expenses	-19.8%	-1.4%	-26.1%	-27.9%	-6.8%	-17.6%
Tax Expense	-33.6%	19.5%	-47.8%	-97.8%	-92.8%	-34.4%
Net profit	-35.4%	3.7%	-901.5%	-183.3%	-19.4%	-66.9%
Net profit to owners	-34.5%	6.1%	-771.0%	-170.5%	-19.4%	-53.1%

Notes: - Numbers may not add up due to rounding. Percentages are taken based on full numbers, not from the presented rounded amounts.
- At AGI consolidated level, as presented above, revenues and costs and expenses may differ from the totals separately reported by subsidiaries as there may be items reclassified from/to revenues to/from costs or expenses at AGI consolidated level

At the separate segment levels, here are how they performed:

Megaworld, the country's pioneer and largest developer of integrated urban townships, reported 25% decline in revenues to P23.8 billion in the first half from P31.7 billion a year ago, as business activities were restricted by the quarantines. In the second quarter, revenues slipped 48% to P8.7 billion while net profit by 56% to P2.1 billion. As a result, net profit and the portion attributed to owners in the first half both sank by a third to P5.9 billion and P5.4 billion, respectively.

Real estate sales in the first half went down 29% to P14.3 billion as it felt the impact of the COVID-19 disruptions in general and Taal Volcano eruption on the Calabarzon projects. Second-quarter real estate sales skidded 56% to P4.7 billion. The current product mix for Megaworld-GERI-Empire East-Suntrust/SLI brands was 57%-15%-16%-12%. Sales growth were recorded for projects in Quezon City/Pasig City, San Juan/Mandaluyong, Pampanga, Aklan and Bacolod. In spite of the limited selling activities, reservation sales peaked during the second quarter to P17 billion, all done through online platform, bringing first half total to P38 billion. This indicates a strength in housing demand, particularly in the middle to high income segment of the market. Megaworld also implemented more flexible payment terms during the lockdown period. **Leasing** revenues, which accounted for 30% of current revenues, particularly from Megaworld Premier Offices and Megaworld Lifestyle Malls, fell by 11% only to P7.2 billion from P8.1 billion a year ago, anchored on 10% growth in office rentals to P5.6 billion mostly from BPO clients which were allowed to operate during the lockdown, while non-essential mall tenants temporarily closed shop during the lockdown. Megaworld helped affected mall tenants by waiving rental charges during the lockdown. **Hotel** revenues were down 28% year-on-year to P0.9 billion from P1.3 billion as check-ins dropped, particularly from international guests, because of the travel bans and lockdowns and the restrictions set by the government on operations. The Megaworld Hotels, which consist of 10 hotel properties, continued serving pre-booked guests from BPO companies as well as balikbayans and frontliners during the lockdown. Resort hotels have slowly reopened to cater primarily to local guests. Since dine-in is still restricted, Megaworld hotels began offering curated gourmet meals that are available for pick-up, take-out and delivery (Richmonde's Black Box express, Café Belmont's B on the Go, Savoy Café's Out of the Box).

These operating results brought in 38%, 137% and 95% to AGI's consolidated revenues, net profit and net profit attributable to owners, respectively.

Emperador, the world's largest brandy company and owner of the world's 5th largest Scotch whisky manufacturer, delivered a strong second quarter that recouped the degrowths of the first quarter. Revenues in the second quarter grew 4% year-on-year to P10.9 billion, and net profit to

owners jumped 24% to P1.9 billion as the group kept prudent check of operational spending. These further resulted in P21.5 billion revenues for the first half of the year which edged same period last year by 40bps while net profit to owners inched by 2% year-on-year to P3.3 billion. Quarter-on-quarter, revenues climbed 2% while net profit rose 33% and net profit attributable to owners went up 28%. With the ongoing lockdowns, limited gatherings, and closing of on-trade channels and air and sea ports in most countries, plus the liquor bans in most Philippine localities, Emperor took advantage of the buoyant off-trade and e-commerce channels available where the group's products sold well.

The **Brandy segment** showed a 3% year-on-year rise in net profit to owners in the first half of the year which amounted to P2.3 billion this year, in spite of a 3% fall in revenues to external customers recorded at P14.9 billion as compared to P15.3 billion a year ago. 'Emperor' started the year with a good kickoff that was halted by a two-month hard lockdown implemented from mid-March up to mid-May, when production and distribution were suspended in compliance with government directive and liquor bans were imposed in most localities; but it immediately rebounded as soon as it reopened. Offshore, Spain and most of Europe were put in a similar lockdown situation at about the same time. While Bodegas Fundador was able to continue its regular production and distribution in Jerez, on-trade sales and international markets were lagging year-on-year, especially its exportation to the Philippines. Nevertheless, local borders began opening up in Europe in June. The segment's gross profit margin improved to 32.3% as compared to 31.6% a year ago due to product mix, in spite of higher Philippine excise taxes which took effect at the start of the year. The higher GP and the lower operating expenditures lifted up net profit. The **Scotch Whisky segment** registered a 28% soar in revenues to external customers in the second quarter which totaled P3.6 billion, 16% higher quarter-on-quarter, to end the first half with P6.6 billion total revenues, up 9% year-on-year. While on-trade remained closed since March, UK's offtrade and e-commerce demands have grown as customers stay local, prompting sales, especially of Whyte&Mackay, Harveys and Tamnavulin, to surge in the first half. There was a strong demand in the second quarter in Asia for the Dalmore and Fettercairn as Taiwan, China and Indo-China markets opened up. While European, African and the Middle Eastern markets were still at various stages of lockdown during the period, Russia and Sweden had countered the trend as they have shown good growth and increased product listings for Dalmore, Jura and Tamnavulin. Travel Retail, however, has not yet bounced back as almost all airports have remained closed. The segment made gross profit margin of 34% as compared to 41% a year ago due to sales mix as the low-margin products sold popularly during the first half. Tight control on strategic marketing and other operating expenses boosted net profit.

For the first half of the year, Emperor group contributed 35% to AGI's consolidated revenues, 81% to consolidated net profit, and 75% to consolidated net profit attributable to AGI owners.

Travellers, the owner and operator of Resorts World Manila (RWM), among all the business segments, was hit the hardest by the pandemic-related measures imposed by the government that closed most businesses it has in RWM which are considered non-essential, such as the gaming, theater and meeting areas from mid-March, while the hotels were able to receive guests, only as allowed under the government rules. These disruptions resulted in 55% fall in the group's revenues or P7.5 billion year-on-year to P6.1 billion, not enough to support the costs and expenses that pulled down net profit 6times from P0.8 billion a year ago to end the first half with P3.7 billion in the red.

Gaming net revenues slid 59% year-on-year to P4.4 billion as gaming operations were suspended from mid-March in compliance with the lockdown measures set by the government.

Non-gaming revenues downscaled 44% to P1.7 billion due to foot traffic decline. The theater, cinemas and retail outlets were closed and MICE activities stopped during the ECQ. Hotel operations continued at limited capacity, following government-mandated restrictions. New service offerings were tapped to improve occupancy rates, including WFH (Work from Hotel) packages, special staycation packages for frontliners and locally stranded individuals, and virtual

meeting packages plus the E-Concierge mobile app. Occupancy rates of the five hotels ranged 29% to 60% in the first half (55% to 67% for the first quarter). Meanwhile, Courtyard by Marriott in Iloilo registered 49% occupancy during the period. Since dine-in is still restricted, RWM hotels offered curated special meals that are available for takeout and delivery while the signature restaurants delivered favorite dishes through RWM's Delishvery.

Travellers group accounted for 10% of AGI's consolidated revenues, but took away 87% and 46% of consolidated net profit and consolidated net profit attributable to owners of AGI, respectively.

GADC, the master franchise holder of McDonald's in the Philippines and a strategic partnership with the George Yang group, reached P9.7 billion revenues during the first half which was 38% behind last year's P15.5 billion, with systemwide sales decelerating 37% from a year ago and same-store sales dipping 41% year-on-year. Trimmed down by the 28% savings on costs and expenses, net profit reversed from P0.7 billion to P0.7 billion in the red in the first half of the year. Second-quarter sales lagged 63% year-on-year to P2.6 billion versus P7.2 billion a year ago which brought P0.8 billion bottomline in the red. Systemwide sales and same-store sales in the second quarter were respectively 63% and 65% behind last year's. The low results were the effects of the long-standing quarantine restrictions (in different phases) nationwide that cut customer visits in the stores and put constraints in operations and customer spending. Being in the food service, which is an essential business, McDonald's restaurants operated for delivery, drive-through and take-out orders, with limited or no dine-in at all (depending on degree of lockdown in the locality), at limited hours (due to curfew) and menu (due to available ingredients) during the quarantine. When dine-in and large gatherings were not allowed, about 38% of stores remained operational initially and went up to more than 80% eventually as the restrictions gradually eased. Family-oriented activities were also stopped (like summer Kiddie Crew and Birthday parties). In GCQ and modified GCQ areas, dine-in were allowed at 30% capacity and 50% capacity, respectively, with the 1.5-meter physical distancing strictly enforced. McDelivery service and drive-through accounted for about 24% and 40% of second-quarter systemwide sales, as it leveraged the shift in customer behavior. Digital channels through McDonald's app, Grab Food and Food Panda showed good support.

The number of **restaurants** by the end of June totalled 668, as 5 new restaurants were opened and 6 closed during the first half. Construction activities were restricted, if not put on a halt, following government guidelines. **New promotional campaigns** during the period were Breakfast Silog Bowls continued from late last year; McSavers featured McFloat and Sundae starting January; McCafe Iced Coffee featuring Iced Chocolate Coffee by end-January; Fish and Fries started on Valentine's Day; and the McDo App promo from late February. These created additional trial and repeat visits from customers during the period. McShare Box bundles featuring Spicy Chicken McDo helped budget-strapped patrons in April; and in June, the Chicken Value campaign started bringing Chicken McDo Solo at more affordable price of P75 and McCrispy Chicken Fillet at P59.

These operating results translated into 16% contribution to consolidated revenues and took away 16% and 8% from consolidated net profit and net profit to owners of AGI, respectively.

The preceding discussions are reflected in the consolidated profit and loss accounts, as shown in the succeeding page.

<i>In Million Pesos</i>	H1 2020	H1 2019	YoY %	Q2 2020	Q2 2019	%
REVENUES						
Sale of goods	35,822	41,829	-14.2%	15,644	21,252	-26.4%
Consumer goods	21,570	21,670	-0.5%	10,942	10,567	3.6%
Revenues from real estate (RE) sales	14,312	20,159	-29.0%	4,702	10,685	-56.0%
Rendering of services	23,927	38,568	-38.0%	6,975	19,675	-64.5%
Gaming	6,117	13,536	-54.8%	566	6,642	-91.5%
Less: Promotional allowance	1,745	2,947	-40.8%	250	1,356	-81.6%
Net Gaming	4,372	10,589	-58.7%	316	5,286	-94.0%
Sales by company-operated						
quick-service restaurant	8,741	13,892	-37.1%	2,648	7,168	-63.1
Franchise revenues	956	1,541	-37.9%	296	808	-63.3%
Rental income	7,285	8,391	-13.2%	2,959	4,345	-31.9%
Other services	2,573	4,155	-38.0%	756	2,068	-63.4%
Hotel operations	2,169	3,592	-39.6%	607	1,784	-66.0%
Other services	404	563	-28.1%	149	284	-47.1%
Share in net profits of associates and joint ventures	66	163	-59.8%	10	68	-86.4%
Finance and other income	1,505	2,253	-33.2%	717	770	-6.8%
TOTAL	61,380	82,813	-25.9%	23,346	41,765	-44.1%
COSTS AND EXPENSES						
Cost of goods sold	22,260	25,278	-11.9%	9,865	12,840	-23.2%
Consumer goods sold	14,396	14,193	1.4%	7,265	6,862	5.9%
RE sales	7,864	11,085	-29.1%	2,600	5,978	-56.5%
Cost of services	14,114	20,197	-30.1%	5,102	10,444	-51.2%
Gaming	3,090	5,216	-40.8%	838	2,813	-70.2%
Services	11,024	14,981	-26.4%	4,264	7,631	-44.1%
Other operating expenses	14,489	17,393	-16.7%	5,560	8,618	-35.5%
Selling and marketing	5,457	7,301	-25.2%	1,814	3,851	-52.9%
General and administrative	9,032	10,092	-10.5%	3,746	4,767	-21.4%
Finance costs and other charges	3,730	3,397	9.8%	1,748	1,703	2.6%
TOTAL	54,593	66,265	-17.6%	22,275	33,605	-33.7%
TAX EXPENSE	2,644	4,029	-34.4%	915	2,164	-57.7%
NET PROFIT	4,143	12,519	-66.9%	156	5,996	-97.4%
NET PROFIT ATTRIBUTABLE TO OWNERS	3,798	8,101	-53.1%	838	3,749	-77.6%

Note: Numbers may not add up due to rounding off.

