

COVER SHEET

SEC Registration Number

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COMPANY NAME

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

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Form Type

Department requiring the report

Secondary License Type, if Applicable

1	7	-	A
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S	E	C
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Certificate of Permit to Offer Securities for Sale

(For December 31, 2020)

COMPANY INFORMATION

<p>Company's Email Address</p> <div style="border: 1px solid black; padding: 2px;">dinainting@allianceglobal.com.ph</div>	<p>Company's Telephone Number/s</p> <div style="border: 1px solid black; padding: 2px;">8709-2038 to 41</div>	<p>Mobile Number</p> <div style="border: 1px solid black; height: 20px;"></div>
<p>No. of Stockholders</p> <div style="border: 1px solid black; padding: 2px;">999</div>	<p>Annual Meeting Month/Day</p> <div style="border: 1px solid black; padding: 2px;">3rd Thursday of June</div>	<p>Fiscal Year Month/Day</p> <div style="border: 1px solid black; padding: 2px;">DECEMBER 31</div>

CONTACT PERSON INFORMATION

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

<p>Name of Contact Person</p> <div style="border: 1px solid black; padding: 2px;">DINA INTING</div>	<p>Email Address</p> <div style="border: 1px solid black; padding: 2px;">dinainting@allianceglobal.com.ph</div>	<p>Telephone Number/s</p> <div style="border: 1px solid black; padding: 2px;">8709-2038 to 41</div>	<p>Mobile Number</p> <div style="border: 1px solid black; height: 20px;"></div>
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Contact Person's Address

7th Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City
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Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. *For the fiscal year ended* **December 31, 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. **7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez Jr. Avenue, Bagumbayan, 1110 Quezon City**
Address of principal office
8. **(632) 87092038 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 As of December 31, 2020</i>
Common	10,269,827,979
Treasury shares	<u>563,293,200</u>
Outstanding	9,706,534,779

10. *Are any or all of these securities listed on Philippine Stock Exchange?* **Yes.**
11. (a) *AGI has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.*
(b) *AGI has been subject to such filing requirements for the past ninety (90) days.*
12. *The aggregate market value of the voting stock held by non-affiliates of AGI as of December 31, 2020, based on the closing price of its common stock of Eleven Pesos and Two Centavos (P11.02) on the Philippine Stock Exchange on April 15, 2021, is P34,998,830,225.*

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PART I - BUSINESS AND GENERAL INFORMATION

1. BUSINESS

a. Organization And Business Development In The Past Three Years

a.1. The Company

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

Incorporated on October 12, 1993, AGI began operations in 1994 as a glass-container manufacturer after it acquired a glass manufacturing plant in Canlubang, Laguna. AGI initially listed its shares in the Philippine Stock Exchange (“**PSE**”) in 1999; after which in the same year, it broadened its primary business and became a holding company. Immediately, the Company began its diversification into the food and beverage and real estate industries, and, in 2005, into the quick-service restaurant business. In 2007, it reorganized to consolidate businesses controlled by Dr. Andrew L. Tan and family (“**Tan family**”), specifically in the distilled spirit manufacturing and property development. In 2008, the Company entered into integrated tourism development, with gaming activities, by partnering with a leading multinational leisure, entertainment and hospitality group. In 2011, AGI expanded its integrated tourism estate development outside of Metro Manila, particularly in the Calabarzon and Visayan regions, and in 2014, in Mindanao. From 2013 to 2017, the Group expanded its spirits manufacturing business abroad through acquisitions of rich heritage in Spain, United Kingdom and Mexico. The Group started acquiring vineyard lands, aged liquids and assets in Spain in early parts of 2013 and 2014, and brandy and sherry wine assets in 2016 and 2017, which include the oldest bodegas in Spain, the first brandy in Jerez and Mexico and other well-known brands which the Group now owns. The Group owns the 5th largest Scotch Whisky manufacturer in the world with a history of 175 years, which was acquired in 2014; thus fortifying the distilled spirits business segment. The Group did realignments and acquisitions also in the real estate segment from 2013 to 2018 where it continues to introduce innovative concepts such as ‘integrated lifestyle community’ and ‘transit-oriented developments’ in addition to its ‘live-work-learn-play’ township while the expansion of non-gaming facilities and offerings and quick-service restaurants is ongoing. AGI began diversifying into infrastructure in 2017 and, in 2018, received an original proponent status (“**OPS**”) for its Fort Bonifacio-Makati Sky Train Project and the Ninoy Aquino International Airport Project, of which it is a member of the proponent consortium. In 2020, consortium proposed changes in its airport project proposal due to the far-reaching and long-lasting consequences of COVID-19 pandemic on air travel, airport operations and airport passenger traffic but the airport authority eventually terminated any further negotiations and revoked the OPS and approvals earlier granted.

The COVID-19 pandemic put the Philippines in a state of calamity from March 17, 2020 and into varying stages of lockdown to prevent the spread of the virus. The governments across the globe have restricted people mobility by implementing extensive measures involving public transportation and travel, mass gathering, curfew hours, and essential/non-essential business capacity that disrupted economic conditions and changed the way of life. The safety protocols became mandatory (face mask and face shield, soap and water, alcohol, safe distance, temperature check). The Group complied with the rules and guidelines set by the governments where they operate - with the safety, health and protection of its employees and partners as its primary concern; and has mitigated the impact of the pandemic to its businesses. Globally, the Group adapted by focusing on the different core business offerings that have specific target market, using typically the digital platform and combining minimal traditional approaches.

The Tan family beneficially owns a majority interest in AGI.

a.2. Subsidiaries¹

Emperador Inc.

EMPERADOR INC. (“EMP” or “Emperador”) is a publicly-listed holding company which operates an integrated business of manufacturing, bottling and distributing distilled spirits and other alcoholic beverages from the Philippines, United Kingdom, Spain, and Mexico, through its subsidiaries. At present, EMP and its subsidiaries (collectively referred to as “EMP Group”) has a wide range of products in its portfolio – from value to super premium – and an international reach to at least 102 countries. EMP Group has acclaimed renown as the world’s largest brandy producer, leading the brandy segment in the Philippines and Spain, and as the world’s fifth largest Scotch whisky producer (*Scotch Whisky Industry Review 2020*). It is this diversity of operations and product offerings that help EMP and the Group tide the challenging waters of the COVID-19 pandemic.

Emperador has established its identity in the Philippine alcoholic beverages business as producer of high-quality liquor and innovative products – predominated by its own brand ‘Emperador Brandy’ which was introduced in 1990 through its wholly-owned subsidiary **Emperador Distillers, Inc.** (“EDI”), the Philippines’ largest liquor company and the world’s largest brandy producer. This strong presence was further fortified by ensuing offshore acquisitions.

EMP has enriched its heritage with the acquisitions of century-old businesses in Jerez, Spain, known as the world capital of sherry wine and home of the Brandy De Jerez, and in Scotland, United Kingdom, home of Scotch whisky, which themselves were acclaimed as being the first and oldest facility in Spain and the fifth largest Scotch whisky manufacturer in the world.

EMP was incorporated on November 26, 2001 under its former name Touch Solutions, Inc. which listed its shares on the PSE on December 19, 2011. From August to September 2013, AGI, EDI and EMP, which was substantially a shell company at the time, entered into a reverse acquisition in a series of transactions whereby AGI acquired majority control over EMP and EMP acquired full ownership of EDI. It was in 2013 that EMP transformed into a holding company, increased its capital base to P20.0 billion and changed its corporate name to Emperador Inc. As of December 31, 2020, EMP has P20.0 billion authorized capital stock, 16.2 billion shares of which are issued and 15.84 billion shares outstanding (net of treasury shares), and its consolidated total assets amounted to P122.5 billion.

EDI, a wholly-owned subsidiary of EMP, is the leading brandy manufacturer and distributor of distilled spirits in the Philippines and the largest brandy producer in the world. It produces its own label brands, namely, ‘Emperador Brandy’, ‘Andy Player Whisky’, ‘The BaR’ flavored alcoholic beverage and ‘So Nice’, and ‘Smirnoff Mule’ under license from Diageo North America, Inc. It distributes the Group’s products in the Philippines, namely, the Scotch whisky and Brandy de Jerez products, ‘New York Club No. 1 vodka’ and ‘Pik-Nik’ shoestring-shaped potato snacks. It also distributes ‘Ernest & Julio Gallo’ wines in the Philippines. EDI has established distribution footprint to sixty-one (61) countries as of end-2020 and it plans to open up more markets for 2021.

EDI was incorporated on June 6, 2003 and was acquired by AGI from **The Andresons Group, Inc** (“TAGI”) and the Tan Family on February 16, 2007. EDI has an authorized capital stock of 22 billion shares, of which 12.5 billion shares are outstanding and held by EMP as of to-date.

EDI operates two manufacturing plants in Laguna. The main plant is being leased from its wholly-owned subsidiary **Tradewind Estates, Inc.** (“TEI”) while the annex plant was acquired in May 2012. TEI was incorporated on September 22, 2000 and was acquired by EDI from its previous owner, Alliance Global Brands, Inc. (a wholly-owned subsidiary of AGI), in March 2016. EDI has its own distillery plant which was acquired in February 2013 from **Consolidated Distillers of the Far East, Inc.** (“Condis”), which is owned by the Tan family. Another distillery plant was built and became operational in 2018. Both plants are being leased out to a wholly-owned domestic subsidiary of EDI, **Progreen Agricorp, Inc.** (“Progreen”), which handles the distillery operations. EDI procures its new bottles from **Anglo Watsons Glass, Inc.** (“AWG” or “AWGI”), a wholly-owned domestic subsidiary of EDI which caters principally to EMP Group’s requirements. AWG operates a flint glass container manufacturing plant in Laguna on a 24-hour shift which it leases from AGI. A subsidiary of TEI acquired in July 2018,

¹ Please see Note 1 to the Consolidated Financial Statements for a comprehensive list of subsidiaries, associates and joint ventures falling under the major subsidiaries, which represent the Group’s business segments..

Boozylife, Inc. is engaged in the on-demand delivery of alcoholic and non-alcoholic beverages. Its online platform proves useful during the COVID-19 quarantine time.

International Operations

EIL, a wholly owned subsidiary of EMP, is a business company incorporated in the British Virgin Islands on December 13, 2006. It is an investment and holding company which is the parent company of the Group's offshore subsidiaries that handle the Scotch whisky, Jerez and Mexican brandies and sherry wine operations. At present, EIL is 84% and 16% directly owned by EMP and EDI, respectively. Thus, it is 100% beneficially owned by EMP.

Emperador Spain

Emperador Asia Pte Ltd. ("EAsia"), a wholly-owned subsidiary of EIL, was incorporated in Singapore. It wholly owns **GES**, a public liability company in Spain, incorporated on September 28, 2011.

Grupo Emperador Spain S.A.U. ("GES") is a wholly-owned subsidiary of EAsia. Its main activities are the production of wines, fortified wines, brandies and all types of alcoholic drinks, as well as the purchase and operation of any type of land and, in particular, vineyards. The Spain group acquired vineyard estates in Toledo, called Daramezas and Bergonza, and in Madrid, called Monte Batres, in 2013-2014. And from thereon, the Spain group started growing. GES group includes subsidiaries operating in Spain and Mexico.

In 2013, GES acquired **Bodega San Bruno, S.L.U. ("BSB")**, a wholly-owned subsidiary incorporated on January 10, 2013, whose business activities involved the plantation, growing and operation of vineyards. The acquisition included Bodega San Bruno, the San Bruno trademark, vineyards, and sizable inventory of high-quality well-matured brandy from **Gonzalez Byass S.A. ("Gonzales Byass")**, one of the largest and oldest liquor and wine conglomerate in Spain.

In 2014, GES invested in **Bodega Las Copas ("BLC")**, a 50%-50% joint venture with Gonzalez Byass. BLC is a company that converts and produces alcohol and spirits. Its main activities – planting, cultivation and exploitation of vineyards in order to produce grapes for distillation, and manufacture, storage, distribution, sale of wine spirits, liquors, spirits and similar – which are developed throughout by its Spanish fully-owned subsidiaries. BLC's main industrial facilities are located at Jerez de la Frontera in Cadiz and Tomelloso in Ciudad Real.

On February 29, 2016, **Bodegas Fundador S.L.U. ("Bodegas Fundador")**, a wholly-owned subsidiary of GES, incorporated on September 28, 2011 under its former name Brandy Emperador Spain, acquired the Spanish brandy and sherry business from Beam Suntory Inc. The purchase included Spain's largest and oldest brandy cellars established in 1730 with sizeable brandy inventory aged more than 50 years; four iconic brands including 'Fundador Brandy de Jerez' (the Philippines' best-selling premium imported brandy), 'Terry Centenario' (Spain's number one selling brandy), 'Tres Cepas' (the number one brandy in Equatorial Guinea), and 'Harveys' (the number one selling sherry wine in the United Kingdom); production and bottling facilities, vineyards, distillery and winery facilities. The all-cash offer was agreed at a value of €275 million. The completion of the purchase marked the birth of the world's biggest brandy company, and a new era began not only for Emperador and Fundador but for the whole brandy and sherry industry in Spain. Bodegas Fundador was consolidated starting March 2016.

On January 19, 2017, GES through **Complejo Bodeguero San Patricio, S.L.U. ("CBSP")**, a wholly-owned subsidiary of GES at that time which was incorporated on October 11, 2016, acquired the Grupo Garvey brands and associated inventories, casks and real estate properties. Bodegas Garvey, founded in 1780 by the Irish aristocrat William Garvey and based in Jerez de la Frontera, is one of the ancient brandy and sherry companies in Spain. In October 2020, CBSP merged with Bodegas Fundador effective retroactive to the start of the year, given the confluence of activities of both companies, in order to facilitate the use of common resources, a significant reduction and simplification of operating, administrative and structural costs, thus achieving greater competitiveness in business traffic.

On March 30, 2017, BLC and its two subsidiaries, Pedro Domecq S.A. de C.V. and Bodega Domecq S.A. de C.V., completed the acquisition of the 'Domecq' brand portfolio and related assets from **Pernod Ricard SA**, which was signed on December 1, 2016. In a restructuring that followed later that year, the Domecq brand portfolio, which include the trademark to the first Mexican brandy 'Presidente', and wine

business were integrated into **Domecq Bodega Las Copas SL** (“**Domecq BLC**” or “**DBLC**”) effective September 1, 2017. Domecq BLC is a subsidiary of GES incorporated on December 20, 2017. Its wholly-owned subsidiaries in Mexico, **Pedro Domecq SA de CV** (“Pedro Domecq”) (incorporated on March 15, 2017) is involved in the manufacturing, bottling and selling of spirits; and **Gonzales Byass de Mexico SA de CV** (incorporated on October 2, 2001) is into the distribution and sale of foods and beverages, which currently is mainly for Pedro Domecq.

On March 20, 2019, **Stillman Spirits, S.L.U.**, a wholly-owned subsidiary of GES, was incorporated to import UK products into Europe, following UK’s exit from the European Union.

Emperador Europe

Emperador Europe SARL (“**EES**”), a wholly-owned subsidiary of EIL, is a private limited liability company incorporated in Luxembourg in September 2014. The objective of the company is the holding of participations in any form whatsoever and all other forms of investments.

Emperador Holdings (GB) Limited (“**EHGB**” or “**EGB**”), the ultimate UK parent undertaking and controlling entity, is a wholly-owned subsidiary of EIL. EGB is a private company incorporated under the laws of England and Wales on June 19, 2014. It operates as an investment and holding company and wholly owns EUK.

Emperador UK Limited (“**EUK**”), a subsidiary of EGB, is a private limited company incorporated in Scotland on May 6, 2014. It is the immediate parent of WMG. As of December 31, 2019.

Whyte and Mackay Group Limited (“**WMG**” or “**Whyte and Mackay**”), incorporated on August 7, 2001 in Scotland, is the smallest consolidating group under EGB. WMG and subsidiaries were folded into the EMP Group on October 31, 2014 upon completion of a deal signed on May 9, 2014 between EUK and United Spirits (Great Britain) Limited, an indirect wholly-owned subsidiary of **United Spirits Limited** (“**USL**”) of India, for an enterprise value of £430 million. Emperador took the reins from USL (the world’s largest spirits company by volume) which was forced to put Whyte and Mackay up on sale because of UK anti-trust concerns, when London-based Diageo Plc (the world’s leading premium drinks manufacturer) gained controlling interest in USL.

WMG wholly owns **Whyte and Mackay Global Limited** (“**WM Global**”) which was incorporated on December 4, 2018 in Scotland. The main trading entity is WM Global’s wholly-owned subsidiary, **Whyte and Mackay Limited** (“**WML**”), which was incorporated on January 20, 1927 in Scotland, whose principal activity is the production, marketing and distribution of distilled potable alcoholic drinks which include Scotch whisky, vodka, liqueurs and other alcoholic drinks. **Whyte and Mackay Warehousing Ltd.** (“**WMW**”), a wholly-owned entity incorporated in Scotland for the, principal activity of warehousing and blending of bulk whisky for related and third-party customers while **Whyte and Mackay Americas Ltd, LLC** (“**WMA**”), incorporated in the United States of America, a direct subsidiary of WML, was formed to handle Whyte and Mackay’s business portfolio in US market. There are forty-six dormant companies within WMG Group that are retained for branding purposes. Whyte and Mackay is headquartered in Glasgow and has significant malt and grain production capability from its four malt distilleries and one large grain distillery. It also has a leased bottling facility.

On December 4, 2014, with the completion of the Whyte and Mackay acquisition as a condition precedent to its entry, Singapore sovereign wealth fund **GIC Private Ltd.** (“**GIC**”), through its private equity arm, **Arran Investment Pte. Ltd.** (“**Arran**”) initially invested P17.6 billion in EMP split into 70%-equity and 30%-equity-linked securities debt (“**ELS**”), which is convertible to equity between 2 to 7 years. In 2017, additional new shares were issued to Arran in consideration for the three-year accrued interest on the ELS. On February 5, 2020, Arran partly converted a portion of its ELS into EMP shares. As of March 31, 2020, Arran owned 9% in EMP out of these shares.

Whyte and Mackay is the fifth largest Scotch whisky manufacturer in the world (*Source: Scotch Whisky Industry Review, 2020*) with a history of 175 years and ownership of some of the most iconic Scotch brands in the industry, including British luxurious brand ‘The Dalmore Single Highland Malt’, ‘Jura Single Malt’, ‘Tamnavulin Single Malt’, ‘Fettercairn Single Malt’, and ‘Whyte & Mackay Blended Scotch Whisky’. The products are distributed in approximately 102 countries across the world including a strong presence in the global travel retail space. Some of these products are now being distributed in the Philippines by EDI.

Megaworld Corporation

MEGAWORLD CORPORATION (“**MEG**” or “**Megaworld**”), a publicly-listed company since June 15, 1994, is one of the leading property developers in the Philippines and is primarily engaged in the development of large scale mixed-use planned communities or townships, which are comprised of residential, commercial, and office developments and integrated leisure, entertainment and educational/training components. Founded on August 24, 1989, Megaworld initially established a reputation for building high quality residential condominiums and commercial properties located in convenient urban locations with easy access to offices as well as leisure and entertainment amenities in Metro Manila. Beginning in 1996, in response to demand for the lifestyle convenience of having quality residences in close proximity to office and leisure facilities, Megaworld began to focus on the development of mixed-use communities, primarily for the middle-income market by commencing MEG’s “live-work-play-learn” lifestyle township concept. In 1999, Eastwood City CyberPark became the country’s first cyberpark to be designated as a special economic zone by the Philippine Economic Zone Authority (“**PEZA**”). MEG and its subsidiaries has since then grown and diversified its roster of townships to twenty-six: - four in Fort Bonifacio, six in Metro Manila, nine in Luzon, six in Visayas, and one in Mindanao.

Megaworld and its subsidiaries (“**Megaworld Group**”) have real estate portfolio that includes residential condominium units, subdivision lots and townhouses as well as office and retail developments. It has the following three primary business segments: (i) real estate sales of residential developments, (ii) leasing of office and retail space and (iii) management and operation of hotels. As of December 31, 2020, Megaworld owns or has development rights to over 4,300 hectares of land located throughout the Philippines. Since its incorporation in 1989, Megaworld and its affiliates have launched more than 725 residential buildings, 72 premier offices, 24 lifestyle malls and commercial centers and 12 hotel brands including condotels.

The company founded by Dr. Andrew Tan has won recognition awards over the years. Recently, in 2018, MEG received a total of 100 awards including over 40 awards from prestigious award-giving organizations. MEG ended 2019 as the most awarded real estate company in the Philippines, amassing a total of 133 awards—the most number of recognitions it received in its entire 30-year history. This includes over 57 awards from prestigious international award-giving organizations. In 2020, it received 76 awards, 60 of which were international.

Through its subsidiaries, MEG also engages in other property related activities such as project design, construction oversight and property management. Through its wholly-owned subsidiaries, MEG owns, manages and operates its homegrown hotel brands – ‘**Richmonde**’ in Pasig City, Quezon City and Iloilo City ; ‘**Belmont**’ in Pasay City; ‘**Savoy**’ in Pasay City and Mactan, Cebu; ‘**Lucky Chinatown**’ in Manila City.

Megaworld has P40.2 billion authorized capital stock and P32.43 billion paid-up capital (both common and preferred stock) as at end-2020. Its consolidated total assets amounted to P375.7 billion as at December 31, 2020.

From 46% effective ownership interest in MEG in 2007, the Group increased its effective ownership interest in MEG which is now at 69% by end-2020 through purchases in the market, exercise of stock rights and warrants, and subscription to new shares.

Global-Estate Resorts, Inc. (“**GERI**”), a publicly listed domestic company incorporated on May 18, 1994, is likewise one of the leading property developers in the country and is engaged primarily in the development of integrated tourism and leisure estates and integrated lifestyle communities consisting of residential, office, retail, hotel and/or golf components. It has a vast land bank where key developments include Boracay Newcoast in Malay, Aklan; Twin Lakes in Laurel, Batangas; Sta. Barbara Heights in Iloilo; Southwoods City in Laguna and Cavite; Alabang West in Las Piñas, Metro Manila; Eastland Heights in Antipolo, Rizal; The Hamptons Caliraya in Lumban-Cavinti, Laguna; Arden Botanical Estate in Cavite; and The Fifth in Pasig City, Metro Manila. GERI undertakes its development business by itself or through joint ventures with landowners. Its joint venture corporations are **Twin Lakes Corporation** (incorporated on March 2, 2011), **Oceanfront Properties, Inc.** (incorporated on October 12, 2010 to develop parts of Boracay Newcoast) and **Southwoods Mall, Inc.** (incorporated on July 18, 2013). The township developments are marketed by a subsidiary **Megaworld Global-Estate, Inc.** (incorporated on March 14, 2011) and an in-house marketing group.

Hotel developments in Boracay and Twin Lakes are operated by its subsidiaries **Twin Lakes Hotel, Inc.** (incorporated on September 28, 2018), **Savoy Hotel Boracay, Inc.** (incorporated on January 24, 2017), **Belmont Hotel Boracay, Inc.** (incorporated on March 18, 2019) and **Fil-Estate Urban Development Corporation** (incorporated on March 6, 2000). Another subsidiary operates Fairways and Bluewater, a resort complex integrated with Boracay Newcoast.

AGI acquired 60% interest in GERI in January 2011 and rebranded it to engage in the development of integrated tourism and leisure estates. With the capital infusion, GERI was able to pay its interest-bearing loans and pursue its development plans. In 2013, GERI doubled its authorized capital stock, of which Megaworld subscribed to 25% of the said increase; this together with indirect holdings translates to MEG's 24.7% beneficial ownership in GERI at end-2013. As at end-2020, Megaworld holds 82% of GERI. GERI has P20 billion authorized capital stock, P10.986 billion of which was subscribed and paid-up as at December 31, 2020. Total assets reported as at end-2020 amounted to P50.56 billion.

Empire East Land Holdings, Inc. ("Empire East" or "ELI"), a publicly-listed domestic company incorporated on July 15, 1994, is one of the leading developers of mid-cost residential properties. It specializes in multi-cluster condominium projects and multi-phase subdivision developments in key locations in Metro Manila, Laguna and Rizal. Laguna Bel-Air is ELI's flagship township project while Pioneer Woodlands in Mandaluyong is its first transit-oriented development. **Eastwood Property Holdings, Inc.**, a wholly-owned subsidiary, serves as ELI's marketing arm that markets ELI's projects and those of other related parties. ELI is 81.73% owned by Megaworld. ELI has P31.495 billion authorized capital stock, P14.803 billion (14.803 billion shares) of which was issued and P14.701 billion (14.676 billion shares) outstanding as at December 31, 2020. Total assets reported as at end-2020 amounted to P45.41 billion.

Suntrust Properties, Inc. ("SPI"), incorporated on November 14, 1997, develops master-planned self-sustaining residential communities and condominiums in Cavite, Laguna, Batangas, Baguio, Davao and Metro Manila that provide affordable homes for the low- to moderate-income families. The developments focus on space-saving and functionality features. In March 2011, MEG acquired 50% majority interest in SPI. In 2013, MEG acquired 100% ownership by buying out the minority interests of Empire East and another related party. In July 2018, SPI acquired **Stateland, Inc.**, a 42-year old real estate company known for building affordable quality homes and well-developed communities in Cavite, Laguna and Metro Manila. The acquisition brings 150 hectares of raw land and other allied properties that spread across more than 200 hectares into the group.

Travellers International Hotel Group, Inc.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. ("Travellers"), incorporated on December 17, 2003, is the developer and operator of **Resorts World Manila** ("RWM"), an integrated tourism resort in the Philippines. RWM is the first integrated leisure and resort property in the Philippines that combines privately-operated gaming facilities with hotel, retail, dining, entertainment and other leisure amenities. Travellers was awarded one of the first licenses issued by the **Philippine Amusement and Gaming Corporation** ("PAGCOR") in June 2008 to construct and operate integrated leisure and gaming facilities to an international standard with the goal of enhancing tourism in the Philippines. RWM, which was the first site to be completed, opened in August 2009.

RWM is an approximately 11.5-hectare integrated tourism resort that is strategically located across the Ninoy Aquino International Airport Terminal 3 ("**NAIA-3**") in Pasay City, Manila and in near proximity to NAIA Terminals 1 and 2. RWM is a 24-hour, one-stop, world-class leisure and entertainment facility within Newport City, a mixed-use community of integrated residential condominiums, hotels, restaurants, shops and offices developed by Megaworld. RWM features a themed shopping and entertainment center, six hotels (an all-suite luxury hotel, 4 five-star international branded hotels, and an express hotel), and the Marriott Grand Ballroom, a **MICE** (meetings, incentives, conventions and exhibitions) venue with over 8,000 square meters of function space.

The gaming facilities and casino opened in August 2009, along with non-gaming features, such as the 15,037 sq. m. Newport Mall, which includes a retail mall, a 1,710 seat performing arts theater (the "Newport Performing Arts Theater") and a four-screen cinema. The Marriott Hotel Manila is the first hotel to open in October 2009 with 342 rooms and suites offerings, to which 228 rooms were added in the Marriott West Wing when it opened in November 2016. Maxims Hotel (an all-suite luxury hotel)

opened in December 2010 with 172 suites and villas and ceased operations in 2020. It is temporarily being used for the company's essential workers and would soon be rebranded to another international brand. Holiday Inn Express Newport City (as rebranded in February 2018) opened in November 2011. The Marriott Grand Ballroom, a world-class events and convention center, formally opened its doors to the public in March 2015. In 2018, RWM opened a portion of its Phase 3 development project dedicated to gaming activities which is called the Grand Wing. Furthermore, the Hilton brand marked its return in the Philippines with the official opening of Hilton Manila in October 2018 with 357 rooms. Also in 2018, Travellers ventured outside Metro Manila and opened the first international hotel in Iloilo City- the Courtyard by Marriott Iloilo with 326 rooms. And in January 2019, Sheraton Manila Hotel made its comeback to the Philippines after 22 years and officially opened its doors to the public, adding 390 rooms.

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

Travellers has P10 billion authorized capital stock (common and preferred shares), of which P1.54 billion is outstanding as at end-2020. AGI's ownership interest is accounted through direct holding of 27.51% and indirect holdings through its subsidiaries Megaworld, First Centro, Inc. and Adams Properties, Inc. ("Adams") which hold 3.33%, 4.90% and 24.52%, respectively, of Travellers' outstanding common shares. Adams holds 83.3% of outstanding preferred shares. Travellers has consolidated total assets of P120.7 billion as at end-2020.

Golden Arches Development Corporation

GOLDEN ARCHES DEVELOPMENT CORPORATION ("GADC"), a strategic partnership with the George Yang group, is the master franchise holder of McDonald's in the Philippines. It is engaged in the operations and franchising of quick-service restaurant business under the McDonald's brand in the Philippines in accordance with the master franchise agreement with **McDonald's Corporation ("MCD")**, a company incorporated in Delaware with principal offices in Illinois, USA. GADC was incorporated on July 16, 1980. It has P99.44 million authorized and paid up common capital stock, 49% of which is held by AGI and the rest by its Chairman and founder, Mr. George Yang and his family. Its consolidated total assets amounted to P37.2 billion at end-2020.

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

Golden Arches Realty Corporation ("GARC") leases solely to GADC parcels of land where McDonald's restaurants and warehouses are situated. It was incorporated on June 25, 2001 and, at present, has P1 million authorized and issued common shares, 49% of which is held by AGI.

Infracorp Development, Inc.

INFRACORP DEVELOPMENT, INC. ("Infracorp") is a wholly-owned domestic corporation, is AGI's foray into infrastructure development to provide transport solutions that will improve connectivity of the Group's properties. It is incorporated in 2017 with the primary purpose to bid for, invest in, and/or implement infrastructure-related projects, such as but not limited to monorail, airports, expressways, toll roads, reclaimed land development and, in relation thereto, to acquire, lease out, develop or otherwise engage in income-generating activities involving real property and other rights related to its infrastructure projects. It will handle infrastructure projects, particularly mass transportation that will enhance the value of the Group's real estate and tourism developments. The diversification into infrastructure building is aligned with the government's goal to usher in a golden age of infrastructure in the country.

On October 10, 2017, Infracorp submitted an unsolicited proposal to the government to build the Fort Bonifacio-Makati Sky Train - a 1.87km public transit system connecting Line 3 Guadalupe Station to Uptown Bonifacio. The chosen technology to be adopted for this project is an automated people mover, with two (2) stations, one at each end. The government conferred to Infracorp the Original Proponent Status (“OPS”) on May 17, 2018. The project has been formally endorsed to NEDA and is now undergoing review and evaluation.

The Company formed part of the NAIA consortium together with six of the largest conglomerates in the country who submitted an unsolicited proposal to the government for an airport project that was granted an OPS on September 10, 2018, which was later approved by NEDA on November 29, 2019. The project involved the improvement, upgrade, enhancement, expansion, operation and maintenance, and management of NAIA. In the light of the far-reaching and long lasting consequences of the COVID-19 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. On July 10, 2020, the consortium received a notice from the Manila International Airport Authority terminating any further negotiations with the consortium and revoking the OPS and approvals earlier granted.

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

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

b. Business Description

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

b.1. Principal Products or Services and their Markets

EMP

EMP attributes its leading position to: (i) strong brand equity gained through brand building; (ii) targeted marketing; and (iii) local distribution network and, now a global reach.

‘**Emperador Brandy**’, the first brandy label, was launched in 1990 in the Philippines and is currently the leading local brandy in the country. In 2010, ‘**Emperador Light**’ was introduced in response to a growing market for alcoholic beverages with lower alcohol content and targeted at younger alcoholic beverage consumers. In March 2013, EDI introduced ‘**Emperador Deluxe Spanish Edition**’, a premium brandy imported from Spain that is created specifically to appeal to the Philippine palate. The sin tax regime on liquor, which started on January 1, 2013, leveled the playing field for imported liquors and provided a prime opportunity to introduce ‘Emperador Deluxe’ to the Philippine market. In July 2017, a game-changing ‘**Emperador Hotshot®**’, a brandy shooter spiced up in a fiery delicious cinnamon flavor delivering a smooth, sweet & spicy kick to start every party hot, was launched targeting the young and daring drinkers. Another innovative product was launched in October 2017, ‘**Emperador Red®**’ which has the rich robust taste and smoothness of ‘Emperador Light’, but with a stronger alcohol kick at an affordable price. Our cellar masters aged this rich and extra smooth spirit to attain full body and aroma with golden dark color. In June 2019, a lighter variant was introduced, the ‘**Emperador Double Light**’ for that ‘*dobleng saya, dobleng tagumpay*’ feeling. This lower alcohol, lower calories smooth fruity drink targets the younger generation of drinkers who are growing more mindful about health and wellness trends.

At the 2016 International Review of Spirits, organized by the Beverage Testing Institute in Chicago, **Emperador Solera Brandy** won the silver award (highly-recommended), with added special recognition as “Best Buy”, by garnering 89 points while Emperador Light received the bronze award (recommended) with 83 points. The “Best Buy” recognition is an added excellence award given only to the spirits or wines that provide uncommon value. Emperador is the only Filipino brandy to be included as one of the best brandies in the world with Solera and Emperador Light. In 2019, Emperador Brandy won the silver medal in the Distilled San Diego Spirits Competition, while Emperador Light won the bronze medal.

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

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

‘**The BaR**’, was initially launched in 2009. ‘The BaR’ is marketed as a ready-to-serve flavored alcoholic beverage with low alcohol content. In 2018, ‘**The BaR Premium Gin**’, infused with botanicals from Spain that gives it a delicious burst of flavor not found in local gin products, was launched. This world-class premium gin line comes in three variants: **Pink** with flavors of mixed berries, **Green** infused with lime flavors, and **Premium Dry** infused with imported botanicals. The Bar Premium Gin is not only far better but also different. It is dubbed as ‘the gin for the new generation’. In August 2020, ‘**The Bar Fruity Mix**’ was launched as more young Filipino drinkers appreciate light alcoholic beverages, while recognizing the strong Hallyu (Korean Wave) influence as an opportunity to relate to these young drinkers. ‘The Bar Fruity Mix’ is a fruit-forward and ultralight alcohol that comes in two SO JUicy flavors –Pink Grapefruit and Green Grape.

‘**So Nice**’ is an ultralight alcohol that gives consumers a refreshing and flavorful drinking experience. This clear, colorless, distilled spirit is available in two variants –green grape and grapefruit. It was launched in November 2020 catering to Filipino youth who prefer a lighter drink at an affordable price.

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

‘**Zabana Single Barrel Reserve Philippine Rum**’, is an EDI store exclusive. Since its release, this product was able to garner several awards: Gold Award for the 2016 Cathay Pacific Hong Kong International Wine & Spirit Competition, Gold Award in the 2017 Monde Selection, and Silver recognition in the International Spirits Challenge 2017.

EDI also imports and distributes the Group’s products from the distilleries in Spain and Scotland. In 2015, EDI introduced its Scotch Whisky variants in the local market in the local market. It also began distributing ‘Fundador Brandy’, the Philippine best-selling imported premium brandy, in March 2016 and launched locally ‘Tres Cepas Light’ in December 2016. EDI also started distributing ‘Harveys Bristol Cream’ and the newly developed ‘**Fundador Double Light**’ in 2017.

EDI also distributes ‘**Pik-Nik**’ brand shoestring potato snacks and **Ernest and Julio Gallo wines**. The ‘Pik-Nik’ brand is owned by AGI Group. Another brand owned by AGI Group that EDI distributes locally is ‘**The New York Club No.1 Vodka**’ which is being produced and bottled in the USA. This vodka is so crisp, so clean, so smooth. It is distilled six times from the finest ingredients for that extra smoothness, and filtered to perfection, making a versatile drink for every occasion.

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

'Fundador' is a Brandy de Jerez, from the brandy capital of Spain. Fundador means the 'founder', as it was the first Spanish brandy to be marketed, this happened in 1874 by Pedro Domecq Loustau. It is sold in over 70 countries worldwide, and the no. 1 imported premium brandy in the Philippines. The brand has an excellent range ending with the high premium brand **'Fundador Exclusivo'** and **'Sherry Cask Collection – The Fundador Supremo'**, a Solera Gran Reserva Collection aged in our Sherry Cask, unique in the world and which has belonged to our winery for centuries. The Sherry Cask Collection by Fundador Supremo reveals the depth of the most luxurious flavours provided by time in wood, thus creating an Ultra-Premium category Brandy. The ageing in Sherry Casks, unique in the world and of very high value, which have contained very old Oloroso, Amontillado or Pedro Ximénez, give the brand the exclusivity and originality it deserves.

A huge list of awards from 2016, since the collection was launched has been successfully delivered year after year. In 2016, 'Fundador Supremo 15 YO' got the Best Brandy of the Year by China Wines and Spirits Awards, and a year later, 'Fundador Supremo 18YO' got the same recognition. San Francisco Wines and Spirits Competition has awarded several times the expressions with Double Gold Medal, and willing to get the Platinum in the next edition. Finally, IWSC has awarded 'Fundador Supremo 18YO' as the Best Brandy in the World in 2019. This amount of recognition reinforces the quality and the know-how of this particular expressions.