Revenues for the first half went down 26% or P21.4 billion, to P61.4 billion as compared to P82.8 billion a year ago. **Sales of goods** (real estate, alcoholic beverages and snack products) decreased 14% or P5.9 billion as real estate sales contracted 29% while sales of consumer goods maintained same level as last year. **Service revenues** (gaming, hotels, quick-service restaurants, cinemas and theaters, leasing, hotels and other related services) de-escalated 38% or P14.6 billion due to combined reductions in businesses. **Share in net profits of associates and joint ventures** was 60% or P0.1 billion lower this interim period, reflecting lower net profit by associates and joint ventures.

Costs and expenses fell 18% or P11.7 billion, to P54.6 billion during the current year from P66.3 billion a year ago. **Cost of goods sold** contracted 12% or P3.0 billion to P22.3 billion, **cost of services** de-escalated 30% or P6.1 billion to P14.1 billion and **other operating expenses** sank 17% or P2.9 billion to P14.5 billion.

Finance and other income decreased 33% to P1.5 billion from lower interest income in the current period and one-time gain by Megaworld from last year. **Finance costs and other**

charges, on the other hand, increased 10% or P0.3 billion to P3.7 billion from higher interests on loans of GADC and Travellers during the period.

Income tax dropped 34% or P1.4 billion to P2.6 billion due to lower taxable income of Megaworld (-P1.0B) and GADC (-P0.4B).

Earnings before interest, taxes, depreciation and amortizations (EBITDA), computed as net profit before income taxes, interest expense, depreciation and amortizations were 35% lower year-on-year to P15.2 billion this year as compared to P23.5 billion a year ago, exhibiting 25% and 28% EBITDA rate, respectively.

Net profit attributable to owners amounted to P3.8 billion from P8.1 billion a year ago, slashed 53% year-on-year as a result of the foregoing.

Financial Condition

Consolidated total assets amounted to P645.3 billion at end of the interim period from P644.5 billion at beginning of year. The Group is strongly liquid with **current assets** exceeding **current liabilities** 2.2times and 2.3times at the end and beginning of the year. Current assets amounted to P295.9 billion while current liabilities amounted to P132.7 billion at end of the interim period.

Cash and cash equivalents dipped by P2.1 billion or 4% ending at P49.2 billion from P51.3 billion at the beginning of the year, primarily from payment of loans and income tax payments. Cash flows from operating, financing and investing activities during the period were presented in the interim consolidated statements of cash flows.

Contract assets which represent the reclassified portion of trade and other receivables relating to rights to payment which are conditioned upon the completion of units sold and represent excess of progress of work over the right to an amount of consideration, went down 8% or P0.8 billion for **currently** maturing assets while the **non-currently** maturing assets went up 36% or P2.8 billion.

Financial assets at fair value through profit or loss were reduced 12% or P1.4 billion due to net disposals during the interim period.

Non-current trade and other receivables increased 15% or P2.4 billion from new debtors of Megaworld.

Financial assets at fair value through other comprehensive income increased 85% or P0.4 billion from new investment during the interim period.

Other non-current assets increased 12% or P0.8 billion mainly from higher deferred commissions of Megaworld.

Current lease liabilities grew 5% or P63 million from new leases entered during the year.

Contract liabilities represent MEG's excess of collection over the progress of work with **current** portion increasing 19% or P0.3 billion and **non-current** portion decreasing 4% or P0.1 billion as projects get completed during the interim period.

Income tax payable dropped 49% or P1.2 billion due to timing of payments and tax credits. Both the fourth and first quarters' payable fell due in the second quarter.

Advances from related parties were reduced 5% or P0.1 billion from recordings of MEG.

Retirement benefit obligation went up 12% or P0.3 billion mainly from the actuarial booked in UK in the interim period.

Other non-current liabilities expanded 23% or P3.5 billion from Megaworld's customer deposits and Travellers' other obligations.

The **changes in equity components** are presented in detail in the interim consolidated statements of changes in equity.

Liquidity and Capital Resources

The consolidated statements of financial position showed strong liquidity with current assets exceeding current liabilities 2times. The interim period opened and closed with 1.2:1 total-liabilities-to-equity ratio and 0.7:1 interest-bearing-debt-to-equity ratio. Assets exceeded liabilities nearly 2times, and equity 2times as well.

In general, working capital during the period was sourced internally from operations while capital expenditures was financed mainly by bank loans. The Group may also from time to time seek other sources of funding, if necessary, depending on its financing needs and market conditions.

<i>Amounts in Million Pesos</i>	<u>Jun 30, 2020</u>	<u>Dec 31, 2019</u>
Cash and equivalents	49,208	51,271
FVTPL/AFS financial assets	11,417	12,462
Total Available	60,624	63,732
Interest-bearing debt –current	41,857	40,870
Interest-bearing debt- noncurrent	157,088	162,907
Equity-linked securities- non- current*	3,444	5,280
Total Debt	202,389	209,057
Net cash (-debt)	-141,765	-145,325
Available Cash and financial assets to Total Debt	30%	30%
Total Debt to total equity	68%	70%

*Presented under Other Non-current liabilities

Prospects for the future

As the disruptions brought about by COVID-19 continue in the third quarter, similar to most businesses in the country, the Group is expecting to see year-on-year degrowths continuing in the third quarter results. The Group is anticipating to keep up its various operations in a very challenging and unpredictable environment henceforth, where the ultimate impact of the pandemic is still highly uncertain and evolving.

Considering the government actions to mitigate the economic, social and health risks associated with the pandemic, the Group is putting measures in place to ensure the safety and well-being of its employees, customers, suppliers and other stakeholders and to adapt in this new normality. The Group is accelerating its innovation and digital transformation strategies across businesses as the Group embraces the new reality. These involve investments in e-commerce applications, interactive customer service management, and contactless online transactions, among others.

The Group is ever vigilant for new opportunities as it taps on its innovative knack in this challenging period.

The global health crisis has brought new learnings that modified product offerings and acquired new skills to adapt to the changes in customer behavior.

The Group has a proven track record of creating value over time and is confident in its ability to bounce back to deliver sustainable profitable growth and value for its stakeholders. AGI looks forward to resuming the growth trajectory of all the business segments towards the Group's success backed by its overall resilience, strong financial foundation and prudent operational management. AGI spotlights a five-point strategy aimed at the conglomerate's recovery: sustainability and well-being; earnings diversity; digitalization; financial flexibility; and adaptability.

To heal as one nation in this pandemic time, the Group has contributed to various efforts in the Philippines' fight against COVID-19.

Others

There were no known material events subsequent to the end of the interim period that would have a material impact in the interim period.

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 Company's liquidity increasing or decreasing in any material way. The Company does not have nor anticipate having any cash flow or liquidity problems within the year. 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 Company, 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.

SIGNATURE

Pursuant to the requirements of Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Alliance Global Group, Inc.

Issuer

By:



DINA D.R. INTING

*Chief Financial Officer/
Corporate Information Officer/
Principal Accounting Officer*

August 12, 2020

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
June 30, 2020

Ratio	Formula	6/30/2020	12/31/2019
Current ratio	Current assets / Current liabilities	2.23	2.30
Acid test ratio	Quick assets / Current liabilities (Quick assets include cash and cash equivalents, trade and other receivables and financial assets at fair value through profit or loss)	1.01	1.05
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings, bonds payable and equity-linked debt securities)	0.68	0.70
Asset-to-equity ratio	Total assets / Total stockholders' equity	2.16	2.17
		6/30/2020	6/30/2019
Interest rate coverage ratio	EBIT / Total Interest (Non-recurring gain is excluded from EBIT)	3.01	6.67
Solvency ratio	EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds payable)	0.08	0.12
Return on investment	Net profit / Total stockholders' equity	0.01	0.04
Return on investment of equity owners	Net profit attributable to owners of the Parent Company / Equity attributable to the owners of the Parent Company	0.02	0.05
Return on assets	Net profit / Total assets	0.01	0.02
Net profit margin	Net profit / Total revenues	0.07	0.15

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND DECEMBER 31, 2019
(Amounts in Philippine Pesos)

	<u>June 30, 2020</u> <u>(UNAUDITED)</u>	<u>December 31, 2019</u> <u>(AUDITED)</u>
<u>A S S E T S</u>		
CURRENT ASSETS		
Cash and cash equivalents	P 49,207,589,475	P 51,270,580,951
Trade and other receivables - net	73,545,439,756	73,766,084,747
Contract assets	10,004,846,508	10,857,180,128
Financial assets at fair value through profit or loss	10,644,198,986	12,045,110,108
Inventories - net	135,013,998,365	135,869,915,236
Other current assets	<u>17,462,304,618</u>	<u>17,367,583,144</u>
Total Current Assets	<u>295,878,377,708</u>	<u>301,176,454,314</u>
NON-CURRENT ASSETS		
Trade and other receivables - net	18,828,462,551	16,406,358,749
Contract assets	10,609,731,220	7,785,824,559
Advances to landowners and joint operators	7,128,286,658	7,058,884,461
Financial assets at fair value through other comprehensive income	772,343,040	416,657,341
Investments in associates and joint ventures	6,612,346,127	6,558,943,348
Property, plant and equipment - net	135,596,594,297	136,262,546,247
Investment properties - net	114,204,960,644	112,338,187,564
Intangible assets - net	38,407,919,388	39,943,371,103
Deferred tax assets - net	5,349,185,605	5,477,329,211
Other non-current assets	<u>7,861,221,886</u>	<u>7,021,891,772</u>
Total Non-current Assets	<u>345,371,051,416</u>	<u>339,269,994,355</u>
NON-CURRENT ASSET HELD FOR SALE	<u>4,029,879,798</u>	<u>4,029,879,798</u>
TOTAL ASSETS	<u>P 645,279,308,922</u>	<u>P 644,476,328,467</u>