'Fundador Light' is currently the best-selling 'Fundador' in the Philippines, having a balanced and clean aroma with a fragrance of wood seasoned sherry and a smooth light taste of brandy from our cellars in Jerez. **'Fundador Double Light'** is an exceptional spirit from sherry casks in our cellars in Jerez, Spain. It guarantees double smoothness and double satisfaction in every bottle with a lower alcohol-by-volume of 25.8% compared to 28% of 'Fundador Light'. It is the ultimate expression of 'Fundador Light' with a different concept. It has a double ageing profile and character that is an effect of the double casks.

'Fundador Double Wood' is a Brandy de Jerez Solera Reserve, inspired by the brandies originally crafted in the 19th century, where the prolonged aging makes the holandas acquire the most important and unique characteristics of wood. **'Fundador Triple Wood'** is a Brandy de Jerez Solera Gran Reserva obtained through a very long ageing process that triples the standards of brandy production. A unique expression that reveals the depth of the elements contributed by the wood to a powerful bouquet from the long periods of aging.

'Terry Centenario' is the largest brandy in Spain. Centenario means centenary, and it evokes the change to the twentieth century when the Terry family started producing brandies in its bodegas in Puerto de Santa María. It is a premium and distinguished brand with the iconic net and the unique logo of the Terry Horse. 'Terry Centenario' is the leading brand of the Brandy Category in Spain. **'Terry White'**, a new expression, a new category, a new Classic "White Brandy" was born in 2017 to renew the brandy category in Spain by shaking the market through a modern concept of a white spirit. Through mixology platform, this disruptive concept was launched to a fashionable position for a spirit drink for a future halo of Brandy de Jerez.

'Tres Cepas' is a market leader in Equatorial Guinea. In the beginning Domecq had three brands, Una Cepa (One vine), Dos Cepas (Two vines) and Tres Cepas (Three vines), that were in increasing order of quality and age. It is a premium brand result of a special selection of wines distilled and aged in sherry oak casks by the traditional Criadera and Solera system. In 1902, the brand Tres Cepas was launched in the market and became a successful brand. The year 2016 was the renaissance of the brand in the Philippines, and a special expression of **Tres Cepas Light**, with a different concept and bottle, was launched in December at a very affordable introductory price. Tres Cepas Spirit is a delicate selection of wines carefully distilled and aged in Bodegas Fundador's wineries in Jerez, smooth with mineral notes and beautiful amber tones. In 2017, **'Tres Cepas VS'** was launched. It is an ultimate expression, as the master blended and carefully tasted the oldest soleras and selected barrels with special characters and notes to make a unique blend for this Very Special Tres Cepas.

'Harveys' is the number 1 selling Sherry Wine in the world and the leader in the UK. It is a recipient of 24 quality awards in 2015. It holds Royal warrant in UK which distinguishes it as the only sherry wine that can be served to the Queen in Buckingham Palace. It is also the unique Spanish Company that supplies to the Royal Household. This brand was registered in Bristol by the Harvey family in 1886 and was the first cream Sherry to be marketed. **'Harveys Bristol Cream'** is a unique blend of sherries combining the character and body of aged olorosos with the aroma and finesse of finos and

amontillados. **'Harveys Bristol Cream®'** is a proprietary blend of three sherry types: Fino, Amontillado and Oloroso, all created from the Palomino grape. It is clean and fresh, with spicy overtones. Crisp and elegant with fruity grape flavors, it is loaded with woody and nutty flavors, but remains mellow with velvety smoothness. "Everyday's A Holiday" with Harveys Bristol Cream®, taken alone or with fruit or used as ingredient to desserts and baking. **'Harveys Very Old Amontillado 30-Year Old V.O.R.S.'** was awarded the "The Best Wine in the World" by the International Wine Challenge (IWC), by bagging the Champion of Champions' Trophy 2016, while **'Harveys V.O.R.S. Palo Cortado'** was awarded in 2015 by the IWC as the "Best Sherry". Also in 2016, the IWSC awarded gold medals to **'Harveys Pedro Ximenez 30 Year Old V.O.R.S.'** and **'Harveys Rich Old Oloroso Sherry 30 Year Old V.O.R.S.'** Harveys launched in 2013 an ultimate expression Signature by Harveys which is a 12-Year Old Cream Sherry. This product was awarded the silver medal by the IWSC in 2016. **'Harveys Aperitivo'** is a sherry-infused seasonal *tipple*. Exclusive to the UK, 'Aperitivo' comes in two flavors – Pink and Orange. Harveys Orange is a delicious blend of two grape varieties – Palomino and Muscatel – with an aroma of bitter orange, tangerine and aromatic herbs while Pink is made of three grape varieties – Palomino, Muscatel and Tintilla de Rota (a local rare red wine) – and has a subtle aroma of red fruits and flowers.

From the ***Domecq brands of brandies and wines*** come these Mexican brandies: **'Presidente'**, the first Mexican brandy, **'Don Pedro'**, which has been in the market for more than 50 years, and **'Azteca De Oro'**, which has been in the market for more than 36 years. These brands are also distributed in USA. In Brazil, 'Domecq Brandy' is a strong brand which covers all market in Brazil.

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

Scotch Whisky Producers of the Year, Whyte and Mackay Ltd raises a glass to toast the success of its whisky portfolio after winning a grand total of 53 Double Gold and Gold awards at the 2020 International Spirits Challenge (ISC). Whyte and Mackay's collection of Single Malt Whiskies - The Dalmore, Fettercairn, Tamnavulin and Jura received the highest recognition, scooping up six Double Gold medals, followed by 47 Gold medals spanning whiskies from across the malt portfolio.

The Dalmore 35 Years Old has also been recognised with the award of the Supreme Champion 2020 by the ISC, putting the expression at the pinnacle of the spirits category, following intense and scrupulous judging from the panel. Alongside the accolade, The Dalmore's Master Distiller and Blender, Richard Paterson, was also awarded the Lifetime Achievement Award for his dedication of over 50 years to the industry

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

'The Dalmore Single Malt Scotch Whisky' sits at the apex of the category in which it competes. It is positioned as a luxury brand. The Dalmore's powerful stag emblem is built on a heritage that is rooted in the saving of King Alexander III of Scotland from being gored by a raging stag with a single arrow in 1263 by an ancestor of Mackenzie clan. The grateful king granted him the right to bear a stag's head in his coat of arms and so every bottle of The Dalmore is adorned with this noble emblem: a stag's head with twelve points to its antlers, signifying 'royalty'. The Mackenzie family ran the Dalmore distillery from the mid 1800's until Whyte and Mackay took over. It is considered the most revered single malt whisky in the world. 'The Dalmore Principal Collection' consists of six expressions positioned as Accessible (The 12, Port Wood Reserve, The 15, Cigar Malt Reserve, The 18, King Alexander III) and Aspirational (The 25). Positioned at the apex is 'The Dalmore Constellation Collection' which is a rare ensemble of unique vintage single malts from the Highland distillery. 'The Dalmore' is renowned for rare editions that have sold for industry redefining prices, including the most expensive bottle ever sold in a retail store. The rare and aged collection includes The Dalmore 20 Year Old, The Dalmore 21 Year Old, The Dalmore 30 Year Old, The Dalmore 35 Year Old, The Dalmore 40 Year Old, The Dalmore 45 Year Old, The Dalmore 50 Year Old and The Dalmore 60 Year Old.

The iconic luxury brand celebrated 180 years of creating exceptional whiskies in 2019 as The Dalmore unveiled a rare, limited edition 60 year old single malt whisky. The Dalmore 60 Year Old reflects the enduring legacy of the distillery, its pioneering spirit and restless pursuit of the perfect whisky.

'The Dalmore Quintessence' is the first and only single malt whisky in the world with five red wine cask finish. Master Distiller Richard Paterson travelled to California to hand select the five different casks in which this exceptional whisky would be matured; Zinfandel, Pinot Noir, Syrah, Merlot and Cabernet Sauvignon, each bringing their individual nuances to create a totally unique single malt.

The Dalmore Port Wood Reserve was released in 2018 as an addition to the Core Range.

'The Dalmore 12 Year Old Sherry Cask Select' is the latest addition to The Dalmore's award-winning Principal Collection and an elegant evolution of the distillery's legendary house style. The new offering from the Highland Single Malt maker celebrates the inextricable affinity between The Dalmore and sherry. It is an exquisite union of the finest oak, and a unique blend of rare and aged sherry, born from an enduring passion to create exceptional single malts that honour the sanctity of the cask

'Jura Single Malt Scotch Whisky' is a premium Scotch whisky that is considered an accessible single malt whisky. It is produced at the only distillery on the Isle of Jura, a very remote island off the west coast of Scotland. This brand is built upon a captivating island environment and its "*A long way from ordinary*" banner encapsulates the very special nature of this island single malt.

'Jura 12 Years' is an Asian exclusive. A modern classic aged 12 years. Reassuringly rich with sherry sweetness. Matured in American white oak ex-bourbon barrels for 12 years and finished in Oloroso Sherry casks from Jerez, Spain. This 12-year old has refined succulent tropical aromas of chocolate, walnut, and citrus fruit. **'Jura 12 Sherry Cask'** is an Asian exclusive, initially launched in Taiwan. Casks are hand selected from Jerez for the very best Sherry casks. A full finish in our Oloroso Sherry combine well with our Jura Spirit and account for 75% of the balanced flavour of our Jura Sherry Cask. It is rich, fruity, and vibrant - with notes of chocolate, almond, and ripe plum. '

'Tamnavulin Single Malt Scotch whisky' was launched in 2016, initially in the UK. The Tamnavulin Distillery was built in 1966 and was acquired by WMG in 1993. 'Tamnavulin' is the epitome of a Speyside malt; rich, smooth, elegant and refreshing. Tamnavulin is the Gaelic translation for 'Mill on the Hill,' named in part after the 16th century woollen mill which sits on the site of the distillery. This Speyside is double cask. Matured in American Oak Barrels and finished in Amoroso Oloroso Sherry casks for a rich, full-bodied, sweet and mellow taste. EDI started distributing this product in the Philippines in 2018. **'Tamnavulin Single Malt Scotch Whisky Vintage Collection'**, a rare range with expressions from the years 2000, 1979, 1973 and 1970, together with a new Tempranillo finish was launched in 2018 for Global Travel Retail. **'Tamnavulin Sherry Cask Edition'** is matured in American Oak Barrels and enhanced by a finesse in three different sherry casks. This classic revelation from the Speyside Valley is marked with notes of vanilla pod, glazed nectarines, and hints of sticky toffee pudding.

'Fettercairn' comes from Fettercairn distillery which was founded in 1824 and acquired by WMG in 1973. The arch and the unicorn are two symbols that are heavily associated with the long history of the Fettercairn Distillery. In 2018, new packaging and range were launched with a core 12 year old supported by rare release of 28, 40 and 50 year olds. New expressions of 16 year old and 22 year old were successfully launched in 2020 as we build a full age range portfolio. This distillery has huge potential and over the coming years the range and distribution will be expanded.

'Fettercairn Single Malt' was relaunched in 2018 with a new packaging with the lead expression 12year old supported by a 28year old, a 40year old, and a 50year old, all four showcasing the iconic unicorn symbol. New expressions of 16 year old and 22 year old were successfully launched in 2020.

'Whyte and Mackay Blended Scotch Whisky' is produced using a unique triple maturation process that ensures a smoother, richer taste. In 2019, a new innovative product, **'Whyte & Mackay Light'**, was launched in the UK to allow consumers to enjoy a great whisky taste whilst consuming lower units of alcohol. At 21.5% ABV, this product was a first in the UK and received widespread acclaim for quality and for the important messaging it represents. This new lighter spirit drink has been enriched by sweet Sherry casks and freshly emptied Bourbon barrels and tastes great – smooth with a subtle hint of smoke and perfectly enjoyed straight over ice, or with your favorite mixer.

‘Woodsman Blended Scotch Whisky’ was launched in 2018 as a more contemporary proposition for younger consumers. It was designed to work well with mixers and with its modern bottle design, it has attracted new consumers into the Blended Scotch market.

‘Shackleton’ is a new Blended Malt brand launched in 2017. It was inspired by a 1907 whisky which was extracted after 100 years under ice. A conservation team carefully extracted crates of whisky left behind by renowned polar explorer Sir Ernest Shackleton. Whyte and Mackay master blender Richard Paterson carefully selected 20 of the finest highland malts to recreate the antique whisky supplied to the British Antarctic Expedition. It has hints of vanilla, ginger and licorice on the nose, with a taste of demirara sugar, manuka honey and dried pineapples, and a whisper of bonfire smoke in the finish.

John Barr, Cluny and Claymore are all blended Scotch whiskies, a combination of malt whiskies and grain whiskies from a number of different distilleries.

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

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

Vendors may sell the products at higher or lower prices than EDI’s suggested retail prices, depending on outlet margin requirements and their operating costs. The Government does not regulate the price of alcoholic beverages in the Philippines. However, manufacturers of alcoholic beverages in the Philippines are required to pay an excise tax on alcohol production based on the percentage of alcohol contained in the beverage and net retail price.



MEG

Megaworld’s pioneering “live-work-play-learn” concept for integrated mixed-use communities, or commonly known as townships in the Philippines, has enabled it to launch more than 725 residential buildings, 72 premier offices, 24 lifestyle malls and commercial centers and 12 hotel brands. “Townships” integrate lifestyle convenience of having high quality residences in close proximity to office, commercial, educational, and leisure and entertainment facilities. The strategy is to lease all

commercial and retail properties and sell all residential units. In instances where residential units are not all sold out upon completion of the project, Megaworld rents out these unsold units on a lease-to-own basis or lease with an option to buy.

A description of each of the group's 26 townships follows.



1. **Eastwood City** is the first township to implement the Company's "live-work-play-learn" concept. Its 18.50-hectare community property in Libis, Quezon City has 19 completed luxury condominium towers, 10 first-class corporate office buildings, and a modern IT park. The planning of Eastwood City adopts an integrated approach to urban planning, with an emphasis on the development of the Eastwood City CyberPark to provide offices with infrastructure such as high-speed telecommunications and 24-hour power supply that support BPO and other technology-driven businesses. The township provides education/training, restaurants, leisure and retail facilities and residences. It is currently home to more than 25,000 residents and 55,000 workers. Eastwood City is also home to the four-level Eastwood Mall — a shopping and dining destination which has received a "Best Shopping Center" declaration from the Philippine Retailers Association. Eastwood City has three malls and around 500 commercial and retail shops. The Eastwood Richmond Hotel is located adjacent to the Eastwood Mall.
2. **Forbes Town Center** is located in a 5-hectare land in Bonifacio Global City, Taguig, Metro Manila adjacent to the Manila Golf Club, Manila Golf and Country Club, the prestigious Forbes Park residential subdivision and Dasmariñas Village. Forbes Town has 12 residential towers which house more than 3,500 residential units. Upon completion, Forbes Town Center is expected to consist of residential, retail and entertainment properties. The focal point of activity in the township is the aptly named Forbes Town Road, a retail strip with 37 restaurants and shops that cater to the diverse needs of the residents of the community's three Bellagio towers, six towers of Forbeswood Heights, two towers of Forbeswood Parklane, and the 53-storey Eight Forbes Town Road. This is connected to another Fort Bonifacio Landmark, Burgos Circle, a leisure spot with residential, condominiums and a small park.
3. **McKinley Hill** is a located on approximately 50 hectares of land in Fort Bonifacio, Taguig City, Metro Manila. McKinley Hill consists of office, residential, retail, educational, entertainment and

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

4. **Newport City** is a township located on 25 hectares of land at the Villamor Air Base, Pasay City, Metro Manila, across the NAIA Terminal 3 and adjacent to the Villamor golf course. It will be targeted towards tenants and buyers who consider proximity to the NAIA Terminal 3 an advantage. The residential zone consists of eight to nine-storey medium-rise buildings. The corporate zone comprised of office buildings. The leisure and entertainment zone consist of bars, restaurants, retail and tourist oriented shops, which are designed to complement the office and residential buildings in the community township. Newport City is home to **Resorts World Manila** which is a leisure and entertainment complex comprising gaming facilities, restaurants, hotels and shopping outlets. The hotel zone comprises the Marriott Hotel, Maxims Hotel, Holiday Inn Express Hotel, Hilton Manila, Sheraton Manila and Okura Manila under Travellers; and Belmont Luxury Hotel and Savoy Hotel which are condotel projects of Megaworld. Newport City also features Travellers’ Marriott Grand Ballroom, a meetings, incentives, conventions and exhibitions facility. Newport City is registered with PEZA as a Cyber Tourism Special Economic Zone.
5. **Uptown Bonifacio** is being developed in an approximately 15.4-hectare property in Fort Bonifacio in Taguig City, Metro Manila. Modeled after the most progressive cities around the world- Paris, London, Milan, New York and Tokyo, Uptown Bonifacio is comprised of a residential portion in the northern part of Fort Bonifacio, and a portion for mixed-use, comprising office and retail space. It is well placed to cater the fast-paced lives of today’s young professionals and growing families. Set in the heart of Fort Bonifacio, the township will be close to several of the new CBD’s popular landmarks such as Forbes Town Center, Burgos Circle, the Mind Museum, Bonifacio High Street, and The Fort Strip. It is also within close proximity to St. Luke’s Medical Center and the institutional zone. The township is easily accessible via Kalayaan Avenue, C-5 Road and EDSA. It has its own high-end commercial center, Uptown Place Mall.
6. **McKinley West** is a township being developed on a 34.5-hectare portion of the JUSMAG property in Fort Bonifacio which is directly beside Forbes Park and Manila Polo Club and across McKinley Hill in Taguig, Metro Manila. The development of McKinley West is another joint venture undertaking with BCDA. McKinley West will have rows of luxury residential estates, some of which will have their own swimming pools and other amenities. The upscale residential enclave will be supplemented by a modern business district of sustainable office buildings, an international school, and a chic commercial centre. These will all be complemented by open spaces and lush greenery. Ingress and egress points of the estate are conveniently located along Lawton Avenue which connects Fort Bonifacio to Pasay City and Makati City.
7. **The Mactan Newtown**, Megaworld’s first township venture outside Luzon, is a mixed-use development situated on a 30-hectare property near Shangri-La’s Mactan Resort and Spa in Mactan, Cebu. This has its own beachfront and combines high-end office towers, luxury condominiums, leisure amenities, retail shops, a school, and upscale hotels. It will also have its own exclusive beach club at the township’s beachfront, and sports facilities at the 11-hectare beachfront property formerly known as Portofino Beach. It is also near the Mactan-Cebu International Airport, making the township ideal for residence, business or leisure. The first phase of the project is expected, on completion, to comprise high-tech BPO offices, and retail centres, luxury condominiums, leisure facilities and beach resort frontage. The Mactan Newtown is approximately 10 minutes away from the Mactan-Cebu International Airport, the Philippines’ second largest airport. The Mactan Newtown will also have five hotels, two of which are at the beachfronts.
8. **Iloilo Business Park** is a mixed-planned community in a 72-hectare property in Mandurriao, Iloilo. Upon completion, it will be a mixed-use business, tourism, commercial and residential hub with a residential community, BPO office buildings, hotels, a convention centre, retail centres and a lifestyle centre. The entire Iloilo Business Park development was registered as a special economic

zone with the Government, which allows it to benefit from a tax holiday period as well as other incentives for investors. It also features The Street of Festive Walk, a 1.1-kilometre retail strip inspired by outlet shops in America and envisioned to be one of the longest shop-and-dine streets outside of Metro Manila. Iloilo Business Park has launched five residential condominium developments to date — One Madison Place Luxury Residence, Lafayette Park Square, The Palladium, the tallest building in the region at 22 storeys high, Saint Dominique and Saint Honore. With Iloilo Business Park, Megaworld aims to transform Western Visayas into the next central district in the region.

9. **ArcoVia City** is envisioned as an environment-friendly community on the 12.4-hectare property located along the C-5 Road in Pasig City. The main “green” feature of the township is the approximately 1,000 trees that will be planted around the development. This greening feature will help provide an outdoor thermal comfort for the future residents, workers, tenants and visitors of the township. Sustainable buildings registered under Leadership in Energy and Environmental Design (LEED) are the standard of office developments in this township, with the first two to rise designed by world-renowned architectural firm Skidmore, Owings & Merrill. Other green features of ArcoVia City include a rainwater catchment facility, a network of bicycle lanes, and wide tree-lined sidewalks. Aside from office towers, the township will have residential condominiums, a lifestyle mall, retail and commercial strips, and open parks.
10. **Davao Park District** is the first township development in Mindanao. It is situated on an 11-hectare property along S.P. Dakudao Loop, Barangay San Antonio, Agdao District, Davao City, which used to be the Lanang Golf and Country Club. The township is envisioned to be Mindanao’s new central business district by being a center for BPO and other corporate entities over the next seven years. Also in Davao Park District are the themed residential condominiums that will be built by Suntrust Properties, a wholly-owned subsidiary of Megaworld. The township will also have a lifestyle mall, commercial and retail strips, open parks, a lagoon, and a school. The first office tower to rise is the iconic 15-storey Davao Finance Center. The first tower in One Lakeshore Drive, a 4-tower condominium cluster, started selling in 2014. Two Lakeshore Drive started selling in 2017.
11. **Suntrust Ecotown**, an ongoing project under Suntrust, will sit on a 350-hectare land in Tanza, Cavite and will be Megaworld’s first mixed-use development with an industrial park in the country. The industrial park is the country’s first to be accredited by PEZA with lifestyle amenities. It is also positioned to be the major hub for world-class light to medium export-oriented industries, residential, commercial, and institutional establishments in the south. At Suntrust Ecotown, 111 hectares will be allotted for the industrial park. Another 40 hectares is dedicated for the expansion of the industrial park and the integration of lifestyle amenities such as a hotel, commercial and retail hubs, driving range, mini golf course, putting greens, swimming pool, jogging path, basketball and badminton courts, and open parks, and another 200 hectares of future development that may include residential and other recreational facilities.
12. **Boracay Newcoast**, an ongoing project under GERI, is a 150-hectare mixed-use leisure and resort development envisioned to be the next world-class tourism destination in the paradise island. Soon to rise in the tropical tourism development are luxury and boutique hotels, commercial and retail district, upscale villas, and an exclusive residential village. Among the first residential towers to rise is Oceanway Residences, a cluster of mid-rise condominiums offering amazing views of the Sibuyan Sea, Mt. Luho, the island’s highest peak, as well as the Fairways & Bluewater Golf Course. Aside from Oceanway Residences, among the upcoming projects here include four hotels and an Ibiza- inspired commercial and retail strip, making it the most anticipated destination in Boracay.
13. **Twin Lakes**, an ongoing project under GERI, is a 1,200-hectare mixed-use leisure and resort community in Tagaytay. The tourism estate will feature the best of Europe at the first residential cluster called The Vineyard Residences, which is comprised of three-mid-rise condominium towers: Shiraz, Merlot, and Chardonnay. Twin Lakes also has a unique mixed-use community development called The Vineyard, which spans 177-hectares of natural landscape that offers the perfect view of the famous Taal Volcano and the man-made lake within the estate. The Vineyard will have its own sports club and spa, wedding venue, and the 10-hectare vineyard that will produce real grapes that can be processed, stored, and aged in its very own chateau. The township will also have commercial and retail hubs (The Village and Lakeshore Town Center), a university park, as well a nature park. Other developments in Twin Lakes include a retirement community, wellness centre, hotel and chateau, among others.

14. **Southwoods City** is the largest and only fully-integrated township with a golf course at the south of Metro Manila. The 561-hectare property is a mixed-use development that features the Jack Nicklaus-designed Manila Southwoods Golf and Country Club, a central business district, a mall, schools, a church, and a medical facility, among others. It is conveniently accessible via the South Luzon Expressway. Within Southwoods City is Pahara, a 26-hectare residential village consisting of over 600 lots, each offering a view of the golf course and the Laguna de Bay. Pahara, which is a Bengali term for hills, was named due to its landscape and terrain. This residential village has a Mediterranean-inspired architectural theme with green open spaces and its own clubhouse, swimming pool, function halls, children's playground, an outdoor circuit gym, and parks.
15. **Alabang West** is a 62-hectare township located at the heart of Alabang's leisure, business and commercial district. It delivers the glitz and glamor of Beverly Hills by offering high-end shopping botiques and world-class amenities, all in a posh neighbourhood. It is easily accessible to and from Metro Manila via the South Luzon Expressway and the Daang Hari Exit. Alabang West has a 1.3-kilometer commercial and retail row inspired by Hollywood's famous Rodeo Drive and an exclusive Alabang West Village that features over 700 residential lots. The village will have a clubhouse with badminton and basketball courts, function rooms, game room, a fitness centre, and an infinity pool.
16. **The Upper East** sits on a 34-hectare property in Bacolod City, Negros Occidental and is bound by Burgos Avenue on the north, Lopez Jaena Street on the west, the Circumferential Road on the east, and is just across the New Government Center. Modeled after New York City's Upper East Side district, its prime location is geared to be Bacolod's own version of an upscale lifestyle district where residential condominiums, malls and commercial centres, BPO office towers, tourism and leisure facilities as well as recreational parks and open spaces are integrated to create a "Live-Work-Play" township.
17. **Northhill Gateway** will rise in the northern part of Bacolod, where the famous Sugar Road was built. Sitting on a 53-hectare property along the new Circumferential Road on the boundaries of Talisay City and Bacolod City, it has direct access to the new Bacolod-Silay Airport and will have a direct link to The Upper East via the Circumferential Road. Northhill Gateway is envisioned to be a refreshing lifestyle district that will house upscale residential villages, mixed-use office and retail developments, leisure and recreational amenities as well as institutional facilities. Megaworld is constructing a 'commercial town center' on the Bacolod side of the Northhill Gateway township, the Northhill Town Center. This will occupy around 7.5 hectares and will be a sprawling horizontal commercial development composed mostly of stand-alone two-storey structures of retail shops and dining establishments, surrounded by landscaped parks and open spaces. The town centre, which will be accessible along the Bacolod-Silay Airport Access Road, will also have a central plaza, an events venue, 'pasalubong' centres featuring local Negrense delicacies, a supermarket, and wellness and sports facilities.
18. **Sta. Barbara Heights**, a master-planned community of GERI, is a 173-hectare mixed-use development with 34 hectares allocated for residential lots overlooking nearby natural lake and hills in Sta. Barbara Iloilo. The township is adjacent to the historic Santa Barbara Church and Convent and the Iloilo Golf Course and Country Club, the oldest golf course in Asia. Sta. Barbara Heights will have a direct access to the road leading to the Iloilo International Airport via the Iloilo International Avenue, a six-lane "spine" highway featuring rows of mixed-use and commercial buildings, retail shops, restaurants, boutique hotels and institutional facilities. Half of the development is allocated for the Sta. Barbara Heights Residential Estates, a residential village with three phases offering around 1,000 lots. The village will feature a five-hectare Village Center with amenities that include a 260-meter swimming pool, tennis and basketball courts, children's park and picnic ground overlooking a lake beside the Iloilo Golf and Country Club.
19. **Capital Town** is a 35.6-hectare prime property beside the provincial capital of the City of San Fernando, Pampanga and is the fourth township launched by Megaworld in 2015. It is just 70 kilometers away from Metro Manila and accessible via the North Luzon Expressway and the Jose Abad Santos Avenue, also known as the Olongapo-Gapan Road. It is also around 20 kilometres away from Clark International Airport. Its existence then became a catalyst for the exponential growth of the city. Backed by PASUDECO's rich history, culture and heritage, the development of Capital Town will be at the forefront of business and progress as the area enters new phase of growth in moving forward while preserving its values.

20. **Westside City** will be the second site of Resorts World Manila in the Philippines. The 31-hectare leisure and entertainment township at the Entertainment City in Parañaque will have international hotels, a luxury mall, and residential condominiums. The launch of Westside City marked the Company's 20th integrated urban township, the most by any developer in the country. The township will also be home to upscale residential condominiums, a luxury mall as well as international hotel brands such as The Westin Hotel of the Starwood Asia Pacific Hotels & Resorts Group, Hotel Okura Manila of the Okura Hotels & Resorts, the Genting Grand and Crockfords Tower of the Genting Group and Kingsford Hotel. These hotels will have a total of around 1,500 rooms. Westside City is visioned to become the "Broadway of Asia" as the township highlights facilities for the performing arts and will be home to the Philippines' Grand Opera House that has a total capacity of 3,000.
21. **Maple Grove**, the Megaworld's 21st township, is a 140-hectare property in General Trias, Cavite. This property will be developed into another mixed-use development. The property is approximately 45 minutes away from Makati and other Metro Manila CBDs via Coastal Road and Cavite, Maple Grove is at the entry point of the booming industrial and residential centre of the Cavite-Batangas corridor. Megaworld increased its capital spending to P10 billion in the next 10 years to develop Maple Grove. The township will have an eclectic mix of residential, retail, office and institutional components. The first Megaworld Lifestyle Mall in Gen. Trias, Cavite started its construction this 2019, a two-level 'sustainable' mall with around 24,000 square meters of gross floor area. Inspired by the design of a 'greenhouse', the mall will be equipped with exceptional light-transmitting architectural systems that maximizes the use of natural sunlight while maintaining comfort cooling condition inside the building. Soon, it will also have a direct link to the Cavite-Laguna Expressway (CALAX).
22. **Eastland Heights**, an ongoing project under GERI, will be an 'integrated lifestyle community' in Antipolo, Rizal on a 640 hectares of land along Marcos Highway with some areas overlooking Metro Manila's panoramic skyline. The property has its own iconic 36-hole golf course and country club, which will occupy around 20% of the entire development. It is also known for its rolling terrains on the foot of the scenic Sierra Madre Mountain Range. GERI is spending P5 billion to develop Eastland Heights in the next five to seven years. Aside from the golf course, the community will have residential, commercial and retail, and institutional components such as a school.
23. **The Hamptons Caliraya**, the second 'integrated lifestyle community' under GERI, is located in Lumban-Cavinti, Laguna, surrounding Lake Caliraya. Through GERI, Megaworld has allocated P8 billion in this 300-hectare development in the next 10 years. The development will feature leisure and tourism developments including lakeside residential villages and villas, a town center, two 18-hole golf courses and clubhouse, and a Marina Club that offers a wide range of water sports activities such as boating, jet ski and kayaking, as well as a shophouse district and resort hotel district. The development will also be the site of The Hamptons Village, an 11-hectare lakeside residential village that will feature its own marina.
24. **Highland City** is MEG's first team up project with its subsidiary, mid-cost residential developer, ELI. To be built in a 24-hectare property at the convergence of Cainta, Rizal and Pasig City, this development is envisioned to be the first-ever 'elevated city' in the Philippines. The township will have residential towers on the elevated portion, meant to "evoke a character of a city sitting on highlands". Highland Park will be the highlight of the estate which is an expansive green and open park that will house a church and some retail areas.
25. **Arden Botanical Estate** is a 251-hectare property located at the boundary of Trece Martires and the municipality of Tanza in Cavite, is a joint project of MEG with its subsidiary, GERI. Surrounded by natural rivers, it will have several residential and leisure villages, commercial areas, sports and adventure parks, and a mixed-use district. The expansive development, which will be curated to engage and stimulate the senses, will be highlighted by flower garden and green parks. Arden Botanical Village, Megaworld's first upscale residential village in Trece Martires, sold out in June 2020, seven months after its launch.
26. **Lucky Chinatown** is located at the heart of Binondo, the world's oldest Chinatown and is strategically located near Manila's historic and cultural sites such as Intramuros, Manila City Hall, and the National Museum. This 3-hectare property will have residential condominium projects, lifestyle mall, hotel, and a museum that perfectly blends history and modernity.

The GERI group has a diversified real estate inventory including residential and commercial lots, residential condominium units, condominium hotel units, and golf club shares. These include the following:

1. **Boracay Newcoast** is the first and only tourism estate development with world-class resort offerings in the northeast side of Boracay. It sits on 150-hectare of land and will house a private residential village, specialty boutique hotels, shop houses and a massive commercial center called Newcoast Station and international hotel brands. Its Fairways & Bluewater Newcoast, a premier luxury eco-friendly vacation hotel, has over 250 well-appointed guestrooms, each with a spectacular view of an 18-hole par-72 golf course, the only one in the island. Fairways & Bluewater Newcoast features three private white sand beach coves. (See under Townships)
2. **Twin Lakes** is the first and only vineyard resort community in the Philippines, located in the rolling terrains of Tagaytay overlooking the world-famous Taal Lake. The master-planned integrated tourism estate that sits on a 1,182-hectare property will feature real vineyard and chateaus, residential condominiums and villages, hotels, nature park as well as commercial and retail hubs. The Vineyard, a 69-hectare mixed-used phase will host a hotel and resort, sports club and spa, culinary school, residential condominiums and a traditional wine chateau for aging the vintage produce – all with the views of the vineyard and man-made twin lakes. (See under Townships)
3. **Forest Hills** is a 500-hectare integrated development in Antipolo, Rizal which includes residential and commercial lots, an aqua park, two 18-hole golf courses and a community clubhouse.
4. **Mountain Meadows** is 260-hectare residential subdivision in Cagayan de Oro with a 4-hectare commercial area at the entrance of the project.
5. **Sherwood Hills** is a 350-hectare integrated development in Trece Martires, Cavite that will include residential lots, a 27-hole golf course and other facilities.
6. **Newport Hills** is a 127-hectare integrated residential and golf development in Lian, Batangas.
7. **Sta. Barbara Heights** is a vast township rising on a 170-hectare property beside the Sta. Barbara Golf Course, known as Asia's oldest golf course, located in Sta. Barbara, Iloilo. It will be home to residential villages, condominiums, office towers, a mall, and commercial and retail centers. (See under Townships)
8. **Southwoods City** is a 561-hectare mixed-use development with golf course situated on the boundaries of Biñan, Laguna and Carmona, Cavite. Tulip Gardens is a mid-rise 22-storey residential condominium project within Southwoods City. (See under Townships)
9. **Alabang West** is a 62-hectare residential and commercial development in Las Piñas City. (See under Townships)
10. **Eastland Heights** is a 640-hectare township development along Marcos Highway with some areas overlooking Metro Manila's panoramic skyline. (See under Townships)
11. **The Hamptons Caliraya** is a 300-hectare sprawling community surrounding Lake Caliraya in Lumban-Cavinti, Laguna. The Hamptons Village is a high-end residential area with 112 lots ranging from 504-1281 sqm. (See under Townships)
12. **Arden Botanical Estate** is a 251-hectare property in Trece and Tanza, Cavite that will be highlighted by flower farms and gardens. **The Lindgren** is a 17-hectare residential village offering lots ranging from 159sqm to 252sqm. (See under Townships)
13. **The Fifth** is set to rise as the fifth residential cluster within the Renaissance community in Pasig City, Metro Manila. It is a two-tower cluster – the 33-storey Astra and the 36-storey Luna.