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	<u>June 30, 2020</u> <u>(UNAUDITED)</u>	<u>December 31, 2019</u> <u>(AUDITED)</u>
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Trade and other payables	P 63,730,886,520	P 61,394,887,255
Interest-bearing loans	41,857,149,464	40,869,676,836
Lease liabilities	1,360,371,950	1,297,248,962
Contract liabilities	2,021,216,079	1,703,947,321
Income tax payable	1,221,498,101	2,387,377,900
Redeemable preferred shares	251,597,580	251,597,580
Advances from related parties	2,121,844,583	2,244,180,653
Other current liabilities	<u>20,117,475,103</u>	<u>20,550,029,609</u>
Total Current Liabilities	<u>132,682,039,380</u>	<u>130,698,946,116</u>
NON-CURRENT LIABILITIES		
Interest-bearing loans	132,679,472,886	138,283,436,876
Bonds payable	24,408,909,190	24,623,883,690
Lease liabilities	14,201,410,161	14,623,215,469
Contract liabilities	3,379,699,793	3,509,607,722
Retirement benefit obligation	2,470,881,157	2,201,371,108
Redeemable preferred shares	1,646,954,641	1,580,915,329
Deferred tax liabilities - net	16,675,334,250	16,374,273,704
Other non-current liabilities	<u>19,006,799,342</u>	<u>15,463,882,949</u>
Total Non-current Liabilities	<u>214,469,461,420</u>	<u>216,660,586,847</u>
Total Liabilities	<u>347,151,500,800</u>	<u>347,359,532,963</u>
EQUITY		
Equity attributable to owners of the parent company	182,273,165,030	179,373,807,626
Non-controlling interest	<u>115,854,643,092</u>	<u>117,742,987,878</u>
Total Equity	<u>298,127,808,122</u>	<u>297,116,795,504</u>
TOTAL LIABILITIES AND EQUITY	<u><u>P 645,279,308,922</u></u>	<u><u>P 644,476,328,467</u></u>

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Amounts in Philippine Pesos)
(UNAUDITED)

	2020		2019	
	Year-to-Date	Quarter	Year-to-Date	Quarter
REVENUES AND INCOME				
Sale of goods	P 35,881,764,007	P 15,643,372,256	P 41,828,843,902	P 21,251,330,762
Rendering of services	23,927,378,838	6,976,086,851	38,568,059,827	19,674,868,309
Share in net profits of associates and joint ventures - net	65,701,572	9,344,655	163,381,010	68,592,773
Finance and other income	<u>1,505,577,775</u>	<u>717,659,771</u>	<u>2,252,513,468</u>	<u>769,652,889</u>
	<u>61,380,422,192</u>	<u>23,346,463,533</u>	<u>82,812,798,207</u>	<u>41,764,444,733</u>
COSTS AND EXPENSES				
Cost of goods sold	22,260,089,097	9,865,333,792	25,277,965,211	12,839,837,017
Cost of services	14,113,898,306	5,101,727,263	20,197,378,443	10,443,997,115
Other operating expenses	14,489,840,073	5,560,658,893	17,392,667,781	8,617,253,804
Finance costs and other charges	<u>3,729,901,595</u>	<u>1,748,075,779</u>	<u>3,396,966,858</u>	<u>1,703,307,452</u>
	<u>54,593,729,071</u>	<u>22,275,795,727</u>	<u>66,264,978,293</u>	<u>33,604,395,388</u>
PROFIT BEFORE TAX	6,786,693,121	1,070,667,806	16,547,819,914	8,160,049,345
TAX EXPENSE	<u>2,643,805,364</u>	<u>914,823,702</u>	<u>4,029,222,686</u>	<u>2,164,383,727</u>
NET PROFIT	<u>4,142,887,757</u>	<u>155,844,104</u>	<u>12,518,597,228</u>	<u>5,995,665,618</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain (loss) on remeasurement of retirement benefit obligation	(260,412,400)	(364,478,751)	394,672,752	151,399,723
Net unrealized fair value gain (loss) on financial assets at fair value through other comprehensive income	(5,131,002)	(83,798,734)	20,052,920	22,471,421
Deferred tax expense relating to components of other comprehensive income	<u>(45,176,300)</u>	<u>(40,532,945)</u>	<u>(61,913,150)</u>	<u>(28,267,362)</u>
	<u>(310,719,702)</u>	<u>(488,810,430)</u>	<u>352,812,522</u>	<u>145,603,782</u>
Items that will be reclassified subsequently to profit or loss				
Translation adjustments	(1,953,109,730)	62,619,218	(2,104,699,894)	(2,727,479,280)
Net unrealized fair value loss on cash flow hedge	<u>(192,345,036)</u>	<u>(152,643,376)</u>	<u>(179,582,723)</u>	<u>(79,961,681)</u>
	<u>(2,145,454,766)</u>	<u>(90,024,158)</u>	<u>(2,284,282,617)</u>	<u>(2,807,440,961)</u>
TOTAL COMPREHENSIVE INCOME	<u>P 1,686,713,289</u>	<u>(P 422,990,485)</u>	<u>P 10,587,127,133</u>	<u>P 3,333,828,439</u>
Net profit attributable to:				
Owners of the parent company	P 3,798,179,255	P 837,709,313	P 8,100,955,465	P 3,748,611,781
Non-controlling interest	<u>344,708,502</u>	<u>(681,865,209)</u>	<u>4,417,641,763</u>	<u>2,247,053,837</u>
	<u>P 4,142,887,757</u>	<u>P 155,844,104</u>	<u>P 12,518,597,228</u>	<u>P 5,995,665,618</u>
Total comprehensive income attributable to:				
Owners of the parent company	P 2,088,351,272	P 169,376,096	P 6,258,522,520	P 1,330,738,016
Non-controlling interest	<u>(401,637,983)</u>	<u>(592,366,581)</u>	<u>4,328,604,613</u>	<u>2,003,090,423</u>
	<u>P 1,686,713,289</u>	<u>(P 422,990,485)</u>	<u>P 10,587,127,133</u>	<u>P 3,333,828,439</u>
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company:				
Basic	<u>P 0.3917</u>	<u>P 0.0864</u>	<u>P 0.8224</u>	<u>P 0.3806</u>
Diluted	<u>P 0.3917</u>	<u>P 0.0864</u>	<u>P 0.8204</u>	<u>P 0.3796</u>

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Amounts in Philippine Pesos)
(UNAUDITED)

	Attributable to Owners of the Parent Company														Noncontrolling Interest	Total Equity
	Capital Stock	Additional Paid-in Capital	Treasury Shares – at cost	Net Actuarial Losses on Retirement Benefit Plan	Net Fair Value Gain (Losses) on Financial Assets at FVOCI	Accumulated Translation Adjustments	Revaluation Reserves on Cash Flow Hedge	Share Options	Other Reserves	Appropriated	Unappropriated	Total	Total			
Balance at January 1, 2020	10,269,827,979	34,518,916,029	(6,793,114,766)	(237,889,623)	399,058,137	(4,510,375,970)	(72,970,207)	620,625,162	11,001,806,671	3,931,650,000	130,245,674,104	134,177,324,104	179,373,807,626	117,742,987,878	297,116,795,504	
Transactions with owners:																
Change in percentage ownership	-	-	-	-	-	-	-	-	814,384,498	-	-	-	814,384,498	(1,221,880,843)	(407,496,345)	
Acquisition of treasury shares	-	-	(46,095,521)	-	-	-	-	-	-	-	-	-	(46,095,521)	(46,095,521)	(46,095,521)	
Dividend paid by avicenne	-	-	-	-	-	-	-	-	-	-	-	-	274,759,259	(274,759,259)	(274,759,259)	
Share-based compensation	-	-	(46,095,521)	-	-	-	-	-	814,384,498	-	-	-	9,933,290	(9,933,290)	9,933,290	
Changes in legal reserves during the period	-	-	-	-	-	-	-	-	42,717,155	-	-	-	42,717,155	-	42,717,155	
Total comprehensive income	-	-	-	(254,001,646)	235,035,850	(1,560,773,876)	(130,294,537)	-	-	-	3,798,179,254	3,798,179,254	2,088,351,272	(401,637,983)	1,686,713,289	
Balance at June 30, 2020	P 10,269,827,979	P 34,518,916,029	(P 6,839,210,287)	(P 491,891,269)	P 634,093,987	(P 6,071,349,846)	(P 203,264,834)	P 620,625,162	P 11,858,008,524	P 3,931,650,000	P 134,043,853,358	P 137,975,503,358	P 182,273,165,030	P 115,854,643,092	P 298,127,808,122	
Balance at January 1, 2019	P 10,269,827,979	P 34,395,380,979	(P 4,130,664,509)	(P 37,087,081)	P 292,038,325	(P 4,186,081,933)	P 124,320,576	P 744,676,052	P 17,189,184,985	P 3,520,080,000	P 114,011,796,687	P 117,531,876,687	P 172,193,472,060	P 118,379,191,399	P 290,572,663,459	
Transactions with owners:																
Acquisition of treasury shares	-	-	(910,237,124)	-	-	-	-	-	-	-	-	-	(910,237,124)	-	(910,237,124)	
Share-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	10,657,563	(10,657,563)	-	
Additions (Deductions)	-	-	-	-	-	-	-	-	55,084,359	-	-	-	55,084,359	(3,546,255,666)	(3,491,171,307)	
Dividend from investee	-	-	-	-	-	-	-	-	-	-	-	-	961,057,997	(961,057,997)	-	
	-	-	(910,237,124)	-	-	-	-	-	55,084,359	-	-	-	(855,152,762)	(4,496,656,100)	(5,351,808,862)	
Total comprehensive income	-	-	-	251,075,305	(212,519,366)	(1,760,319,501)	(120,769,381)	-	-	-	8,100,955,465	8,100,955,465	6,258,522,520	4,328,604,613	10,587,127,133	
Balance at June 30, 2019	P 10,269,827,979	P 34,395,380,979	(P 5,040,901,633)	P 213,988,224	P 79,518,959	(P 5,946,301,436)	P 3,551,195	P 744,676,052	P 17,244,269,344	P 3,520,080,000	P 122,112,752,152	P 125,632,832,152	P 177,596,841,815	P 118,211,130,912	P 295,807,981,727	

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Amounts in Philippine Pesos)
(UNAUDITED)

	2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	6,786,693,121	P	16,547,819,914
Adjustments for:			
Depreciation and amortization	5,093,403,361		4,030,222,185
Interest expense	3,372,511,933		2,882,813,620
Interest income	(1,061,043,211 )	(	( 1,535,136,022)
Dividend income	(73,598,315 )	(	( 9,683,128)
Share in net profits of associates and joint ventures and investment properties	(65,701,572 )	(	( 163,381,010)
Unrealized foreign currency loss (gain) - net	(54,298,113)		229,679,179
Reversal of impairment losses	(38,722,027 )	(	( 4,276,104)
Net loss (gain) on disposal of assets	33,268,924	(	( 6,030,672)
Stock option benefit expense	9,933,290		10,657,563
Gain on sale of investments in an associate	-	(	( 188,514,452)
Operating profit before working capital changes	14,002,447,391		21,794,171,073
Decrease (increase) in trade and other receivables	(1,599,834,893)		3,074,306,426
Decrease (increase) in inventories	1,194,148,076	(	( 2,743,507,843)
Increase in contract assets	(1,971,573,041 )	(	( 2,199,755,901)
Decrease in financial assets at fair value through profit or loss	1,390,403,627		251,637,992
Increase in other current assets	(552,617,687 )	(	( 2,974,366,809)
Increase (decrease) in trade and other payables	1,074,805,175	(	( 3,122,188,672)
Increase in contract liabilities	187,360,829		232,163,492
Decrease in retirement benefit obligation	(36,078,651 )	(	( 208,033,597)
Increase (decrease) in other current liabilities	(432,554,506 )	(	( 112,666,847)
Increase in other non-current liabilities	3,564,114,801		1,927,367,553
Cash generated from operations	16,820,621,121		16,144,460,561
Cash paid for taxes	(3,145,110,862 )	(	( 2,568,343,527)
Net Cash From Operating Activities	13,675,510,259		13,576,117,034
<i>Balance carried forward</i>	13,675,510,259	P	13,576,117,034

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	<u>2020</u>		<u>2019</u>
<i>Balance brought forward</i>	<u>13,675,510,259</u>	P	<u>13,576,117,034</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment	(3,468,167,550 )	(	7,061,987,358)
Investment properties	(2,140,225,431 )	(	4,590,196,848)
Intangible assets	(13,345,925 )	(	21,524,008)
Proceeds from:			
Collections of advances from associates and other related parties	94,237,744		96,569,692
Disposal of property, plant and equipment and intangible assets	72,809,322		140,319,410
Sale of an investment in an associate	-		240,908,437
Increase in other non-current assets	(681,549,973 )	(	251,914,300)
Interest received	536,446,711		1,048,660,814
Cash dividends received	73,598,315		9,683,128
Advances to landowners, joint ventures and other related parties - net	(69,402,197 )	(	366,820,129)
Additional advances granted to associates	(3,356,387 )	(	183,960,598)
Net Cash Used in Investing Activities	(5,598,955,371 )	(	10,940,261,760)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of interest-bearing loans	(11,997,721,259 )	(	7,767,764,099)
Proceeds from interest-bearing loans	9,005,468,192		6,710,450,000
Interest paid	(5,520,367,700 )	(	5,203,372,409)
Buyback of shares from non-controlling interest by a subsidiary	(794,768,800 )	(	361,469,948)
Dividends paid	(274,759,250 )	(	174,551,169)
Advances granted and paid to related parties	(272,304,251 )	(	323,232,456)
Payment of lease liabilities	(251,700,244)		-
Acquisition of treasury shares	(46,095,521 )	(	910,237,124)
Advances collected and received from related parties	12,702,469		190,873,862
Net Cash Used in Financing Activities	(10,139,546,364 )	(	7,839,303,343)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,062,991,476 )	(	5,203,448,069)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>51,270,580,951</u>		<u>44,779,011,533</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>49,207,589,475</u>	P	<u>39,575,563,464</u>

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 but not limited the following: (a) exchanges or purchases or sale on account of real estate and other assets that remain unpaid at end of period; (b) reclassifications or transfers of property between Inventories, Property and Equipment and Investment Properties; and (c) borrowing costs under capitalized Inventories or Construction in Progress.