ELI's real estate portfolio is composed of multi-cluster mid- to high-rise condominium projects and multi-phase subdivision developments in key locations in Metro Manila and the South. ELI set the trend for transit-oriented developments ("TOD") where condominium communities are directly linked to mass-transit systems for faster and more efficient mobility in the metro. ELI's portfolio also includes ready-for-occupancy ("RFO") units available in its various high-rise development projects in Metro Manila. These include the following:

1. **Laguna BelAir** is ELI's flagship township project located outside of Metro Manila. The 156-hectare horizontal development in Sta. Rosa, Laguna is a complete community setting featuring several residential phases with American-inspired homes, commercial blocks, recreational amenity zones, a science-oriented school and a parish church. The project has spearheaded various residential and commercial developments in Santa Rosa City which is now dubbed as the "New Makati City of the South."
2. **The Sonoma** is the second township project outside Metro Manila. It is a 50-hectare horizontal development in Sta. Rosa City, Laguna that features Asian Modern-inspired homes. The community is centered by a five-star clubhouse complete with luxurious swimming pools, open courts, function rooms and other recreational facilities. Towards the main gate of the development

- is 1433 West Row, a retail strip that will feature high-end shops, restaurants and other establishments. The four residential land development phases, namely, Enclave, Country Club, Pavilion and Esplanade, have been completed with few remaining lots unsold.
3. **The Cambridge Village** along East Bank Road in Pasig-Cainta boundary, is an 8-hectare micro-city community development. All 37 towers of 6-10 levels have been completed and are now nearly sold out.
 4. **The Rochester**, a tropical-inspired urban resort community at Elisco Road, San Joaquin, Pasig City, will have seven Asian Modern towers set to rise on a 3-hectare property. Because of its proximity to the C5 Road and Kalayaan Avenue intersection, it is highly accessible to the Bonifacio Global City. The low-rise Garden Villas 1 and 2, mid-rise Breeze Tower and Parklane Towers, Palmridge Tower and Hillcrest Tower are now ready-for-occupancy and sold out. The residents of the RFO towers are currently enjoying the clubhouse with function areas, min-bar, fitness gym, 25-meter lap pool, kiddie pool and a multi-purpose court. The final tower, Bridgeview, is in full-swing construction with few units left unsold.
 5. **San Lorenzo Place** is a luxurious 4-tower high-rise development on a 1.33-hectare property along EDSA corner Chino Roces Avenue, Makati City standing on a podium with an upscale shopping mall directly linked to MRT-3 Magallanes station. The project offers an unparalleled luxurious city lifestyle in the Makati CBD with high-end amenities such as swimming pools, tennis court, fitness gym, jogging paths, gardens, function room, daycare center and clubhouse at the sixth level. All four towers were completed and sold out.
 6. **Pioneer Woodlands** is a prime 1.27-hectare development that offers a transit-oriented lifestyle to its residents as it is connected directly to MRT-3 Boni station. It is located along EDSA corner Pioneer Street in Mandaluyong City, close to Ortigas and Makati CBDs, making it a preferred address of end-users and investors. The project has 6 high-rise towers, recreational amenities at the 5th level, and a two-level retail arcade. Studios, 1-bedroom and 2-bedroom units at Towers 1 to 4 have been sold out and are now ready-for-occupancy. Meanwhile, Tower 5 is expected to be completed this 2021 and Tower 6 is in full-swing construction.
 7. **Little Baguio Terraces** is a 4-tower TOD mid-rise condominium community on an 8,000-square meter property along Aurora Boulevard and N. Domingo Street, San Juan City. This TOD is between Gilmore and J. Ruiz station of LRT-2, offering a quick access to the University Belts in Manila and Quezon City. Amenities at the 3rd level such as lap pool, kiddie pool, jacuzzi, jogging path, playground, fitness gym, daycare center and function area can now all be enjoyed by its residents. Its four ready-for-occupancy residential towers rise from 15 to 24 levels which are now completely sold out.
 8. **Kasara Urban Resort Residences** is located between Eagle Avenue and P. E. Antonio Street near C5 Road in Ugong, Pasig City, features six high-rise towers with world-class resort-type amenities including a lake-inspired pool, infinity pools, waterfalls, bubblers and koi ponds, clubhouse with function hall and bar area, multi-purpose court, fitness gym, playground, jogging paths, and greeneries which are all dedicated to almost 65% of its 1.8-hectare property. **Towers 1 and 2 units** are now ready for occupancy while construction of Towers 3 to 6 is underway with few units left for sale.
 9. **Mango Tree Residences** is an exclusive two-tower high-rise community situated on a 3,000-square meter property along M. Paterno and J. Ledesma Streets in San Juan City. Decades-old natural mango trees, landscaped gardens, and hotel-type amenities will all be located at the spacious ground level as the podium parking will be standing on stilts, providing free flow of air and natural sunlight. With only 9 to 12 units per floor and a perfect mix of executive studio, 1-to-2 bedroom suites and penthouse units, residents are ensured of ultimate privacy and exclusivity. The 38-level West Residences and 34-level East Residences are in the initial stage of construction..
 10. **Covent Garden** is a two-tower Transit-Oriented Development on a 5,000-square meter property located along Santol Street Extension in Santa Mesa, Manila walking distance to LRT-2 V. Mapa station and the Metro Skyway Stage 3 Extension, offering ultimate accessibility to the University Belts in Manila and Quezon City. South Residences is expected to be turned over to buyers in 2021. Both towers have few units left unsold.
 11. **The Paddington Place** is a four-tower Transit-Oriented Development on a 8,700 sqm property along Shaw Boulevard, Mandaluyong City, an easy walk towards the MRT-3 Shaw Boulevard station and the Ortigas CBD across EDSA. The four towers standing up to 45 floors will be built on a podium structure that houses a two-level lifestyle mall dubbed as "The Pad" where daily conveniences such as restaurants, groceries and other retail establishments will be available. Amenities including swimming pools, garden decks, indoor playroom, function halls and fitness gyms can be enjoyed by the residents at 7th and 8th levels. The project's marketability is proven by brisk sales for Towers 1 and 2, with few units left, while there are more options for Tower 3. The construction of Tower 1 has just started.

12. **Empire East Highland City**, ELI's largest development in scale to-date, is a 22.8-hectare mixed-use township development along Felix Avenue at the boundary of Pasig City and Cainta, Rizal, envisioned to be the "first elevated city" in the Philippines. It will be easily accessible to upcoming transportation hubs such as the LRT-2 Emerald Station along Marcos Highway and MRT-4 Cainta Junction Station along Ortigas Avenue Extension. The project boasts of four phases: Highland Park, Highland Mall, Highland Residences and The Chartered Club. The 8,000 sqm Highland Park and the 58,000-sqm Highland Mall are now in full swing construction. The 37-tower Highland Residences will reshape the skyline of the East. Towers 1 and 2 of Arcadia, the first residential phase, are currently pre-selling.
13. **South Science Park** is a 58.4-hectare property in Gimalas, Balayan, Batangas that is intended for mixed-use development.

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

Cavite

1. **Cybergreens** is a one-of-a-kind community in Cavite that offers a perfect balance of modern convenience and nature. It is a community with broadband-ready garden villa and where residents can go online outdoors via Wi-Fi access. This 123,123 sqm. community is already sold out.
2. **Cyberville** is located inside Sunrise Hills Subdivision in Brgy. Santiago General Trias, Cavite, this 20.06-hectare modern community is equipped with family-friendly amenities like flower, botanical and rock gardens, playgrounds, court and a clubhouse where residents can celebrate their intimate family affairs.
3. **The Genti Heights** offers modern-Asian homes in a 41.33-hectare property in General Trias, Cavite, neighbored by first-rate schools, business hubs, churches and top industrial zones
4. **Governor's Hills** is a Californian-Mediterranean-style homes with choices such as Jazmine, Sophia, Ysabella, Katrina and Casa Verona that also comes with beautiful amenities. Governor's Hills also offers good education for students through its very own Governor's Hills Science School. This 89-hectare community offers nine villages, situated in Biclatan, General Trias, Cavite.
5. **Rivabella** is a 3-hectare landscape community located in Sherwood Hills beside the golf clubhouse in Trece Martirez, Cavite that makes use of an Italian concept for its spacious, well-designed homes. This is already sold out.
6. **Suntrust Verona** is located in Silang, Cavite which is inspired by its namesake, the Italian City of Verona. It is a 63-hectare enclave that is made up of three residential phases and showcases a variety of single-detached duplex homes-all exquisitely designed and embraced by lush nature spaces.
7. **Washington Place**, a 40-hectare prime property along Aguinaldo Highway in Dasmariñas, Cavite that boasts of modern-themed architectural designs with two basketball courts and serenity garden.

Laguna

8. **Suntrust Sentosa** is a two-phased residence in 21.8-hectare lot in Calamba City, Laguna that is inspired by the popular island resort in Singapore. It boasts not only one but two Merlion replicas in its community façade.
9. **Sta. Rosa Heights** is composed of Spanish –themed homes that also comes with a 20,030-square meter leisure area that includes a clubhouse named Vista del Santa Rosa, Lagoon type pool, basketball court, jogging lanes and children's playground. It is sold out.
10. **Sta. Rosa Hills**, a 7-hectare property, is sold out.
11. **The Mandara** is a 14-hectare Asian-inspired community near Tagaytay that transforms into a gateway leading to the best of Sta. Rosa, Laguna. It is already sold out.
12. **San Francisco Heights**, a 40-hectare Mediterranean-designed community, is situated in Calamba, Laguna.
13. **Gran Avila** is the latest economic housing project in Calamba, Laguna. It encompasses 16.25 hectares of modern-themed development divided into five phases.

Batangas

14. **Siena Hills** is a 51-hectare Italian-themed community that's peacefully nestled in Lipa City.
15. **Avila Heights** is a townhouse community situated in 7,500 sqm property in Sto. Tomas, Batangas.

Negros

16. **The Fountain Grove** is a 24.52-hectare residential enclave located inside Megaworld's township development, Northhill Gateway in Talisay City (see Townships). It is the perfect balance between contemporary design and lush nature.

Davao

17. **One Lakeshore Drive** is a condominium in Davao City that brings together the serenity of a

lifestyle by the lake and the vitality of Mindanao's first-ever live-work-play-learn township, the Davao Park District (see Townships). Rising soon is **Two Lakeshore Drive** as well.

18. **The Palm City** is rising soon a 27.7-hectare property in Tagum. It offers carefree yet sophisticated lifestyle as if you are on a vacation all year round.

Baguio City

19. **Suntrust 88 Gibraltar** is Mediterranean inspired condo-homes situated in the heart of the country's Summer Capital, and is already sold out.
20. **The Mist Residence** gifted with multitude of charming and profound beauty with a scenic view on a 2,499.48 sqm lot in Bakakeng Central, Baguio City.

Metro Manila

21. **Suntrust Treetop Villas**, a 6,122-sqm low-dense community in Madaluyong City, is sold out.
22. SPI condominiums in Manila namely **Suntrust Adriatico Gardens**, **UN Gardens** and **Suntrust Parkview** are already sold out. **Suntrust Solana** which is a two-tower condominium on a 3,214-sqm lot in Ermita, Manila is a modern contemporary inspired community.
23. **Suntrust Kirana**, a four-tower "ecopolis" on 7,083-sqm property is a *beautiful ray of light* in Pasig City.
24. **Suntrust Shanata** is a 33,421-sqm project of 12-cluster towers in Novaliches, Quezon City.
25. **Suntrust Asmara** is a three-tower condominium community with a low-density design located along E. Rodriguez Avenue, Quezon City on a 8,459 sqm lot.
26. **Suntrust Amadea** is a two-tower condominium project in 4,174.35-sqm in Paligsahan, QC.
27. **Suntrust Capitol Plaza**, a 33-storey tower located in the heart of Diliman, Quezon City, is emerging as a landmark as one of the city's tallest residential structures. It is designed in the 1920s Palazzo style with a façade enlivened by cornices and corbelled arches and a lobby with a circular foyer with columns and a grand, sweeping staircase.

Travellers

Resorts World Manila ("RWM"), Travellers' first integrated leisure and lifestyle complex, combines hospitality, entertainment, leisure, shopping and gaming in one grand arena, a one-stop non-stop destination. RWM operates gaming facilities at the Garden Wing, which includes the Genting Club (a members-only lifestyle club, with a private gaming area, dining options and other fabulous lifestyle features), and additional gaming halls thru the ground floor and 2nd floor of Grand Wing, with an aggregate area of 44,631.37 square meters. As of the end of 2020, RWM has 449 casino tables and 2,223 slot machines/electronic gaming machines (EGMs). RWM also features the upscale **Newport Mall** (89 retail stores and food-and beverage outlets with a mix of high-end boutiques and mass market option), **Newport Cinemas**, the 1,700-seat **Newport Performing Arts Theater** (a majestic venue for concerts, plays, musicals and exclusive productions), **the Horizon Center** (which features a training academy and call centers) and hotels.

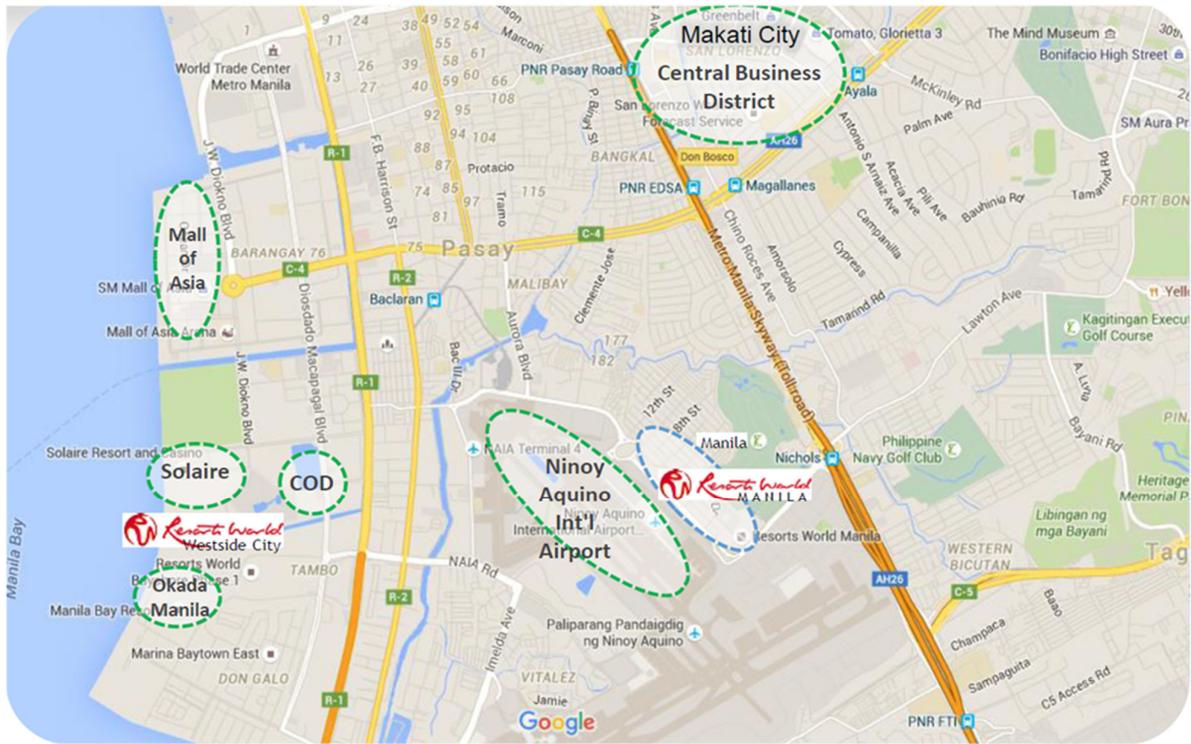
Four hotels are currently in operation at RWM – i) the five-star 570-room **Marriott Hotel Manila** opened in October 2009, ii) the five-star 357-room **Hilton Manila** opened in October 2018, iii) the five-star 386-room **Sheraton Manila Hotel** opened in January 2019, and iv) the mid-range 737-room **Holiday Inn Express Manila Newport City** opened in February 2018 (formerly, Remington Hotel in November 2011). The 172-all-suites hotel is intended to undergo rebranding. Outside Metro Manila, **Courtyard by Marriott Iloilo** located in Iloilo Business Park, Iloilo City opened in 2018 and provides an additional of 326 rooms to the Company's hotel operations.

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

In April 2017, RWM officially opened the **RunWay Manila**, a 220-meter pedestrian link bridge that connects NAIA Terminal 3 and the Newport City, which the public can use free of charge. The project, which stands 65 meters above Andrews Avenue at Pasay City, is a fully enclosed, air-conditioned bridge with moving walkways and elevator. It is designed to accommodate up to 2,000 persons at any time, or up to 216,000 individuals per day. RunWay Manila is fully financed by RWM and costs approximately P1.9 billion.

Currently, construction of **Hotel Okura Manila** as well as other gaming and non-gaming attractions at RWM through its Phase 3 development, is in progress.

Location map of the two RW sites



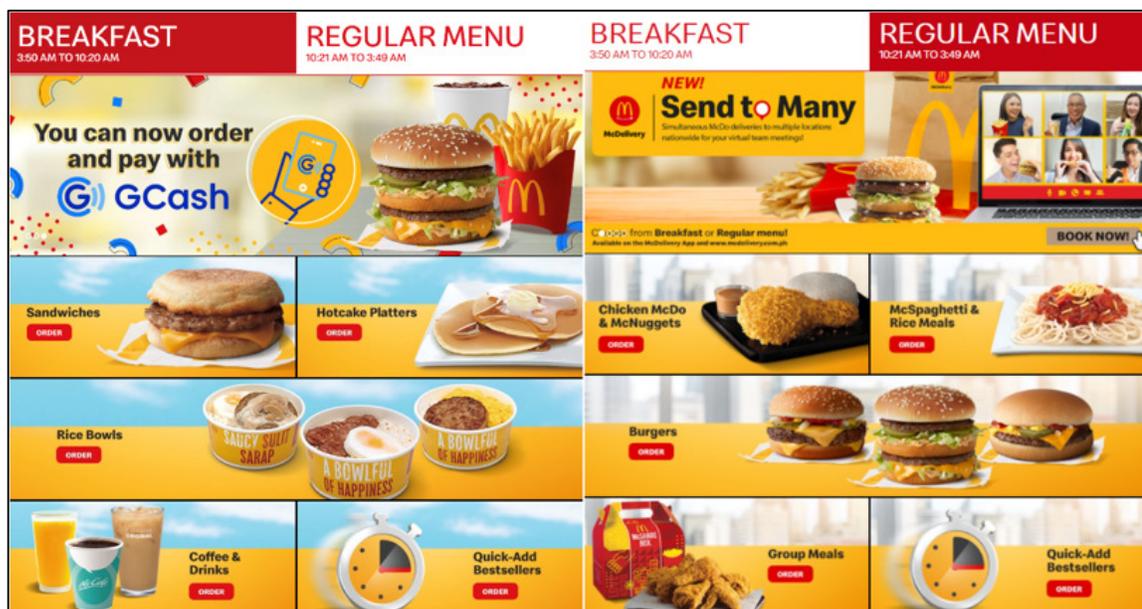
GADC

McDonald's is one of the world's most recognized brands. All McDonald's restaurants in the Philippines are operated either by GADC or by independent entrepreneurs or franchisees under a sub-franchise agreement or by affiliates under joint venture agreements with GADC. The McDonald's System in the USA is adopted and used in the domestic restaurant operations, with prescribed standards of quality, service and cleanliness. Compliance with these standards is intended to maintain the value and goodwill of the McDonald's brand worldwide.

McDonald's restaurants offer a range of quality products in all its restaurants at value prices, served fresh, hot and fast across all its channels by its friendly and courteous crew and managers, 24/7. The McDonald's menu includes iconic menu items like **Big Mac**, **Quarter Pounder with Cheese**, **Cheeseburger** and **World Famous Fries**, local favorites' that cater to the unique Filipino taste (**Chicken McDo**, **McSpaghetti**, **Burger McDo**) and **McCafe specialty espresso-based coffee** products. The Philippine menu is designed to appeal to a diverse target market across socio-demographic and ages.

To continue in surprising and delighting customers, new menu items are introduced either as permanent menu or limited time menu offers.

Over the years, McDonald's has been at the forefront of the industry in elevating the customer experience through making customer favorites more convenient to enjoy through relevant innovations in McDelivery (online delivery through its website, app, and partnership with food aggregators like Grab Food and Food Panda), Drive Thru and NXTGEN.



Pik-Nik

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

b.2. Foreign Sales

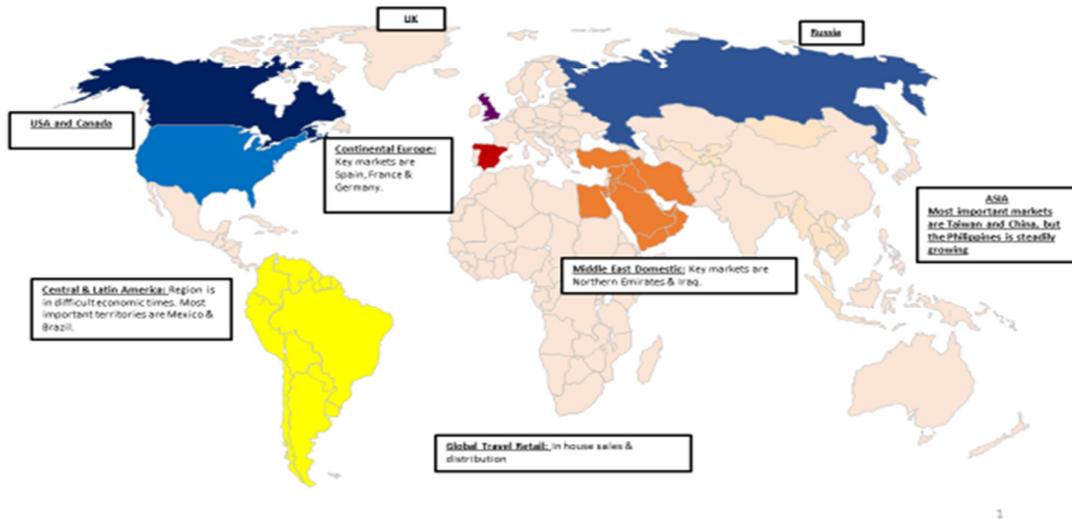
EMP

EDI local products have established international distribution to 61 countries by end-2020. Bodegas Fundador operates as a global brandy and sherry company. The global brandy and wine business is further fortified by the Domecq trademarks that fall under Spain and Mexico and have commercial reach to South America, particularly Brazil and Colombia, and USA. The group has more than 70% [80% in 2019] of revenues coming from Spain, Philippines and Mexico, and the rest coming from other European, American and African markets. Strategic growth will be brands-led but will be supported by private label business.

Whyte and Mackay's overriding objective is to operate as a global branded drinks company which delivers sustainable rates of growth and returns that increase overall shareholder value. The Group operates in the UK and increasingly in international markets including the Travel Retail sector. International accounts for more than 70% of net revenues. More than 40% [37% in 2019] of brand revenues come from UK and other European countries and around 40% [32% in 2019] from Asia, and developing markets, with the balance coming from Travel Retail, Middle East and Americas. Whyte and Mackay continues to invest across the business for future growth. It maintains a strong level of Strategic Marketing support across its expanding brand portfolio and increased its commercial resources in key disciplines and geographies. Moreover, Whyte and Mackay invested in the assets of the business to improve efficiency and flexibility and has continued to invest in barrels, ensuring its spirit quality remains at the highest levels.

The COVID-19 pandemic that started in early 2020 and the associated lockdown measures, which include widespread closures of on-trade and Travel Retail markets and the localized liquor bans, caused the shift of focus to home consumption, promoting retail and online sales.

Map showing WMG global reach:



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



MEG

Foreign sales of real estate products contributed approximately 15% and 25% of Megaworld's consolidated sales and revenues for 2020 and 2019, respectively. Real estate products are being marketed internationally (see b.3. below) in North America 50% (31% in 2019), Europe 26% (20% in 2019), Asia 7% (48% in 2019) and Middle East 17% (1% in 2019) through various brokers.

GERI has a broad market base that consists of end-users and investors. It targets the A and B markets with special niche products such as the integrated-tourism estates and integrated lifestyle communities with residential, commercial and leisure components. GERI's sales to foreign market accounted for 16% and 15% of GERI's consolidated real estate sales for the years 2020 and 2019, respectively.

ELI has minimal foreign sales.

Travellers

Based on Travellers' rated members (those members with gaming activity), the principal foreign market consistently contributing for 2020 were from Korea, China and Singapore. In addition to these three, foreign guests in RWM hotels came from Malaysia, Taiwan, Japan, Thailand, United States, Australia and the United Kingdom.

Pik-Nik

Pik-Nik products are being sold locally in USA and exported to other countries. The domestic volume in the USA increased by 26% in 2020. Midwest is still the strongest market in the US, followed closely by Southeast and Southwest. Due to the lockdowns, more consumers ate at home and bought snacks for their families. International sales outside the USA went down 22% mainly due to logistical issues at foreign ports because of pandemic-driven lockdowns.

b.3. Distribution Methods

EMP

EMP has an extensive sales and distribution network which is one of its key strengths that will continue to drive its future growth. EDI has a nationwide distribution network operated through sales offices and distribution outlets strategically located in the country that provides it with a distinct competitive advantage. Marketing has also expanded outside the traditional platforms to reach into the digital space platform. 'Emperador' is now available in 61 countries outside the Philippines.

Bodegas Fundador partners with the best player in the distribution market, having long term agreements with country and region wine and spirit distributors in place. In 2016, EDI took over the distribution of Fundador in the Philippines, while Whyte and Mackay took over the distribution in UK and Canada. This combination assures a deep sell out market presence around the world.

The WMG business has a strong, international Route to Market. In UK, a dedicated sales team covers all trade channels and customers. It also has a dedicated Global Travel Retail team which manages its brands in a channel that is critical for single malt whisky equity building and sales. In other markets Whyte and Mackay has established a network of distribution partners that represent the brands in each territory. The goal is to develop long term partnerships with a strong local distributor in every market, with selection based on strength and commitment in the channels offering the greatest opportunity in each market. In 2016, Whyte and Mackay appointed E&J Gallo as their exclusive importer into the USA for certain key brands.

The COVID-19 pandemic that started early in 2020 and the associated lockdown measures, which include widespread closures of on-trade and Travel Retail markets and the localized liquor bans, caused the shift of focus to home consumption, promoting retail and online sales. Globally, the Group adapted to the pandemic by shifting marketing activities online and developing series of campaigns focusing on engaging and connecting with consumers in the digital space. The brands held a series of online tastings, virtual distillery tours, and partnerships with e-commerce websites. The Group focused on the different core positioning of each product range that have specific target consumers, using a combination of digital and traditional marketing approaches.

MEG

Property units are pre-sold prior to project completion, and often prior to start of construction, at various payment schemes, with down payment plans ranging from 50% to zero down payment. A typical payment scheme includes progressive payments over the period in advance of property construction, including a balloon payment to coincide with buyers' expected cash flows. ELI offers interest-free schemes. Postdated checks are collected to cover the entire purchase price based on an amortization schedule. Transfer of title to the property occurs only when all payments have been received.

Each project has an in-house marketing and sales division which is staffed by a trained group of property consultants who exclusively market MEG's projects. All property consultants are trained prior to selling and provided with skills enhancement program intended to further develop them into high-caliber marketing professionals. Property consultants are required to meet the set criteria. There are

also outside agents who compete directly with the in-house personnel. Marketing services staff are also employed to provide auxiliary services for sales and promotional activities; they are also responsible for monitoring the latest developments in the economy and the real estate property markets as well as conducting market research studies for the marketing division. An international marketing division based in Manila oversees a global network of sales offices which market the projects of the group to overseas Filipino professionals and retirees throughout Asia, Europe, North America, the Middle East and Australia. Brokers based in the different overseas markets sell the projects overseas through their respective marketing networks.

GERI promotes and markets its real estate products to a wide range of clients by its in-house marketing group and marketing subsidiary, Megaworld Global-Estate, Inc. ("MGEI"). Real estate products in FEPI and FEGDI developments are sold thru third party real estate brokers.

ELI markets its residential inventories, both pre-selling and ready-for-occupancy units, through its in-house sales teams and registered real estate sales persons, licensed real estate brokers and other external sales partners.. It operates showrooms and exhibit booths in shopping malls, commercial centers and selected on-site projects.

With the COVID-19 pandemic and quarantine restrictions in place, only limited sales force is assigned in these showrooms and exhibit booths and distribution of leaflets is not stopped. Instead, digital materials such as e-fliers, online presentation and virtual condo tours and apps were provided under a remote work set-up. For many years, ELI has been heavily advertising in major broadsheets and magazines, as well as out-of-home methods such as billboards and transit ads. Though these traditional media are still being strategically utilized from time to time, ELI has started to divert its efforts in digital advertising to generate leads and inquiries. It has been increasing its online visibility through its website and social media pages, and it also partnered with external parties to execute online ads and advertorials promoting its active projects. And, in this year of pandemic, ELI heavily diverted its advertising efforts in online platforms. ELI is gearing up and intensifying its efforts to become the most digitally transformed real estate developer in the industry.

Travellers

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

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

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

RWM uses a comprehensive membership management and customer database system.

RWM uses Dynamic Reporting System (DSR), a fully integrated real-time table games and slots monitoring system.

During the pandemic, it uses digital platforms like e-Concierge and RWM Mobile Apps to do less-contact business.

GADC

McDonald's products are sold through McDonald's restaurants nationwide. There are 655 restaurants nationwide as of end-2020, one-half of which are owned by GADC while the other half are franchised. Sixteen new restaurants opened in 2020 across the country; while thirty were closed during the year.

The highest concentration is in NCR, followed by Southern Tagalog region. In selected areas, McDonald's products could be ordered and delivered round the clock through its "McDelivery" telephone service, "McDelivery" application or "McDelivery" website "mcdelivery.com.ph" and through services from Grab Food, Food Panda and other delivery apps. More than 69% of restaurants are open 24/7 (24 hours every day) but due to COVID-19 restrictions, operations were limited based on the local government policies.

b.4. New Products Or Services

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

EMP

'**The Bar Fruity Mix**' is a fruit-forward and ultra light alcohol, that comes in two SO JUicy flavors – Pink Grapefruit and Green Grape. The Bar Fruity Mix was launched in August 2020 as more young Filipino drinkers appreciate light alcoholic beverages, while recognizing the strong Hallyu (Korean Wave) influence as an opportunity to relate to these young drinkers.

'**So Nice**' is an ultralight alcohol that gives consumers a refreshing and flavorful drinking experience. This clear, colorless, distilled spirit is available in two variants – green grape and grapefruit. It was launched in November 2020 catering to Filipino youth who prefer a lighter drink at an affordable price.

'**The New York Club No.1 Vodka**' is an extremely smooth vodka produced and bottled in the USA. Evoking the vibrancy of New York City's nightlife, this vodka is so crisp, so clean, so smooth, it can only be No.1. It is distilled six times from the finest ingredients for that extra smoothness, and filtered to perfection, making a versatile drink for every occasion.

MEG

The Pearl Global Residences is the fifth residential development inside The Mactan Newtown in Cebu. It is a 20-storey 222-unit tower expected for completion in 2025.

La Cassia Residences is the second residential project in Cavite's Maple Grove. It offers 238 units in 16-storey tower expected for completion in 2025. It is a 35- hectare 'Makati- inspired' business district hat sold prime commercial lots to companies and businesses. It will also feature sky gardens at the tower's 14th level and at the roof deck

Maple Grove Town Center, the first mall development in General Trias, is a two-level greenhouse-inspired development.

South Beach Place, a 20-storey development with 582 units, will rise inside the township Westside City

Kingsquare Residence, a 34-storey residential development with 961 units, will rise within the 16-hectare San Lazaro Tourism and Business Park in Sta. Cruz, Manila, slated for completion in 2024.

The Pinnacle is the 6th residential development in Iloilo Business Park in Iloilo City. This 20-storey condominium tower due for completion in 2026 will add 574 residential units inside the township.

One Manhattan, the 14-storey residential condominium, is the 3rd inside The Upper East township in Bacolod City. It is MEG's first residential development in Bacolod with more generous unit layouts and sizes, as well as generous unique amenities. It offers 260 units slated for completion in 2025.

The Lindgren is the 17-hectare new residential village inside the Arden Botanical Estate. It initially offers 123 prime lots of Scandinavian-inspired houses and will start its turnover in 2025.

Travellers

Travellers is currently constructing **Hotel Okura Manila** as well as other gaming and non-gaming

attractions at RWM through its Phase 3 development, and is committed to continuously improve its facilities to be able to provide unique customer experiences across a variety of gaming and non-gaming amenities.

During the year, RWM opened new gaming areas on the 2F of both the Garden and Grand Wing catering to both VIP and non-VIPs. The G/F casino at the Garden Wing was renovated and reopened in December 2020 to cater non-VIPs. In February 2020, RWM also opened Casa Buenas, its new signature dining outlet which offers Filipino cuisine with Spanish influences.

Travellers is also developing the Newport Link, an office building that will connect to the RunWay Manila.

GADC

New McDonald's product variations and promotions are introduced every now and then which normally last for a limited time only, just to add excitement and variety to the regular menu. In January, a delicious variety to Iced coffee was launched, the **McCafe Iced Coffee Chocolate** which has that sweet chocolaty boost. In April-June, the new **Spicy Chicken Burger and Spicy Shake Shake Fries** pairing is offered. In June, the Chicken Value Campaign was started where Chicken McDo Solo and McCrispy Chicken fillet were offered at solo affordable price point. For July-September, an exciting twist to pairing was offered: **Spicy McNuggets & McDo Shakes**, with your choice of Chocolate or Strawberry syrup. In November and/to December, McDonald's ran dine-in exclusive promotions of free extra rice and free McFloat upgrade; Lucky Ride activation for drive-through of buy 1-take 1 medium fries ala carte, Free Delivery Fee promo; Holiday Desserts; and **Kitakits Christmas Party Offers**, available via take-out, drive-through, pick-up, McDelivery and Send to Many.

To push large purchases, **McDo McShare Box** was promoted starting April with Spicy Chicken in boxes of 6s and of 8s, which later price down starting August; then the **Snack Burger McShare** starting in October with burgers, fries and apple pies for 3pax; and a free 1.5L Coke in December to go. In June, bigger bundles were introduced, **McDo Party Box** bundles good for 5 and 10 persons and the **McDonald's Group Selection** to mix-match from five products good for 10, 15 and 20 persons. Starting November, customers can now share new **McDo Super Savings** which include the new McDonald's sundae blend in pint and the new McSpaghetti in platter. New **Delivery-exclusive Burger Bundles** were also started in October where allow customers to customize to their liking.

b.5. Competition

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

EMP

Emperador competes primarily against established Philippine spirits companies that produce and distribute brandy and other spirits to the domestic market.

The main competitors in the Philippine brandy market mainly comprise of 'Primera Brandy' manufactured by Ginebra San Miguel, Inc. (GSMI) and 'Alfonso Brandy' imported/ distributed by Montosco Inc. With respect to gin, rum and other alcohol products, it primarily competes with other local gin and rum companies that also produce ready-to-serve alcoholic beverages as well as imported labels. The whisky segment in the Philippines is not well tapped at present, and EMP aims to revive this segment.

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

EMP believes that its products are strongly positioned within their respective markets, as measured by market share and brand recognition. 'Emperador Brandy' accounted for 99.4% share of the Philippine

brandy market in terms of sales volume². EMP believes its 'Emperador' brand is a status brand in the Philippines, and is associated with a certain level of success and sophistication that its potential customers aspire to. EMP believes that its range of well-established and highly recognized brands present significant barriers to new competitors, and are particularly important to its ability to both attract and maintain consumers.

Fundador brands face stiff competition in the Spanish market and internationally in the brandy and sherry businesses, among which are Osborne and Torres. The management monitors the market and the strategies of the competitors to safeguard the overall competitive position.

WMG, on the other hand, competes in the UK market and internationally. Competitors use brand strength together with price and product range to compete. The major Scotch whisky brand owners are Diageo, Pernod Ricard, William Grant, Edrington and Bacardi who are all materially larger than WMG. WMG can compete as they have differentiated brands in a fragmented Malt whisky market and their Blended Scotch brands are competitively priced. WMG management monitors market prices on an on-going basis and takes steps to safeguard the overall competitive position.

Pik-Nik

Pik-Nik is still the number one brand of shoestring potatoes in the US. Utz has increased its sales and moved to the no. 2 spot. A local brand, Oishi, has fielded string potato snacks from potato starch in the local market.

MEG

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

The MEG Group attributes its strong residential sales to two main factors – the popularity of its live-work-play-learn communities in Metro Manila and the MEG Group's proven track record of delivering more than 374 buildings to its customers over the last two decades.

With respect to community township developments, MEG considers Ayala Land, Inc. ("ALI") to potentially be its only significant competitor. ALI is present in Fort Bonifacio, which is where MEG's Forbes Town Center, McKinley Hill, McKinley West and Uptown Bonifacio projects are located.

With respect to its office and retail leasing business, MEG believes that it has many competitors in the industry such as Robinsons Land Corporation ("RLC"), ALI and SM Prime Holdings, Inc. ("SMPHI").

GERI considers Ayala Land Premiere, Alveo, Filinvest Premiere, Landco and SM Prime among its significant competitors in its real estate development business. GERI competes with other developers in the acquisition of land or development rights to land in key growth areas in the country. GERI believes that its land bank, its real estate development experience, its innovative real estate offerings and the solid financial backing of its parent, Megaworld Corporation, are its competitive advantages. Its massive land bank in tourist destinations such as Boracay Island, Aklan; Laurel and Nasugbu, Batangas gives it a lead over its competitors and has enabled GERI to be a pioneer in master-planned integrated tourism developments.

ELI. Overall, what remain to be Empire East's competitive advantages are its price packages, payment terms, strategic locations, and innovative development concepts. These factors keep the ELI a strong player in the dynamic property industry.

Travellers

RWM, being the first integrated resort with world-class gaming in the Philippines, has been the industry benchmark. It competes with both Philippine and foreign owned hotels and resorts. With respect to the gaming business, competition comes from casinos operated by government and other private

² EDI's calculation based in part on data reported by Nielsen through its Retail Index Service for Wines & Spirits Category for the period ending December 2020, for the Total Philippines. (Copyright © 2021. The Nielsen Company)

companies.

In particular, there are facilities already built by three developers other than RWM that have been granted provisional licenses by PAGCOR in Entertainment City, all of which are already open to the public. These three other licensees similarly partnered with international resorts and gaming companies are: Melco Resorts and Entertainment (Philippines) Corporation; Tiger Resorts, Leisure and Entertainment, Inc., Bloomberry Resorts Corporation. In addition, Westside City will be developed in Entertainment City by the Company's co-Licensee, WCRWI.

While it has the first-mover advantage, RWM continues to develop other leisure and entertainment attractions to complement its gaming business expanding its hotel offerings by partnering with various international hotel brands, making it suited for a family destination.

In addition, PAGCOR operates 9 gaming facilities across the Philippines and 32 satellite gaming facilities (which are smaller casinos and slots clubs). The Philippine gaming market also includes many other private casino and gambling operations, including seven licensed private casino operators in special economic zones ("Ecozones"). The Philippine gaming market is also comprised of other gambling competitors specializing in horse racing, cock fighting, jueteng, lotteries, sweepstakes, online gaming operators and other smaller-scale gaming operators.

GADC

McDonald's restaurants compete with a large and diverse group of restaurant chains and individual restaurants that range from independent local operators to well-capitalized national and international QSRs and convenience stores. GADC considers Jollibee Foods Corporation as its main competitor. Jollibee, a home-grown brand with far greater number of restaurants nationwide than McDonald's, offers Filipino-influenced dishes of chicken, burgers, spaghetti, and other Filipino dishes. Another one is KFC, a global brand from USA whose most popular product is its Original Recipe fried chicken served with side dishes. Other competitors include Mang Inasal, Wendy's, Kenny Rogers, Shakey's and Pizza Hut. Since 2005, GADC had opened more than 500 new restaurants and initiated marketing campaigns such as new product launches, promotions, emotive television commercials, and discount coupons. It has embarked on modernizing its restaurants and re-imaging existing ones. GADC competes on the basis of taste, food quality and price of products, convenience of location, and customer service.

b.6. Sources And Availability Of Raw Materials

EMP

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

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

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

EMP has not experienced and does not anticipate any significant difficulty in obtaining adequate supplies of raw materials and dry goods at satisfactory prices under its supply arrangements. AWGI is

able to manufacture enough glass bottles to meet the Company's requirements. EMP believes that AWGI has not had, and does not expect to have, difficulty sourcing glass bottles on behalf of EMP from third party suppliers, as required.

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

MEG

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

Travellers

Travellers has a large base of contractors and suppliers that provide construction, engineering and consulting services, and is not dependent on any one contractor or supplier. In 2020, the ten largest suppliers – Global Matrix Concept Group, Aristocrat (Macau) PTY Limited, Top Source Maintenance and Contracting Services, Crimson Group Inc, Technolux Equipment and Supply, Empire Automation Philippines Inc, Air Beyond Satisfaction, ARL Power Connect Corp., Gabriel Food Company, R.P. Flores System Technology- accounted for 42.64% of the total purchases for the year.

GADC

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

Pik-Nik

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

b.7. Customer Dependence

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

b.8. Transactions With and/or Dependence On Related Parties

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

- Cash advances for financial requirements. Entities within the Group obtain advances from the parent and/or other entities and associates for working capital or investment purposes. There are also certain expenses that are paid in behalf of other entities.
- Lease of manufacturing facilities. AGI leases the glass manufacturing plant property to AWGI.
- Lease of parcels of land. GARC leases out these lots to GADC.
- Lease of office spaces. MEG leases out office and parking spaces to AGI, subsidiaries, and affiliates.
- Purchase and sale of real estate, services and rentals. Real estate properties are bought or sold based on price lists in force with non-related parties. Services are usually on a cost-plus

basis allowing a margin ranging 20%-30%. Commissions for marketing services are based on prevailing market rates.

- Supply of glass bottles. AWGI supplies the new bottle requirements of EDI.
- Receivables from subsidiaries/franchisees. GADC supplies restaurant equipment, food, paper and promotional items to all franchisees, including affiliated restaurants, at normal market prices through a third party service provider.

Major related party transactions have been disclosed in Note 30 to the Audited Consolidated Financial Statements appearing in this report.

b.9. Licenses, Trademarks, Franchises

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

EMP

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

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

Whyte and Mackay owns approximately 550 trademarks worldwide, which includes trademarks for its products: 'The Dalmore', 'Isle of Jura', 'Whyte & Mackay', 'Shackleton', 'Tamnavulin', 'Vladivar', 'Glayva', 'Claymore', 'John Barr' and 'Cluny' brands. Bodegas Fundador owns more than 900 trademarks worldwide, for its brands: 'Fundador', 'Tres Cepas', 'Terry Centenario' and 'Harveys'. Trademarks are typically renewed on a 10 to 20-year cycle.

On January 19, 2017, GES acquired trademarks of well-known brands 'San Patricio', a dry Fino Sherry, and 'Esléndido' brandy. In 2017, DBLC acquired trademarks in two main geographies, Mexico and Spain. Registered in Mexico are trademarks for brandies 'Presidente', 'Don Pedro' and 'Azteca de Oro', wines and canes in Mexico and brandies in USA; and in Spain are trademarks for brandies 'Brandy Domecq' and 'Don Pedro' in Brazil and Colombia and sherry wine in Benelux. At present, GES owns 11 registered trademarks in Spain and BFSL around 850 registered trademarks, not only in Spain and Europe, but also in numerous countries worldwide.

MEG

Megaworld owns the registered trademark over its name and logo which was renewed in March 2015 and valid until March 2025. Megaworld has 65 registered trademarks over the names of its development projects. GERI has trademark registrations and/or applications for its corporate name and key projects. Although the brand is important, Megaworld and its subsidiaries do not believe that their operations or its subsidiaries' operations depend on any trademarks or any patent, license franchise, concession or royalty agreement.

Travellers

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

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

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

Accordingly, on June 28, 2013, PAGCOR issued an Amended Certificate of Affiliation and Provisional License certifying Travellers and WCRWI as co-licensees and co-holders of the Provisional License and other relevant agreements. On 23 September 2014, Travellers subscribed to common and preferred shares in WCRWI making it the effective owner of ninety five percent (95%) of WCRWI.

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

It has registered trademarks over "Passion," "Gamezoo," "Remington Hotel Newport City," "Remington Hotel Manila," "Remington Inn," "Remington Hotel Manila with Chinese Characters," "Newport Performing Arts Theater," "Grand Opera House," "Grand Opera House Manila," "Fun Fiesta Jackpot," "Manila Millions Poker," "Noodle Works," "igrab everything I want," "igrab," "Impressions," "Café Maxims," "Mercado," "Remington Bar Lounge," "Bar 360," "Ginzadon," "Newport Performing Arts Theater Bar," "The Terrace," "Laff Laugh Fun," "Kami Naman ang Taya," "Kami Naman ang Taya Beautiful Concert for Typhoon Yolanda Victims," "Musikat Records," "Oak Tree Inn," "Regal Inn," "Hotel Gran Palacio," "El Castillo de Manila," "Castillo Manila," "The Grand Theatre of Manila," "Grand Theater Manila and Device," "Chill," "Grand Fiesta Manila," "R88," "Manila Bayshore Heritage Foundation, Inc.," "The World of Luck," "Franks Craft Beers Manila," "Westford Inn," "Full House Theater Company," "Victoria Harbour Cafe," "Bayshore City Resorts World," "Westside City," "Herald Theatre," "Fortissimo Theatre," "Galaxy Theatre," "Excelsior Theatre," "Diamond Theatre," "Apollo Theatre," "OPPA Original Pilipino Performing Arts," "H House Manila," "Silogue All Day Pinoy Comfort Food," "The Grand Bar and Lounge," "El Calle," "El Calle Food and Music Hall," "Newport Garden Wing," "Newport Grand Wing," "Newport Resorts Manila," "Silk Road Southeast Asian Cuisine," "Children of Newport Resorts Manila Foundation," "Resorts World Philippines Cultural Heritage Foundation," "Brain Boost Coffee Energy In A Cup," "Port Bar," "Kusina Sea Kitchens," "Freestyle Pool Bar," "Vega Pool Club," "I.C.E. Indoor Cold Experience," "Limitless," "BOLAhan," "Eats-a-wrap," "Its-a-wrap," "Eats-Sarap," "Horizon Center," "Hua Yuan Brasserie Chinoise," "Casa Buenas," "Buenas," "Make Each Moment Count," "Steeg Records," "Top Note Records," and their related devices which will expire on various dates in 2020-2030, and are renewable thereafter.

GADC

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

b.10. Government Approval Of Principal Products Or Services

EMP

Philippine local government legislations require a license to sell alcoholic beverages and prohibit the sale of alcoholic beverages to persons under 18 years of age or within a certain distance from schools and churches.

Advertising and marketing of alcoholic beverages are regulated by the **Ad Standards Council (“ASC”)**, the advertising industry body in-charge of screening and regulating content of advertising materials across all medium. EMP strictly follows the alcohol advertisement regulations issued by the ASC, in advertising its products in all platforms. EMP ensures that its communications target only those of legal drinking age and advocates to its consumers that EMP’s high-quality products should be enjoyed responsibly.

Approvals from the **Food and Drug Administration (“FDA”)** are required before EMP can manufacture a new product. In addition, all new products must be registered with the BIR prior to production.

The recently implemented Ease of Doing Business and Efficient Government Service Delivery Act of 2018 or RA No. 11032, will have a positive impact on the amount of time it takes to acquire Licenses to Operate, Certificates of Product Registration, and any other permits and registrations relevant to the business which it will receive from the FDA. The maximum period set by this law for all government agencies is twenty (20) working days for “applications or requests involving activities which pose danger to public health, public safety, public morals, public policy, and highly technical application” with one extension allowed, if the same is provided for in the citizen’s charter of the relevant government agency.

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

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

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

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

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

Knowing the increasingly competitive and changing environment, and always looking for excellence, Bodegas Fundador decided in 2008 to go a step further, being certified under the framework of three of the more demanding standards that currently exist in the field of food safety: BRC, IFS and FSSC22000. These standards constitute an endorsement to consumers that its products are made under strict controls of quality that guarantee their safety. In 2011, Bodegas Fundador began the implementation of its own Lean Manufacturing program, under the umbrella of the TRACC methodology. It was incorporated into Bodegas Fundador operations, a model of management born in Japanese automation industry, whose results have been such that the model has finished transcending the barriers of this industry to other sectors of activity with equally successful outcome. Through the

implementation of Lean Manufacturing program, it gets continuous and sustainable improvement in (among others) aspects such as safety and health, quality, the environment, the commitment of employees, team work or the efficiency of the processes, which synergize with other management systems mentioned above.

MEG

A barangay clearance and development permit from the local government unit (“**LGU**”) must be secured before commencing land development works. Before the start of structural construction activities, a building permit must be secured from the LGU. A Certificate of Registration and a License to Sell, both from the **Department of Human Settlements and Urban Development (“DHSUD”)**, must be secured before launching any selling activities. All subdivision and condominium plans for residential, commercial, industrial and other development projects are required to be filed with and approved by the DHSUD and the relevant LGU of the area where the project is situated. Approval of such plans is conditional on, among other things, the developer’s financial, technical and administrative capabilities. Alterations of approved plans, which affect significant areas of the project, such as infrastructure and public facilities, also require prior approval of the relevant government body or agency.

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

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

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

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

Travellers

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

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

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

The operation of hotels during the Community Quarantine imposed by the government is sanctioned and monitored by the Department of Tourism. RWM’s hotels, Marriott Hotel Manila, Holiday Inn Express

Manila Newport City, Sheraton Manila Hotel, Hilton Manila and Hotel Okura Manila, have each been granted a Certificate of Authority to Operate by the Department of Tourism.

GADC

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

b.11. Effect Of Existing Or Probable Government Regulations

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

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

On December 17, 2017, **Republic Act No. ("RA") 10963**, known as the **Tax Reform for Acceleration and Inclusion ("TRAIN Law")** was approved effective January 1, 2018. One of the amendments introduced is the lowering of threshold amount for VAT on sale of residential lot and sale of house and lot. Sale of residential lots with gross selling price of ₱1.5 million or less, and residential house and lots with gross selling price of ₱2.5 million or less are not subject to VAT; provided that beginning January 1, 2021, the VAT exemption shall only apply to sale of real properties not primarily held for sale to customers, sale of real property utilized for socialized housing as defined by RA No. 7279, sale of house and lot, and other residential dwellings with selling price of not more than P2 million.

On March 26, 2021, **Republic Act No. ("RA") 11534**, known as the **Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE Act")** was approved effective April 11, 2021. It introduced reforms to corporate income tax and incentives system, with significant ones retroactive to July 1, 2020. The Group considered this as a non-adjusting event and did not adjust the 2020 financial statements in accordance with the Act's provisions, but the impact will be taken up in subsequent periods. The major provisions include, among others:

- Reduction in income tax rate to 25% (from 30%) effective July 1, 2020 for domestic and foreign-resident corporations;
- Reduction in income tax rate to 20% for corporations with net taxable income not exceeding P5million and with total assets not exceeding P100million, excluding land where business office, plant and equipment are situated;
- Reduction in minimum corporate income tax to 1% (from 2%) from July 1, 2020 until June 30, 2023;
- Reduction in interest expense pairing to 20% (from 33%) of interest income subjected to final tax;
- Tax exemption of dividends received from foreign corporation provided that such funds are reinvested in business operations (working capital, capital expenditures, dividend payments, investment in domestic subsidiaries, infrastructure project) of the domestic corporation in the Philippines within the next taxable year, provided further that the domestic corporation directly holds at least 20% of outstanding shares of the foreign corporation for a minimum of two years at time of dividend distribution.

EMP

Philippine local government legislations require a license to sell alcoholic beverages and prohibit the sale of alcoholic beverages to person under 18 years of age or within a certain distance from schools and churches. In addition, approvals from the FDA are required before the Company can manufacture a new product. In addition, all new products must be registered with the BIR prior to production.

In addition to VAT, the alcohol products which are manufactured in the Philippines for domestic sales or consumption, including imported items, are subject to excise taxes. The brandy products which are produced from locally processed distilled spirits from the juice, syrup or sugar of the cane are levied an excise tax on per proof liter. [A proof liter is a liter of proof spirits, which are liquors containing one-half of their volume of alcohol with a specific gravity of 0.7939 at 15°C].

RA No. 10351, known as the Sin Tax Reform

Act of 2012, imposed on distilled spirits a 15% ad valorem tax based on net retail price per proof plus ₱20.00 per proof liter for the years 2013-2014, with the ad valorem tax rate increasing to 20% thereafter while the ₱20.00 specific tax by 4% every year from beginning of 2016. A new law was enacted to increase excise taxes on alcohol and e-cigarettes in 2020.

RA No. 11467 was signed into law on January 22, 2020 and takes effect on January 1, 2020. Pursuant to R.A. No. 11467, excise taxes on distilled spirits shall be levied, assessed and collected as follows:

1. Effective on January 1, 2020:

- An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
- In addition to the ad valorem tax, a specific tax of ₱42.00 per proof liter.

2. Effective on January 1, 2021:

- An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
- In addition to the ad valorem tax, a specific tax of ₱47.00 per proof liter.

3. Effective January 1, 2022:

- An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
- In addition to the ad valorem tax, a specific tax of ₱52.00 per proof liter.

4. Effective January 1, 2023

- An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and In addition to the ad valorem tax, a specific tax of ₱59.00 per proof liter.

5. Effective January 1, 2024

- An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
- In addition to the ad valorem tax, a specific tax of ₱66.00 per proof liter.

6. Effective January 1, 2025, the specific tax of ₱66.00 per proof liter shall be increased by six percent (6%) every year thereafter, while the ad valorem tax shall remain the same.

Medicinal preparations, flavoring extracts, and all other preparations, except toilet preparations, of which, excluding water, distilled spirits form the chief ingredient, are subject to the same tax as the chief ingredient.

The tax shall be proportionally increased for any strength of the spirits taxed over proof spirits, and the tax shall attach to this substance as soon as it is in existence as such, whether it be subsequently separated as pure or impure spirits, or transformed into any other substance either in the process of original production or by any subsequent process..

The net retail price shall mean the price at which the distilled spirits is sold on retail in at least five (5) major supermarkets in Metro Manila, excluding the amount intended to cover the applicable excise tax and the value-added tax. For distilled spirits which are marketed outside Metro Manila, the net retail price shall mean the price at which the distilled spirits is sold in at least five (5) major supermarkets in the region excluding the amount intended to cover the applicable excise tax and the value-added tax. This shall initially be provided by the manufacturer through a sworn statement and shall be validated by the Bureau of Internal Revenue (BIR) through a price survey. The net retail price shall be determined by the BIR through a biannual price survey under oath.

The suggested net retail price means the net retail price (excluding excise tax and value-added tax) at which locally manufactured or imported distilled spirits are intended by the manufacturer or importer to be sold in major supermarkets or retail outlets in Metro Manila for those marketed nationwide, and in

other regions, for those with regional markets. At the end of three months from the product launch, the BIR will validate the suggested net retail price of the new brand against the net retail price and determine the correct tax on a newly introduced distilled spirits. After the end of nine months from such validation, the BIR shall revalidate the initially validated net retail price against the net retail price as of the time of revalidation in order to finally determine the correct tax on a newly introduced distilled spirits.

Understatement of the suggested net retail price by as much as 15.0% of the actual net retail price results in the manufacturer's or importer's liability for additional excise tax equivalent to the tax due and the difference between the understated suggested net retail price and the actual net retail price.

Wines are levied, assessed and collected an excise tax of P50 per liter effective January 1, 2020, increasing by 6% every year thereafter. [Previously, specific tax rate increased by 4% every year from January 1, 2014.]

Republic Act 10963 or the **Tax Reform for Acceleration and Inclusion ("TRAIN") Law**, which amends certain provisions in the Philippine Tax Code, took effect on January 1, 2018. Section 47 of the TRAIN Law, imposes an excise tax on sweetened beverages.

On July 25, 2018, **Revenue Regulations (RR) No. 20-2018** provided for the implementing rules and guidelines on the imposition of new taxes on sugar-sweetened beverages. Under RR 20-2018, sweetened beverages are defined as "non-alcoholic beverages of any constitution (liquid, powder, or concentrates) that are pre-packaged and sealed in accordance with the Food and Drug Administration standards that contain caloric and/or non-caloric sweeteners added by the manufacturers." For sweetened beverages that use purely caloric sweeteners, and purely non-caloric sweeteners, or a mix of caloric and non-caloric sweeteners, the tax rate per liter of volume capacity was P6. As for sweetened drinks using purely high fructose corn syrup or in combination with any caloric or non-caloric sweetener, the specific tax was P12 per liter.

The particular products covered by the new excise tax were the following: sweetened juice drinks; sweetened tea; all carbonated beverages; flavored water; energy and sports drinks; other powdered drinks not classified as milk, juice, tea, and coffee; cereal and grain beverages; as well as other non-alcoholic beverages that contain added sugar, while products using purely coconut sap sugar and purely steviol glycosides were exempt from the excise tax, as long as these "comply with the specifications as stated in the Philippine National Standard/Bureau of Agricultural and Fisheries Products Standards 76:2010 ICS 67.180 or latest updated standards.

EMP's sweetened non-alcoholic products, Club Mix Lime Juice and Club Mix Apple Tea, are covered.

EDI currently substantially passed on to consumers and form part of the sales prices.

Brandy de Jerez Regulations

In Spain, the Andalusian Regional Department of Agriculture, Fisheries and Rural Development has approved the Order dated June 28, 2018, which contains the new *Technical File* regarding the Geographical Indication of "Brandy de Jerez", replacing the former Order dated February 9, 2015. This regulation contains the technical specifications of the products, compliance with which, must be verified to enable use of the protected name. On the other hand, the new *Operational Regulation of the Regulatory Board of "Brandy de Jerez"* has been approved by an Order dated February 16, 2018 issued by the Andalusian Regional Department of Agriculture, Fisheries and Rural Development, replacing the former Order dated June 13, 2005. The Geographical Indication "Brandy de Jerez" is protected in the European Union, in accordance with its registration as a protected geographical indication, as per regulation (EU) no. 2019/787 relating to the definition, description, presentation, labelling and protection of the geographic indication of spirit drinks.

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

In Jerez, it is possible to use wine spirits of a higher degree of alcoholic content provided that the distillate or holandas does not exceed a maximum of the 50% of the alcoholic content of the finished product. The holandas must always represent 50% minimum of the final brandy. Brandy de Jerez can be classified into three categories as per its period of ageing:

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

Brandy de Jerez Gran Reserva - ageing for more than three years expressed in UBEs.

Spanish Royal Decree 164/2014, of March 14, which establishes complementary rules for the production, designation, presentation and labeling of certain spirits.

Sherry Regulations

The Protected Designation of Origin Jerez-Xeres-Sherry is protected in the European Union, in accordance with its registration as a Protected Designation of Origin, as per *regulation (EU) no 1308/2013* relating to establishing a common organization of the markets in agricultural products.

The *Delegated Regulation (EU) 2019/33* of the Commission, of 17 October 2018, which completes *Regulation (EU) No. 1308/2013* of the European Parliament and the Council, regulates applications for protection of appellations of origin, geographical indications and traditional terms of the wine sector, the opposition procedure, restrictions on use, amendments to the specifications, cancellation of protection, as well as labeling and presentation. It has replaced former Commission Regulation (EC) N. 607/2009 of 14 July 2009, which established certain provisions for the application of Council Regulation (EC) No 479/2008, which regulated and protected designations of origin and geographical indications, traditional terms, the labeling and presentation of certain wine products.

The new *Delegated Regulation (UE) 2019/934* of 12 March 2019 supplementing Regulation (EU) No 1308/2013 of the European Parliament and of the Council as regards wine-growing areas where the alcoholic strength may be increased, authorized oenological practices and restrictions applicable to the production and conservation of grapevine products, the minimum percentage of alcohol for by-products and their disposal, and publication of OIV files.

The Andalusian Regional Department of Agriculture, Fisheries and Rural Development has approved the Order dated August 2, 2013, which contains the Product Specification regarding the Protected Designation of Origin “Jerez-Xérès-Sherry”. This regulation contains the technical specifications of the products, compliance with which, must be verified to enable use of the protected name.

Spanish excise duty

Total duty and excise tax payment made up about 60% of the average price of a bottle of brandy (which are in the range of more than 36° alcoholic degrees). For Spirits (less than 36° alcoholic degrees), taxes represent about 50% of the average price of a bottle. For Sherry Wines, we are in two ranges again, less than 15° alcoholic degrees on 20% of the final prices and higher on 23% of a final price of a bottle of Sherry Wine. These ratios were updated at the end of 2016 by the Spanish Government, at a 5% increase from 2015 Spanish duty and excise tax rates were updated at the end of 2016 by the Spanish Government at a 5% increase from 2015.

The regulations governing special taxes are *Law 38/1992*, of December 28, on Special Taxes and *Royal Decree 1165/1995*, of July 7, which approves the Regulation on Special Taxes.

By order *HAC / 998/ 2019*, of September 23, 2019, the Spanish Ministry of Finance has modified the accounting of products subject to Special Manufacturing Taxes, whose entry into force was on January 1, 2020 with extension until 31st December 31, 2020.

On the other hand, Order *HAC/626/2020*, of 6 July 6, 2020, has modified the Order *HAC / 1271/2019*, of December 9, 2019, has approved the rules of development of the provisions of article 26 of the Regulation of Special Taxes, approved by Royal Decree 1165/1995, of July 7, on the new fiscal seals planned for derived beverages (Brandy and Spirits) , whose entry into force has been on January 1, 2020.

Scotch Whisky Regulations 2009

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

Regulation 3(2) defines five categories of Scotch Whisky which must appear clearly and prominently on every bottle of Scotch Whisky sold:

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

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

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

UK excise duty

Total duty and excise tax payment in UK makes up about 70% of the average price of a bottle of whisky. The rate is £28.74 of Spirit Duty per litre of pure alcohol and so the Spirit Duty you pay on a 1 litre bottle of 40% ABV is 40% of £28.74, or £11.50.

The Scottish Government has implemented a minimum price per unit of alcohol on product sold in Scotland, which resulted in a significant increase to the price of a standard blended Scotch Whisky. The minimum is 50p per unit of alcohol which means the minimum retail selling price ("RSP") for a 1L bottle of 40% ABV whisky is £20. A similar policy has been introduced in Wales; but nothing has progressed in England yet. The Scotch Whisky Association continues to call for a review of the alcohol duty system to deliver fairness for Scotch Whisky which is a unique UK product.

USA Tariffs

On October 18, 2019, as a consequence of a conflict between Airbus and Boeing (*Note*: The World Trade Organization ruled US can impose punitive imports from EU countries which wrapped up the 15-year dispute over illegal subsidy made by four EU countries to aircraft manufacturer Airbus, which US said significantly damaged its American rival Boeing), the US began to impose additional tariffs on certain products imported from the European Union (including Spain and UK). In particular, alcoholic beverages (according to the applicable Spanish legislation in force > 1,2° and <15°) and spirits (> or equal to 15°) imported into the US had to pay an import tariff in addition to the existing ones of 25% ad valorem, that is, 25% of the value of the product declared in customs. It affected exports of the Group's products from Spain and UK.

With regard to wines, an import tariff in the US was imposed to wines with a graduation not over 14° - additional to the existing ones-of 25% ad valorem, that is, equivalent to 25% of the value of the product

declared in customs. Fortified wines, such as Jerez wines, were not affected, since they all have a graduation of more than 14°.

In October 2020, the WTO allowed the EU to impose also additional (retaliatory) tariffs to products from the US.

The US suspends tariffs on UK goods, including Scotch whisky, for four months starting March 4, 2021. There is no announcement on tariff suspension for products produced in other European nations.

Commercial and Cooperation Agreement between the European Union and the European Atomic Energy Community, on the one side, and the United Kingdom of Great Britain and Northern Ireland, on the other side

The EU and the UK signed a commercial and cooperation agreement on December 31, 2020, in force on January 1, 2021, in order to regulate their relationships due to the Brexit, with regard to trade of goods and services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fishing, coordination of social security, judicial cooperation and police in criminal matters, thematic cooperation and participation in Union programs.

As of January 1, 2021, the UK leaves the Single Market and the Customs Union of the EU. As a result, it will no longer benefit from the principle of the free movement of goods. Even with the new agreement in place, companies will face new trade barriers, which will lead to increased costs, new controls and will require adjustments to integrate supply chains from the EU and UK.

Both Parties have agreed to create an ambitious free trade area without tariffs or quotas applied to products, with regulatory and customs cooperation mechanisms, as well as provisions to guarantee a level playing field for open and fair competition, as part of a larger partnership economical. The provisions set out in the Agreement do not govern trade of goods between the EU and Northern Ireland, since these will be governed by the Protocol on Ireland and Northern Ireland included in the Exit Agreement of the UK (*Brexit*).

In particular with regard to Bodegas Fundador pending applications for registered trademarks in the EU, as a result of Brexit, no corresponding UK rights will be automatically created from EU trademark applications, so it will be necessary to file a UK application which will retain the application date of the pending EU application.

MEG

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

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

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

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

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

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

Real estate dealers, brokers and salesmen are also required to register and secure a certificate of registration with the HLURB before they can sell lots or units in a registered subdivision or condominium project. On June 29, 2009, **RA No. 9646 or the Real Estate Service Act of the Philippines** was signed into law. RA No. 9646 strictly regulates the practice of real estate brokers by requiring licensure examinations and attendance in continuing professional education programs.

Further, **RA No. 7279 ("Urban Development Housing Act")**, requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost and at least five (5%) of condominium area or project cost, at the option of the developer; within the same or adjacent regions, whenever feasible, and in accordance with the standards set by the HLURB (now DHSUD). Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with either the LGU or any of the housing agencies in socialized housing development.

RA 6552, or the Maceda Law, was promulgated to protect real estate buyers on installment basis (including residential condominium units but excluding industrial and commercial lots) by giving the buyers a total of at least 60-day grace period within which to pay any unpaid installments without any interest. RA No. 6552 also requires the sellers of real estate to give the buyers a refund of at least 50% of total payments made should the sale be cancelled provided the buyers have paid at least two years of installments. RA No. 6552 covers the business of the Company as it applies to all transactions or contracts involving the sale or financing of real estate through installment payments.

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

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

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

services, Tourism and Retirement activities. PEZA-registered enterprises located in an Ecozone are entitled to fiscal and non-fiscal incentives such as income tax holidays and duty free importation of equipment, machinery and raw materials. Retirement Ecozone developers/ operators and retirement Ecozone facilities enterprises are entitled to fiscal and non-fiscal incentives.

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

Travellers

Republic Act No. 10927 was passed and became effective in July 2017 designating casinos as covered persons under **Republic Act No. 9160 (“Anti Money Laundering Act”)**, as amended. The Casino Implementing Rules and Regulations was issued by the Anti-Money Laundering Council (“AMLC”) and Appropriate Government Agencies (“AGA”) in October 2017. Casinos shall report to the AMLC all suspicious transactions as defined by law and single casino cash transaction (i.e., receipt or pay out of cash by and of a casino, paid or received by or on behalf of a customer, or such other cash transactions that may be determined by AMLC and the AGA) involving an amount in excess of Five Million Pesos (Php5,000,000.00) or its equivalent in any other currencies within five (5) working days, unless the AMLC prescribes a different period not exceeding fifteen (15) working days, from the occurrence thereof. In August 2018, casinos were required to submit covered and suspicious transactions to the AMLC following the effectivity of AMLC’s Registration and Reporting Guidelines for Casinos. Casinos are likewise required to conduct customer due diligence (CDD) in accordance with **PAGCOR’s CDD Guidelines for Land-Based Casinos** effective November 2018.

Travellers is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR. Although the Bureau of Internal Revenue (BIR) issued *Revenue Memorandum Circular No. 33-2013* declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended, the Supreme Court, on August 10, 2016, in *Bloomerry Resorts and Hotel, Inc. vs. Bureau of Internal Revenue*, confirmed the legality of the aforesaid provision of the Provisional License subjecting RWM to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, when it affirmed that “exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to corporation(s), association(s), agency(ies), or individual(s) with whom the PAGCOR or operator has any contractual relationship in connection with the operations of the casino(s) authorized to be conducted under this Franchise, so it must be that all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall likewise be exempted from all other taxes, including corporate income tax realized from the operation of casinos.” This Decision has been affirmed with finality in the Supreme Court Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. Consistent with the decision of the Supreme Court, last June 2018, PAGCOR advises that 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 extend to all PAGCOR contractees and licensees.

Travellers is registered with PEZA as a Tourism Economic Zone. Its PEZA-registered activities include Maxims Hotel, Newport Entertainment and Commercial Center, Marriott Hotel Manila, Holiday Inn Express Manila Newport City (formerly Remington Hotel), Marriott Grand Ballroom, Marriott West Wing, and Hotel Okura Manila (formerly, Maxims II) and the Courtyard by Marriott Iloilo. As such, it is entitled to certain tax incentives. Hilton Manila and Sheraton Manila Hotel, through RWM’s subsidiaries, are also included in Travellers’ PEZA-registered activities.

GADC

RA 10963, known as the Tax Reform for Acceleration and Inclusion (“TRAIN”), the first package of the comprehensive tax reform program (“CTRP”) envisioned by Pres. Duterte’s administration, seeks to correct a number of deficiencies in the tax system to make it simpler, fairer and more efficient. It took effect on January 1, 2018. Among its provisions is the imposition of excise tax on sugar-sweetened beverages (“SSB”), a measure meant to encourage consumption of healthier products to help promote

a healthier Philippines. The products covered by the SSB excise tax under TRAIN are sweetened juice drinks, sweetened tea, all carbonated or non-alcoholic beverages with added sugar, including those with caloric and non-caloric sweeteners, flavored water, energy drinks, sports drinks, other powdered drinks not classified as milk. This additional per liter cost of volume capacity for soft drinks and juice drinks prompted GADC to reevaluate pricing of certain products. Changes in consumer spending and further pricing re-alignments remain as possibilities going forward. GADC will continue to prioritize its value strategy.

Others

Republic Act No. 10667, otherwise known as the *Philippine Competition Act* was passed into law on July 21, 2015 and took effect on August 8, 2015. It is the first antitrust statute in the Philippines, enacted to attain a more equitable distribution of opportunities, income and wealth by enhancing economic efficiency; promoting free and fair competition in trade, industry and all commercial economic activities; preventing economic concentration and penalizing all forms of anti-competitive agreements. The law applies to any person or entity engaged in any trade, industry or commercial economic activity in the Philippines. Moreover, the law applies to international trade activities which have direct, substantial and reasonably foreseeable effects on the trade, industry or commerce in the Philippines. On March 21, 2016, the *Implementing Rules and Regulations* ("IRR") of RA No. 10667 was issued to set forth the guidelines for the implementation of the said law.

The Group takes into account the provisions of RA No. 10667 and ensures that its business decisions and operations are within the parameters set forth by the Philippine Competition Act and that its business objectives are aligned with the constitutional goals for the national economy.

RA No. 10173, or the Data Privacy Act, was enacted in 2012 to protect personal information in the information and communications systems in both the government and private sectors. It aims to protect the right to privacy while promoting free flow of information for growth and innovation. This law is intended to provide parameters for the collection, processing, retention and disposal of personal data. The law also provided for the creation of the National Privacy Commission (NPC), the government agency mandated to administer and implement RA No. 10173 and to monitor and ensure the country's compliance with the international standards of data protection. In September 9, 2016, the Implementing Rules and Regulations (IRR) for RA No. 10173 was issued.

The law mandates that processing of personal data should, in all cases, adhere to the general data privacy principles of transparency, legitimate purpose and proportionality. Violation of the provisions of the law is subject to civil and criminal penalties, which may range from P500 thousand to P5.0 million in fines and eighteen months to six years imprisonment term. Personal data refers to both personal information and sensitive personal information. Personal information refers to any information that can identify or ascertain the identity of an individual, including name and image of the individual. Sensitive personal information refers to information which has material impact on the well-being of the individual, including personal information about an individual's race, ethnic origin, marital status, age, color, religious and political affiliations, health, education, genetic, sexual life, information related to any court proceeding involving the individual, information issued by the government agencies peculiar to the individual and other information which may be specifically established by a law to be classified.

On March 1, 2021, the National Privacy Commission (NPC) announced that the validity of existing Data Protection Officer (DPO) registrations of Personal Information Controllers (PICs) and Personal Information Processors (PIPs) is extended to June 30, 2021. The validity of existing registrations was previously extended from March 8, 2020 to August 31, 2020, and thereafter to March 7, 2021.

The Group is already compliant with RA No. 10173. It published its privacy policy and has implemented the necessary security measures to ensure the protection of the personal data that it is collecting and processing from its various stakeholders. Moreover, it is continuously working internally to monitor its compliance with RA 10173 and the rules, regulations and issuances of the NPC.

RA No. 9367, otherwise known as the *Biofuels Act of 2006*, provides for the mandatory use of biofuels. RA No. 9367 mandates that there shall be a minimum 1% biodiesel blend and 5% bioethanol blend by volume in all diesel and gasoline fuels, being distributed and sold in the country, provided that the biodiesel and bioethanol blends conform to the standards set forth under the Philippine National Standards. In order to encourage investments in the biofuels industry, the government, in addition to applicable incentives and benefits under the existing laws, rules and regulations, provided for an

incentive scheme which includes 0% specific tax on local and imported biofuels component per liter of volume, VAT exemption on the sale of raw material used in the production of biofuels, exemption from wastewater charges for water effluents for the production of biofuels and potential financial assistance from government financial institutions.

At present, the government, through the Sugar Regulatory Administration, Department of Energy, Bureau of Internal Revenue and Bureau of Customs, is working hand in hand with the private sector to further develop the biofuels industry, with the vision of producing enough biofuels for local and international distribution.

b.12. Research And Development

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

b.13. Compliance With Environmental Laws

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

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

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

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

b.14. Number Of Employees

As of December 31, 2020, the Group has a total workforce of 42,116 personnel categorized by business segment as follows:

	End-2020	Anticipated Hiring in 2021
GADC	27,127	6,587
Travellers	6,003	46
Megaworld -including Global One	3,612	
GERI	700	
Empire East	672	60
Suntrust	491	26
Emperador	3,499	
Emperador UK	532	
Grupo Emperador Spain	311	
Others	12	
Total	42,116	6,719

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

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

AWG has a renewed five-year collective bargaining agreement with its production employees covering the period up to January 15, 2025. The employees also agree to follow certain grievance procedures and to refrain from strikes during the term of the agreement. WML has recognition agreements with both UNITE and GMB trade unions generally for a 3-year period. The most recent 3-year deal took effect on January 1, 2021. Bodegas Fundador together with the rest of Jerez region companies has a Collective Wage Agreement with the trade union and employees board members last November 2016 which will be in force until the end of 2020. In early 2021, negotiations have begun for another agreement that will be effective for the next 4 years.

Megaworld, EDI and WML maintain each a funded, tax-qualified, non-contributory retirement plan that is being administered by a trustee bank covering all regular full-time employees. GADC has a funded, defined benefit contribution retirement plan covering all regular full-time employees wherein employees are allowed to make voluntary contribution. GERI has an unfunded, non-contributory defined benefit plan covering all regular employees. Travellers is in the process of registering its non-contributory retirement plan with the Bureau of Internal Revenue. The rest in the Group have no established corporate retirement plans. (See Note 28.2 to the Consolidated Financial Statements)

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

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

b.15. Major Business Risks and Management

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

The Group's risk management is coordinated with the Board of Directors and focuses on actively securing short to medium-term cash flows by minimizing the exposure to financial markets. Long-term

financial investments are managed to generate lasting returns. The Group does not actively engage in the trading of financial assets for speculative purposes.