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(With Comparative Figures as of December 31, 2019)
(Amounts in Philippine Pesos)
(Unaudited)

1. CORPORATE 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 listed its shares in the Philippine Stock Exchange (“PSE”) on April 19, 1999.

Currently, AGI is one of the leading conglomerates in the Philippines, with interests in real estate property development, food and beverage, tourism-entertainment and gaming, and quick-service restaurant. Its fifth leg, the infrastructure, has not yet started operations. The Company and its subsidiaries, associates and joint ventures (collectively referred to as the “Group”) operate a diversified range of businesses that focus on developing products and services that generally cater to their target markets, under the following entities (see Note 4):

Subsidiaries/Associates/Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI	
			June 2020	December 2019
Subsidiaries				
Megaworld and subsidiaries				
Megaworld Corporation	“Megaworld”	(a)	68%	67%
Megaworld Resort Estates, Inc.		(b)	84%	83%
Townsquare Development, Inc.			50%	50%
Golden Panda-ATI Realty Corporation			50%	50%
Arcovia Properties, Inc.			68%	67%
Belmont Newport Luxury Hotels, Inc.			68%	67%
Davao Park District Holdings Inc.			68%	67%
Eastwood Cyber One Corporation			68%	67%
Global One Hotel Group, Inc.			68%	67%
Global One Integrated Business Services, Inc.			68%	67%
Hotel Lucky Chinatown, Inc.			68%	67%
Landmark Seaside Properties, Inc.			68%	67%
Luxury Global Hotels and Leisures, Inc.			68%	67%
Luxury Global Malls, Inc.			68%	67%
Mactan Oceanview Properties and Holdings, Inc.			68%	67%
Megaworld Cayman Islands, Inc.		(c)	68%	67%
Megaworld Cebu Properties, Inc.			68%	67%
Megaworld Land, Inc.			68%	67%
Citywalk Building Administration, Inc.			68%	67%
Forbestown Commercial Center Administration, Inc.			68%	67%
Ilo-ilo Center Mall Administration, Inc.			68%	67%
Newtown Commercial Center Administration, Inc.			68%	67%
Paseo Center Building Administration, Inc.			68%	67%
San Lorenzo Place Commercial Center Administration, Inc.			68%	67%
Southwoods Lifestyle Mall Management, Inc.			68%	67%
Uptown Commercial Center Administration, Inc.			68%	67%
Valley Peaks Property Management, Inc.			68%	67%
Megaworld Newport Property Holdings, Inc.			68%	67%

Subsidiaries/Associates/Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI	
			June 2020	December 2019
Subsidiaries				
Megaworld and subsidiaries				
Oceantown Properties, Inc.			68%	67%
Piedmont Property Ventures, Inc.			68%	67%
Prestige Hotels and Resorts, Inc.			68%	67%
Richmonde Hotel Group International Ltd.		(d)	68%	67%
San Vicente Coast, Inc.			68%	67%
Savoy Hotel Manila, Inc.			68%	67%
Savoy Hotel Mactan, Inc.			68%	67%
Stonehaven Land, Inc.			68%	67%
Streamwood Property, Inc.			68%	67%
Megaworld Bacolod Properties, Inc.			62%	62%
Manila Bayshore Property Holdings, Inc.			62%	62%
Megaworld Capital Town, Inc.			52%	51%
Megaworld Central Properties, Inc.			52%	51%
Soho Cafe and Restaurant Group, Inc.			51%	50%
La Fuerza, Inc.			45%	45%
Megaworld-Daewoo Corporation			41%	40%
Northwin Properties, Inc.			41%	40%
Gilmore Property Marketing Associates Inc.			35%	35%
Integrated Town Management Corporation			34%	34%
Maple Grove Land, Inc.			34%	34%
Megaworld Globus Asia, Inc.			34%	34%
Suntrust Properties, Inc.			68%	67%
Governor's Hills Science School, Inc.			68%	67%
Sunrays Properties Management, Inc.			68%	67%
Suntrust Ecotown Developers, Inc.			68%	67%
Suntrust One Shanata, Inc.			68%	67%
Suntrust Two Shanata, Inc.			68%	67%
Stateland, Inc.			66%	65%
Global-Estate Resorts, Inc.	"GERI"	(e)	56%	55%
Southwoods Mall Inc.			62%	61%
Twin Lakes Corp.			62%	61%
Twin Lakes Hotel, Inc.			62%	61%
Megaworld Global-Estate, Inc.			61%	60%
Fil-Estate Golf and Development, Inc			56%	55%
Golforce, Inc.			56%	55%
Southwoods Ecocentrum Corp.			33%	33%
Philippine Aquatic Leisure Corp.			33%	33%
Fil-Estate Properties, Inc.			56%	55%
Aklan Holdings Inc.			56%	55%
Blu Sky Airways, Inc.			56%	55%
Fil-Estate Subic Development Corp.			56%	55%
Fil-Power Concrete Blocks Corp.			56%	55%
Fil-Power Construction Equipment Leasing Corp.			56%	55%
Golden Sun Airways, Inc.			56%	55%
La Compañía De Sta. Barbara, Inc.			56%	55%
MCX Corporation			56%	55%
Pioneer L-5 Realty Corp.			56%	55%
Prime Airways, Inc.			56%	55%
Sto. Domingo Place Development Corp.			56%	55%
Fil-Estate Industrial Park, Inc.			44%	44%
Sherwood Hills Development Inc.			31%	30%
Fil-Estate Urban Development Corp.			56%	55%
Global Homes and Communities, Inc.			56%	55%
Savoy Hotel Boracay, Inc.			56%	55%
Belmont Hotel Boracay, Inc.			56%	55%
Novo Sierra Holdings Corp.			56%	55%
Elite Communities Property Services, Inc.			56%	55%
Oceanfront Properties, Inc.			28%	28%
Empire East Land Holdings, Inc.	"EELHI"		56%	55%
Sonoma Premiere Land, Inc.		(f)	73%	73%
Pacific Coast Mega City, Inc.	"PCMI"	(g)	82%	82%
20th Century Nylon Shirt, Inc.			55%	55%
Eastwood Property Holdings, Inc.			55%	55%
Empire East Communities, Inc.			55%	55%

Subsidiaries/Associates/Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI	
			June 2020	December 2019
Subsidiaries				
Megaworld and subsidiaries				
Sherman Oak Holdings, Inc.			55%	55%
Valle Verde Properties, Inc.			55%	55%
Laguna Bel-Air School, Inc.			40%	40%
Emperador and subsidiaries				
Emperador Inc.	“EMP” or “Emperador”		80%	85%
Emperador Distillers, Inc.	“EDI”		80%	85%
Alcazar de Bana Holdings Company, Inc.			80%	85%
ProGreen AgriCorp, Inc.			80%	85%
South Point Science Park, Inc.			80%	85%
Anglo Watsons Glass, Inc.			80%	85%
Cocos Vodka Distillers Philippines, Inc.			80%	85%
The Bar Beverage, Inc.			80%	85%
Tradewind Estates, Inc.	“TEP”	(o)	80%	85%
BoozyLife, Inc.	“BLI”	(o)	50%	43%
Zabana Rum, Inc.			80%	85%
Emperador International Ltd.	“EIL”	(d)	80%	85%
Emperador Asia Pte Ltd.	“EA”	(i)	80%	85%
Grupo Emperador Spain, S.A.U.	“GES”	(i)	80%	85%
Bodega San Bruno, S.L.	“BSB”	(i)	80%	85%
Bodegas Fundador SLU	“BFS”	(i)	80%	85%
Complejo Bodeguero San Patricio, SLU	“CBSP”	(i)	80%	85%
Destilados de la Mancha S.L.		(i)	80%	85%
Grupo Emperador Gestion S.L.	“GEG”	(i)	80%	85%
Domecq Bodega Las Copas, S.L.	“DBLC”	(h)	40%	42%
Stillman Spirits, S.L.			80%	85%
Bodega Domecq S.A. de C.V.	“BDSC”	(h)	40%	42%
Domecq Distribucion De Bebidas S.A. de C.V.	“DDDB”	(h)	40%	42%
Pedro Domecq S.A. de C.V.	“PDSC”	(h)	40%	42%
Emperador Europe SARL	“EES”	(i)	80%	85%
Emperador Holdings (GB) Limited.	“EGB”	(i)	80%	85%
Emperador UK Limited	“EUK”	(i)	80%	85%
Whyte and Mackay Group Limited	“WMG”	(i)	80%	85%
Whyte and Mackay Global Limited	“WMGL”	(i)	80%	85%
Whyte and Mackay Limited	“WML”	(i)	80%	85%
Whyte and Mackay Warehousing Ltd.	“WMWL”	(i)	80%	85%
GADC and subsidiaries				
Golden Arches Development Corporation				
	“GADC”		49%	49%
Advance Food Concepts Manufacturing, Inc.			49%	49%
Red Asian Food Solutions			37%	37%
Clark Mac Enterprises, Inc.			49%	49%
Golden Laoag Foods Corporation			38%	38%
Davao City Food Industries, Inc.			37%	37%
First Golden Laoag Ventures			34%	34%
McDonald’s Anonas City Center			34%	34%
McDonald’s Puregold Taguig			29%	29%
Golden City Food Industries, Inc.			29%	29%
McDonald’s Bonifacio Global City			27%	27%
Molino First Golden Foods, Inc.			26%	26%
GY Alliance Concepts, Inc.			19%	19%
Golden Arches Realty Corporation			49%	49%
Travellers and subsidiaries				
Travellers International Hotel Group, Inc.				
	“Travellers”	(j)	50%	50%
Agile Fox Amusement and Leisure Corporation			50%	50%
APEC Assets Limited			50%	50%
Aquamarine Delphinium Leisure and Recreation, Inc.			50%	50%