The major risks that the present business faces include:

1. *Hazards and natural or other catastrophes.* The Group's assets are always exposed to losses or impairment through fire and natural or man-made disasters and accidents that may materially disrupt operations and result in losses. In particular, damage to project structures resulting from such natural catastrophes could also give rise to claims from third parties or for physical injuries or loss of property. EDI, Whyte and Mackay, Bodegas Fundador, Pik-Nik and GADC also run the risk of contamination through tampering of ingredients, bottles or products that could result in product recall or food poisoning which in turn could create negative publicity that could adversely affect sales. Safety precautionary measures have been undertaken and installed within the operating system. Adequate insurance policies are likewise taken to cover from these risks or mitigate effect of uninsured losses.
2. *Regulatory developments.* The Group operates in highly regulated business environment. For example, in the property development and integrated tourism industries, it is required that a number of permits and approvals be obtained for development plans at both the national and local levels. Travellers is subject to gaming regulations for its casino operations. In the alcohol industry, there are restrictions on advertising, marketing and sales of alcoholic beverages to consumers and restrictions governing the operation of manufacturing facilities. In the QSR industry, GADC is subject to retail trade and other industry specific regulations.

The group's results of operations could be affected by the nature and extent of any new legislation, interpretation or regulations, including the relative time and cost involved in procuring approvals for projects. If the group fails to meet safety, health and environmental requirements, it may also be subject to administrative, civil and criminal proceedings initiated by the Government, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against the Group, as well as orders that could limit or halt its operations. The Group, thus, keeps abreast of current happenings and immediately institute measures to contain any adverse effect on the group.

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

In 2017, casino operators have been included in the coverage of the Anti-Money Laundering Act. Any violation of the Anti-Money Laundering Act, as amended, which designated casinos as covered persons or the Casino Implementing Rules and Regulations may result to the imposition of penalties and could have an adverse effect on Travellers' reputation. Travellers has taken appropriate steps to fully comply therewith. Internal control policies and procedures, employee training, and compliance programs are also continuously being implemented

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

products. Purchasing, therefore, keeps posted about supply sufficiency in the market and always looks out for new potential sources.

5. *Consumer tastes, trends and preferences.* Consumer preferences may shift due to a variety of factors, including changes in demographic and social trends, leisure activity patterns and a downturn in economic conditions, which may reduce customers' willingness to purchase premium branded products or properties. In addition, concerns about health effects due to negative publicity regarding alcohol or fast food consumption, negative dietary effects, project location, regulatory action or any litigation or customer complaint against companies in the industry may have an adverse effect on results of operations. Any significant changes in consumer preferences and failure to anticipate and react to such changes could result in reduced demand for consumer products or projects and erosion of its competitive and financial position. Likewise, the launch and ongoing success of new products is uncertain as is their appeal to customers. Product innovation and responsiveness to changing consumer tastes and trends, therefore, have been important aspects of the Group's ability to sell their products.
6. *Competition.* Each of the Company's primary business operations is subject to intense competition. Some competitors may have substantially greater financial and other resources than EMP, MEG, GERI, Travellers or GADC, which may allow them to undertake more aggressive marketing and to react more quickly and effectively to changes in the markets and in consumer preferences. In addition, the entry of new competitors into any of the Company's primary business segments may reduce the Company's sales and profit margins. Product innovation and premiumization have been the Group's key response to competition.
7. *Interests of joint development partners.* Megaworld and GERI obtain a significant portion of its land bank through joint development agreements with landowners, as part of its overall land acquisition strategy and intends to continue to do so. A joint venture involves special risks where the venture partner may have economic or business interests or goals inconsistent with or different from those of the Group.
8. *Global economic, political, and social environment.* Portion of the Group's revenue comes primarily from foreign countries. Any global economic disruption or contractions could impact the number of foreign customers who visit our property or the amount of which they may be willing to spend. Changes brought about by fears of war and future acts of terrorism may severely disrupt international travel, reduce demand for luxury amenities and leisure activities and may have significant impact in our operational results. Demand for hotel, trade shows, conventions, and other entertainment activities that the Group offers are sensitive to swings in the global economy, which impacts discretionary spending

The current COVID-19 pandemic is causing economic and social disruptions due to the lockdown measures and safety protocols implemented by the governments to restrict mobility of people in order to limit interaction that can cause transmission of infection, and these affected the conduct of Group's businesses. The Group has conducted its businesses during this time in compliance with the safety protocols and guidelines/regulations issued by the governments. It equips its employees with the necessary protection (face masks, face shields, protective equipment, alcohol, Vitamin C) and service (transport service). It has also rolled out a vaccination program for its employees.

9. *Cyber security.* The Group relies on information technology and other systems to maintain and transmit large volumes of customer information and transactions, employee information and information concerning the Group's operations. The systems and processes that have been implemented to protect this information are subject to the ever changing risk of compromised security. These risks include cyber and physical security breaches, system failure, computer viruses, and negligent or intentional misuse by customers, company employees or employees of third-party vendors. The Group is continuously working towards developing a proactive approach in dealing with potential and emerging security threats to prevent any untoward incidents from happening. This includes strict implementation of, and adherence to, information security policies such as firewall security and data privacy policies, and timely software or system upgrades.

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

2. PRINCIPAL PROPERTIES

The following are the principal properties owned or leased by the Group, including those reserved for future developments as of December 31, 2020:

Description	Location	Owned/Limitations on Ownership
Lots & Facilities		
Brandy manufacturing facility	Santa Rosa, Laguna	Owned
Brandy manufacturing facility-Annex	Biñan, Laguna	Owned
Land	Biñan, Laguna	Owned
Land	Centro Baybay, Legazpi	Owned
Alcohol distillery plants	Nasugbu and Balayan, Batangas	Owned
Glass manufacturing plant	Canlubang Industrial Estate, Calamba, Laguna	Owned
Warehouse Town – a warehouse complex	Caloocan City	Owned
Vineyard estates	Spain	Owned
Bottling centers, wineries, Complex, distillery, warehouses	Spain	Owned
Industrial facilities	Spain	Owned by Joint venture
Real estate properties	Spain	Owned
Malt distilleries (4), grain distillery (1)	Scotland, UK	Owned
Bottling facility	Scotland, UK	Leased
Warehouses	Scotland, UK	Owned; leased
Winery	Mexico	Owned
Several parcels for McDonald's use	Various locations	Owned
Lot – Citiwood Heights	EDSA, Quezon City	Owned
Condominium Units and Subdivision Lots Under Development – Megaworld		
Uptown Parksuites Residence	Fort Bonifacio, Taguig City	Joint Venture
The Albany Luxury Residences- Kingsley	McKinley West, Fort Bonifacio	Joint Venture
One Eastwood Avenue 2	Eastwood City, Quezon City	Owned
Lafayette Park Square	Iloilo City	Owned
The Palladium	Iloilo City	Owned
The Ellis	Makati City	Owned
Eastwood Global Plaza Luxury Residence	Eastwood, Quezon City	Owned
San Antonio Residences East and West	Gil Puyat Ave., Makati City	Owned
Forbes Hill	Northhill Gateway, Bacolod	Joint Venture
Saint Dominique	Iloilo City	Owned
Saint Honore	Iloilo City	Owned
Maple Grove Commercial District	General Trias, Cavite	Joint Venture
Vion Tower	Pasong Tamo, Makati City	Joint Venture
La Victoria Global Residences	Mactan Newtown, Cebu	Owned
One Regis	The Upper East, Bacolod City	Owned
Park McKinley West	McKinley West, Fort Bonifacio	Joint Venture
Uptown Arts	Uptown Bonifacio, Taguig	Joint Venture
18 Avenue de Triomphe	Arcovia City, Pasig City	Owned
The Verdin at Maple Grove	General Trias, Cavite	Owned
Two Regis	The Upper East, Bacolod City	Owned
Manhattan Plaza Tower 2	Quezon City	Joint Venture
St. Mark Residences	McKinley Hill	Owned
The Albany Luxury Residences- Yorkshire	McKinley Hill	Joint Venture
Arcovia Palazzo-Altea	Arcovia City, Pasig City	Owned
Arcovia Palazzo-Benissa	Arcovia City, Pasig City	Owned
Arcovia Palazzo- Cantabria	Arcovia City, Pasig City	Owned
Arden Botanical Village	Trece Martires City	Joint Venture
Kingsquare Residence	Sta. Cruz, Manila	Owned
La Cassia Residences	General Trias, Cavite	Owned
The Pinnacle	Iloilo City	Owned
The Pearl Global Residences	Mactan Newtown, Cebu	Owned
One Manhattan	The Upper East, Bacolod City	Owned
Condominium Units in Completed Projects– Megaworld		
	Makati City	Owned

Description	Location	Owned/Limitations on Ownership
One Central	Makati City	Owned
Greenbelt Madison	Makati City	Owned
Greenbelt Chancellor	Makati City	Owned
Greenbelt Radisson	Makati City	Joint Venture
Greenbelt Excelsior	Makati City	Owned
Greenbelt Hamilton 1 & 2	Makati City	Owned
Paseo Parkview Suites 1,2	Makati City	Owned
Two Central	Makati City	Owned
Paseo Heights	Makati City	Owned
Three Central	Makati City	Joint Venture
The Manhattan Square	McKinley Hill	Owned
Viceroy 1-4	McKinley Hill	Joint Venture
115 Upper McKinley	McKinley Hill	Joint Venture
McKinley Hill Garden Villas	McKinley Hill	Joint Venture
Tuscany Private Estate	McKinley Hill	Owned
Stamford Executive Residences	McKinley Hill	Owned
Morgan Suites Executive Residences		
The Venice Luxury Residences - Alessandro	McKinley Hill	Owned
The Venice Luxury Residences – Bellini	McKinley Hill	Owned
The Venice Luxury Residences – Carusso	McKinley Hill	Owned
The Venice Luxury Residences – Domenico	McKinley Hill	Owned
The Venice Luxury Residences – Emanuele	Fort Bonifacio	Joint Venture
The Bellagio 1,2,3	Fort Bonifacio	Joint Venture
Forbeswood Heights	Fort Bonifacio	Joint Venture
Forbeswook Parklane 1 & 2	Fort Bonifacio	Joint Venture
8 Forbestown Road	Fort Bonifacio	Joint venture
One Uptown Residence	Mactan Newtown, Cebu City	Owned
8 Newtown Boulevard	Mactan Newtown, Cebu City	Owned
One Pacific Residence	Newport City	Joint Venture
150 Newport Boulevard	Newport City	Joint Venture
The Parkside Villas	Newport City	Joint Venture
The Residential Resort at Newport	Newport City	Joint Venture
Palm Tree Villas -1 & 2	Eastwood City	Owned
Eastwood Le Grand 1 - 3	Eastwood City	Owned
Eastwood Parkview 1 & 2	Newport, Pasay City	Joint Venture
81 Newport Boulevard	Newport, Pasay City	Joint Venture
101 Newport Boulevard	Eastwood City, Quezon City	Owned
One Eastwood Avenue 1	Eastwood City	Owned
Grand Eastwood Palazzo	Eastwood City	Owned
One Central Park	Eastwood City	Owned
One Orchard Road 1 - 3	Eastwood City	Owned
The Eastwood Excelsior	Eastwood City	Owned
The Eastwood Lafayette 1,2,3	Makati City	Owned
One Lafayette Square	Makati City	Owned
Two Lafayette Square	Manila City	Owned
Marina Square Suites	San Juan City	Joint Venture
Greenhills Heights	Quezon City	Owned
Golfhill Gardens	Quezon City	Joint Venture
Manhattan Parkway 1-3	Quezon City	Joint Venture
Manhattan Heights Tower A - D	Quezon City	Joint Venture
Manhattan Parkview 1-3	Quezon City	Joint Venture
Manhattan Parkview Garden	Old Balara, Quezon City	Joint Venture
Golf Hills Terraces	Cubao, Quezon City	Owned
Kentwood Heights	Cubao, Quezon City	Owned
Narra Heights	McKinley West, Taguig City	Joint Venture
Mckinley West Subdivision	Mactan Newtown, Cebu City	Owned
Savoy Hotel Mactan Newtown		
El Jardin Del Presidente 1,2	Quezon City	Owned
8 Wack Wack Road	Mandaluyong City	Owned
Wack Wack Heights	Mandaluyong City	Owned
Cityplace Binondo A&B	Manila City	Owned
One Beverly Place	San Juan	Joint Venture
Iloilo Boutique Hotel	Iloilo City	Owned
One Madison Place 1-3	Iloilo City	Owned
The Venice Luxury Residences - Fiorenzo	Fort Bonifacio	Owned

Description	Location	Owned/Limitations on Ownership
Greenbelt Parkplace	Makati City	Owned
Belmont Luxury Hotel	Newport, Pasay City	Joint Venture
Savoy Hotel	Newport, Pasay City	Joint Venture
Brentwood Heights	Parañaque City	Owned
Sherwood Heights	Parañaque City	Owned
Uptown Ritz Residence	Fort Bonifacio, Taguig City	Joint Venture
St. Moritz Private Estate 1 & 2	McKinley West, Fort Bonifacio	Joint Venture
Manhattan Plaza Tower 1	Quezon City	Joint Venture
One Machester Place 1 & 2	Mactan Newtown, Cebu	Owned
Salcedo SkySuites	Makati City	Owned
Noble Place	Binondo, Manila City	Joint Venture
The Florence 1-3	McKinley Hill	Owned
Rental Properties - Megaworld⁽¹⁾		
Paseo Center	Makati City	Owned
The World Centre	Makati City	Owned
California Garden Square Retail	Mandaluyong City	Owned
City Place Retail Mall	Manila City	Owned
Lucky Chinatown Mall	Manila City	Owned
One Beverly Place Retail	San Juan	Owned
Corinthian Hills Retail	Quezon City	Owned
Global One	Eastwood City	Owned
Techno Plaza 1	Eastwood City	Owned
Techno Plaza 2 Units	Eastwood City	Joint Venture
1800 Eastwood Avenue	Eastwood City	Owned
1880 Eastwood Avenue	Eastwood City	Owned
Cyber One Units	Eastwood City	Owned
IBM Plaza	Eastwood City	Owned
ICITE	Eastwood City	Owned
Eastwood Citywalk	Eastwood City	Owned
Eastwood Mall	Eastwood City	Owned
Cyber Mall	Eastwood City	Owned
E-Commerce Plaza	Eastwood City	Owned
Eastwood Global Plaza Corporate Center	Eastwood City	Owned
Commerce and Industry Plaza	McKinley Hill	Ground Lease
One Campus Place	McKinley Hill	Ground Lease
8 Campus Place	McKinley Hill	Ground Lease
8 Upper McKinley	McKinley Hill	Owned
Science Hub Towers	McKinley Hill	Ground Lease
The Venice Piazza	McKinley Hill	Ground Lease
Three World Square	McKinley Hill	Owned
Two World Square	McKinley Hill	Owned
One World Square	McKinley Hill	Owned
McKinley Parking building	McKinley Hill	Owned
Venice Corporate Center	McKinley Hill	Ground Lease
The Venice Canal Mall	McKinley Hill	Ground Lease
Woodridge Residences	McKinley Hill	Joint Venture
Tuscany Retail	McKinley Hill	Joint Venture
Southeast Asian Campus	McKinley Hill	Ground Lease
Burgos Circle	Fort Bonifacio, Taguig City	Joint Venture
Uptown Parade	Uptown Bonifacio, Taguig City	Joint Venture
Uptown Place Mall	Uptown Bonifacio, Taguig City	Joint Venture
One World Center	Mactan Newtown, Cebu	Owned
Two World Center	Mactan Newtown, Cebu	Owned
Richmonde Tower	Iloilo Business Park, Iloilo City	Owned
One Global Center	Iloilo Business Park, Iloilo City	Owned
Emperador Steel Parking Building	Fort Bonifacio, Taguig City	Ground Lease
Uptown Place Towers	Uptown Bonifacio, Taguig City	Joint Venture
8 Newtown Boulevard	Mactan Newtown, Cebu	Owned
One Techno Place	Iloilo Business Park, Iloilo City	Owned
Two Global Center	Iloilo Business Park, Iloilo City	Owned
Festive Walk Mall Annex	Iloilo Business Park, Iloilo City	Owned
Festive Walk Office Tower	Iloilo Business Park, Iloilo City	Owned
Festive Walk Mall	Iloilo Business Park, Iloilo City	Owned
Festive Walk Parade 2B	Iloilo Business Park, Iloilo City	Owned
Mactan Alfresco	Mactan Newtown, Cebu	Owned
Tower One Plaza Magellan	Mactan Newtown, Cebu	Owned

Description	Location	Owned/Limitations on Ownership
McKinley Hill (Phase 3) Lots	McKinley Hill	Ground Lease
One West Campus	McKinley West, Taguig City	Joint Venture
Two West Campus	McKinley West, Taguig City	Joint Venture
Three West Campus	McKinley West, Taguig City	Joint Venture
Five West Campus	McKinley West, Taguig City	Joint Venture
Six West Campus	McKinley West, Taguig City	Joint Venture
Eight West Campus	McKinley West, Taguig City	Joint Venture
Ten West Campus	McKinley West, Taguig City	Joint Venture
McKinley West Steel Deck Parking	McKinley West, Taguig City	Joint venture
331 Building	Makati City	Owned
Three Techno Place	Iloilo Business Park, Iloilo City	Owned
81 Newport Square	Newport City, Pasay City	Joint Venture
Davao Finance Center	Davao Park District, Davao City	Owned
Arcovia Parade Retail 1 & 2	Arcovia City, Pasig City	Owned
Two Techno Place	Iloilo Business Park, Iloilo City	Owned
Pacific World Tower	Mactan Newtown, Cebu	Owned
The Newtown School of Excellence	Mactan Newtown, Cebu	Owned
World Commerce Place 1-3	Uptown Bonifacio, Taguig City	Joint Venture
One Fintech Place	Iloilo City	Owned
Two Fintech Place	Iloilo City	Owned
One Le Grand Tower	McKinley West, Taguig City	Joint Venture
Hotels		
The Richmond Hotel ⁽²⁾	Mandaluyong City	Owned
Eastwood Richmond Hotel ⁽²⁾	Quezon City	Owned
Belmont Luxury Hotel	Newport City, Pasay City	Joint Venture
Richmonde Hotel Iloilo	Iloilo Business Park, Iloilo City	Owned
Hotel Lucky Chinatown	Manila City	Owned
Condotels under development		
Belmont Hotel Mactan Newtown	Mactan Newtown, Cebu	Owned
Belmont Hotel Iloilo	Iloilo Business Park, Iloilo City	Owned
Completed Projects – Empire East		
Little Baguio Gardens	San Juan, Metro Manila	Owned
Laguna BelAir 1 and 2	Don Jose, Sta. Rosa, Laguna	Joint Venture
Governors Place	Mandaluyong City	Joint Venture
Gilmore Heights	Gilmore Ave. cor N.Domingo, Quezon City	Joint Venture
Kingswood Tower	Makati City	Joint Venture
San Francisco Gardens	Mandaluyong City	Joint Venture
Greenhills Garden Square	Santolan Road, Quezon City	Owned
Central Business Park	Manggahan, Pasig City	Owned
Xavier Hills	Quezon City	Joint Venture
California Garden Square	Libertad St., Mandaluyong City	Owned
Laguna BelAir 3	Biñan, Laguna	Owned
Laguna BelAir 4	Sta. Rosa City	Owned
San Lorenzo Place	Makati City	Joint Venture
The Sonoma	Sta. Rosa City	Joint Venture
The Cambridge Village	Cainta, Rizal	Owned
Little Baguio Terraces	San Juan, Metro Manila	Joint Venture
Ongoing Projects- Empire East		
Pioneer Woodlands	Mandaluyong City	Joint Venture
The Paddington Place	Mandaluyong City	Owned
The Rochester	Pasig City	Owned
Covent Gardens	Sta. Mesa, Manila	Owned
Kasara Urban Resort Residences	Eagle St., Pasig City	Owned
Southpoint Science Park	Gimalas, Balayan, Batangas	Owned
Mango Tree Residences	San Juan City	Owned
Subdivisions, condominiums, condotels, townhouses and leisure development projects - GERI:		
8 Sto. Domingo Place	Quezon City	Joint Venture
Caliraya Springs	Cavinti, Laguna	Joint Venture

Description	Location	Owned/Limitations on Ownership
Cathedral Heights	Quezon City	Joint Venture
Capitol Plaza	Quezon City	Co-development
Fairways & Bluewater	Boracay, Aklan	Owned
Eastland Heights (Forest Hills)	Antipolo City	Joint Venture
Goldridge Estate	Guiguinto, Bulacan	Joint Venture
Holiday Homes	Gen. Trias, Cavite	Joint Venture
Lakefront Esplanade	Cavinti, Laguna	Joint Venture
Magnificat Executive Village	Lipa, Batangas	Joint Venture
Mango Orchard Plantation	Naic, Cavite	Joint Venture
Manila Southwoods	Carmona & GMA Cavite	Joint Venture
Monte Cielo De Naga	Naga City	Joint Venture
Monte Cielo De Peñafrancia	Naga City	Joint Venture
Mountain Meadows	Cagayan De Oro	Joint Venture
Newcoast Village	Malay, Aklan	Owned
Newcoast Shophouse District	Malay, Aklan	Joint Venture
Newcoast Boutique Hotel	Malay, Aklan	Joint Venture
Newport Hills	Lian, Batangas	Joint Venture
Nasugbu Harbour Town	Nasugbu, Batangas	Joint Venture
Northpointe	Baguio City	Joint Venture
Pahara at Southwoods	GMA, Cavite	Joint Venture
Palacio Real	Calamba, Laguna	Joint Venture
Palmridge Point	Talisay, Batangas	Joint Venture
Parco Bello	Muntinlupa City	Joint Venture
Alabang West	Las Piñas City	Joint Venture
Plaridel Heights	Plaridel, Bulacan	Joint Venture
Puerto Del Mar	Lucena City	Joint Venture
Residencia Lipa	Lipa, Batangas	Joint Venture
Riverina	San Pablo City	Joint Venture
Savoy Hotel Boracay	Malay, Aklan	Owned
Sta. Barbara Heights Residential Estate	Sta. Barbara, Iloilo	Joint Venture
Sta. Barbara Heights Shophouse District	Sta. Barbara, Iloilo	Joint Venture
Domaine Le Jardin	Laurel, Batangas	Owned
Tierra Vista	Lipa, Batangas	Joint Venture
Windsor Heights	Tagaytay	Joint Venture
Vineyard Residences	Laurel, Batangas	Owned
Villa Maria*	Fairways&Bluewater,Boracay	Owned
Villa Margarita*	Fairways&Bluewater,Boracay	Owned
Villa Michaela*	Fairways&Bluewater,Boracay	Owned
Villa Lucia*	Fairways&Bluewater,Boracay	Owned
Villa Catalina*	Fairways&Bluewater,Boracay	Owned
Villa Vittoria*	Fairways&Bluewater,Boracay	Owned
Villa Muligan*	Fairways&Bluewater,Boracay	Owned
Holland Park	Biñan, Laguna	Joint Venture
Tulip Gardens	Biñan, Laguna	Joint Venture
Oceanway Residences	Malay, Aklan	Owned
Belmont Hotel Boracay*	Malay, Aklan	Owned
Savoy Hotel Boracay*	Malay, Aklan	Owned
Chancellor Hotel Boracay*	Malay, Aklan	Owned
Ocean Garden Villas	Malay, Aklan	Owned
Lucerne at Domaine Le Jardin	Laurel, Batangas	Owned
The Belvedere	Laurel, Batangas	Owned
Vineyard Manor	Laurel, Batangas	Owned
Twin Lakes Hotel*	Laurel, Batangas	Owned
The Hamptons Village	Cavinti, Laguna	Joint Venture
The Fifth	Pasig City	Joint Venture
The Lindgrenat Arden Botanical Estate	Trece Martires City, Cavite	Joint Venture
Rental Properties- GERI		
Southwoods Mall	Biñan, Laguna	Owned
Southwoods Office Towers	Biñan, Laguna	Owned
Twin Lakes Shopping Village	Laurel, Batangas	Owned
Renaissance 1000 (Office Tower)	Pasig City	Owned
Alabang West Parade	Las Piñas City	Owned

Description	Location	Owned/Limitations on Ownership
Hotels under Travellers		
Marriott Hotel Manila	Newport City	Owned
Maxims Hotel	Newport City	Owned
Holiday Inn Express Manila Newport City	Newport City	Owned
Hilton Manila	Newport City	Owned
Sheraton Manila Hotel	Newport City	Owned
Courtyard by Marriott Iloilo	Iloilo City	Owned
Hotel Okura Manila	Newport City	Owned

Notes:

- (1) Lease terms and rental rates vary depending on the property and the lessee.
- (2) The Richmond Hotel and Eastwood Richmond Hotel are operated by a subsidiary of Megaworld.
- * Hotel operations under GERI.

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

The following site map details the principal properties owned or leased by Travellers, including those reserved for future developments as of December 31, 2020.



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

3. LEGAL PROCEEDINGS

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

4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

a. Market Information

The Company's common shares are traded on the Philippine Stock Exchange under the symbol of AGI. The closing price of the said shares on March 31, 2021 is P10.64. The trading prices of the said shares for each quarter within the last two years and subsequent interim period are set forth below:

	2019				2020				2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
High	16.30	16.50	16.20	12.06	11.54	7.70	7.28	11.12	11.08
Low	11.74	13.12	10.70	10.34	5.30	5.61	5.44	6.93	9.14

(Source: PSE Research Dept.)

b. Shareholders

As of March 31, 2021, the Company has 1,214 stockholders, including nominees, holding 9,669,352,779 common shares and the Top Twenty Stockholders were as follows:

Rank	Stockholder	No. of Shares Held	Per Cent to Total
1	The Andresons Group, Inc.	4,580,978,294 ⁱ	47.376
2	PCD Nominee Corporation (Non-Filipino) ⁱⁱ	1,594,991,356	16.495
3	PCD Nominee Corporation (Filipino)	1,565,383,409 ⁱⁱⁱ	16.190
4	Altavision Resources, Inc.	887,678,334	9.180
5	Yorkshire Holdings, Inc.	255,773,508	2.645
6	Asiagroup Holdings, Inc.	220,004,000	2.275
7	Grand Belair Holdings, Inc.	220,004,000	2.275
8	California Orchard Growers Investments, Inc.	120,000,000	1.241
9	Eastwood Property Holdings, Inc.	112,600,000	1.165
10	Andrew L. Tan	63,684,350	0.659
11	Andresons Global, Inc.	30,088,596	0.311
12	Megaworld Cebu Properties, Inc.	10,000,000	0.103
13	Kingson Uy Siok Sian	5,001,100	0.052
14	Lucio W. Yan &/or Clara Y. Yan	1,000,000	0.010
15	First Centro, Inc.	364,200	0.004
16	Jianhua Su	202,500	0.002
17	American Wire & Cable Co., Inc.	200,000	0.002
18	Ramon Garcia	100,000	0.001
19	Rupesh S. Narvekar	100,000	0.001
20	Sang Won Lee	52,500	0.001

Please refer to Item 11 on page 78 for stockholders holding 5% or more.

ⁱIncludes 8,844,200 common shares owned by The Andresons Group, Inc. lodged with PCD Nominee Corporation (Filipino)

ⁱⁱPCD Nominee Corporations (Non-Filipino and Filipino) is comprised of several nominees and the participants with 5% or more are indicated in Security Ownership on page 78.

ⁱⁱⁱExcludes 8,844,200 common shares owned by The Andresons Group, Inc.

c. Dividends in the Two Most Recent Years And Subsequent Interim Period

It is the Company's policy to periodically declare a portion of its unrestricted retained earnings as dividend usually in the third quarter of each year. The declaration of dividends depends upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends out of its unrestricted retained earnings only. Unrestricted retained earnings represent the net accumulated earnings of the Company, with its capital unimpaired, which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of

property, or by the issue of shares of stock. Cash dividends are subject to the approval by the Board of Directors (BOD). Stock dividends are subject to the approval by both the BOD and at least two-thirds (2/3) of the outstanding capital stock of the stockholders at a stockholders' meeting called for such purpose.

In 2020, the Company declared cash dividends of Php0.05 per share payable on January 6, 2021 to all stockholders of record as of December 15, 2020. No dividends were declared in 2019.

d. Recent Sales or Issuance of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction, Within the Past Three Years

The Company does not have any recent sales or issuance of unregistered or exempt securities, including issuance of securities constituting an exempt transaction in the past three years.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

a. Key Performance Indicators – Top Five

	2020	2019	2018	2017	2020 YoY	2019 YoY	2018 YoY
REVENUES	128,790	179,989	156,775	138,789	-28.45%	14.81%	12.96%
NET PROFIT	10,260	27,100	23,665	22,276	-62.14%	14.51%	6.24%
NET PROFIT TO OWNERS	8,829	17,722	15,114	15,192	-50.18%	17.25%	-0.51%
Net profit rate	7.97%	15.06%	15.09%	16.05%			
NP Attributable to parent	6.86%	9.85%	9.64%	10.95%			
Return on investment/assets [NP/TA]	1.53%	4.20%	4.02%	4.16%			
	Dec-20	Dec-19	Dec-18	Dec-17			
TOTAL ASSETS	668,493	644,476	588,240	535,612	3.73%	9.56%	9.83%
CURRENT ASSETS	316,397	301,176	280,124	250,043	5.05%	7.52%	12.03%
CURRENT LIABILITIES	155,833	130,699	94,826	96,733	19.23%	37.83%	-1.97%
Current ratio	2.03	2.30	2.95	2.58			
Quick ratio	0.94	1.05	1.28	1.19			

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

b. Discussion and Analysis of Operations

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

b.1. Results Of Operations – By Subsidiary Groups

<i>In Million Pesos</i>	MEG	EMP	RWM	GADC	Others	TOTAL
2020						
Revenues	43,471	52,741	12,292	20,715	9,739	138,958
Intercompany/ Adjustment	(379)	(21)	(302)	(61)	(9,405)	
Consolidated	43,092	52,720	11,990	20,654	334	128,790
% contribution	33%	41%	9%	16%	0%	100%
Costs and expenses	29,535	43,305	17,770	21,457	2,614	114,680
Intercompany/ Adjustment	(28)	(433)	(201)	(113)	(19)	
Consolidated	29,506	42,872	17,569	21,343	2,594	113,884

<i>In Million Pesos</i>	MEG	EMP	RWM	GADC	Others	TOTAL
Tax Expense	3,348	1,399	26	(145)	18	4,646
Net profit	10,589	8,037	(5,504)	(596)	7,108	19,633
Intercompany/ Adjustment	(351)	412	(101)	52	(9,386)	
Consolidated	10,238	8,449	(5,605)	(544)	(2,278)	10,260
% contribution	100%	82%	-55%	-5%	-22%	100%
Net profit to owners	9,886	7,967	(5,500)	(580)	7,108	18,881
Intercompany/ Adjustment	(2,870)	(826)	2,682	348	(9,386)	
Consolidated	7,016	7,141	(2,818)	(232)	(2,278)	8,829
% contribution	79%	81%	-32%	-3%	-26%	100%
2019	MEG	EMP	RWM	GADC	Others	TOTAL
Revenues	67,313	51,547	29,062	32,255	5,160	185,337
Intercompany/ Adjustment	(492)	(40)	(624)	-	(4,192)	
Consolidated	66,821	51,507	28,438	32,255	968	179,989
% contribution	37%	29%	16%	18%	1%	100%
Costs and expenses	41,935	43,067	28,031	29,450	2,641	145,124
Intercompany/ Adjustment	(30)	(634)	(223)	(104)	(14)	
Consolidated	41,905	42,433	27,808	29,346	2,627	144,119
Tax Expense	6,082	1,647	91	911	39	8,770
Net profit	19,296	6,833	941	1,894	2,479	31,443
Intercompany/ Adjustment	(462)	594	(401)	104	(4,178)	
Consolidated	18,834	7,427	540	1,998	(1,699)	27,100
% contribution	69%	27%	2%	7%	-6%	100%
Net profit to owners	17,931	6,726	945	1,889	2,480	29,971
Intercompany/ Adjustment	(5,900)	(414)	(880)	(859)	(4,196)	
Consolidated	12,031	6,312	65	1,030	(1,716)	17,722
% contribution	68%	36%	0%	6%	-10%	100%
2018	MEG	EMP	RWM	GADC	Others	TOTAL
Revenues	57,261	47,038	22,522	28,620	5,433	160,874
Intercompany/ Adjustment	(366)	7	(110)		(3,630)	
Consolidated	56,895	47,045	22,412	28,620	1,803	156,775
% contribution	36%	30%	14%	18%	1%	100%
Costs and expenses	35,883	38,601	20,938	26,213	3,562	125,197
Intercompany/ Adjustment	(56)	(28)	(31)	(89)	9	
Consolidated	35,827	38,573	20,907	26,124	3,571	125,002
Tax Expense	5,544	1,608	145	758	53	8,108
Net profit	15,834	6,829	1,439	1,649	1,818	27,569
Intercompany/ Adjustment	(310)	35	(79)	89	(3,639)	
Consolidated	15,524	6,864	1,360	1,738	(1,821)	23,665
% contribution	66%	29%	6%	7%	-8%	100%
Net profit to owners	15,208	6,658	1,444	1,646	1,819	26,775
Intercompany/ Adjustment	(5,288)	(1,111)	(871)	(751)	(3,640)	
Consolidated	9,920	5,547	573	895	(1,821)	15,114
% contribution	66%	37%	4%	6%	-12%	100%
2017	MEG	EMP	RWM	GADC	Others	TOTAL
Revenues	50,116	42,649	18,801	25,907	6,222	143,695
Intercompany/ Adjustment	(173)		(50)		(4,683)	
Consolidated	49,943	42,649	18,751	25,907	1,539	138,789
% contribution	36%	31%	14%	19%	1%	100%
Costs and expenses	32,346	34,813	18,320	23,501	2,178	111,158
Intercompany/ Adjustment	(1,584)	(31)	(37)	(89)	529	
Consolidated	30,762	34,782	18,283	23,412	2,707	109,946
Tax Expense	4,064	1,503	218	755	27	6,567
Net profit	13,706	6,333	263	1,651	4,017	25,970
Intercompany/ Adjustment	1,411	31	(13)	89	(5,212)	
Consolidated	15,117	6,364	250	1,740	(1,195)	22,276
% contribution	68%	29%	1%	8%	-5%	100%
Net profit to owners	13,023	6,322	261	1,628	4,017	25,251
Intercompany/ Adjustment	(2,772)	(1,125)	(151)	(741)	(5,270)	
Consolidated	10,251	5,197	110	887	(1,253)	15,192
% contribution	67%	34%	1%	6%	-8%	100%

Year-on-year Change	MEG	EMP	RWM	GADC	Others	TOTAL
2020						
Revenues	-35.51%	2.35%	-57.84%	-35.97%	-65.48%	-28.45%
Costs and expenses	-29.59%	1.04%	-36.82%	-27.27%	-1.25%	-20.98%
Tax Expense	-44.95%	-15.07%	-70.93%	-115.95%	-54.94%	-47.03%
Net profit	-45.64%	13.75%	-1137.25%	-127.21%	34.09%	-62.14%
Net profit to owners	-41.68%	13.15%	-4437.73%	-122.50%	32.73%	-50.18%
2019						
Revenues	17.45%	9.49%	26.89%	12.70%	-46.33%	14.81%
Costs and expenses	16.97%	10.00%	33.00%	12.33%	-26.42%	15.29%
Tax Expense	9.69%	2.49%	-37.54%	20.17%	-25.53%	8.17%
Net profit	21.32%	8.22%	-60.27%	14.97%	-6.66%	14.51%
Net profit to owners	21.29%	13.77%	-88.65%	15.01%	-5.76%	17.25%
2018						
Revenues	13.92%	10.31%	19.53%	10.47%	17.17%	12.96%
Costs and expenses	16.47%	10.90%	14.35%	11.58%	31.92%	13.69%
Tax Expense	36.44%	6.94%	-33.65%	0.47%	93.93%	23.47%
Net profit	2.68%	7.86%	444.69%	-0.12%	52.32%	6.24%
Net profit to owners	-3.23%	6.75%	422.69%	1.04%	45.45%	-0.51%

-Amounts are in million Pesos. Numbers may not add up due to rounding off. Percentages are taken based on full numbers, not from the presented rounded amounts.

- At AGI consolidated level, as presented above, revenues and costs and expenses may not tally the totals as separately reported by subsidiaries as there may be items reclassified from/to revenues to/from costs or expenses at AGI consolidated level.

-RWM revenues are presented net of promotional allowance.