Subsidiaries/Associates/Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI	
			June 2020	December 2019
Subsidiaries				
Travellers and subsidiaries				
Bright Pelican Leisure and Production, Inc.			50%	50%
Bright Leisure Management, Inc.			50%	50%
Brilliant Apex Hotels and Leisure Corporation			50%	50%
Coral Primrose Leisure and Recreation Corporation			50%	50%
Deluxe Hotels and Recreation, Inc.			50%	50%
Entertainment City Integrated Resorts & Leisure, Inc.			50%	50%
FHTC Entertainment & Production, Inc.	“FHTC”		50%	50%
Golden Peak Leisure and Recreation, Inc.			50%	50%
Grand Integrated Hotels and Recreation, Inc.			50%	50%
Grandservices, Inc.			50%	50%
Grandventure Management Services, Inc.			50%	50%
Lucky Star Hotels and Recreation, Inc.			50%	50%
Lucky Panther Amusement and Leisure Corporation			50%	50%
Luminescent Vertex Hotels and Leisure Corporation			50%	50%
Magenta Centaurus Amusement and Leisure Corporation			50%	50%
Majestic Sunrise Leisure & Recreation, Inc.			50%	50%
Netdeals, Inc.			50%	50%
Newport Star Lifestyle, Inc.			50%	50%
Royal Bayshore Hotels & Amusement, Inc.			50%	50%
Sapphire Carnation Leisure and Recreation Corporation			50%	50%
Scarlet Milky Way Amusement and Leisure Corporation			50%	50%
Sparkling Summit Hotels and Leisure Corporation			50%	50%
Valiant Leopard Amusement and Leisure Corporation			50%	50%
Vermillion Triangulum Amusement and Leisure Corporation			50%	50%
Westside City Resorts World, Inc.		(k)	49%	49%
Purple Flamingos Amusement and Leisure Corporation			49%	49%
Red Falcon Amusement and Leisure Corporation			49%	49%
Westside Theatre Inc.			50%	50%
Corporate and Others				
Alliance Global Brands, Inc.			100%	100%
McKester Pik-nik International Limited	“MPIL”	(d)	100%	100%
Great American Foods, Inc.		(l)	100%	100%
New Town Land Partners, Inc.	“NTLPI”		100%	100%
Alliance Global Group Cayman Islands, Inc.		(c)	100%	100%
Boracay Newcoast Resorts, Inc.			100%	100%
Dew Dreams International, Inc.			100%	100%
First Centro, Inc.	“FCI”		100%	100%
ERA Real Estate Exchange, Inc.			100%	100%
Oceanic Realty Group International, Inc.			100%	100%
Greenspring Investment Holdings Properties Ltd.		(d)	100%	100%
Infracorp Development, Inc.			100%	100%
Shiok Success International, Inc.			100%	100%
Travellers Group Ltd.		(d)	100%	100%
Venezia Universal Ltd.		(d)	100%	100%
Dew Dreams International, Ltd.		(d)	100%	100%
Shiok Success International, Ltd.		(d)	100%	100%
Adams Properties, Inc.	“Adams”		60%	60%

Subsidiaries/Associates/Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI	
			June 2020	December 2019
Associates				
First Premiere Arches Restaurant Inc.			49%	49%
Bonifacio West Development Corporation			31%	31%
Suntrust Home Developers, Inc.	“SHDI”		23%	23%
Citylink Coach Services, Inc.			6%	6%
First Oceanic Property Management, Inc.			6%	6%
Palm Tree Holdings and Development Corporation			27%	27%
Fil-Estate Network, Inc.			11%	11%
Fil-Estate Sales, Inc.			11%	11%
Fil-Estate Realty and Sales Associates, Inc.			11%	11%
Fil-Estate Realty Corp.			11%	11%
Nasugbu Properties, Inc.			8%	8%
Joint Ventures				
Bodegas Las Copas, S.L.	“BLC”	(m)	40%	41%
Front Row Theatre Management, Inc.		(n)	25%	25%

Explanatory notes:

- (a) AGI’s effective ownership interest is derived from its 45% direct ownership, 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) Foreign subsidiaries operating under the laws of the Cayman Islands.
- (d) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands (“BVI”).
- (e) AGI’s effective ownership interest represents its indirect holdings through Megaworld, which owns 82% of GERI as of December 31, 2019 and June 30, 2020.
- (f) A subsidiary through 60% and 40% direct ownership of EELHI and FCI, respectively.
- (g) As of December 31, 2018, PCMI is 71% effectively owned by the Group. In January 2019, the remaining 20% was acquired by the Group, thus, the Group gained 100% rights over PCMI. The effective ownership of the Group over PCMI after the transaction is 82%.
- (h) DBLC, a subsidiary of GES, is operating under the laws of Spain and its subsidiaries PDSC, BDSC and DDDDB are operating under the laws of Mexico.
- (i) Subsidiaries under EIL. EA is operating under the laws of Singapore while GES and its subsidiaries BSB, BFS, GEG, CBSP and DBLC, 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, WMWL and WMGL are operating under the laws of Scotland. EA, EES and EGB are direct subsidiaries of EIL.
- (j) Travellers’ shares are directly owned 16% by AGI, 3% by FCI, 2% by Megaworld, 49% by Adams, 30% by Genting Hongkong Limited (“GHL”) and 1% by the public.
- (k) AGI’s effective ownership is through 1% direct ownership, 47% through 95% ownership of Travellers, and 1% through ownership of other subsidiaries within the Group (i.e., FCI, Megaworld and Adams).
- (l) Foreign subsidiary of MPIL operating under the laws of United States of America.
- (m) A foreign joint venture under GES and operating under the laws of Spain.
- (n) A joint venture through FHTC.
- (o) TEI increased its ownership interest in BLI from 51% to 62% on January 2020.

The Company, its subsidiaries, associates and joint ventures are incorporated and operating in the Philippines, except for such foreign subsidiaries and a joint venture as identified in the preceding table (see explanatory notes c, d, h, i, l and m above).

AGI’s shares of stock and those of Megaworld, EMP, GERI, EELHI and SHDI are listed in and traded through the PSE as of June 30, 2020. Travellers applied for voluntary delisting and was officially delisted in the PSE on October 21, 2019. Further, Travellers also applied for voluntary revocation of its secondary license with the SEC, which is not yet approved as of June 30, 2020.

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.

The Board of Directors (“BOD”) approved on August 12, 2020, the release of the interim consolidated financial statements (“ICFS”) of the Group as of and for the six months ended June 30, 2020 (including the comparative financial statements as of December 31, 2019, and for the six months ended June 30, 2019).

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these ICFS are consistent with those applied in the audited consolidated financial statements (“ACFS”) as of and for the year ended December 31, 2019, except for the application of standards that became effective on January 1, 2020 (see Note 2.2).

2.1 Basis of Preparation of Interim Consolidated Financial Statements

These ICFS have been prepared in accordance with Philippine Accounting Standard (“PAS”) 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Philippine Financial Reporting Standards (“PFRS”), and should be read in conjunction with the Group’s ACFS as of and for the year ended December 31, 2019.

The ICFS 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 ICFS of the Group are measured using the Company’s functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

The presentation of the ICFS is consistent with the most recent ACFS presentation, except for the amendments to existing standards mentioned in Note 2.2.

The Group presents all items of income and expense in a single consolidated statement of comprehensive income.

2.2 Adoption of Amended PFRS

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

In 2020, the Group adopted for the first time the following amendments to existing standards that are relevant to the Group and effective for financial statements with annual periods beginning on or after January 1, 2020.

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

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

The application of these amendments had no significant impact on the Group's consolidated financial statements because these amendments merely clarify existing requirements.

(b) Effective Subsequent to 2020 but are not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2020, which are adopted by the Financial Reporting Standards Council. Management will adopt the following relevant pronouncements in accordance with their transitional provisions:

PFRS 10 and PAS 28 (Amendments)	:	Consolidated Financial Statements, and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture
PFRS 3 (Amendments)	:	Business Combinations – Reference to to Conceptual Framework
PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts
PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current and Non-current

Management is currently assessing the impact of these amendments on the Group's consolidated financial statements and it will conduct a comprehensive study of the potential impact of these standards prior to their mandatory adoption date to assess the impact of all changes.

3. JUDGMENTS AND ESTIMATES

The preparation of the Group's ICFS in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the policies applied and amounts reported in the ICFS and related explanatory notes. Judgments and estimates are based on historical experience and management's best knowledge of current events and actions, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates. There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

The judgments, estimates and assumptions applied in the ICFS, including the key sources of estimation uncertainty, were the same as those applied in the ACFS for the year ended December 31, 2019.

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. Presented below and in the succeeding page 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 *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.
- (c) 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.
- (d) 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.

The Group disaggregates revenues recognized from contracts with customers into these segments that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This same disaggregation is used in earnings releases, annual reports and investor presentations.

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 six months ended June 30, 2020 and 2019.

	For six months ended June 30, 2020 (Unaudited)				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 22,425,053,686	P 6,076,299,015	P 9,716,010,488	P 21,075,251,556	P 59,292,614,745
Intersegment sales	205,762,144	5,434,100	-	10,000,200	221,196,444
Finance and other income	<u>1,162,495,243</u>	<u>48,712,212</u>	<u>(20,043,400)</u>	<u>303,850,421</u>	<u>1,495,014,476</u>
Segment revenues	23,793,311,073	6,130,445,327	9,695,967,088	21,389,102,177	61,008,825,665
Cost of sales and expenses excluding depreciation and amortization	<u>(13,040,188,625)</u>	<u>(6,952,366,934)</u>	<u>(8,606,156,660)</u>	<u>(16,505,035,018)</u>	<u>(45,103,747,237)</u>
	10,753,122,448	(821,921,607)	1,089,810,428	4,884,067,159	15,905,078,428
Depreciation and amortization	<u>(1,487,734,051)</u>	<u>(1,700,838,798)</u>	<u>(1,273,420,041)</u>	<u>(683,952,063)</u>	<u>(5,145,944,953)</u>
Finance costs and other charges	<u>(1,321,099,462)</u>	<u>(1,062,996,503)</u>	<u>(472,191,862)</u>	<u>(275,712,308)</u>	<u>(3,132,000,135)</u>
Profit before tax	7,944,288,935	(3,585,756,908)	(655,801,475)	3,924,402,788	7,627,133,340
Tax expense	<u>(2,062,095,032)</u>	<u>(32,646,324)</u>	<u>(8,413,899)</u>	<u>(539,187,184)</u>	<u>(2,642,342,439)</u>
SEGMENT PROFIT	<u>P 5,882,193,903</u>	<u>(P 3,618,403,232)</u>	<u>(P 664,215,374)</u>	<u>P 3,385,215,604</u>	<u>P 4,984,790,901</u>
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 355,536,151,358	P 116,619,574,587	P 30,919,746,278	P 115,433,166,438	P 618,508,638,661
Segment liabilities	134,787,416,286	81,123,107,420	25,414,658,810	51,070,185,935	292,395,368,451
OTHER SEGMENT INFORMATION					
Share in net profit (loss) of associates and joint ventures	<u>(1,389,077)</u>	<u>(21,851)</u>	-	67,112,500	65,701,572

	For six months ended June 30, 2019 (Unaudited)				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 29,639,625,294	P 13,620,591,998	P 15,450,039,781	P 21,082,506,836	P 79,792,763,909
Intersegment sales	81,378,239	408,419,292	-	29,653,517	519,451,048
Finance and other income	<u>2,002,780,692</u>	<u>36,143,857</u>	<u>92,410,648</u>	<u>338,121,109</u>	<u>2,469,456,306</u>
Segment revenues	31,723,784,225	14,065,155,147	15,542,450,429	21,450,281,462	82,781,671,263
Cost of sales and expenses excluding depreciation and amortization	(<u>16,785,510,885</u>)	(<u>10,704,205,427</u>)	(<u>13,639,892,024</u>)	(<u>16,707,026,300</u>)	(<u>57,836,634,636</u>)
	14,938,273,340	3,360,949,720	1,902,558,405	4,743,255,162	24,945,036,627
Depreciation and amortization	(1,254,285,642)	(1,525,339,047)	(630,764,762)	(592,318,644)	(4,002,708,095)
Finance costs and other charges	(<u>1,714,596,558</u>)	(<u>912,499,891</u>)	(<u>82,096,528</u>)	(<u>415,657,548</u>)	(<u>3,124,850,525</u>)
Profit before tax	11,969,391,140	923,110,782	1,189,697,115	3,735,278,970	17,817,478,007
Tax expense	(<u>3,103,001,489</u>)	(<u>62,539,651</u>)	(<u>391,998,789</u>)	(<u>451,318,281</u>)	(<u>4,008,858,210</u>)
SEGMENT PROFIT	<u>P 8,866,389,651</u>	<u>P 860,571,131</u>	<u>P 797,698,326</u>	<u>P 3,283,960,689</u>	<u>P 13,808,619,797</u>
OTHER SEGMENT INFORMATION					
Share in net profit (loss) of associates and joint ventures	44,133,621	(20,040)	-	119,267,429	163,381,010

The following presents the segment assets and liabilities of the Group as of December 31, 2019 (audited):

SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 347,968,101,289	P 115,651,536,817	P 31,959,120,433	P 122,233,919,740	P 617,812,678,279
Segment liabilities	132,846,602,884	76,439,478,594	25,704,962,190	57,392,889,576	292,383,933,244

4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its ICFS.

	June 30, 2020 <u>(Unaudited)</u>	June 30, 2019 <u>(Unaudited)</u>
Revenues		
Total segment revenues	P 61,008,825,665	P 82,781,671,263
Unallocated corporate revenue	592,792,971	550,577,992
Elimination of intersegment revenues	(221,196,444)	(519,451,048)
Revenues as reported in interim consolidated profit or loss	<u>P 61,380,422,192</u>	<u>P 82,812,798,207</u>
Profit or loss		
Segment operating profit	P 4,984,790,901	P 13,808,619,797
Unallocated corporate loss	(620,706,700)	(770,571,521)
Elimination of intersegment revenues	(221,196,444)	(519,451,048)
Profit as reported in interim consolidated profit or loss	<u>P 4,142,887,757</u>	<u>P 12,518,597,228</u>
	June 30, 2020 <u>(Unaudited)</u>	December 31, 2019 <u>(Audited)</u>
Assets		
Segment assets	P 618,508,638,661	P 617,812,678,279
Unallocated corporate assets	<u>26,770,670,261</u>	<u>26,663,650,188</u>
Total assets reported in the interim consolidated statements of financial position	<u>P 645,279,308,922</u>	<u>P 644,476,328,467</u>
Liabilities		
Segment liabilities	P 292,395,368,451	P 292,383,933,244
Unallocated corporate liabilities	<u>54,756,132,349</u>	<u>54,975,599,719</u>
Total liabilities reported in the interim consolidated statements of financial position	<u>P 347,151,500,800</u>	<u>P 347,359,532,963</u>

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 periods presented.

5. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment as of June 30, 2020 and December 31, 2019 are shown below.

	June 30, 2020 <u>(Unaudited)</u>	December 31, 2019 <u>(Audited)</u>
Cost	P 180,130,775,983	P 176,823,137,969
Accumulated depreciation, amortization and impairment	(44,534,181,686)	(40,560,591,722)
Net carrying amount	<u>P 135,596,594,297</u>	<u>P 136,262,546,247</u>

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the reporting periods is shown below.

	<u>June 30, 2020</u> <u>(Unaudited)</u>	<u>December 31, 2019</u> <u>(Audited)</u>
Balance at beginning of period, net of accumulated depreciation, amortization and impairment	P 136,262,546,247	P 129,022,311,924
Additions	3,413,716,262	19,511,058,873
Depreciation and amortization charges for the period	(4,012,311,991)	(7,741,588,381)
Disposals – net	(106,078,248)	(812,810,392)
Impairment reversal (loss)	38,722,027	(88,377,482)
Reclassifications – net	<u>-</u>	<u>(3,628,048,295)</u>
Balance at end of period, net of accumulated depreciation, amortization and impairment	<u>P 135,596,594,297</u>	<u>P 136,262,546,247</u>

6. INVESTMENT PROPERTIES

The Group's investment properties include 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 properties at the beginning and end of the reporting periods are shown below.

	<u>June 30, 2020</u> <u>(Unaudited)</u>	<u>December 31, 2019</u> <u>(Audited)</u>
Cost	P 128,533,791,881	P 125,464,245,734
Accumulated depreciation	(14,328,831,237)	(13,126,058,170)
Net carrying amount	<u>P 114,204,960,644</u>	<u>P 112,338,187,564</u>

A reconciliation of the carrying amounts of investment properties at the beginning and end of the reporting periods is shown below.

	<u>June 30, 2020</u> <u>(Unaudited)</u>	<u>December 31, 2019</u> <u>(Audited)</u>
Balance at beginning of period, net of accumulated depreciation	P 112,338,187,564	P 104,635,533,741
Additions	3,069,546,147	10,390,591,440
Depreciation charges for the period	(1,202,773,067)	(2,285,389,751)
Disposals – net	-	(716,363)
Reclassifications - net	<u>-</u>	<u>(401,831,503)</u>
Balance at end of period, net of accumulated depreciation	<u>P 114,204,960,644</u>	<u>P 112,338,187,564</u>

7. DIVIDENDS

There were no dividends declared and paid by the Company for the six-month periods ended June 30, 2020 and 2019.

8. EARNINGS PER SHARE

Earnings per share is computed as follows:

	<u>June 30, 2020</u> <u>(Unaudited)</u>	<u>June 30, 2019</u> <u>(Unaudited)</u>
Basic:		
Net profit attributable to owners of the parent company	P 3,798,179,254	P 8,100,955,465
Divide by the weighted average number of outstanding common shares	<u>9,695,670,379</u>	<u>9,850,415,639</u>
	<u><u>P 0.3917</u></u>	<u><u>P 0.8224</u></u>
Diluted:		
Net profit attributable to owners of the parent company	P 3,798,179,254	P 8,100,955,465
Divide by the weighted average number of outstanding common shares and potentially dilutive shares	<u>9,695,670,379</u>	<u>9,874,211,370</u>
	<u><u>P 0.3917</u></u>	<u><u>P 0.8204</u></u>

On September 19, 2017, the BOD approved a two-year share repurchase program of up to P5.0 billion worth of shares in the open market, to enhance shareholder value. On September 18, 2019, the BOD approved another share repurchase program for P2.5 billion over a 12-month period ending on September 23, 2020. The Company has repurchased 451,193,400 shares for P5.9 billion and 296,448,140 shares for P4.1 billion as of June 30, 2020 and 2019, respectively, which are reported as Treasury Shares.

Under the Revised Corporation Code of the Philippines, a stock corporation can repurchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be repurchased or acquired. Accordingly, the Parent Company's ongoing share repurchase program restricts the Parent Company's retained earnings for distribution as dividends up to the cost of the treasury shares.

There are 122.96 million shares held by subsidiaries at a total cost of P936.16 million that were reported as part of Treasury Shares in the consolidated statements of changes in equity. Such treasury shares do not form part of outstanding common shares.

The actual number of outstanding common shares approximates the weighted average for each interim period. As of June 30, 2020, there are 2.6 million potentially dilutive shares from the Company's Executive Stock Option Plan. However, such number of dilutive shares has no significant effect on the weighted average number of outstanding common shares and, consequently has no material effect on the June 30, 2020 diluted EPS.

The basic and diluted earnings per share are the same for the six months ended June 30, 2020, as the Company's Executive Stock Option Plan are considered to be antidilutive since their conversion to ordinary shares would increase earnings per share. Thus, the number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the Employee Stock Option Plan.

9. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, joint ventures, the Group's key management personnel and retirement fund, and others. The summary of the Group's transactions with its related parties for the periods ended June 30, 2020 and 2019, and the related outstanding balances as of June 30, 2020 and December 31, 2019 are as follows:

Related Party Category	Notes	Amount of Transaction		Outstanding Balance Receivable (Payable)	
		June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Subsidiaries'					
stockholders:					
Casino transactions	9.2	P 1,333,585	P 1,527,657	P 4,390,678	(P 742,847)
Management fees	9.3	4,121,060	191,571,138	(43,799,609)	(15,216,479)
Accounts payable	9.5	-	-	(347,670,510)	(347,670,510)
Acquisition of investment	9.7	-	869,233,406	(680,000,000)	(680,000,000)
Related party under common ownership:					
Purchase of raw materials	9.1	1,478,148,862	2,296,946,539	(803,931,487)	(1,019,713,848)
Purchase of imported goods	9.1	5,624,699	10,642,521	(874,017)	(1,710,514)
Advances granted	9.4	(122,601,601)	102,916,776	1,865,090,165	1,987,691,766
Management services	9.1	30,000,000	30,000,000	(107,000,000)	(77,000,000)
Associates –					
Advances granted	9.4	4,649,546	(15,525,869)	1,101,710,046	1,097,060,500
Others:					
Accounts receivable	9.5	243,487,449	(6,385,848)	852,446,101	608,958,652
Accounts payable	9.5	-	-	(65,208,430)	(65,208,430)
Advances from joint venture partners and others	9.6	(122,336,070)	(51,353,536)	(2,121,844,583)	(2,244,180,653)
Donations		49,818,084	(112,368,590)	(6,288,406)	(20,012,801)

Unless otherwise stated, the outstanding balances of the Group's transactions with its related parties are unsecured, noninterest-bearing and payable or collectible on demand.

9.1 Purchase of Goods and Management Agreement

Emperador imports finished goods and raw materials such as alcohol, flavorings and other items through Andresons Global, Inc., a related party under common ownership. Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly-owned subsidiary of BLC, which is considered a related party under joint control. These transactions are generally payable within 30 days. Emperador had a management agreement with Consolidated Distillers of the Far East, Inc., a related party under common ownership, for the consultancy and advisory services in relation to the operation, management, development and maintenance of its distillery plant. The outstanding balances as of June 30, 2020 and December 31, 2019 are shown as part of Trade and Other Payables account in the consolidated statements of financial position.

9.2 Casino Transactions with GHL

Travellers recognized outstanding receivables from (payables to) GHL representing show money received by Travellers from foreign patrons which the counterparty will later remit to the other. The outstanding balances, which are unsecured, noninterest-bearing and payable in cash upon demand, are presented as part of Trade and Other Receivables (and Trade and Other Payables) account in the consolidated statements of financial position.

9.3 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. These transactions are presented under the Other Operating Expenses account in the consolidated statements of comprehensive income. The outstanding liability, which is unsecured, noninterest bearing and payable in cash upon demand, arising from this transaction is presented under Trade and Other Payables account in the consolidated statements of financial position.

9.4 Advances to Associates and Other Related Parties

Entities within the Group grant advances to associates and other related parties 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 movement of the outstanding balances of Advances to associates and other related parties, which are shown as part of Trade and Other Receivables account in the consolidated statements of financial position, is presented as follows:

	June 30, 2020	December 31, 2019
	<u>(Unaudited)</u>	<u>(Audited)</u>
Balance at beginning of period	P 3,084,752,266	P 2,644,503,318
Cash advances granted	4,649,546	570,167,429
Collections	(122,601,601)	(129,918,481)
Balance at end of period	<u>P 2,966,800,211</u>	<u>P 3,084,752,266</u>

As of June 30, 2020, and December 31, 2019, 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.

9.5 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billings, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of the Due from/to Related Parties are included under Trade and Other Receivables and Trade and Other Payables accounts, respectively, in the consolidated statements of financial position, as follows:

	June 30, 2020	December 31, 2019
	<u>(Unaudited)</u>	<u>(Audited)</u>
<i>Due from Related Parties</i>		
Balance at beginning of period	P 608,958,652	P 328,275,642
Additions	243,487,449	302,541,285
Collections	<u>-</u>	<u>(22,800,927)</u>
	852,446,101	608,016,000
Impairment recovery	<u>-</u>	<u>942,652</u>
Balance at end of period	<u>P 852,446,101</u>	<u>P 608,958,652</u>
<i>Due to Related Parties</i>		
Balance at beginning and end of period	<u>P 412,878,940</u>	<u>P 412,878,940</u>

As of June 30, 2020, based on management's assessment, no additional amount of impairment is necessary.