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

<i>In Million Pesos</i>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2020 vs 2019</u>	<u>2019 vs 2018</u>	<u>2018 vs 2017</u>
REVENUES							
Sale of goods	77,015	93,520	85,276	77,352	-17.65%	9.67%	10.24%
Consumer goods	52,156	50,916	47,608	43,237	2.44%	6.95%	10.11%
Revenues from real estate (RE) sales	24,859	42,604	37,668	34,115	-41.65%	13.11%	10.41%
Rendering of services	47,541	81,043	66,177	58,292	-41.34%	22.46%	13.53%
Gaming	13,291	27,645	20,016	17,115	-51.92%	38.11%	16.95%
Less: Promotional allowance	3,893	6,099	4,134	2,540	-36.17%	47.52%	62.77%
Net Gaming	9,398	21,546	15,882	14,575	-56.38%	35.67%	8.96%
Sales by company-operated quick-service restaurants	18,045	28,769	25,605	23,070	-37.28%	12.36%	10.99%
Franchise revenues	1,764	3,195	2,728	2,470	-44.78%	17.10%	10.45%
Rental income	13,170	17,326	14,741	12,458	-23.99%	17.53%	18.33%
Other services	5,163	10,207	7,221	5,719	-49.42%	41.36%	26.25%
Hotel operations	3,581	7,546	5,005	4,187	-52.54%	50.76%	19.55%
Other services	1,581	2,661	2,216	1,532	-40.57%	20.12%	44.55%
Share in net profits of associates and joint ventures	115	180	291	273	-36.12%	-38.07%	6.78%
Finance and other income	4,119	5,246	5,031	2,872	-21.47%	4.26%	75.20%
TOTAL	128,790	179,989	156,775	138,789	-28.45%	14.81%	12.96%

In Million Pesos	2020	2019	2018	2017	2020 vs 2019	2019 vs 2018	2018 vs 2017
COSTS AND EXPENSES							
Cost of goods sold	49,668	57,085	51,609	46,044	-12.99%	10.61%	12.09%
Consumer goods sold	35,877	33,705	31,274	28,003	6.44%	7.77%	11.68%
RE sales	13,791	23,380	20,335	18,041	-41.02%	14.97%	12.72%
Cost of services	27,289	41,261	34,962	30,022	-33.86%	18.01%	16.46%
Gaming	5,562	11,127	8,546	7,748	-50.02%	30.19%	10.30%
Services	21,728	30,134	26,416	22,274	-27.90%	14.07%	18.60%
Other operating expenses	29,277	38,653	31,578	26,996	-24.26%	22.41%	16.97%
Selling and marketing	10,056	16,167	13,529	10,942	-37.80%	19.50%	23.64%
General and administrative	19,222	22,486	18,049	16,054	-14.52%	24.58%	12.42%
Finance costs and other charges	7,650	7,120	6,853	6,884	7.44%	3.90%	-0.45%
TOTAL	113,884	144,119	125,002	109,946	-20.98%	15.29%	13.69%
TAX EXPENSE	4,646	8,770	8,108	6,567	-47.03%	8.17%	23.47%
NET PROFIT	10,260	27,100	23,665	22,276	-62.14%	14.51%	6.24%

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

For the Year Ended December 31, 2020 vs. 2019

The year 2020 was an unusual year as it brings unprecedented challenges due to COVID-19 pandemic. The pandemic, which put the Philippines in a state of calamity from March 17, is still sweeping globally as of date of this report. To curb the spread of this novel coronavirus, the governments across the world have implemented safety protocols, stay-at-home orders and varying degrees of lockdown [called community quarantine (“CQ”)³ in the Philippines]. At the onset, the entire Luzon, its associated islands, and practically the whole country were under ECQ for two months, which paralyzed all non-essential activities and public transportation. By the end of the year, most of the country was already under the more relaxed MGCQ while Metro Manila, Batangas, and the cities of Iloilo, Davao and Tacloban continued to be under GCQ.

The Group has conducted business operations in compliance with government directives and protocols amidst complex challenges brought by the localized CQ measures which include non-essential business suspensions, limited public transportation and public gathering restrictions. In all allowed activities and public/work places, the minimum public health standards are followed at all times and contactless connections are promoted. Prolonged physical meetings are discouraged, online interactions are encouraged, and alternative work arrangements such as shifts, rotation, skeletal force and work-from-home are implemented. Transport service and health and safety guards (face masks, face shields, alcohol, vitamin C and personal protective equipment) are provided to employees and workers. By the end of the year, public transportation, dine-in services and mass gatherings are still limited at about 50% capacity; curfew is still in effect; and only hotels with accreditation from the Department of Tourism are allowed to accommodate guests and clients.

The Group has diversified revenue streams, either by type of products or by geographic locations, that help mitigate the impact of the pandemic-related lockdown restrictions. The complex challenges of the CQ measures resulted in a downturn in the Group’s growth trajectory with revenues and income, net profit, and net profit to owners sliding by 28%, 62% and 50%, respectively, as compared to a year ago, to end the year with P128.8 billion **revenues and income**, P10.3 billion **net profit** and P8.8 billion **net profit to owners**. Net losses were reported by Travellers and GADC that further pulled down the consolidated bottom line. Nevertheless, **net profit rate** was registered at 8% as compared to 15% a year ago, while **net-profit-to-owners rate** was at 7% versus 10% a year ago.

The Group saw 22%, 77% and 48% growths quarter-on-quarter in revenues and income, net profit and net profit to owners in fourth quarter, respectively, as the COVID-19 restrictions gradually eased

³ Community Quarantine (CQ) restricts movement of individuals within, into or out of an area to reduce the likelihood of transmission of infection. There are four stages depending on the infection cases in a certain community: i) beginning with the most stringent Enhanced CQ (ECQ), which in effect is a total lockdown, followed by ii) Modified ECQ (MECQ), iii) General CQ (GCQ), and iv) Modified GCQ (MGCQ) before it finally goes to the new normal. Under ECQ, which is effectively a total lockdown, all individuals (except front liners) were ordered to stay at home as public transportation was suspended and only essential businesses were allowed to operate. The restrictions ease out through the stages. Safety and health protocols are standard in all stages – 1-meter physical distance, face masks and face shields, and frequent washing with soap or alcohol.

towards the Christmas season.

Megaworld, one of the country's property giants, reported year-on-year declines in its revenues and income, net profit and net profit to owners of 35%, 45% and 45%, respectively, which reportedly amounted to P43.5 billion, P10.6 billion and P9.9 billion, respectively, due to curtailment in activities brought by the pandemic restrictions. Net profit rate remained healthy at 24% as compared to 29% a year ago. Through continuous innovation and strengthened relationships with customers and retail partners, the group was able to preserve profitability.

Real estate sales amounted to P24.9 billion, down 42% from P42.6 billion a year ago due to fewer reservations, limited selling activities and restricted construction activities. Megaworld implemented more flexible payment terms during the lockdown period. Sales reservations amounted to P68.1 billion during the year, with around P7.8 billion worth of new project launches particularly in The Upper East Bacolod, Iloilo Business Park, Capital Town Pampanga and Hamptons Caliraya Laguna. The Megaworld-GERI-Empire East-Suntrust/SLI brands turned over 52-15-17-16 of real estate sales. The brands sold well in Quezon City, Pasig City, Pasay City and Taguig which constitute 53% of real estate sales.

Rental income slid 23% to P12.9 billion primarily due to temporary closure of malls, rent concessions and lower foot traffic on reopening. Rentals from its office leasing arm, Megaworld Premier Offices amounted to P10.4 billion, at about the same level as last year. Around 135-thousand sqm of fresh office spaces were leased out in Iloilo, Quezon City and Fort Bonifacio, mainly for expansion programs of existing office partners and the rest from new clients. Around 145-thousand sqm of office spaces were also renewed by various company tenants during the year. Around 87-thousand sqm of office spaces were completed during the year, bringing the total leasable office inventory to 1.4 million sqm. Megaworld Lifestyle Malls brought in P2.5B rentals. Megaworld offered deferment of monthly rent without penalty until the end of the year and waived certain rental charges of mall tenants and retail partners affected by the lockdown when non-essential shops were temporarily closed.

Revenues from the hotel business shrank 42% to P1.5 billion due to temporary closure of hotels, travel bans and limited hotel operations allowed under CQ guidelines for the tourism and hospitality industry. Since dine-in is still restricted, Megaworld hotels began offering curated gourmet meals available for pick-up, take-out and delivery.

In the last quarter of 2020, however, remarkable signs of recovery were seen as real estate grew 22%, lifestyle malls 24% and hotels 25%, quarter-on-quarter as the quarantine measures eased for the holiday season.

Megaworld group's operating results brought in 33%, 100% and 79% of AGI's consolidated revenues and income, net profit and net profit to owners, respectively.

Emperador, the world's largest brandy company and owner of the world's 5th largest Scotch whisky manufacturer in the world, exhibited strong results during the year amidst the pandemic challenges. Net profit to owners soared 18% year-on-year to a record-high of P8.0 billion while revenues went up 2% year-on-year to reported P52.8 billion, attesting to the strength of the Group's diversified portfolio and global operations. While on-trade and global travel retail had been affected by the lockdowns and liquor bans, EMP group took advantage of the buoyant off-trade and e-commerce channels as well as new open markets to increase sales. Emperador was able to navigate through the challenges, adapting to the new consumption trends and streamlining efficiencies. Gross profit margin remained healthy at 31% while net profit to owners margin was higher at 15% as compared to 13% a year ago.

The Brandy segment realized a 20% soar in net profit to owners to P5.7 billion from P4.8 billion a year ago as it turned over P36.9 billion revenues from external customers, down 2% year-on-year. The business was affected by the two-month hard lockdown from mid-March up to mid-May, when local production and distribution were completely suspended in compliance with government directive, and the liquor bans imposed in most localities. While Bodegas Fundador was able to continue its regular production and distribution in Jerez, on-trade sales was affected but off-trade and e-commerce were strong and international market resilient. When borders began opening up in June, sales picked up in Europe, Asia and Americas. 'Terry Centenario' remained as the fastest growing brandy and market leader in Spain cornering about one-fourth of the market. 'Emperador' garnered a leading 37% share of the market volume of the top three local manufacturers in the Philippines. The segment's gross profit margin slightly moved to 28% due to product mix and spike of cost inputs from abroad. The segment's

net profit to owners' rate improved to 15% as the group observed prudence in its operating expenditures.

The Scotch Whisky segment ended the year with P16.0 billion revenues to external customers, a 14% surge year-on-year, with net profit to owners growing at the same 14% pace year-on-year to P2.3 billion. Business in UK accelerated during the year as consumers sought out our brands in the off-trade and e-commerce channels while on-trade was effectively shut March-July and restrictions reimposed (so that not all premises were open) from November. Single malts 'Jura' and 'Tamnavulin' captured the first and fifth positions of fastest-growing malt brands in UK while blended 'Whyte & Mackay' captured the fastest-growing blended whisky brand, as their sales soared to double-digit growths in UK. Similarly, sales of 'Harveys' had increased in UK. As markets opened up, exports to Asia picked up from second quarter continuing through the rest of the year. While markets from Europe, Latin America, Africa and Middle East had been affected by the varying stages and degrees of lockdown, good growths were seen for the single malts in North America, developing markets and Europe. Global Travel Retail was the most challenged channel as most airports have remained closed and restricted. The segment's gross profit margin was registered at 36% primarily due to shift in product mix. Tight control on strategic marketing and other operating expenses (normally associated with on-trade and Travel Retail) boosted net profit and net profit rates.

Gross profit margins ("GPM") on consolidated level remained healthy at 31% in 2020 and 34% in 2019. The slight swing was attributed to product mix, spike of inputs abroad and promotional bundling, especially towards the last quarter of the year in time for the Christmas season. The GPMs of the Brandy and Scotch Whisky segments were respectively posted at 28% and 36% in 2020 as compared to 30% and 40% in 2019.

EMP Group accounted for 41% of AGI's consolidated revenues and income, 82% of consolidated net profit and 81% of consolidated net profit to owners.

Travellers, the owner and operator of RWM, among all the business segments, was hit the hardest by the pandemic-related measures imposed by the government that restricted foot traffic, local and international travel and tourism and the accommodation and dining services. These disruptions resulted in 57% decline in net revenues reported for the year to P12.2 billion, not enough to support the cost and expenses that pulled the bottom line 7 times down from P0.9 billion to P5.5 billion in the red.

Gross gaming revenues plunged 52% to P13.3 billion. Casino drops fell 49% year-on-year and blended win rate was at 5%. Average daily property visitation decreased 73% in 2020. The casino layout was rearranged to maximize capacity while strictly adhering to the minimum health protocols.

Non-gaming revenues from hotel accommodations downscaled 58% to P2.1 billion due to check-in decline. Hotel blended occupancy rate averaged 51%. Hotel rooms were converted as temporary quarantine room facilities for Overseas Filipino Workers. 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. Other revenues shrank 60% to P0.7 billion due to restrictions affecting theater, cinemas and mall operations.

In the last quarter of the year, revenues picked up 43% quarter-on-quarter (gaming 44%, non-gaming 40%) while net profit improved 28 times quarter-on-quarter.

Travellers contributed 9%, -55% and -32% to AGI's consolidated revenues and income, consolidated net profit, and consolidated net profit to owners, respectively.

GADC, the master franchise holder of McDonald's in the Philippines which is a strategic partnership with the George Yang group, ended the year with core revenues reaching P19.8 billion and net profit sliding to P0.6 billion in the red, which were 38% and 131% behind last year, respectively. Same-store sales contracted 41% year-on-year while system-wide sales went down 38% from a year ago. The low results were the effects of the long-standing CQ restrictions (in different phases) nationwide that cut foot traffic 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 no or limited dine-in (depending on CQ stage in the locality, up to 50% capacity allowed) at limited hours (due to curfew) and menu (due to available ingredients) from mid-March. Initially, when dine-in and large gatherings were not allowed, about 38% of stores remained

operational; and, as the restrictions gradually eased, more stores resumed operations that by year-end 95% have re-opened as allowed by the local governments where the restaurants are located. A total of sixteen (16) stores were opened while thirty (30) non-performing ones were closed during the year, to end the year with 655 stores as compared to 669 stores at the beginning of the year.

Convenience through its delivery and drive-thru channels significantly contributed to sales recovery, accounting for 19% and 29% of system-wide sales for the year. Within McDelivery, innovation played a critical role as digital sales comprise bulk of total delivery sales - with aggressive expansion and programs with food aggregators like Grab Food and Food Panda, and continued push for the McDelivery app. As delivery boosted growth, McDonald's promoted bundles or group meals for in-home consumption and free delivery for a minimum purchase amount.

Business was already improving in the second half of the year with net profit of P0.4 billion realized in the fourth quarter, a 246% increase quarter-on-quarter, as core revenues increased 25% quarter-on-quarter. System-wide sales in the fourth quarter grew 31% quarter-on-quarter.

The group has maintained positive cash flows from operations during the year and secured funding from local banks, thereby sustaining strong financial position at year-end.

These operating results translated into 16%, -5% and -3% of the consolidated revenues and income, net profit and net profit to owners of AGI and subsidiaries, respectively.

Revenues and other income, as a result of the foregoing, reached P128.8 billion in 2020, a 28% or P51.2 billion drop from P180.0 billion in 2019. **Sale of goods** (real estate, alcoholic beverages, snack products) went down 18% or P16.5 billion to P77.0 billion from P93.5 billion a year ago, due to the 42% decline in real estate sales. **Service revenues** (QSR, gaming, rentals, hotels, cinemas) decelerated 41% or P33.5 billion to P47.5 billion from P81.0 billion a year ago, due to reduction in all revenues under this account. **Share in net profits of associates and joint ventures** decreased by 36% or P65 million, mainly from losses incurred by MEG's associates this year.

Finance and other income went down 21% or P1.1 billion, due to lower interest income and foreign currency gains this year. There were also gains related to finance lease (P0.4 billion) and to sale and dilution of investments (P0.3 billion) in 2019 but none in 2020.

Cost and expenses shrank 21% or P30.2 billion to P113.9 billion from P144.1 billion in 2019. **Cost of goods sold** decreased 13% or P7.4 billion to P49.7 billion in 2020 mainly due to contraction in real estate sales resulting in contraction in related costs. **Cost of services** decreased 34% or P14.0 billion to P27.3 billion for the year due to decline in business activities in gaming and company-owned QSR. **Other operating expenses** also dipped 24% or P9.4 billion to P29.3 billion due to reduced business activities.

Finance costs and other charges went up 7% or P0.5 billion to P7.6 billion mainly from higher interest expense of Travellers, GADC and MEG attributed to their new borrowings during the year.

Tax expense went down 47% or P4.1 billion to P4.6 billion due to lower taxable income of Megaworld, GADC and EMP attributable to reduced business activities during the year.

Net Profit totaled P10.3 billion this year, 62% down year-on-year from P27.1 billion in 2019, with **net profit to owners** down 50% to P8.8 billion.

For the Year Ended December 31, 2019 vs. 2018

The Group continued its growth trajectory in 2019 as **net profit** escalated by 15%, or P3.4 billion year-on-year, to P27.1 billion from P23.7 billion a year ago and **revenues** surged 15%, or P23.2 billion year-on-year to P180.0 billion from P156.8 billion a year ago. **Net profit to owners** reached P17.7 billion, up 17% or P2.6 billion year-on-year.

Megaworld, the country's largest developer and pioneer of integrated urban townships, reported its group net profit and the portion attributable to owners respectively rising 22% and 18% to P19.3 billion (from P15.8 billion) and to P17.9 billion (from P15.2 billion), respectively. Consolidated revenues in 2019 grew 17% to P67.3 billion from P57.4 billion in 2018 with all key segments showing strong performances and reporting double digit growth.

Real estate sales amounted to P42.6 billion, a 12% increase from P38.0 billion a year ago. Sales reservations amounted to P149.0 billion in 2019, with around P85 billion worth of new projects launched which are mostly residential plus two office projects for sale – the One Corporate Place in Maple Grove, Cavite and the International Corporate Plaza in Iloilo Business Park, Iloilo City. Three townships were launched during the year: the 5-ha Lucky Chinatown in Manila, the 251-ha Arden Botanical Estate in Cavite and the 24-ha Empire East Highland City in Cainta, Rizal. The Megaworld-GERI-Empire East-Suntrust/SLI brands turned over 67-14-9-10 of real estate sales.

Rental income from both office and lifestyle mall leasing grew 18% to P16.8 billion from P14.3 billion in 2018. Rentals from its office leasing arm, Megaworld Premier Offices, expanded 20% to P10.5 billion from P8.7 billion as Megaworld was able to complete around 192,300 square meters of new leasable office spaces which brought inventory of leasable office space to 1.3 million square meters at year-end. Megaworld Lifestyle malls brought in rentals of P6.3 billion, growing 14% from P5.5 billion in the previous year. Leasable retail spaces increased by around 20,600 square meters, thus, ending the year with total leasable space of 453,000 square meters.

Revenues from the hotel business soared 67% to P2.5 billion compared to P1.5 billion in 2018 after it opened three hotel properties: Hotel Lucky Chinatown (93 rooms) in Binondo, Manila.; Belmont Hotel Boracay (442 rooms) in Boracay Newcoast, Aklan, and Savoy Hotel Mactan (547 rooms) in Mactan Newtown, Cebu.

Megaworld group's operating results brought in 37% and 69% to AGI's consolidated revenues and net profit, respectively.

Emperador, the world's largest brandy company and owner of the world's 5th largest Scotch whisky manufacturer in the world, reported P51.6 billion revenues in 2019 as compared to P47.1 billion in 2018, rising 10% year-on-year as both of its segments registered growths, resulting in a stable net profit of P6.8 billion. Excluding the P272 million impairment of certain trademarks in 2019, net profit climbed 4.0% to P7.1 billion and the portion attributable to owners rose 5% to P7.0 billion.

The Brandy segment turned over revenues from external customers higher by 12% year-on-year, thereby increasing its share in EMP revenue pie to 73%. Emperador, Fundador and Presidente remained to be the segment's top-selling Philippine, Spanish and Mexican brandy brands, respectively, followed by Spain's Terry and Tres Cepas and Mexico's Don Pedro. On the local front, Emperador Brandy remains the nationwide leader, particularly in key metro cities, amid fierce competition among local brands. Emperador introduced a lighter brandy, Emperador Double light in July 2019 and a bundle pairing 'Apple of My Light' in August 2019. The 'Apple of My Light' is the second pairing of Emperador Light with Club Mix, this time with the Apple Tea Cordial variant. The first pairing bundle called 'Lime Light' pairs Emperador Light with Club Mix Lime Cordial, which came out in August 2018 is still being offered at present. The offshore brandies were seen growing in the Philippines, Spain, Mexico, Guinea and USA.

The Scotch Whisky segment turned over revenues to external customers higher by 4% year-on-year. The business is growing not only in UK but also in other parts of the world, especially in Asia, Greater Europe, USA, Canada, France/ Germany, Latin America and Africa. Most of these territories showed double-digit growths which all together accounted for a big chunk of the segment's revenue. The single malts continued to attract sales. The blended malts further boosted sales.

Gross profit margins ("GPM") on consolidated level remained healthy at 34% in 2019 and 35% in 2018. The slight swing was attributed to product mix and promotional bundling, especially towards the last quarter of the year in time for the Christmas season. The GPMs of the Brandy and Scotch Whisky segments were respectively posted at 30% and 40% in 2019 as compared to 32% and 40% in 2018.

EMP Group accounted for 29% of AGI's consolidated revenues and 27% of AGI's consolidated net profit.

Travellers, the owner and operator of RWM, grew its reported total revenues by 29% year-on-year to P29 billion in 2019 from P22 billion a year ago, realizing net profit of P941 million and P1.4 billion there from in respective years.

Gross gaming revenues grew 38% to P27.6 billion from P20.0 billion a year ago, supported by the sustained growth in all gaming segments as property visitation increased 32% averaging 37,627 per day and gaming capacity expanded with the opening of the second floor gaming area of the Grand Wing. Promotional allowance, presented as a deduction from gross gaming revenues, rose 48% during the year to P6.1 billion from P4.1 billion a year ago. Promotional allowance refers to the value of points earned by loyalty card members, revenue share of junket operators, and rebates granted to patrons

Non-gaming revenues from hotel accommodations reported a 43% leap to P5.0 billion from P3.5 billion a year ago primarily due to higher average daily rates, higher occupancy rates and additional rooms from Sheraton Manila Hotel that opened in January 2019. Hotel occupancy rates averaged 80% for the five hotels in RWM - Marriott Hotel Manila, Maxims Hotel, Hilton Manila, Holiday Inn Express Manila Newport City, and Sheraton Manila Hotel - with a total room count of 2,226. RWM will have the highest number of hotel rooms for a single property once the construction of all the hotels are completed. The Courtyard by Marriott Iloilo, Marriott's first brand in the province of Iloilo, opened last May 2018 and has an occupancy rate of 28% in 2019. Other revenues from theater operations, mall and cinemas, among others, beefed up the group's revenues 44% year-on-year to P1.7 billion this year from P1.2 billion a year ago.

Interest expense ate up on gross profit as it increased to P2.1 billion from P0.3 billion a year ago, due to new debts and lower capitalization of borrowing costs during the year.

Travellers contributed 16% and 2% to AGI's consolidated revenues and consolidated net profit, respectively.

GADC, the master franchise holder of McDonald's quick-service restaurants brand in the Philippines, ended the year 2019 with revenues rising 13% year-on-year to P32.3 billion from P28.6 billion a year ago. Net profit leaped 15% year-on-year to P1.9 billion from P1.6 billion a year ago. This sustained growth momentum was fueled by GADC's store expansion, product and service innovations, menu additions and marketing campaigns.

Sales revenues generated from company-operated restaurants swelled 12% to P28.8 billion in 2019 from P25.6 billion a year ago while franchised revenues shot up 17% to P3.2 billion from last year's P2.7 billion. Fifty-eight new stores were opened during the year while nine stores were closed, bringing the local store network to 669 nationwide half of which are company-owned. About 80% of the total stores are concentrated in Luzon. With its continued store expansion, system wide same-store sales grew 6% year-on-year. With the increase in digital usage and the growing demand of customers for convenient solutions available to them right at their fingertips, McDelivery continued to be a significant growth driver as new McDelivery hubs were opened to cover more areas, boosted by continued partnerships with food aggregators such as GrabFood and Foodpanda. McDonald's continued its value-focused initiatives leaning into favorites like Chicken McDo, Chicken Fillet, and even "Sulit Rice Bowls" to entice customers to keep coming back. Just in time for the holiday season, McDonald's introduced new desserts to its menu offerings in the "Dreamy Delights" which included Rich Chocolate Pie, Coffee McFlurry with Oreo, Brown Sugar Sundae with Pearls, and the new Milk Tea McFloat with Brown Sugar Pearls.

NXTGEN experience was a key highlight with the campaign launch of "Sarap 'Pag Nandito Ka" ("feels good you're here") in the last quarter of the year. Through a series of touching videos, the campaign portrayed how "the happiness we experience with the ones we love, makes us the happiest people in the world" by celebrating the uniquely-Filipino spirit of togetherness. This year, McDonald's amplified its purpose to be part of every family moment – from the everyday to milestone ones. As such, the McDo Party program was relaunched with new party themes and premiums, more accessible food packages, and more TV, digital and on-ground marketing support. Same-store sales for birthday parties closed at 9% growth.

These operating results translated into 18% and 7% of the consolidated revenues and net profit of AGI and subsidiaries.

Revenues, as a result of the foregoing, reached P180.0 billion in 2019, a P23.2 billion or 15% jump from P156.8 billion in 2018 with all segments of the Group reporting favorable performances during the year. **Sale of goods** (real estate, alcoholic beverages, snack products) went up 10% or P8.2 billion to P93.5 billion from P85.3 billion a year ago. **Service revenues** (QSR, gaming, rentals, hotels, cinemas) surged 22% or P14.9 billion to P81.0 billion in 2019 as compared to P66.2 billion in 2018. **Share in net**

profits of associates and joint ventures decreased by 38% or P111 million, mainly from losses incurred by MEG's associates this year as compared to profits reported last year.

Cost and expenses accelerated 15% or P19.1 billion to P144.1 billion in 2019 from P125.0 billion in 2018. **Cost of goods sold** expanded at a little faster pace of 11% than sales revenue, or P5.5 billion to P57.1 billion in 2019 mainly due to product mix in consumer goods sold; and higher land cost and contracted services for real estate sold during the year. **Cost of services** hiked 18% or P6.3 billion to P41.3 billion in 2019 driven by higher depreciation, food and supplies cost, gaming license fees, and salaries and employee benefits, mainly coming from leased premises, new hotels and QSR openings. **Other operating expenses** also jumped 22% or P7.1 billion to P38.6 billion from increased spending in selling and marketing expenses and general and administrative expenses by the four major business segments, mostly on advertising and promotions, salaries and employee benefits, commissions and depreciation and amortization.

Tax expense rose P662 million or 8% year-on-year to P8.8 billion due to higher taxable income as offset by tax effects of temporary differences for Megaworld, GADC and EMP.

Net Profit totaled P27.1 billion in 2019, 15% up year-on-year from P23.7 billion in 2018, with **net profit to owners** up by 17% to P17.7 billion.

For the Year Ended December 31, 2018 vs. 2017

The Group closed the year 2018 with record breaking consolidated revenues and net profit as all business segments contributed well to these growth results. The Group turned in P23.7 billion **net profit**, up 6% or P1.4 billion year-on-year from P22.3 billion a year ago with **consolidated revenues** reaching P156.8 billion, up 13% or P18.0 billion year-on-year from P138.8 billion a year ago. Net profit to owners remained flat as a result of intersegment transactions.

Megaworld, the country's largest developer and pioneer of integrated urban townships, saw its group net profit and the portion attributable to owners respectively rising 16% and 17% year-on-year to P15.8 billion and P15.2 billion, respectively. It reported consolidated revenues growing 15% to P57.4 billion from P50.1 billion a year ago as key businesses performed at double-digit rates year-on-year. The rental income from the leasing business, comprising of office and lifestyle mall leasing, leaped 21% to P14.3 billion, as gross leasable area expanded to 1.5 million sqm. In 2018, Megaworld opened its biggest mall development outside of Metro Manila, the Festive Walk Mall in Iloilo Business Park. It also opened new community malls namely the San Lorenzo Place in Makati and The Village Alabang in Las Piñas. MEG also closed a historic deal after bagging the long-term lease contract to build the Philippine Global Service of JP Morgan Chase Bank. This contract to build the 25-storey property is regarded as the country's biggest single lease transaction to date, with around 70 thousand sqm of 'built to suit' offices for a single company. The residential business recorded 12% growth to P38.0 billion from P34.1 billion during the same period in the previous year, contributing 66% to MEG's total consolidated revenues during the year. There were about 25 residential projects launched in 2018, with a total sales value of around P106-billion. Megaworld also achieved P135 billion sales reservations during the year. The Megaworld-GERI-Empire East-Suntrust/SLI brands turned over 63-17-9-11 of real estate sales. In later part of 2018, the 4th residential development in the 30-hectare The Mactan Newtown in Lapu-Lapu City was introduced, named as the La Victoria Global residences reflecting the historical significance of Galleon Victoria with the target completion in 2022 in line with the commemoration of the ship's 500th year of circumnavigation. There is also the 57-storey Vion Tower that will rise along EDSA which will be highlighted by future-ready facilities. Vion Tower is set to become a landmark in this side of Makati with its illuminated tower crown. The hotel business grew its revenues by 14% to P1.5 billion from P1.3 billion in 2017. Two new hotels were launched in 2018: the 684-room Savoy Hotel Manila in Newport City and the 126-room Twin Lakes Hotel in Twin Lakes, Laurel, Batangas, which brought the number of Megaworld Hotels to seven (7) by end-2018. Megaworld group's operating results brought in 37% and 66% to AGI's consolidated revenues and net profit, respectively.

Emperador, the world's largest brandy company and owner of the world's 5th largest Scotch whisky manufacturer in the world, turned over P47.0 billion in 2018, a 10% climb from P42.7 billion a year ago attributed to the continuing sales growth from both the Brandy and Scotch Whisky segments, resulting in net profit rising 8% to P6.8 billion from P6.3 billion a year ago. The Scotch Whisky segment turned over revenues to external customers higher by 9% year-on-year. The business is growing not only in UK but also in other parts of the world, especially in Asia where revenues had more than doubled as brands enjoyed success across a number of markets. Own Scotch whisky label The Dalmore, the

flagship malt whisky product, was again the main driver of growth as it continued to attract new consumers at the apex of the single malt category through both the Core Range and Rare Expressions. Jura with its redesigned range and exclusive Global Travel Retail range continued to attract acclaim under its 'A long way from ordinary' banner encapsulating the very special nature of this island single malt. The re-launch of Fettercairn in a new packaging, and the launch of Tamnavulin Vintage Collection in the single malt category in 2018 and the new contemporary blended malt brand Shackleton in 2017 further boosted revenues during the year. The Brandy segment, on the other hand, turned over revenues to external customers higher by 11% year-on-year. The Spanish business is growing in Spain, Philippines, UK and USA, which all together accounted for three-quarters of its revenues. Emperador Brandy remains the nationwide leader, particularly in key metro cities, amid fierce competition among local brands. Recognizing the preference of the young drinkers for variety and excitement, Emperador created a new offering for Emperador Light drinkers by pairing Emperador Light with Club Mix Lime Cordial, dubbed as 'LimeLight' and 'GreenLight'; and, in mid-September, 'the gin for the new generation' The BaR Premium Gin was launched, infused with flavors and botanicals from the gardens of Andalusia, Spain, in Pink, Lime and Premium Dry variants. Gross profit margins (GPM) on consolidated level remained healthy at 35% in both 2018 and 2017. The GPMs of the Brandy and Scotch Whisky segments were respectively posted at 32% and 40% in 2018 as compared to 35% and 33% in 2017. EMP Group accounted for 30% of AGI's consolidated revenues and 29% for AGI's consolidated net profit.

Travellers, the owner and operator of RWM, reported net profit of P1.4 billion in 2018, steeply growing from P300 million a year ago. Its revenues increased 20% to P22.5 billion from last year's P18.8 billion mainly as both the gaming and non-gaming segments showed better results. Gross gaming revenues grew 17% supported by the sustained growth in all gaming segments as property visitation increased 11% averaging 28,500 per day and gaming capacity expanded to 299 tables and 1,822 slot machines, due to the opening of the ground floor gaming area of the Grand Wing. Hotel accommodations turned over P3.5 billion this year, a sharp 22% robust growth from P2.8 billion a year ago. Average occupancy rate for the four hotels in RWM - Marriott Hotel Manila, Maxims Hotel, Hilton Manila and Holiday Inn Express Manila Newport City - was 79% with a total room count of 1,811. Sheraton Manila Hotel soft opened and Hotel Okura Manila will open in the Grand Wing in 2019. RWM will have the highest number of hotel rooms for a single property once the construction of all the hotels are completed. The Courtyard was also opened last May 2018 which is Marriott's first brand in the province of Iloilo. Travellers contributed 14% and 6% to AGI's consolidated revenues and consolidated net profit, respectively.

GADC, the master franchise holder of McDonald's quick-service restaurants brand in the Philippines, ended the year 2018 with P1.6 billion stable end result despite the intensified competition and challenging market conditions. Sales revenues rose 11% or P2.5 billion, to end 2018 with P25.6 billion. Sales momentum is driven by value and bundle promotions as well as limited-time offers. McDelivery is also a consistent source of growth with it closing the year with double digit growth. Improvement on sales revenue is also pushed by 61 new stores opened during the year (half are company-owned). Systemwide same-store sales growth for the year is at 12% year-on-year. With its continued store expansion, GADC ended the year with a total store count of 620, compared to 566 stores in 2017. GADC continues to expand its footprints with its 2019 target to add 60 more NXT GEN stores in the country after initially launching 17 NXT GEN stores in 2018. NXT GEN stores come with self-ordering kiosk, modernized menu boards and cashless mode of payment which is an initiative for giving a world class experience to consumers. McDo PH also partners with other well-known delivery networks worldwide to provide more convenient options for its customers. These operating results translated into 18% and 7% of the consolidated revenues and net profit of AGI and subsidiaries.

Revenues and other income, as a result of the foregoing, reached P156.8 billion in 2018, a P18.0 billion or 13% jump from last year's P138.8 billion with all segments of the Group reporting favorable performances during the year. Sale of goods (real estate, alcoholic beverages, snack products) went up 10% to P85.3 billion from P77.4 billion a year ago. Service revenues (QSR, gaming, rentals, hotels, cinemas) escalated 14% or P7.9 billion ending the year with P66.2 billion as compared to P58.3 billion in 2017. **Share in net profits of associates and joint ventures** increase 7% or P18 million, due to higher net results from BLC resulting to higher share in net profit.

Finance and other income ballooned 75% or P2.2 billion from a year ago due to higher interest income by the Group and other miscellaneous gains.

Cost and expenses accelerated 14% to P125.0 billion in 2018. Cost of goods sold expanded 12% or P5.6 billion mainly due to high cost of wine, new bottles and packaging for the new and re/packaged products this year and heightened contracted services and cost of land. Cost of services hiked 16% or P4.9 billion driven by higher food cost, supplies and consumables, gaming fees, utilities, employments costs and depreciation. Other operating expenses also jumped 17% or P4.6 billion as more marketing and selling expenses and general expenses were spent by the four major business segments.

Tax expense rose P1.5 billion or 23% due to higher taxable income and tax effects of deductible temporary differences for Megaworld as well as EMP especially in the Scotch Whisky segment.

Financial Condition

December 31, 2020 vs 2019

Consolidated total assets amounted to P668.9 billion at end of 2020 from P644.5 billion at beginning of year. The Group is strongly liquid with **current assets** exceeding **current liabilities** 2.0 times. Current assets amounted to P316.4 billion while current liabilities amounted to P155.8 billion at end of the current year.

For most of the balance sheet accounts, there is a corresponding note found in the audited consolidated financial statements where details, breakdown or composition of the accounts are presented. Please refer to those notes accompanying the consolidated financial statements. In summary, for **accounts with at least +/-5% year-on-year changes**:

Cash and cash equivalents increased 36% or P18.4 billion to end the year with P69.7 billion from P51.3 billion at the beginning of the year, primarily from net cash flows generated internally and net proceeds from debts during the year, particularly from MEG and GADC. Cash flows from operating, financing and investing activities during the period were presented in the consolidated statements of cash flows.

Current trade and other receivables went down 9% or P6.4 billion mainly from collections mostly from debtors of Megaworld and Emperador who had larger balances at the beginning of the year. Real estate selling activities were limited by restricted construction activities during the year.

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 up 22% or P2.4 billion for the **currently** maturing assets and **non-currently** maturing assets decreased 21% or P1.7 billion.

Financial assets at fair value through profit or loss depleted by 19% or P2.3 billion from net disposals during the year.

Other current assets slid 6% or P1.1 billion mainly due to decreases in MEG's input vat and creditable withholding taxes, and EMP's timing of general prepayments, deferred input vat and prepaid taxes.

Financial assets at fair value through other comprehensive income declined 5% or P0.02 billion from disposals and fair value loss from marked-to-market valuation.

Advances to landowners and joint operators increased 6% or P0.4 billion from advances made by Megaworld to joint partners.

Deferred tax assets surged 16% or P0.9 billion significantly from deferred tax assets of GADC and EMP, attributable to timing differences mainly on their lease liabilities in excess of their right-of-use assets, retirement benefit obligation, net operating loss carry-over and minimum corporate income tax.