9.6 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 Joint Venture ("JV") partners pertain to advances from golf share partners and lot owners.

Details of Advances from Related Parties and JV Partners are presented as follows:

	June 30, 2020	December 31, 2019
	<u>(Unaudited)</u>	<u>(Audited)</u>
Advances from related parties	P 1,765,617,329	P 1,887,953,399
Advances from JV partners	<u>356,227,254</u>	<u>356,227,254</u>
	<u>P 2,121,844,583</u>	<u>P 2,244,180,653</u>

9.7 Acquisition of Investments

As at June 30, 2020 and December 31, 2019, the outstanding liability of P680.0 million represents the amount outstanding from the acquisition of PCMI shares and is shown as part of Trade and Other Payables account in the consolidated statements of financial position.

9.8 Transactions with the Retirement Plans

The Group has formal retirement plans established separately for each significant subsidiary, particularly Megaworld, GERI, EELHI, Travellers, 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) that are legally separated from the Group. The retirement funds do not provide any guarantee or surety for any obligation of the Group and their investments are not covered by any restrictions or liens.

10. COMMITMENTS AND CONTINGENCIES

10.1 Tax Contingencies of Travellers' Casino Operations

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, as provided under the Provisional License Agreement with Philippine Amusement and Gaming Corporation ("PAGCOR"). In April 2013, however, the BIR issued RMC 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.

In August 2016, the Supreme Court ("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 Bureau of Internal Revenue. Consistent with the decision of SC, on June 13, 2018, the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extended to all PAGCOR contractees and licensees.

10.2 Consortium Agreement for Ninoy Aquino International Airport ("NAIA")

On February 12, 2018, AGI, as a member of a consortium of seven (7) conglomerates, submitted a P102-billion unsolicited proposal to the Department of Transportation ("DOTr") and the Manila International Airport Authority ("MIAA") (collectively, the "Grantors") for the improvement, upgrade, enhancement, expansion, operation and maintenance, and management of the NAIA. On September 10, 2018, the consortium was granted an Original Proponent Status ("OPS"). On November 29, 2019, the National Economic Development Authority ("NEDA") approved the unsolicited proposal which triggered the negotiation stage in the process. The project would then have to go through a Swiss Challenge before it can be awarded.

In the light of the far-reaching and long lasting consequences of the corona virus pandemic on airline travel, airline operations and airport passenger traffic, the consortium reviewed the assumptions and plans to ensure the viability of the NAIA Project in the "new normal", and submitted the proposed changes in the Project's framework. The government, however, was not willing to accept most of the proposed options; yet, the consortium could move forward only under the proposed options.

On July 10, 2020 the consortium received a notice from MIAA terminating any further negotiations, and revoking the OPS and approvals earlier granted.

10.3 Skytrain Project

On October 10, 2017, the Group submitted a P3-billion unsolicited proposal to the government to build a 1.87-kilometer Skytrain monorail project and transfer its ownership title to the government. The Group was conferred the OPS by the DOTr on May 17, 2018 and four days later, DOTr endorsed the proposal to NEDA. The project is now undergoing review and evaluation at NEDA.

10.4 Co-Development Agreement between WCRWI and SHDI

The principal terms of the co-development agreement are as follows:

(i) WCRWI and Travellers shall lease the Project Site (i.e. "the site upon which the hotel casino is to be erected") to SHDI.

WCRWI and Travellers shall lease to SHDI the site upon which a hotel casino will be erected at an annual rental of US\$10.6 million (P540.6 million), exclusive of VAT, until August 19, 2039. The lease shall automatically be renewed subject to applicable laws for another 25 years, unless otherwise agreed upon by the parties. The annual rental shall be payable upon the commencement of operation of the hotel casino.

(ii) SHDI shall finance the development and construction of a hotel casino.

SHDI shall finance the development and construction of a hotel casino on the leased area. SHDI shall also pay US\$200.0 million (P10.2 billion) to WCRWI for usage of the properties and reimbursement of costs already incurred and construction works that have already been accomplished on the Project Site.

In line with the foregoing, the land development cost made by WCRWI for the construction of Site A was discontinued in 2019, and the related cost was reclassified as Non-current Asset Held for Sale. The Group believes that the sale and turnover of the assets to SHDI is highly probable to occur in 2020.

(iii) WCRWI shall enter into an agreement with SHDI, for the latter to operate and manage a hotel casino.

WCRWI and SHDI shall enter into an agreement for the operations and management of a hotel casino for the period of the gaming Provisional License Agreement (i.e. up to July 11, 2033) as well as any extension or renewal of the Provisional License Agreement on terms of the operations and management agreement to be mutually agreed between the WCRWI and SHDI. WCRWI's share on the gross gaming revenues shall be as follows (which payment shall only be payable when the hotel casino commences operation):

- (a) 1% of the gross gaming revenue on VIP of the Casino; and,
- (b) 3% of the gross gaming revenue on slot machines and mass market tables of the hotel casino, based on the gross gaming revenue as is submitted to PAGCOR from time to time.

As of June 30, 2020, the hotel casino has not yet commenced its operation; hence, agreement above has not yet materialized.

(iv) WCRWI and the Travellers as warrantors

Fortune Noble Limited (“Fortune”) [a wholly-owned subsidiary of Suncity Group Holdings Limited], the parent company of SHDI, conditionally agreed to subscribe to 2.55 billion new SHDI shares subject to the terms and conditions mutually agreed upon by the parties. WCRWI and Travellers agreed to act as the warrantors, wherein, a put option over the shares of SHDI was included. The put option enables Fortune to transfer ownership over SHDI to the warrantors in exchange for an option price, upon the happening of any of the put option events during the option period.

The option period commences from the date of the agreement up to the day immediately preceding the date on which the hotel casino first starts its operation. The put option events mainly pertains to the successful commencement of operations of the hotel casino, which include, among others, the termination or suspension of gaming license due to the default of the warrantors, termination of WCRWI’s lease over Site A as applicable, or failure to acquire government consent for operation of hotel casino.

The option price is equivalent to the aggregate of: (a) the consideration for the acquisition by Fortune of the 1.1 billion SHDI shares as at the date of the agreement together with interest from the date of completion of the said acquisition up to the date of completion of the put option; and, (b) the aggregate of the shares subscription price for the subscription of 2.6 billion new SHDI shares including interest as well from the date of shares subscription completion up to the date of completion of the put option.

Management assessed that since the put option transfers significant risk to the Group as warrantors, it shall be accounted for as a financial guarantee to be measured under PFRS 9. Accordingly, the put option was initially recognized at the amount of premium received then, subsequently measured at the higher of the amount initially recognized or the amount using the ECL model.

Applying the ECL model, the option price that WCRWI and Travellers are committed to pay amounting to P3.7 billion was compared with the value of the collateral or the shares of stocks that they will receive. In determining the value of the shares, management assessed that the price of SHDI shares in the PSE as of June 30, 2020 amounting to P1.24 per share or a total value of P4.6 billion is a reasonable estimate of its value. In terms of probability of default, management assessed that it is unlikely or remote (see Note 11.2).

As of June 30, 2020 and December 31, 2019, the value of the put option is still the amount initially recognized as the option price is fully secured by the value of SHDI shares and that the probability of default was assessed to be remote.

10.5 Other Commitments and Contingencies

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 ICFS. Management is of the opinion that losses, if any, from these items will not have any material impact on the ICFS.

In addition, there are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the reporting periods.

11. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at fair value through profit or loss (“FVTPL”), financial assets at fair value through other comprehensive income (“FVOCI”), interest-bearing loans, bonds payable, trade receivables and payables and derivative assets 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.

11.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group’s transactions are carried out in Philippine pesos, Euros, UK pounds, HK Dollars and U.S. 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 financial liabilities, translated into Philippine pesos at period-end closing rate are as follows:

	<u>June 30, 2020 (Unaudited)</u>		<u>December 31, 2019 (Audited)</u>	
	<u>U.S. Dollars</u>	<u>HK Dollars</u>	<u>U.S. Dollars</u>	<u>HK Dollars</u>
Financial assets	P 2,381,336,577	P 2,589,991,090	P 3,672,859,651	P 2,731,732,048
Financial liabilities	(23,053,425,403)	(981,340,060)	(25,210,975,247)	(935,065,026)
	<u>(P 20,672,088,826)</u>	<u>P 1,608,651,030</u>	<u>(P 21,538,115,596)</u>	<u>P 1,796,667,022</u>

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 +/- 8.28% and +/- 8.62% changes in exchange rate for the six months ended June 30, 2020 and for the year ended December 31, 2019, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 8.42% and +/- 8.66% changes in exchange rate for the six months ended June 30, 2020 and for the year ended December 31, 2019, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months 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 (or weakened) against the U.S. dollar, with all other variables held constant, consolidated profit before tax would have increased (or decreased) by P1.7 billion for the six-month period ended June 30, 2020 and P1.8 billion for the year ended December 31, 2019. If the Philippine peso had strengthened (or weakened) against the HK dollar, with all other variables held constant, consolidated profit before tax would have decreased (or increased) by P0.1 billion for the six-month period ended June 30, 2020 for P0.2 billion the year ended December 31, 2019.

The Group's exposure to changes in foreign currency exchange rates for Euros and U.K. pounds are not significant to the Group's consolidated financial statements.

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's 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 certain 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 profit before tax for the period to a reasonably possible change in interest rates of +/- 2.91% for Philippine peso and +/- 4.69% for U.S. dollar in 2020, and +/- 2.48% for Philippine peso and +/- 2.15% for U.S. dollar in 2019 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 12 months estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held at June 30, 2020 and December 31, 2019, with effect estimated from the beginning of the period. All other variables held constant, the consolidated profit before tax would have increased by P0.3 billion for the six-month period ended June 30, 2020 and P0.1 billion for the year ended December 31, 2019. Conversely, if the interest rates decreased by the same percentage, consolidated profit before tax would have been lower by the same amount.

11.2 Credit Risk

Generally, the Group's credit risk is attributable to trade and other receivables arising mainly from transactions with approved franchisees, installment sales receivables, rental receivables and other financial assets. The carrying values of these financial assets subject to credit risk are disclosed in Note 12.

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. 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.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third and related parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables.

The expected loss rates are based on the payment profiles of sales. Further, the historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group identifies headline inflation rate and bank lending rate to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

Except for real estate sales, contract assets and rental receivables, the Group's financial assets are not covered with any collateral or credit enhancement. Accordingly, the Group manages credit risk by setting limits on the amount of risk in relation to a particular customer including requiring payment of any outstanding receivable before a new credit is extended. Such risk is monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits are secured from the credit manager.

The Group considers credit enhancements in determining the expected credit loss. Trade receivables from real estate sales are collateralized by the real properties sold while rental receivables are secured to the extent of advanced rental and security deposits received from lessees. Further, customers are required to issue post-dated checks, which provide additional credit enhancement.

Trade and other receivables that are past due but not impaired are as follows:

	June 30, 2020	December 31, 2019
	<u>(Unaudited)</u>	<u>(Audited)</u>
Not more than 30 days	P 1,802,865,275	P 8,516,887,213
31 to 60 days	1,058,347,930	1,929,541,976
Over 60 days	<u>3,878,862,102</u>	<u>1,939,989,544</u>
	<u>P 6,740,075,307</u>	<u>P 12,386,418,733</u>

Moreover, the management has assessed that risk over the put option has not increased significantly, as the related probability of any of the put option event from happening is low or remote under the circumstances. Hence, in accordance with the general approach of ECL, the value of the put option was measured on a 12-month basis.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activity and where the value of any assets that the Group may get from the customers is less than the outstanding contractual amounts of the financial assets to be written-off.