Other non-current assets grew 12% or P0.8 billion from Megaworld's higher deferred commissions and the deposit it made for cancellation of perpetual securities, as reduced by decrease in Travellers' advances for future investments made to PAGCOR as a result of parcels of land it received during the year.

Non-current asset held for sale increased 24% or P1.0 billion from EMP's land and building intended for sale in 2021 up to three years after the end of COVID-19 pandemic. Such were reclassified from Property, Plant and Equipment.

Trade and other payables went up 18% or P10.8 billion from Travellers' P9.9 billion deposit from SUN and increase in trade payables. The payment received from SUN is in connection with the development and construction of a hotel casino on a lot being leased by SUN from WCRWI under a co-development agreement between the two parties. Dividends payable went up due to dividends declaration by Megaworld and the Parent Company which are payable in 2021. Accrued interest payable was higher at year-end due to new interest-bearing debts drawn during the year.

Current interest-bearing loans leaped 21% or P8.7 billion while **non-current interest-bearing loans** dropped 10% or P13.9 billion, for a net decrease of P5.2 billion, as a result of net repayments by Travellers (P2.6 billion), Megaworld (P5.7 billion), Emperador (P1.6 billion) and AGGC(P2.0 billion); and net incurrences by GADC (P1.6 billion) and AGI (P5.0 billion).

Current and Non-current lease liabilities were accounts brought about by the adoption of PFRS 16- Leases beginning January 1, 2019. These amounted to P1.3 billion and P14.6 billion, respectively, at the end of 2019 and increased by 10% or P0.1 billion and 8% or P1.2 billion, respectively, during the year; thereby ending the year with P1.4 billion and P15.9 billion.

Contract liabilities represent MEG's excess of collection over the progress of work under MEG, with **current** portion increasing 55% or P0.9 billion and **non-current** portion decreasing 9% or P0.3 billion.

Income tax payable decreased 24% or P0.6 billion, mainly from lower taxable income.

Other current liabilities went up 26% or P5.2 billion primarily due to increases in Megaworld's deferred rental, commissions payable, advances from customers, and derivative liability; and reclassification of Emperador's maturing equity-linked securities, net of conversion during the year. On the other hand, **Other non-current liabilities** decreased by 26% or P4.0 billion mainly from the reclassification of currently maturing portion of equity-linked securities, and reduction of Traveller's retention liabilities.

Bonds payable surged 64% or P15.7 billion due to issuance of Megaworld's seven-year senior 4.125% unsecured notes totaling \$350 million which shall mature on July 30, 2027.

Retirement benefit obligation increased 10% or P0.2 billion from higher present value of the obligation this year as compared to last year, as a result of remeasurement loss and current service and interest costs, less the effects of foreign currency adjustment. .

Non-current redeemable preferred shares, dipped 7% or P0.1 billion due to the redemption of preferred shares of TLC.

Deferred tax liabilities went up 9% or P1.4 billion primarily due to the tax effect capitalized interest, right-of-use assets, capitalized interest and brand valuation.

The **changes in equity components** are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners increased 2% mainly due to net profit during the year, while non-controlling interest decreased 4% or P5.2 billion due to dividend declared by investee. Treasury shares pertain to the acquisition cost of the shares that have been brought back from the market pursuant to the AGI's ongoing buyback program.

December 31, 2019 vs 2018

Consolidated total assets amounted to P644.5 billion at end of 2019 from P588.2 billion at beginning of year. The Group is strongly liquid with **current assets** exceeding **current liabilities** 2.3 times. Current assets amounted to P301.2 billion while current liabilities amounted to P130.7 billion at end of the current year.

For most of the balance sheet accounts, there is a corresponding note found in the audited consolidated financial statements where details, breakdown or composition of the accounts are

presented. Please refer to those notes accompanying the consolidated financial statements. In summary:

Cash and cash equivalents increased 14% or P6.5 billion to end the year at P51.3 billion from P44.8 billion at the beginning of the year, primarily due to net cash flows generated internally and net proceeds from debts during the year. Cash flows from operating, financing and investing activities during the period were presented in the consolidated statements of cash flows.

Current trade and other receivables went up 17% or P10.6 billion mainly from real estate trade receivables (reflective of robust sales) and from alcoholic products sales (higher sales in the lead up to Christmas holidays), and advances to contractors and suppliers. **Non-current trade and other receivables**, on the other hand, also increased by 26% or P3.4 billion primarily from the robust real estate sales during the year.

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 2% or P0.3 billion for the **currently** maturing assets and **non-currently** maturing assets decreased 30% or P3.3 billion. These reductions signified completion of contract works.

Financial assets at fair value through profit or loss depleted by 12% or P1.6 billion from disposals during the year.

Other current assets went up 7% or P1.1 billion mainly due to an increase in the amount of general prepayments, restricted short-term placements, creditable withholding taxes and deferred commission at the end of the year.

Financial assets at fair value through other comprehensive income declined 9% or P0.04 billion from disposals, as reduced by fair value gain from marked-to-market valuation.

Investments in associates joint ventures ballooned 24% or P1.3 billion due to additional subscription made by Megaworld in SHDI.

Property, plant and equipment increased 16% or P18.8 billion primarily from the set-up of right-of-use assets this year which has net carrying value of P12.6 billion at year-end (upon adoption of PFRS 16- Leases), and capital additions during the year. Phase 3 of RWM is still ongoing.

Investment property rose 7% or P7.7 billion as more lease-generating malls, commercial centers and office buildings are being completed by Megaworld Group.

Intangible assets went down 5% or P2.1 billion due to translation adjustments on foreign trademarks and goodwill; transfer of certain leasehold rights to right-of-use assets at the beginning of the year (effect of adoption of PFRS 16); and an impairment of trademarks under Grupo Garvey brands.

Deferred tax assets surged about 5times or P4.3 billion significantly from deferred tax on lease liabilities (effect of adoption of PFRS 16).

Other non-current assets grew 16% or P1.0 billion due to the additional annual advances for future investment (made to PAGCOR) and increase in deferred real estate commissions.

Non-current asset held for sale amounting to P4.0 billion at end of year consists of land development cost made for the construction of Site A that RWM has discontinued in 2019 following the Co-Development Agreement with SHDI.

Trade and other payables went up 25% or P12.2 billion as trade payables, accrued expenses and retention payable to contractors escalated. Accrued expenses increased due to timing of accruals at year-end.

Contract liabilities represent MEG's excess of collection over the progress of work under MEG, with **current** portion decreasing 36% or P1.0 billion and **non-current** portion increasing 30% or P0.8 billion

Current interest-bearing loans ballooned 67% or P16.3 billion while **non-current interest-bearing loans** dipped 3% or P4.6 billion, for a net increase of P11.8 billion, as a result of additional loans obtained by Travellers for the share buyback and expansion related projects plus an additional loan obtained by Megaworld with a cross-currency hedge.

Current and Non-current lease liabilities were accounts brought about by the adoption of PFRS 16- Leases beginning January 1, 2019. These amounted to P1.3 billion and P14.6 billion, respectively, at the end of the year.

Income tax payable surged 42% or P0.7 billion, mainly from higher unpaid income taxes at current year-end which is attributed to higher taxable profit.

Other current liabilities went up by 45% or P6.4 billion primarily due to additional customer's deposits on real estate; deferred rental and commissions; portion of equity-linked securities subsequently converted in February 2020; and subscription payable to an associate. On the other hand, **Other non-current liabilities** decreased by 12% or P2.1 billion mainly from the reclassification of currently maturing portion of equity-linked securities, deferred rental and retention liabilities.

Retirement benefit obligation increased 23% or P0.4 billion from higher present value of the obligation this year as compared to last year, as a result of re-measurement loss and current service and interest costs.

Non-current redeemable preferred shares, dipped 8% or P0.1 billion due to the redemption of preferred shares of TLC.

Deferred tax liabilities went up 48% or P5.3 billion primarily due to the tax effect on right-of-use assets set up at the beginning of the year, plus the tax effect on uncollected gross profit and capitalized interest.

The **changes in equity components** are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners increased 4% while non-controlling interest remained steady, from the share in net profit and other comprehensive income. Treasury shares pertain to the acquisition cost of the shares that have been brought back from the market pursuant to the AGI's ongoing buyback program. Opening retained earnings also reflected the effect of adoption of PFRS 16- Leases that was applied retrospectively through the opening balance only.

b.2. Liquidity and Capital Resources

The consolidated statements of financial position showed strong liquidity with current assets exceeding current liabilities 2.1times, 2.3times and 3.0times at end of 2020, 2019 and 2018, respectively. Total-liabilities-to-equity ratios were at 1.2:1 at end 2020 and 2019 and 1.0:1 at the end of 2018, while interest-bearing-debt-to-total-equity ratios were correspondingly at 74%, 70%, and 68%. Assets exceeded liabilities 2times and equity 2times as well at end-2020, 2019 and 2018.

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

<i>Amounts in Million Pesos</i>	<u>31-Dec-20</u>	<u>31-Dec-19</u>	<u>31-Dec-18</u>
Cash and equivalents	69,698	51,271	44,779
FVTPL/FVOCI financial assets ¹	<u>10,185</u>	<u>12,462</u>	<u>14,077</u>
Total Available	79,883	63,732	58,856
Interest-bearing debts –current	49,546	40,870	24,530
Interest-bearing debts –noncurrent ²	164,654	162,907	167,974
Equity-linked securities	<u>3,444</u>	<u>5,280</u>	<u>5,259</u>
Total Debt	217,644	209,057	197,763

<i>Amounts in Million Pesos</i>	<u>31-Dec-20</u>	<u>31-Dec-19</u>	<u>31-Dec-18</u>
Net cash (-debt)	-137,761	-145,325	-138,906
Available Cash and financial assets to interest-bearing debt	37%	30%	30%
Interest-bearing debt to total equity	74%	70%	68%
Net debt to total equity	47%	49%	48%

¹Excluding derivatives.

²Loans and bonds.

b.3. Prospects for the future

AGI has a proven track record of creating value over time and is confident in its ability to deliver sustainable profitable growth and value for its stakeholders, backed by its overall resilience and adaptability. The Group is recalibrating its strategies, particularly on its market focus, in order to achieve a more balanced portfolio as the conglomerate prepares for post-pandemic scenarios such as shift in market demands, and changes in customer behavior and lifestyle. Innovation, especially on digital technology, will remain to be at the core of its different business operations. The Group will continue to use technology to give the Group an added advantage as we embrace the new reality. It has rolled out a vaccination program to help the government achieve the much-needed herd immunity faster.

b.4. Others

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

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

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

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

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

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

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

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

7. FINANCIAL STATEMENTS

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

The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS), on the historical cost basis except for the measurement of certain financial assets and liabilities. The preparation of the consolidated financial statements in compliance

with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The estimation and judgments are based upon management's evaluation of relevant facts and circumstances of the financial statements. Actual results may ultimately vary from those estimates.

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

8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATERS

a. External Audit Fees And Services

a.1. Audit and audit-related services

Punongbayan & Araullo ("P&A") has been appointed as the principal auditors since 2003. In compliance with SEC Rule 68 paragraph 3 (b) (iv) (Rotation of External Auditors), and as adopted by the Company, external auditors or engagement partners are rotated or changed every five years. The lead engagement partner for 2017-2020 is Mr. Romualdo V. Murcia III.

The fees, excluding out-of-pocket expenses and vat, for each of the last two fiscal years totaled P2.7 million and P2.6 million for the audits of 2020 and 2019 annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.

a.2. Tax fees and all other fees

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

a.3. Audit Committee's approval

All the above services have been approved by the Audit Committee through the internal policies and procedures of approval. The Audit Committee is composed of Alejo L. Villanueva as Chairman and Sergio R. Ortiz-Luis, Jr. and Andrew L. Tan as members. The appointments were endorsed to and approved by the Board of Directors, and then by the stockholders at the annual stockholders' meetings.

b. Changes in And Disagreements with Accountants on Accounting and Financial Disclosure

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

PART III - CONTROL AND COMPENSATION INFORMATION

9. DIRECTORS AND EXECUTIVE OFFICERS

a. Directors And Executive Officers

Directors are elected annually by the stockholders to serve until the election and qualification of their successors. All of the directors, including two independent directors, Messrs. Sergio Ortiz-Luis, Jr. and Alejo Villanueva, Jr., were elected in the last annual stockholders' meeting on August 06, 2020.

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

Name	Age	Citizenship	Position
Andrew L. Tan	71	Filipino	Chairman
Kevin Andrew L. Tan	41	Filipino	Vice-Chairman
Kingson U. Sian	59	Filipino	Director
Katherine L. Tan	69	Filipino	Director
Winston S. Co	63	Filipino	Director
Alejo L. Villanueva, Jr.	79	Filipino	Independent Director
Sergio R. Ortiz-Luis, Jr.	77	Filipino	Independent Director

The table below sets forth the Company's executive officers as of March 31, 2021.

Name	Age	Citizenship	Position
Kevin Andrew L. Tan	41	Filipino	Chief Executive Officer
Katherine L. Tan	69	Filipino	Treasurer
Kingson U. Sian	59	Filipino	President
Dina D.R. Inting	61	Filipino	Chief Financial Officer
Alan B. Quintana	52	Filipino	Corporate Secretary
Nelileen S. Baxa ⁴	42	Filipino	Assistant Corporate Secretary

Andrew L. Tan
Chairman of the Board

Dr. Tan has served as Chairman of the Board since September 2006. He has also served as the Chief Executive Officer from September 2006 to June 2018 and as Vice-Chairman of the Board from August 2003 to September 2006. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Emperador Inc.	Chairman	Aug 2013	Aug 2020	7
Megaworld Corporation	Chairman & President	Aug 1989	Aug 2020	31
Global-Estate Resorts, Inc. (subsidiary of Megaworld)	Chairman	January 2011	August 2020	9
Empire East Land Holdings, Inc. (subsidiary of Megaworld)	Chairman	July 1994	July 2020	26

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

Kevin Andrew L. Tan
CEO and Vice-Chairman

Mr. Tan has been elected as Chief Executive Officer since June 2018 and Vice-Chairman since September 2018. He has served as Director since April 20, 2012. He holds position in the following other listed company:

⁴ Nelileen S. Baxa was appointed as Assistant Corporate Secretary on October 08, 2020 to serve the unexpired term of Mr. Rolando D. Siatela upon the latter's retirement.

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/
Empire East Land Holdings, Inc.	Director	June 2015	July 2020	5
Global-Estate Resorts, Inc.	Director	June 2014	August 2020	6
Emperador Inc.	Director	Oct 2017	August 2020	3

He is concurrently the Chairman of Infracorp Development, Inc. and a Director of Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He has over 11 years of experience in retail leasing, marketing and operations. He is currently the Executive Vice President and Chief Strategy Officer of Megaworld Corporation where he is in charge of developing corporate strategies, expansion and new opportunities, as well as investor and stakeholder relations. He formerly headed the Commercial Division of Megaworld Corporation, which markets and operates the Megaworld Lifestyle Malls, including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill and Burgos Circle at Forbestown Center, both in Fort Bonifacio, California Garden Square in Mandaluyong City, Newport Mall at Resorts World Manila in Pasay City, Lucky Chinatown Mall in Binondo, Manila, Uptown Mall in Uptown Bonifacio and Southwoods Mall in Laguna. Mr. Tan holds a Bachelor of Science Business Administration degree, major in Management, from the University of Asia and the Pacific.

Kingson U. Sian
Director and President

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Megaworld Corporation	Director/Executive Director	Apr 2007	August 2020	13

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

Katherine L. Tan
Director and Treasurer

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Emperador Inc.	Director and Treasurer	Aug 2013	August 2020	7
Megaworld Corporation	Director	Aug 1989	August 2020	31
	Treasurer	Aug 1989	June 1995	6

She is the Chairman and President of Andresons Global, Inc. and Choice Gourmet Banquet, Inc. She is

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

Winston S. Co
Director

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Emperador Inc.	President and CEO	Aug 2013	August 2020	7

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

Sergio R. Ortiz-Luis, Jr.
Independent Director

Mr. Ortiz-Luis has served as Independent Director of the Board since September 2007. He has served as Vice-Chairman of the Board from September 2007 to September 2018. He is the President of the Philippine Exporters Confederation, Inc. (PHILEXPORT) and Honorary Chairman and Treasurer of the Philippine Chamber of Commerce & Industry. He is also Honorary Chairman of Integrated Concepts & Solutions, Inc. and Vice Chairman of Export Development Council. He is a Director of Waterfront Philippines, Inc., Philippine Estate Corporation, B.A. Securities, Manila Exposition Complex, Inc., and Jollville Holdings. He is also an Independent Director of Forum Pacific, Inc. Corporation and Calapan Ventures, Inc.

Alejo L. Villanueva, Jr.
Independent Director

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Emperador Inc.	Independent Director	Aug 2013	August 2020	7
Empire East Land Holdings, Inc.	Independent Director	June 2007	July 2020	13
Suntrust Home Developers, Inc.	Independent Director	Oct 2012	Oct 2020	8

He is the Chairman of Ruru Courier Systems, Inc. and Vice Chairman of Public Relations Counsellors Foundation of the Philippines, Inc. He is Director of First Capital Condominium Corporation, a non-stock non-profit corporation. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao

growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project of USAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

Dina D.R. Inting
Chief Financial Officer

Ms. Inting has served as Chief Financial Officer since January 1995 and at present its Compliance Officer and Corporate Information Officer. She holds position in the following other listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Emperador Inc.	Chief Financial Officer, Compliance Officer and Corporate Information Officer	Aug 2013	August 2020	7

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

Alan B. Quintana
Corporate Secretary

Mr. Quintana has served as the Corporate Secretary since April 16, 2019. He is currently First Vice President for Legal – Landbank Management and Titling Department of Global-Estate Resorts, Inc. (“GERI”) since May 2018 and has been with GERI since 2011. He is also a Director of Boracay Newcoast Federation, Inc., Sherwood Hills Development, Inc., Global Shelter, Inc., La Compañia de Sta. Barbara, Inc., Pioneer L-5 Realty Corporation, and Golden Sun Airways, Inc. Prior to GERI, he worked as Corporate Legal Counsel of Fil-Estate Properties, Inc. from 1995-2011. He has a degree in Bachelor of Science in Commerce Major in Accounting from the University of San Carlos and obtained his Bachelor of Laws degree from the San Beda College of Law.

Nelileen S. Baxa
Assistant Corporate Secretary

Ms. Baxa has served as Assistant Corporate Secretary since October 08, 2020. She holds position on the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/
Suntrust Home Developers, Inc.	Corporate Secretary and Corporate Information Officer	Oct 2020	Oct 2020	0
Megaworld Corporation	Assistant Corporate Secretary	Oct 2020	Oct 2020	0
Global-Estate Resorts, Inc.	Assistant Corporate Secretary	Oct 2020	Oct 2020	0

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

b. Significant Employees

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

c. Family Relationships

1. Chairman Andrew L. Tan is married to Treasurer/Director Katherine L. Tan;
2. Kevin Andrew L. Tan, their son, is the CEO and Vice Chairman of the Company. He is also the EVP and Chief Strategy Officer of MEG;
3. Kendrick Andrew L. Tan, another son, is the Corporate Secretary and Executive Director of EDI, and Director/Executive Director of EMP;
4. Both siblings are currently serving as directors of AWG, Newtown Land Partners, Inc., and Yorkshire Holdings, Inc.

d. Involvement in Legal Proceedings

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

1. Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

10. EXECUTIVE COMPENSATION

a. Executive Compensation

Name and Principal Position

Andrew L. Tan, Chairman
Kevin Andrew L. Tan, Vice Chairman, CEO
Kingson U. Sian, President (COO)
Katherine L. Tan, Treasurer
Dina D.R. Inting, CFO
Alan B. Quintana, Corporate Secretary
Nelileen S. Baxa, Asst. Corporate Secretary

The officers receive fixed salary on a monthly basis from the respective subsidiaries or businesses they principally handle. Hence, for years 2020, 2019, and 2018, no compensation was received from AGI, the holding company, and neither will there be for 2021, except for an allowance for Mr. Kingson Sian which started in February 2007.

b. Compensation of Directors

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

c. Employment Contracts, Termination of Employment and Change-In-Control Arrangements

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

d. Warrants and Options

The Company has an Executive Stock Option Plan (the "Plan") approved by the Board of Directors of the Company and by stockholders (holding at least 2/3 of the outstanding capital stock) on July 27, 2011 and September 20, 2011, respectively. The purpose of the Plan is to enable the key Company executives and senior officers who are largely responsible for its further growth and development to obtain an ownership interest in the Company, thereby encouraging long-term commitment to the Company. The Plan is being administered by the Compensation and Remuneration Committee (the "Committee") of the Board.

Stock options may be granted within ten (10) years from the adoption of the Plan and may be exercised within seven (7) years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for nine (9) months immediately preceding the date of grant. The options shall vest within three (3) years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three (3) year period. The Company shall receive cash for the stock options.

On March 14, 2013, additional 59.1 million options were granted to certain key executives at an exercise price of P12.9997 with a market price of P21.65 at the date of grant. The exercise period for the 59.1 million options has been extended by the Corporate Governance Committee until March 14, 2025.

As of December 31, 2020, no vested option has been exercised and the number of unexercised stock options is 59,100,000 common shares.

An Option Holder may exercise in whole or in part his vested Option provided, that, an Option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said Option's Life Cycle. As of this time, the Company cannot determine if options can be exercised with less than forty percent (40%) of the total price of the shares so purchased. The Company does not provide or arrange for loans to enable qualified participants to exercise their options.

11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) **Security Ownership of Record and Beneficial Owners owning more than 5% of the Company's outstanding common stock as of March 31, 2021:**

(2)

<i>Title of Class</i>	<i>Name and Address of Record Owner & Relationship w/ Issuer</i>	<i>Name of Beneficial Owner & Relationship w/ Record Owner</i>	<i>Citizenship</i>	<i>No. of Shares</i>	<i>Percent Owned</i>
Common	THE ANDRESONS GROUP, INC. 7/F 1880 Eastwood Avenue, Eastwood City Bagumbayan, Quezon City, ⁵	THE ANDRESONS GROUP, INC. (TAGI)	Filipino	4,580,978,294 ⁶	47.376
Common	YORKSHIRE HOLDINGS, INC. 18 th Floor Alliance Global Tower 26 th Street cor. 11 th Avenue, Uptown Bonifacio, Taguig City ⁷	YORKSHIRE HOLDINGS, INC. (YHI)	Filipino	1,583,459,842	16.376
Common	PCD NOMINEE CORPORATION (NON-FILIPINO) 29th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City 1226	THE HONGKONG AND SHANGHAI CORP. LTD. – CLIENTS' ACCT. (Non- Filipino)	Non- Filipino	618,600,448	6.398
Common	PCD NOMINEE CORPORATION (NON-FILIPINO) 29th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City 1226	DEUTSCHE BANK MANILA-CLIENTS A/C	Non- Filipino	474,548,046	4.908

(2) **Security Ownership of Management as of March 31, 2021:**

<i>Title</i>	<i>Name of Beneficial Owner</i>	<i>Citizenship</i>	<i>Amount</i>	<i>Percent</i>
Common	Andrew L. Tan (<i>Chairman of the Board</i>)	Filipino	63,684,350	0.66%
Common	Sergio R. Ortiz-Luis, Jr. (<i>Director</i>)	Filipino	1	0.00%
Common	Winston S. Co (<i>Director</i>)	Filipino	2,728	0.00%
Common	Kingson U. Sian (<i>Director</i>)	Filipino	5,001,100	0.05%
Common	Katherine L. Tan (<i>Director</i>)	Filipino	1	0.00%
Common	Alejo L. Villanueva, Jr (<i>Director</i>)	Filipino	1	0.00%
Common	Kevin Andrew L. Tan (<i>Director</i>)	Filipino	1	0.00%
Common	Dina D. Inting (<i>CFO</i>)	Filipino	2,758	0.00%
Directors and Executive Officers as a Group			68,690,940	0.71%

12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the material related party transactions described in the Notes to the Consolidated Financial Statements of the Company and subsidiaries for the years 2020, 2019 and 2018, (*please see as filed with this report*), there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, or any nominee for election as director, or any stockholder holding more than ten percent (10%) of the Company's voting shares, and any member of the immediate family

⁵Mr. Andrew L. Tan is the Chairman of the Board of TAGI, is authorized to appoint proxy to vote for the shares.

⁶Includes 8,844,200 common shares owned by The Andresons Group, Inc. lodged with PCD Nominee Corporation (Filipino)

⁷Mr. Andrew L. Tan, Chairman of YHI is authorized to appoint proxy to vote for the shares which includes direct and indirect beneficial ownership through Altavision Resources, Inc., Asiagroup Holdings, Inc., and Grand Belair Holdings, Inc.

(including spouse, parents, children, siblings, and in-laws) of any such director or nominee for election as director, executive officer, or stockholder holding more than ten percent (10%) of the Company's voting shares had or is to have a direct or indirect material interest.

PART IV - EXHIBITS AND SCHEDULES

13. EXHIBITS AND REPORTS ON SEC FORM 17-C

**(b) Reports on SEC Form 17-C Filed During the Last Six Months of The Report Period
(June 1 to December 31, 2020)**

Date	Disclosures
June 04, 2020	Postponement of Annual Stockholders' Meeting
June 24, 2020	Notice of Analysts' Briefing
June 25, 2020	Press Release: "AGI accelerates digitalization efforts across businesses"
June 30, 2020	Press Release: "AGI's Q1 profit declines due to Taal eruption, coronavirus pandemic"
July 02, 2020	Notice of Annual Stockholders' Meeting
July 02, 2020	Amendments to By-Laws
July 06, 2020	Clarification of News Report
July 06, 2020	Press Release (letter to NEDA)
July 13, 2020	Material Information/Transaction (letter from MIAA on NAIA consortium)
July 23, 24 2020	Share buy-back transaction
July 27, 28, 29, 30	Share buy-back transaction
August 03, 04, 05, 06, 07 2020	Share buy-back transaction
August 05, 06, 07 2020	Acquisition of Shares by Megaworld Corporation (MEG)
August 06, 2020	Press Release: "AGI ROLLS OUT 5-POINT RECOVERY STRATEGY TO CUSHION PANDEMIC IMPACT"
August 06, 2020	Results of Annual Stockholders' Meeting
August 06, 2020	Results of Organizational Board Meeting
August 06, 2020	Amendments to By-Laws
August 10, 11, 12, 13, 14, 2020	Share buy-back transaction
August 11, 2020	Notice of Analysts' Briefing
August 14, 2020	Press Release: AGI H1 profit hit P4.1B as it diversifies income sources to mitigate pandemic impact"
August 17, 18, 19, 20, 2020	Share buy-back transaction
August 24, 25, 26, 27, 28, 2020	Share buy-back transaction
September 01, 02, 03, 04, 2020	Share buy-back transaction
September 07, 08, 09, 10, 11, 2020	Share buy-back transaction
September 14, 15, 16, 17, 18, 2020	Share buy-back transaction
September 21, 2020	Approval of new buy-back program
September 21, 22, 23, 24, 25, 2020	Share buy-back transaction
September 28, 29, 30, 2020	Share buy-back transaction
October 01, 02, 2020	Share buy-back transaction
October 05, 06, 07, 08, 09, 2020	Share buy-back transaction
October 08, 2020	Change in assistant corporate secretary
October 12, 13, 14, 15, 16, 2020	Share buy-back transaction
October 19, 20, 21, 22, 23, 2020	Share buy-back transaction
October 26, 27, 28, 29, 30, 2020	Share buy-back transaction
November 03, 04, 05, 06, 2020	Share buy-back transaction
November 05, 2020	Notice of Analysts' Briefing
November 09, 10, 11, 2020	Share buy-back transaction
November 13, 2020	Press Release: "AGI's 3Q profit rebounds sharply, brings 9M earnings to P6.4B"

Date	Disclosures
November 16, 17, 18, 19, 20, 2020	Share buy-back transaction
November 17, 18, 19, 2020	Acquisition of Shares by Megaworld Corporation (MEG)
November 23, 24, 25, 26, 27, 2020	Share buy-back transaction
November 23, 24, 25, 26, 27, 2020	Acquisition of Shares by Megaworld Corporation (MEG)
December 01, 2020	Cash Dividend Declaration
December 01, 02, 03, 04, 2020	Share buy-back transaction
December 01, 02, 03, 04, 2020	Acquisition of Shares by Megaworld Corporation (MEG)
December 07, 09, 10, 11	Share buy-back transaction
December 07, 09, 10, 11	Acquisition of Shares by Megaworld Corporation (MEG)
December 09, 2020	Amendments to By-Laws
December 14, 15, 16, 17, 18, 2020	Share buy-back transaction
December 14, 15, 16, 17, 18, 2020	Acquisition of Shares by Megaworld Corporation (MEG)
December 21, 22, 23, 2020	Share buy-back transaction
December 21, 22, 23, 2020	Acquisition of Shares by Megaworld Corporation (MEG)
December 28, 29, 2020	Share buy-back transaction
December 28, 29, 2020	Acquisition of Shares by Megaworld Corporation (MEG)

SIGNATURES

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

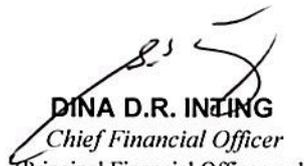
Alliance Global Group, Inc.

Issuer

By:


KEVIN ANDREW L. TAN
Chief Executive Officer
(Principal Executive Officer)


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


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


ALAN B. QUINTANA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 30 2021, 2021 affiants exhibiting to me their Passports/Drivers license/SSS No., as follows:

NAMES	PASSPORT/DRIVERS LICENSE NO./ SSS NO.	DATE OF ISSUE	PLACE OF ISSUE
Kevin Andrew L. Tan	P8166916A	August 1, 2018 to July 31, 2028	Manila
Kingson U. Sian	N11-79-019621	valid until August 27, 2024	
Alan B. Quintana	H02-85-003984	valid until June 20, 2023	
Dina D.R. Inting	SSS 03-5204775-3		

Notary Public

Doc No. 191
Page No. 40
Book No. 1
Series of 2021




ATTY. NEPTALI G. MAROTO, CPA
Notary Public for Makati City until December 31, 2022
Notarial Commission No. M-03
Roll No. 75683
IBP Number: 121150 12/28/2020, Makati
PTR No. 8530393 01/04/2021, Makati City
MCLE Compliance No.

Exempt

Alliance Global Group, Inc.
 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
 188 E. Rodriguez Jr. Avenue, Bagumbayan, 1110 Quezon City
 Tel. Nos. 87092038-41 Fax Nos. 87091966

**STATEMENT OF MANAGEMENT’S RESPONSIBILITY
 FOR CONSOLIDATED FINANCIAL STATEMENTS**

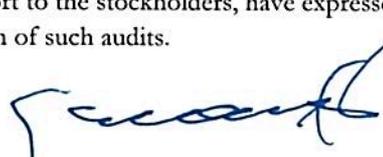
The management of *Alliance Global Group, Inc. and Subsidiaries* (the “Group”) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed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

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

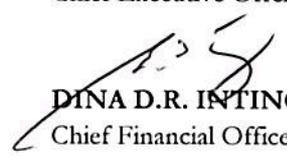
The Board of Directors is responsible for overseeing the Group’s financial reporting process.

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

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


ANDREW L. TAN
 Chairman of the Board


KEVIN ANDREW L. TAN
 Chief Executive Officer,


DINA D.R. INTING
 Chief Financial Officer

SUBSCRIBED AND SWORN to before me this **APR 30 2021**, affiants exhibiting to me their Passport/ SSS No., as follows: **MAKATI CITY**

Names	PassportNo./ SSS No.	Date	Place of Issue
Andrew L. Tan	P9281984A	Oct. 24, 2018 to Oct. 23, 2028	Manila
Kevin Andrew L. Tan	P8166916A	Aug. 1, 2018 to July 31, 2028	Manila
Dina D.R. Inting	SSS 03-5204775-3		

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 Book No. 1
 Series of 2021




ATTY. MARK EBENEZER A. BERNARDO
 Notary Public for Makati City until December 31, 2022
 Notarial Commission No. M-02
 Roll No. 74096
 IBP Number: 121153 12/28/2020, PPLM
 PTR No. 8530392 01/04/2021, Makati City
 MCLE Compliance No. []



Report of Independent Auditors

Punongbayan & Araullo

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

T +63 2 8988 2288

**The Board of Directors and the Stockholders
Alliance Global Group, Inc. and Subsidiaries**

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

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Key Audit Matters

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

(a) Consolidation Process*Description of the Matter*

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

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

How the Matter was Addressed in the Audit

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

- Obtained an understanding of the Group structure and its consolidation policy and process, including the procedures for identifying intercompany transactions and reconciling intercompany balances;
- Tested the mathematical accuracy of the consolidation done by management, verified financial information used in the consolidation based on the audited financial statements of the components of the Group, and evaluated the consistency of the accounting policies applied by the entities within the Group;
- Tested the accuracy and appropriateness of intercompany elimination entries, the translation of the financial statements of foreign subsidiaries of the Group, and other significant consolidation adjustments;
- Performed analytical procedures at the consolidated level; and,
- Evaluated the sufficiency and adequacy of disclosures in the Group's consolidated financial statements in accordance with PFRS.

(b) Revenue Recognition for Sale of Consumer Goods and Sales from Company-operated Quick-service Restaurants

Description of the Matter

Sale of consumer goods amounting to P52.2 billion, which is mainly from its Emperador business segment, represents 40.5% of the Group's total revenues and income. Revenue from sale of goods is recognized when control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged receipt of the goods.

Sale from company-operated quick-service restaurants amounting to P18.0 billion, which is mainly from its GADC business segment, represents 14.0% of the Group's total revenues and income. The Group recognizes revenue from restaurant sales at a point in time when services are rendered, that is, when food and beverage products or promotional items purchased by customers have been delivered and accepted by the customers.

We considered revenue recognition from both sources as a key audit matter since it involves significant volume of transactions, requires proper observation of cut-off procedures, and directly impacts the Group's profitability.

The Group's disclosures on its revenue recognition policy and details of total revenues are presented in Notes 2 and 24, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

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

On sale of consumer goods:

- Tested the design and operating effectiveness of the Group's processes and controls over revenue recognition, approval and documentation, including the implemented information technology general and application controls over automated systems that record the revenue transaction;
-
- Evaluated the appropriateness of the Group's revenue recognition policy in accordance with the requirements of PFRS 15, *Revenue from Contracts with Customers*;
- Tested, on a sample basis, sales invoices, delivery receipts and cash receipts of sales transactions throughout the current period to determine whether sale of goods is valid and existing;
- Confirmed trade receivables using positive confirmation, on a sample basis, and performed alternative procedures for non-responding customers, such as, examination of evidence of subsequent collections, or corresponding sales invoices and proof of deliveries;
- Tested sales invoices and delivery receipts immediately prior and subsequent to the current period to determine whether the related sales transactions are recognized in the proper reporting period; and,

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

On sales from company-operated quick-service restaurants:

- Tested the design and operating effectiveness of the Group's internal controls over the recognition and measurement of revenues from sales from company-operated quick-service restaurants, including test of information technology general controls (ITGC) over relevant automated controls;
- Performed test of completeness and cut-off testing by obtaining store reports, on a sample basis, and matching with system wide sales report;
- Obtained an understanding of the revenue recognition policy regarding quick-service restaurant and the related significant business processes of the Group; and,
- Performed substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per product/brand and location, and sales mix composition based on our expectations and following up variances from our expectations; and, verifying that the underlying data used in the analyses are valid.

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

Description of the Matter

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve the application of significant judgment and estimation. In addition, real estate sales and costs of real estate sales amounted to P24.9 billion or 19.3% of the consolidated Revenues and Income and P13.8 billion or 12.1% of the consolidated Costs and Expenses, respectively, for the year ended December 31, 2020. The areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

The Group's policy for revenue recognition on real estate sales are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to revenue recognition are more fully described in Note 3 to the consolidated financial statements. The breakdown of real estate sales and costs of real estate sales are disclosed in Notes 24 and 25, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatements relating to the recognition of revenue from real estate sales and related costs include, among others, the following:

- Obtained an understanding of the revenue recognition policy regarding real estate sales transactions and the related significant business processes of the Group;
- Performed test of design and operating effectiveness on controls regarding real estate revenues and costs recognition, including test of ITGC over relevant automated controls;
- Performed test of mathematical accuracy and completeness of supporting contract summary, examination of supporting documents of a sample of agreements, and performing overall analytical review of actual results;
- Inspected sample agreements for compliance with a set of criteria for revenue recognition and test of controls over contract approval;
- Tested the reasonableness of management's judgment in determining the probability of collection of the consideration in a contract which involves a historical analysis of customer payment pattern and behaviour;
- Tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs, which includes testing of controls over the recognition and allocation of costs per project and direct examination of supporting documents. In testing the reasonableness of budgetary estimates, we have ascertained the qualifications of project engineers who prepared the budgets and reviewed the actual performance of completed projects with reference to their budgeted costs;
- Performed physical inspection of selected projects under development to assess if the completion based on costs is not inconsistent with the physical completion of the project;
- In relation to cost of real estate sales, we obtained an understanding of the Group's cost accumulation process. On a sampling basis, we traced costs accumulated to supporting documents such as invoices and accomplishment reports from the contractors and official receipts; and,
- Tested the adequacy of financial statement disclosures.