11.3 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 of June 30, 2020, the Group's financial liabilities (excluding lease 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 45,475,278,619	P 15,811,721,339	P -	P -
Interest-bearing loans	28,542,088,615	17,972,236,798	139,777,853,941	2,107,639,751
Bonds payable	-	900,508,203	27,395,502,939	-
Equity-linked debt securities (ELS)	-	62,000,000	3,505,750,000	-
Advances from related parties	-	2,121,844,583	-	-
Redeemable preferred shares	-	251,597,580	503,195,160	1,143,759,481
Guaranty deposits	108,393,078	9,227,421	175,130,160	215,130,900
Derivative liabilities	1,070,997,521	-	-	-
Other liabilities	-	3,401,339,795	7,513,624,370	-
	<u>P 75,196,757,833</u>	<u>P 40,530,475,719</u>	<u>P 178,871,056,570</u>	<u>P 3,466,530,132</u>

As of December 31, 2019, the Group's financial liabilities (excluding lease 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 43,158,338,060	P 14,332,218,291	P -	P -
Interest-bearing loans	27,021,448,986	20,727,346,677	147,954,464,100	571,214,434
Bonds payable	-	924,084,260	29,401,816,190	-
ELS	-	1,878,910,098	3,523,755,833	-
Advances from related parties	-	2,244,180,653	-	-
Redeemable preferred shares	-	263,171,069	508,981,904	1,574,159,348
Subscription payable	-	1,114,665,008	-	-
Guaranty deposits	-	13,248,334	99,633,225	382,066,767
Derivative liabilities	809,403,486	-	-	-
Other liabilities	-	1,700,760,516	4,576,838,267	-
	<u>P 70,989,190,532</u>	<u>P 43,198,584,906</u>	<u>P 186,065,489,519</u>	<u>P 2,527,440,549</u>

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

11.4 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the equity as of June 30, 2020 and December 31, 2019 are summarized as follows:

	Observed Volatility Rates		Impact on Equity	
	Increase	Decrease	Increase	Decrease
2020 - Investment in quoted equity securities at:				
FVOCI	+63.39%	-63.39%	P 332,902,429	(P 332,902,429)
FVTPL	+63.39%	-63.39%	1,119,563,855	(1,119,563,855)
2019 - Investment in quoted equity securities at:				
FVOCI	+28.93%	-28.93%	P 18,768,068	(P 18,768,068)
FVTPL	+28.93%	-28.93%	780,971,707	(780,971,707)

The maximum additional estimated gain or loss in 2020 and 2019 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 six months in 2020 and 12 months in 2019, 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.

12. 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.

	June 30, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets				
Financial assets at amortized cost:				
Cash and cash equivalents	P 49,207,589,475	P 49,207,589,475	P 51,270,580,951	P 51,270,580,951
Trade and other receivables	68,817,868,922	68,817,868,922	60,370,771,084	60,809,329,717
Other financial assets	9,828,941,132	9,771,127,747	9,910,569,663	9,822,505,589
	<u>P 127,854,399,529</u>	<u>P 127,796,586,144</u>	<u>P 121,551,921,698</u>	<u>P 121,902,416,257</u>
Financial assets at FVTPL –				
Marketable debt and equity securities	<u>P 10,644,198,986</u>	<u>P 10,644,198,986</u>	<u>P 12,045,110,108</u>	<u>P 12,045,110,108</u>
Financial assets at FVOCI –				
Equity securities	<u>P 772,343,040</u>	<u>P 772,343,040</u>	<u>P 416,657,341</u>	<u>P 416,657,341</u>
Financial liabilities				
Financial liabilities at FVTPL –				
Derivative liabilities	<u>P 1,070,997,521</u>	<u>P 1,070,997,521</u>	<u>P 809,403,486</u>	<u>P 809,403,486</u>
Financial liabilities at amortized cost:				
Current:				
Trade and other payables	P 58,349,912,036	P 58,349,912,036	P 56,940,281,897	P 56,940,281,897
Interest-bearing loans	41,857,149,464	41,541,320,425	40,869,676,836	40,568,501,427
Subscription payable	1,114,665,008	1,114,665,008	1,114,665,008	1,114,665,008
Redeemable preferred shares	251,597,580	251,597,580	251,597,580	251,597,580
Advances from related parties	2,121,844,583	2,121,844,583	2,244,180,653	2,244,180,653
ELS	-	-	1,836,250,000	1,836,250,000
Commission payable	3,799,076,438	3,799,076,438	1,700,760,516	1,700,760,516
	<u>P 107,494,245,109</u>	<u>P 107,178,416,070</u>	<u>P 104,957,412,490</u>	<u>P 104,656,237,081</u>
Non-current:				
Bonds payable	P 24,408,909,190	P 23,849,094,161	P 24,623,883,690	P 23,667,412,590
Interest-bearing loans	132,679,472,886	131,796,925,215	138,283,436,876	137,520,164,323
ELS	3,443,750,000	3,443,750,000	3,443,750,000	3,443,750,000
Redeemable preferred shares	1,646,954,641	1,907,986,071	1,580,915,329	1,810,767,064
Retention payable	3,645,615,128	3,645,615,128	3,698,890,599	3,698,890,599
Security deposits	728,325,460	699,905,485	735,004,738	667,137,320
Accrued rent	24,284,786	24,284,786	24,284,786	24,284,786
	<u>P 166,577,312,091</u>	<u>P 165,367,560,846</u>	<u>P 172,390,166,018</u>	<u>P 170,832,406,682</u>

13. FAIR VALUE MEASUREMENT AND DISCLOSURES

13.1 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 financial liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets or 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 at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation techniques, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3

13.2 Financial Instruments Measured 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 of June 30, 2020 and December 31, 2019.

	<u>June 30, 2020 (Unaudited)</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets:				
Financial assets at FVTPL –				
Debt and equity securities	P 10,644,198,986	P -	P -	P 10,644,198,986
Financial assets at FVOCI –				
Equity securities	<u>525,165,529</u>	<u>136,200,000</u>	<u>110,977,511</u>	<u>772,343,040</u>
	<u>P 11,169,364,515</u>	<u>P 136,200,000</u>	<u>P 110,977,511</u>	<u>P 11,416,542,026</u>
Financial liabilities:				
Financial liability at FVTPL –				
Derivative liabilities	<u>P -</u>	<u>P 1,070,997,521</u>	<u>P -</u>	<u>P 1,070,997,521</u>

	December 31, 2019 (Audited)			Total
	Level 1	Level 2	Level 3	
<i>Financial assets:</i>				
Financial assets at FVTPL – Debt and equity securities	P 12,045,110,108	P -	P -	P 12,045,110,108
Financial assets at FVOCI – Equity securities	64,874,067	136,200,000	215,583,274	416,657,341
	<u>P 12,109,984,175</u>	<u>P 136,200,000</u>	<u>P 215,583,274</u>	<u>P 12,461,767,449</u>
<i>Financial liabilities:</i>				
Financial liability at FVTPL – Derivative liabilities	P -	P 809,403,486	P -	P 809,403,486

13.3 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 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 of June 30, 2020 and December 31, 2019.

	June 30, 2020 (Unaudited)			Total
	Level 1	Level 2	Level 3	
<i>Financial assets:</i>				
Cash and cash equivalents	P 49,207,589,475	P -	P -	P 49,207,589,475
Trade and other receivables	-	129,728,341	68,688,140,581	68,817,868,922
Other financial assets	3,445,443,616	-	6,325,684,131	9,771,127,747
	<u>P 52,653,033,091</u>	<u>P 129,728,341</u>	<u>P 75,013,824,712</u>	<u>P 127,796,586,144</u>

	June 30, 2020 (Unaudited)			Total
	Level 1	Level 2	Level 3	
<i>Financial liabilities:</i>				
Current:				
Trade and other payables	P -	P -	P 58,349,912,036	P 58,349,912,036
Interest-bearing loans	-	-	41,541,320,425	41,541,320,425
Subscription payable	-	-	1,114,665,008	1,114,665,008
Advances from related parties	-	-	2,121,844,583	2,121,844,583
Redeemable preferred shares	-	-	251,597,580	251,597,580
Commission payable	-	-	3,799,076,438	3,799,076,438
Non-current:				
Bonds payable	23,849,094,161	-	-	23,849,094,161
Interest-bearing loans	-	-	131,796,925,215	131,796,925,215
ELS	-	-	3,443,750,000	3,443,750,000
Redeemable preferred shares	-	-	1,907,986,071	1,907,986,071
Retention payable	-	-	3,645,615,128	3,645,615,128
Security deposits	-	-	699,905,485	699,905,485
Accrued rent	-	-	24,284,786	24,284,786
	<u>P 23,849,094,161</u>	<u>P -</u>	<u>P 248,696,882,755</u>	<u>P 272,545,976,916</u>

	December 31, 2019 (Audited)			Total
	Level 1	Level 2	Level 3	
<i>Financial assets:</i>				
Cash and cash equivalents	P 51,270,580,951	P -	P -	P 51,270,580,951
Trade and other receivables	-	109,940,351	60,699,389,366	60,809,329,717
Other financial assets	3,401,384,081	-	6,421,121,508	9,822,505,589
	<u>P 54,671,965,032</u>	<u>P 109,940,351</u>	<u>P 67,120,510,874</u>	<u>P 121,902,416,257</u>

	December 31, 2019 (Audited)			
	Level 1	Level 2	Level 3	Total
<i>Financial liabilities:</i>				
Current:				
Trade and other payables	P -	P -	P 56,940,281,897	P 56,940,281,897
Interest-bearing loans	-	-	40,568,501,427	40,568,501,427
Subscription payable	-	-	1,114,665,008	1,114,665,008
Advances from related parties	-	-	2,244,180,653	2,244,180,653
Redeemable preferred shares	-	-	251,597,580	251,597,580
ELS	-	-	1,836,250,000	1,836,250,000
Commission payable	-	-	1,700,760,516	1,700,760,516
Non-current:				
Bonds payable	23,667,412,590	-	-	23,667,412,590
Interest-bearing loans	-	-	137,520,164,323	137,520,164,323
ELS	-	-	3,443,750,000	3,443,750,000
Redeemable preferred shares	-	-	1,810,767,064	1,810,767,064
Retention payable	-	-	3,698,890,599	3,698,890,599
Security deposits	-	-	667,137,320	667,137,320
Accrued rent	-	-	24,284,786	24,284,786
	<u>P 23,667,412,590</u>	<u>P -</u>	<u>P 251,821,231,173</u>	<u>P 275,488,643,763</u>

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.

13.4 Investment Property Measured at Cost for which Fair Value is Disclosed

The fair value of the Group's investment properties earning rental income was determined through discounted cash flows valuation technique. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group determines the fair value of idle properties through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adjusted for specific market factors such as location and condition of the property.

As of June 30, 2020, the fair value of the Group's investment property amounting to P440.7 billion is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of investment properties earning rental income 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.

14. 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.

There were no changes in the Group's approach to capital management during the period.

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Total liabilities	P 347,151,500,800	P 347,359,532,963
Total equity	<u>298,127,808,122</u>	<u>297,116,795,504</u>
Liabilities-to-equity ratio	<u>P 1.16:1</u>	<u>P 1.17:1</u>

15. SEASONAL FLUCTUATIONS

For Travellers, casino operations tend to experience seasonality in visitations during public holidays, festivals in the Philippines and around South East Asian region.

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

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
AGING SCHEDULE OF CURRENT TRADE AND OTHER RECEIVABLES
JUNE 30, 2020
(Amounts in Philippine Pesos)

Current	P	65,952,918,348
1 to 30 days		1,802,865,275
31 to 60 days		1,058,347,930
Over 60 days		<u>3,878,862,102</u>
Total		72,692,993,655
Due from other related parties		<u>852,446,101</u>
Balance as at June 30, 2020	P	<u><u>73,545,439,756</u></u>