(d) Revenue Recognition on Gaming Operations*Description of the Matter*

The Group, through its Travellers business segment, is the operator of integrated gaming resorts and tourist destination, Resorts World Manila. The total revenue from gaming operations amounted to P9.4 billion in 2020, representing 7.0% of the Group's total revenues. Gaming transactions of the Group with fixed-odds wagers known at the time of bet are considered derivative transactions wherein the Group takes a position against a patron and the resulting unsettled position becomes a derivative instrument under PFRS 9, *Financial Instruments*. In our view, gaming transaction is significant to our audit because the amount is material and it involves voluminous transactions at any given period of time, which undergo complex automated and manual gaming processes and controls under the Group's principal gaming and gaming-related systems.

The Group's disclosures on its revenue recognition policy and details of total revenues are presented in Notes 2 and 24, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

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

- Updated our understanding of the Group's gaming revenue processes and controls over the recognition and measurement of gaming revenues;
- Tested and evaluated the design and operating effectiveness of controls over ITGC and application controls over major casino processes namely: buy-in and pay-out, float maintenance, end-of-day recording, casino credit billing and collection and month-end reconciliation procedures;
- Performed analytical review procedures on gaming revenues, drops and win rates from both gaming tables and slot machines based on our expectations, and resolved variances from our expectations through discussion with the management and corroboration of their responses whether plausible under such circumstances;
- Tested the recognition and measurement of gaming revenues by tracing a sample of transactions throughout the current period to source data to verify the accuracy of reported gaming revenues; and,
- Performed detailed observation of cash count procedures at the end of the reporting period to verify the appropriateness of the Group's cut-off procedures on gaming revenues.

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

The Group's hotel operations segment continues to be adversely affected by the lower number of guests and reduced room rates, which significantly impacted the revenues reported for this segment. Meanwhile, the Group's rental segment, both office and retail, are also affected due to temporary closures of non-essential stores during community quarantine, reduced foot traffic, lease concessions and restructuring and, more particularly for office rental, transition to work-from-home arrangements. Similarly, the Group's gaming segment was adversely affected due to temporary closure of casino operations during the enhanced community quarantine, and, subsequently, when it resumed operations, capacity was only limited to 30%, then 50%. Likewise, the Group's company-operated quick-service restaurants segment are also affected due to restrictions in operating capacity and store hours, which also caused lower foot traffic and closure of some stores. The impairment of real properties under the hotel operations, rental segments and company-operated quick-service restaurants segment is significant to our audit because the aforementioned events and conditions are impairment indicators requiring the assessment of the recoverable amount of property and equipment and investment properties, which involves significant judgment, estimation and assumptions. In addition, because of the COVID-19 pandemic, there is a heightened level of uncertainty on the future economic outlook and market forecast. Real properties and right-of-use assets under hotel operations, gaming and company-operated quick-service restaurants (part of property, plant and equipment - net), and rental segments (part of investment properties) are significant to the financial statements and totalled P169.4 billion or 25.3% of consolidated total assets as of December 31, 2020.

The Group's policy for impairment of non-financial assets, which include property and equipment and investment properties, are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to impairment are more fully described in Note 3 to the consolidated financial statements. The segment information, carrying amount of property and equipment and carrying amount of investment properties are disclosed in Notes 4, 13 and 14, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the impairment evaluation of property and equipment and investment properties included, among others, the following:

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

(f) Impairment of Goodwill and Trademarks with Indefinite Useful Life*Description of the Matter*

Under Philippine Accounting Standard 36, *Impairment of Assets*, the Group is required to annually test the carrying amounts of its goodwill and trademarks with indefinite useful lives for impairment. As of December 31, 2020, goodwill amounted to P19.8 billion, while the trademarks with indefinite useful lives amounted to P19.4 billion. We considered the impairment of these assets as a key audit matter because the amounts of goodwill and trademarks are material to the consolidated financial statements. In addition, management's impairment assessment process involved significant judgement and high estimation uncertainty based on the assumptions used. The significant assumptions include the determination of the discount rate, growth rate and cash flow projections used in determining the value-in-use of the trademarks and the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's policy on impairment assessment of goodwill and trademarks with indefinite useful lives is more fully described in Note 2 to the consolidated financial statements; the estimation uncertainty on impairment of non-financial assets, including trademarks and goodwill with indefinite useful lives, is presented in Note 3 to the consolidated financial statements; while their corresponding carrying amounts are presented in Note 15 to the consolidated financial statements.

How the Matter was Addressed in the Audit

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

- Evaluated the appropriateness and reasonableness of methodology and assumptions used in determining the value-in-use of cash-generating units attributable to the trademarks and goodwill, which include the discount rate, growth rate and the cash flow projections, by comparing them to external and historical data, with assistance from our Firm's valuation specialists;
- Tested the calculation of valuation model for mathematical accuracy and validating the appropriateness and reliability of inputs and amounts used;
- Performed independent sensitivity analysis of the projections and discount rate using the valuation model used to determine whether a reasonably possible change in assumptions could cause the carrying amount of cash generating units to exceed the recoverable amount; and,
- Evaluated the adequacy of the financial statement disclosures relating to goodwill, trademarks and impairment, including disclosure of key assumptions and judgments.

(g) Existence and Valuation of Inventories*Description of the Matter*

Inventories amounted to P140.0 billion as at December 31, 2020, which are mainly from the Group's Megaworld and Emperador business segments. The valuation of inventories is at the lower of cost or net realizable value (NRV).

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

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

How the Matter was Addressed in the Audit

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

On existence of inventories:

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

On valuation of inventories:

- Tested the design and operating effectiveness of processes and controls over inventory costing, reconciliation, data entry and review, including test of ITGC over relevant controls;
- Evaluated the appropriateness of the method used by management for inventory costing and valuation of the lower of cost or NRV and assessed the consistency of their application from period to period;
- Performed, on a sample basis, a price test of inventory items by examining supporting documents such as, but not limited to, purchase contracts and invoices, and relevant importation documents;

- Performed detailed analysis of the Group's standard costing of inventories through analytical review procedures of actual costs during the current period against the budgeted standard, and tested significant actual costs, on a sample basis, by agreeing with contracts and invoices; and,
- Evaluated the appropriateness and sufficiency of the amount of allowance for inventory write-down by testing the key assumptions used on the expected realization of inventories.

(h) Conduct of Remote Audit

Description of the Matter

As disclosed in Note 1 of the consolidated financial statements, the Group has been significantly exposed to the risks brought about by COVID-19, which has rapidly spread worldwide and caused governments across the world to implement community quarantine and social distancing measures and restrictions. This prompted management and the audit team to conduct a significant portion of the audit remotely.

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

How the Matter was Addressed in the Audit

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

- Considered the nature of the engagement and the engagement team's knowledge of the entity and its environment when we decided whether it is possible to perform a significant portion of the audit remotely;
- Intensified the application of PSA requirements, especially in respect of providing proper supervision and review;
- Obtained information through electronic means, which includes sending and receiving of confirmation electronically, obtaining calculations in electronic form to check the mathematical accuracy, scanning of hard-copy items for review and using real-time inspection technology such as video and screen-sharing;
- Determined the reliability of audit evidence provided electronically using enhanced professional skepticism and techniques designed to reinforce the skills of assistants in evaluating audit evidence obtained electronically;
- Performed inquiries through video conference calls in order to more effectively assess the facial expressions and body language of people being interviewed as well as to make the interaction more effective;
- Reviewed workpapers of component auditors remotely through share screening and constant and regular communication to clarify certain matters;

- Examined critical hard copy documents (e.g., contracts, billing invoices, purchase invoices and official receipts) physically in response to the risk in revenues and costs, which is considered to be significant; and,
- Adhered to and applied strictly the Firm's reinforced and enhanced quality control process.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

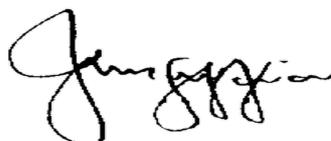
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the 2020 audit resulting in this independent auditors' report is Romualdo V. Murcia III.

PUNONGBAYAN & ARAULLO



By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8533234, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 30, 2021

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

	Notes	2020	2019
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 69,697,688,432	P 51,270,580,951
Trade and other receivables - net	6	67,316,976,331	73,766,084,747
Contract assets	24	13,265,242,603	10,857,180,128
Financial assets at fair value through profit or loss	7	9,788,321,208	12,045,110,108
Inventories - net	8	140,025,856,105	135,869,915,236
Other current assets	9	<u>16,302,863,173</u>	<u>17,367,583,144</u>
Total Current Assets		<u>316,396,947,852</u>	<u>301,176,454,314</u>
NON-CURRENT ASSETS			
Trade and other receivables - net	6	16,176,300,006	16,406,358,749
Contract assets	24	6,115,483,710	7,785,824,559
Advances to landowners and joint operators	10	7,513,380,172	7,058,884,461
Financial assets at fair value through other comprehensive income	11	396,914,433	416,657,341
Investments in associates and joint ventures	12	6,760,790,295	6,558,943,348
Property, plant and equipment - net	13	140,156,527,643	136,262,546,247
Investment properties - net	14	116,364,208,432	112,338,187,564
Intangible assets - net	15	39,399,635,484	39,943,371,103
Deferred tax assets - net	29	6,351,607,385	5,477,329,211
Other non-current assets	9	<u>7,869,369,362</u>	<u>7,021,891,772</u>
Total Non-current Assets		<u>347,104,216,922</u>	<u>339,269,994,355</u>
NON-CURRENT ASSETS HELD FOR SALE	16	<u>4,991,620,393</u>	<u>4,029,879,798</u>
TOTAL ASSETS		<u>P 668,492,785,167</u>	<u>P 644,476,328,467</u>

	Notes	<u>2020</u>	<u>2019</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Trade and other payables	17	P 72,161,288,500	P 61,394,887,255
Interest-bearing loans	18	49,545,524,642	40,869,676,836
Lease liabilities	13	1,427,669,658	1,297,248,962
Contract liabilities	24	2,647,780,045	1,703,947,321
Income tax payable		1,817,658,321	2,387,377,900
Redeemable preferred shares	20	251,597,580	251,597,580
Advances from related parties and joint operator partners	30	2,181,442,496	2,244,180,653
Other current liabilities	21	<u>25,800,354,438</u>	<u>20,550,029,609</u>
Total Current Liabilities		<u>155,833,315,680</u>	<u>130,698,946,116</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans	18	124,371,416,317	138,283,436,876
Bonds payable	19	40,282,855,986	24,623,883,690
Lease liabilities	13	15,864,238,579	14,623,215,469
Contract liabilities	24	3,195,849,258	3,509,607,722
Retirement benefit obligation	28	2,432,312,926	2,201,371,108
Redeemable preferred shares	20	1,464,659,539	1,580,915,329
Deferred tax liabilities - net	29	17,792,304,155	16,374,273,704
Other non-current liabilities	21	<u>11,436,372,526</u>	<u>15,463,882,949</u>
Total Non-current Liabilities		<u>216,840,009,286</u>	<u>216,660,586,847</u>
Total Liabilities		<u>372,673,324,966</u>	<u>347,359,532,963</u>
EQUITY			
Equity attributable to owners of the parent company	22	183,276,765,473	179,373,807,626
Non-controlling interest	22	<u>112,542,694,728</u>	<u>117,742,987,878</u>
Total Equity		<u>295,819,460,201</u>	<u>297,116,795,504</u>
TOTAL LIABILITIES AND EQUITY		<u>P 668,492,785,167</u>	<u>P 644,476,328,467</u>

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	<u>2020</u>	<u>2019</u>	<u>2018</u>
REVENUES AND INCOME				
Sale of goods	24	P 77,014,663,718	P 93,520,269,375	P 85,275,243,031
Rendering of services	24	47,540,714,247	81,042,859,297	66,176,980,409
Share in net profits of associates and joint ventures - net	12	115,185,780	180,320,026	291,178,124
Finance and other income	27	4,119,238,110	5,245,562,371	5,031,129,715
		<u>128,789,801,855</u>	<u>179,989,011,069</u>	<u>156,774,531,279</u>
COSTS AND EXPENSES				
Cost of goods sold	25	49,667,709,342	57,084,896,446	51,609,200,621
Cost of services	25	27,289,295,321	41,260,475,103	34,962,283,633
Other operating expenses	26	29,277,193,282	38,653,193,586	31,577,455,027
Finance costs and other charges	27	7,650,283,520	7,120,531,463	6,852,983,736
		<u>113,884,481,465</u>	<u>144,119,096,598</u>	<u>125,001,923,017</u>
PROFIT BEFORE TAX		14,905,320,390	35,869,914,471	31,772,608,262
TAX EXPENSE	29	<u>4,645,709,637</u>	<u>8,769,844,365</u>	<u>8,107,504,537</u>
NET PROFIT		<u>10,259,610,753</u>	<u>27,100,070,106</u>	<u>23,665,103,725</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains (losses) on remeasurement of retirement benefit obligation	28	(396,925,867)	(405,294,791)	190,629,650
Net unrealized fair value gain (loss) on financial assets at fair value through other comprehensive income	11	(17,674,933)	65,542,492	26,515,019
Share in other comprehensive income (loss) of associates	12	1,474,538	(11,417,059)	13,452,063
Deferred tax income (expense) relating to retirement benefit plan	29	(208,421,283)	29,007,853	(73,057,872)
		<u>(621,547,545)</u>	<u>(322,161,505)</u>	<u>157,538,860</u>
Items that will be reclassified subsequently to profit or loss				
Translation adjustments	2	(1,895,572,159)	(598,534,358)	(329,180,697)
Net unrealized fair value gain (loss) on cash flow hedge	21	(144,749,961)	(293,369,328)	230,806,189
Deferred tax income (expense) relating to components of other comprehensive income	29	4,481,239	939,955	(716,975)
		<u>(2,035,840,881)</u>	<u>(890,963,731)</u>	<u>(99,091,483)</u>
TOTAL COMPREHENSIVE INCOME		<u>P 7,602,222,327</u>	<u>P 25,886,944,870</u>	<u>P 23,723,551,102</u>
Net profit attributable to:				
Owners of the parent company		P 8,829,293,379	P 17,721,519,071	P 15,114,291,790
Non-controlling interest		<u>1,430,317,374</u>	<u>9,378,551,035</u>	<u>8,550,811,935</u>
		<u>P 10,259,610,753</u>	<u>P 27,100,070,106</u>	<u>P 23,665,103,725</u>
Total comprehensive income attributable to:				
Owners of the parent company		P 6,751,980,148	P 17,038,982,431	P 14,876,959,240
Non-controlling interest		<u>850,242,179</u>	<u>8,847,962,439</u>	<u>8,846,591,862</u>
		<u>P 7,602,222,327</u>	<u>P 25,886,944,870</u>	<u>P 23,723,551,102</u>
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company:				
Basic	23	<u>P 0.9213</u>	<u>P 1.8269</u>	<u>P 1.5245</u>
Diluted		<u>P 0.9213</u>	<u>P 1.8264</u>	<u>P 1.5223</u>

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

Notes	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 Gains (Losses) on Financial Assets at FVOCI	Accumulated Translation Adjustments	Revaluation Reserves on Cash Flow Hedge	Share Options	Other Reserves	Appropriated	Retained Earnings Unappropriated			Total	Total
Balance at January 1, 2020	P 10,269,827,979	P 34,518,916,029	(P 6,793,114,766)	(P 237,089,623)	P 399,058,137	(P 4,510,575,970)	(P 72,970,297)	P 620,625,162	P 11,001,806,871	P 3,931,650,000	P 130,245,674,104	P 134,177,324,104	P 179,373,807,626	P 117,742,987,878	P 297,116,795,504
Transactions with owners:															
Change in percentage of ownership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares	22	-	(803,824,656)	-	-	-	-	-	(1,560,413,791)	-	-	-	(1,560,413,791)	(5,343,757,820)	(6,904,171,611)
Dividend paid by investee	22	-	-	-	-	-	-	-	-	-	-	-	-	(755,117,591)	(755,117,591)
Cash dividends declared	22	-	-	-	-	-	-	-	-	-	(479,414,324)	(479,414,324)	(479,414,324)	(479,414,324)	(479,414,324)
Share-based compensation	22	-	-	-	-	-	-	-	-	-	-	-	-	48,540,082	48,540,082
			(803,824,656)	-	-	-	-	-	(1,560,413,791)	-	(479,414,324)	(479,414,324)	(2,843,627,711)	(6,050,535,329)	(8,894,188,100)
Changes in legal reserves during the year	-	-	-	-	-	-	-	(5,369,530)	-	-	-	-	(5,369,530)	-	(5,369,530)
Appropriation of retained earnings	22	-	-	-	-	-	-	-	-	3,337,550,000	(3,337,550,000)	-	-	-	-
Reversal of appropriation	22	-	-	-	-	-	-	-	-	(3,275,650,000)	3,275,650,000	-	-	-	-
Total comprehensive income (loss)	-	-	-	(546,447,646)	105,368,806	(1,536,993,818)	(99,240,573)	-	-	-	8,829,293,379	8,829,293,379	6,751,980,148	850,242,179	7,602,222,327
Balance at December 31, 2020	P 10,269,827,979	P 34,518,916,029	(P 7,596,939,422)	(P 783,537,269)	P 504,426,943	(P 6,047,569,788)	(P 172,210,870)	P 620,625,162	P 9,436,023,550	P 3,993,550,000	P 138,533,653,159	P 142,527,203,159	P 183,276,765,473	P 112,542,694,728	P 295,819,460,201
Balance at January 1, 2019, after effect of PFRS 16 adoption	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 112,992,076,974	P 116,512,156,974	P 171,173,752,347	P 117,337,834,927	P 288,511,587,274
Transactions with owners:															
Change in percentage of ownership	-	-	-	-	-	-	-	(515,840)	(6,291,950,241)	-	-	-	(6,292,466,081)	(4,749,499,783)	(11,041,965,864)
Acquisition of treasury shares	22	-	(2,662,450,257)	-	-	-	-	-	-	-	-	-	(2,662,450,257)	-	(2,662,450,257)
Acquisition of perpetual capital securities	22	-	-	-	-	-	-	-	-	-	-	-	-	(2,505,213,782)	(2,505,213,782)
Dividend paid by investee	22	-	-	-	-	-	-	-	-	-	-	-	-	(1,465,490,160)	(1,465,490,160)
Acquisition and incorporation of new subsidiaries	1	-	-	-	-	-	-	-	-	-	-	-	-	231,718,658	231,718,658
Share-based compensation	22, 28	-	-	-	-	-	-	-	-	-	11,417,059	11,417,059	11,417,059	45,675,579	45,675,579
Recycling due to disposal and dilution	-	-	(2,662,450,257)	-	-	-	-	(515,840)	(6,291,950,241)	-	11,417,059	11,417,059	(8,943,409,272)	(8,442,809,488)	(17,386,308,767)
Disposal of financial asset at fair value through other comprehensive income	11	-	-	-	67,769,000	-	-	-	-	-	(67,769,000)	(67,769,000)	-	-	-
Unexercised share options reclassified to additional paid-in capital	22	-	123,535,050	-	-	-	-	(123,535,050)	-	-	-	-	-	-	-
Additional legal reserves during the year	-	-	-	-	-	-	-	104,572,127	-	-	-	104,572,127	-	-	104,572,127
Appropriation of retained earnings	22	-	-	-	-	-	-	-	-	3,445,650,000	(3,445,650,000)	-	-	-	-
Reversal of appropriation	22	-	-	-	-	-	-	-	-	(3,034,080,000)	3,034,080,000	-	-	-	-
Total comprehensive income (loss)	-	-	-	(200,002,542)	39,250,812	(324,494,037)	(197,290,873)	-	-	-	17,721,519,071	17,721,519,071	17,038,982,431	8,847,962,439	25,886,944,870
Balance at December 31, 2019	P 10,269,827,979	P 34,518,916,029	(P 6,793,114,766)	(P 237,089,623)	P 399,058,137	(P 4,510,575,970)	(P 72,970,297)	P 620,625,162	P 11,001,806,871	P 3,931,650,000	P 130,245,674,104	P 134,177,324,104	P 179,373,807,626	P 117,742,987,878	P 297,116,795,504
Balance at January 1, 2018	P 10,269,827,979	P 34,395,380,979	(P 1,566,146,040)	(P 36,537,800)	P 259,101,753	(P 3,761,144,930)	(P 30,896,586)	P 744,676,052	P 20,139,138,973	P 2,748,722,000	P 100,958,827,802	P 103,707,549,802	P 164,020,950,182	P 109,964,643,080	P 273,985,593,262
Transactions with owners:															
Acquisition of treasury shares	22	-	(2,564,518,469)	-	-	-	-	-	-	-	-	-	(2,564,518,469)	-	(2,564,518,469)
Share-based compensation	22, 28	-	-	-	-	-	-	-	-	-	-	-	53,457,042	53,457,042	
Acquisition and incorporation of new subsidiaries	1	-	-	-	-	-	-	-	(2,865,746,187)	-	-	-	(2,865,746,187)	(2,031,967,070)	
Change in percentage of ownership	-	-	-	-	-	-	-	-	-	-	-	-	(2,478,648,942)	(2,478,648,942)	
Dividend paid by investee	22	-	-	-	-	-	-	-	-	-	-	-	(1,346,498,244)	(1,346,498,244)	
Issuance of perpetual capital securities	22	-	-	-	-	-	-	-	-	-	-	-	2,505,213,782	2,505,213,782	
Retirement of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	(2,875,000)	(2,875,000)	
Cash dividends declared	22	-	-	-	-	-	-	-	-	-	(1,281,782,338)	(1,281,782,338)	(1,281,782,338)	(1,281,782,338)	
			(2,564,518,469)	-	-	-	-	-	(2,865,746,187)	-	(1,281,782,338)	(1,281,782,338)	(6,712,046,994)	(7,147,619,239)	
Reclassification adjustment	-	-	-	-	-	-	-	-	9,689,175	-	(9,689,175)	(9,689,175)	-	-	-
Additional legal reserves during the year	-	-	-	-	-	-	-	-	6,103,024	-	(5,739,354)	(5,739,354)	363,670	-	363,670
Appropriation of retained earnings	22	-	-	-	-	-	-	-	-	3,034,080,000	(3,034,080,000)	-	-	-	-
Reversal of appropriation	22	-	-	-	-	-	-	-	-	(2,262,722,000)	2,262,722,000	-	-	-	-
Total comprehensive income (loss)	-	-	-	(549,281)	329,936,572	(424,937,003)	(155,217,162)	-	-	-	15,114,291,790	15,114,291,790	14,876,959,240	8,846,591,862	23,723,551,102
Balance at December 31, 2018	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 114,004,530,725	P 117,524,630,725	P 172,186,226,098	P 118,375,662,697	P 290,561,888,795

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 14,905,320,390	P 35,869,914,471	P 31,772,608,262
Adjustments for:				
Depreciation and amortization	25, 26	10,842,387,970	9,730,433,947	6,883,015,196
Interest expense	27	6,840,980,033	6,292,708,219	4,084,166,535
Interest income	27	(2,160,829,212)	(2,874,346,544)	(2,833,780,599)
Gain from rent concessions	27	(474,320,704)	-	-
Recognition of impairment losses - net	26, 27	267,634,714	230,818,401	143,684,311
Loss (gain) on disposal of property, plant and equipment and investment properties	27	174,787,449	11,601,932	(53,917,450)
Unrealized foreign currency loss (gain) - net	27	161,039,461	(674,805,749)	344,806,464
Share in net profits of associates and joint ventures	12	(115,185,780)	(180,320,026)	(291,178,124)
Gain from derecognition of right-of-use assets and lease liabilities	13	(51,149,786)	-	-
Stock option benefit expense	28	48,340,082	45,675,579	53,457,042
Dividend income	27	(7,117,104)	(20,870,837)	(63,767,349)
Fair value loss (gain) on financial assets at fair value through profit or loss	27	(130,149)	1,528,528	36,629,368
Gain on sale of investments in an associate	27	-	(340,809,382)	-
Reversal of pre-acquisition income	27	-	-	166,615,784
Gain from deconsolidation of subsidiaries	27	-	-	(19,479,803)
Operating profit before working capital changes		30,431,757,364	48,091,528,539	40,222,859,637
Decrease (increase) in trade and other receivables		1,543,987,739	(9,523,414,180)	(4,602,288,800)
Increase in inventories		(3,054,023,476)	(3,401,637,049)	(11,172,191,719)
Decrease (increase) in contract assets		(737,721,626)	3,584,275,000	(5,871,792,742)
Decrease in financial assets at fair value through profit or loss		528,750,678	361,367,591	527,194,229
Decrease (increase) in other current assets		1,080,165,305	(1,749,653,611)	(2,565,470,447)
Increase in trade and other payables		11,370,724,789	8,301,399,849	5,728,950,014
Increase (decrease) in contract liabilities		630,074,260	(155,112,252)	396,021,988
Increase (decrease) in retirement benefit obligation		(374,405,332)	35,064,502	(103,543,358)
Increase in other current liabilities		5,250,324,829	5,301,094,701	2,307,720,946
Increase (decrease) in other non-current liabilities		(4,006,312,015)	(1,665,036,588)	2,587,463,084
Cash generated from operations		42,663,322,515	49,179,876,502	27,454,922,832
Cash paid for taxes		(4,906,590,957)	(5,345,768,301)	(4,073,223,082)
Net Cash From Operating Activities		37,756,731,558	43,834,108,201	23,381,699,750
<i>Balance carried forward</i>		P 37,756,731,558	P 43,834,108,201	P 23,381,699,750

	Notes	2020	2019	2018
<i>Balance brought forward</i>		<u>P 37,756,731,558</u>	<u>P 43,834,108,201</u>	<u>P 23,381,699,750</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	13	(7,536,618,838)	(12,018,740,610)	(17,451,001,408)
Investment properties	14	(6,731,614,968)	(10,390,591,440)	(14,280,652,677)
Intangible assets	15	(14,931,794)	(30,343,308)	(60,060,430)
Subsidiaries and associates	1, 12	-	(1,350,050,000)	(2,243,566,862)
Proceeds from:				
Disposal of property, plant and equipment	13	122,632,048	482,072,447	397,966,277
Collections of advances from associates and other related parties	30	35,608,643	129,918,481	255,426,945
Sale of investment in financial asset at FVOCI	11	1,960,000	100,250,000	-
Disposal of investment property	14	793,598	716,363	2,464,208
Sale of an investment in an associate	12	-	1,017,844,908	-
Disposal of subsidiary	1	-	-	10,837,209
Interest received		1,166,137,587	1,704,951,850	1,092,919,788
Increase in other non-current assets		(831,036,259)	(766,373,764)	(616,837,261)
Advances to landowners, joint ventures and other related parties - net		(454,495,711)	(148,706,559)	(921,285,309)
Additional advances granted to associates	30	(260,769,849)	(570,167,429)	(500,136,212)
Cash dividends received		7,117,104	303,370,802	157,081,637
Net Cash Used in Investing Activities		(14,495,218,439)	(21,535,848,259)	(34,156,844,095)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from interest-bearing loans and bonds	18, 19, 36	39,804,855,872	30,677,150,000	59,942,342,396
Payment of interest-bearing loans	18, 19, 36	(26,034,969,977)	(16,580,133,659)	(46,436,104,182)
Interest paid		(11,798,215,092)	(10,953,777,226)	(6,295,430,056)
Buyback of shares from non-controlling interest by a subsidiary	22	(3,892,492,056)	(11,573,166,064)	(1,528,633,170)
Dividends paid	22	(836,705,875)	(678,332,636)	(2,628,280,582)
Payment of lease liabilities	13	(813,602,312)	(1,056,881,797)	-
Acquisition of treasury shares	22	(803,824,656)	(2,662,450,257)	(2,564,518,469)
Redemption of preferred shares	20, 36	(251,597,580)	(251,597,580)	(251,597,580)
Advances granted and paid to related parties	30	(249,649,665)	(413,161,385)	(925,735,618)
Advances collected and received from related parties	30	41,795,703	190,873,862	675,467,194
Acquisition of perpetual capital securities	22	-	(2,505,213,782)	-
Proceeds from issuance of perpetual capital securities	22	-	-	2,505,213,782
Net Cash From (Used in) Financing Activities		(4,834,405,638)	(15,806,690,524)	2,492,723,715
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		18,427,107,481	6,491,569,418	(8,282,420,630)
CASH AND CASH EQUIVALENTS OF NEW SUBSIDIARY		-	-	277,032,001
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		51,270,580,951	44,779,011,533	52,784,400,162
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>P 69,697,688,432</u>	<u>P 51,270,580,951</u>	<u>P 44,779,011,533</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 CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General Information

Alliance Global Group, Inc. (the “Company”, “Parent Company”, or “AGI”) was registered with the Philippine Securities and Exchange Commission (“SEC”) on October 12, 1993 and began operations in 1994 as a glass-container manufacturer.

On March 12, 1999, it obtained approval from the SEC to broaden its primary business into that of a holding company. Given a wider scope of business, AGI immediately diversified its investment holdings and on April 19, 1999, AGI listed its shares in the Philippine Stock Exchange (“PSE”). Currently, the Company and its subsidiaries, associates and joint ventures (collectively referred to as the “Group”) operate businesses in real estate property development, tourism-entertainment and gaming, food and beverage, and quick-service restaurant under the following entities (see Notes 4 and 12).

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

Subsidiaries/ Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2020	2019	2018
Subsidiaries					
Megaworld and subsidiaries					
Megaworld Corporation					
Megaworld	Megaworld	(a)	69%	67%	67%
Megaworld Resort Estates, Inc.		(b)	84%	83%	83%
Townsquare Development, Inc.	TDI		50%	50%	50%
Golden Panda-ATI Realty Corporation			50%	50%	50%
Arcovia Properties, Inc.	API		69%	67%	67%
Belmont Newport Luxury Hotels, Inc.			69%	67%	67%
Davao Park District Holdings Inc.			69%	67%	67%
Eastwood Cyber One Corporation	ECOC		69%	67%	67%
Global One Hotel Group, Inc.			69%	67%	67%
Global One Integrated Business Services, Inc.			69%	67%	67%
Hotel Lucky Chinatown, Inc.		(c)	69%	67%	67%
Landmark Seaside Properties, Inc.			69%	67%	67%
Luxury Global Hotels and Leisures, Inc.			69%	67%	67%
Luxury Global Malls, Inc.			69%	67%	67%
Mactan Oceanview Properties and Holdings, Inc.			69%	67%	67%
Megaworld Cayman Islands, Inc.		(d)	69%	67%	67%
Megaworld Cebu Properties, Inc.			69%	67%	67%
Megaworld Land, Inc.			69%	67%	67%
Citywalk Building Administration, Inc.			69%	67%	67%
Forbestown Commercial Center Administration, Inc.			69%	67%	67%
Iloilo Center Mall Administration, Inc.			69%	67%	67%
Newtown Commercial Center Administration, Inc.			69%	67%	67%
Paseo Center Building Administration, Inc.			69%	67%	67%
San Lorenzo Place Commercial Center Administration, Inc.			69%	67%	67%
Southwoods Lifestyle Mall Management, Inc.		(c)	69%	67%	67%
Uptown Commercial Center Administration, Inc.			69%	67%	67%
Valley Peaks Property Management, Inc.			69%	67%	67%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2020	2019	2018
Subsidiaries					
Megaworld and subsidiaries					
Megaworld Newport Property Holdings, Inc.			69%	67%	67%
Oceantown Properties, Inc.			69%	67%	67%
Piedmont Property Ventures, Inc.			69%	67%	67%
Prestige Hotels and Resorts, Inc.			69%	67%	67%
Richmonde Hotel Group International Ltd.	RHGI	(g)	69%	67%	67%
San Vicente Coast, Inc.			69%	67%	67%
Savoy Hotel Manila, Inc.		(c)	69%	67%	67%
Savoy Hotel Mactan, Inc.		(c)	69%	67%	67%
Kingsford Hotel Manila, Inc.		(f)	69%	-	-
Agile Digital Ventures, Inc.		(f)	69%	-	-
Stonehaven Land, Inc.			69%	67%	67%
Streamwood Property, Inc.			69%	67%	67%
Megaworld Bacolod Properties, Inc.			63%	62%	62%
Manila Bayshore Property Holdings, Inc.	MBPHI	(h)	62%	62%	60%
Megaworld Capital Town, Inc.	MCTI		52%	51%	51%
Megaworld Central Properties, Inc.			52%	51%	51%
Soho Cafe and Restaurant Group, Inc.			51%	50%	50%
La Fuerza, Inc.	LFI		46%	45%	45%
Megaworld-Daewoo Corporation			41%	40%	40%
Northwin Properties, Inc.			41%	40%	40%
Gilmore Property Marketing Associates Inc.			36%	35%	35%
Integrated Town Management Corporation			34%	34%	34%
Maple Grove Land, Inc.			34%	34%	34%
Megaworld Globus Asia, Inc.	MGAI		34%	34%	34%
Suntrust Properties, Inc.	SPI		69%	67%	67%
Governor's Hills Science School, Inc.			69%	67%	67%
Sunrays Property Management, Inc.			69%	67%	67%
Suntrust Ecotown Developers, Inc.	SEDI		69%	67%	67%
Suntrust One Shanata, Inc.			69%	67%	67%
Suntrust Two Shanata, Inc.			69%	67%	67%
Stateland, Inc.	STLI	(i, j)	66%	65%	65%
Global-Estate Resorts, Inc.	GERI	(k)	56%	55%	55%
Southwoods Mall Inc.			62%	61%	61%
Twin Lakes Corp.	TLC	(l)	62%	61%	61%
Twin Lakes Hotel, Inc.	TLHI	(i, m)	62%	61%	61%
Megaworld Global-Estate, Inc.		(n)	61%	60%	60%
Fil-Estate Golf and Development, Inc.			56%	55%	55%
Golforce, Inc.			56%	55%	55%
Southwoods Ecocentrum Corp.	SWEC		34%	33%	33%
Philippine Aquatic Leisure Corp.			34%	33%	33%
Fil-Estate Properties, Inc.	FEPI		56%	55%	55%
Aklan Holdings Inc.			56%	55%	55%
Blu Sky Airways, Inc.			56%	55%	55%
Fil-Estate Subic Development Corp.			56%	55%	55%
Fil-Power Concrete Blocks Corp.			56%	55%	55%
Fil-Power Construction Equipment Leasing Corp.			56%	55%	55%
Golden Sun Airways, Inc.			56%	55%	55%
La Compañía De Sta. Barbara, Inc.			56%	55%	55%
MCX Corporation			56%	55%	55%
Pioneer L-5 Realty Corp.			56%	55%	55%
Prime Airways, Inc.			56%	55%	55%
Sto. Domingo Place Development Corp.			56%	55%	55%
Fil-Estate Industrial Park, Inc.			45%	44%	44%
Sherwood Hills Development Inc.			31%	30%	30%
Fil-Estate Urban Development Corp.			56%	55%	55%
Global Homes and Communities, Inc.			56%	55%	55%
Savoy Hotel Boracay, Inc.		(e)	56%	55%	-
Belmont Hotel Boracay, Inc.		(e)	56%	55%	-
Novo Sierra Holdings Corp.			56%	55%	55%
Elite Communities Property Services, Inc.	ECPSI	(i, m)	56%	55%	55%
Oceanfront Properties, Inc.	OFPI		28%	28%	28%
Empire East Land Holdings, Inc.	EELHI		56%	55%	55%
Sonoma Premiere Land, Inc.		(o)	74%	73%	73%
Pacific Coast Mega City, Inc.	PCMI	(p)	83%	82%	71%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2020	2019	2018
Subsidiaries					
Megaworld and subsidiaries					
Empire East Land Holdings, Inc.					
Valle Verde Properties, Inc.			56%	55%	55%
Laguna BelAir School, Inc.			41%	40%	40%
20th Century Nylon Shirt, Inc.			56%	55%	55%
Eastwood Property Holdings, Inc.			56%	55%	55%
Empire East Communities, Inc.			56%	55%	55%
Sherman Oak Holdings, Inc.			56%	55%	55%
Subsidiaries					
Emperador and subsidiaries					
Emperador Inc.					
	EMP or				
	Emperador	(q)	84%	85%	83%
	EDI		84%	85%	83%
Emperador Distillers, Inc.			84%	85%	83%
Alcazar de Bana Holdings Company, Inc.			84%	85%	83%
ProGreen AgriCorp, Inc.	PAI		84%	85%	83%
South Point Science Park, Inc.			84%	85%	83%
Anglo Watsons Glass, Inc.	AWGI		84%	85%	83%
Cocos Vodka Distillers Philippines, Inc.			84%	85%	83%
The Bar Beverage, Inc.			84%	85%	83%
Tradewind Estates, Inc.	TEI	(r)	84%	85%	83%
BoozyLife, Inc.		(r)	52%	43%	42%
Zabana Rum Company Inc.			84%	85%	83%
Emperador International Ltd.					
Emperador Asia Pte Ltd.	EIL	(g)	84%	85%	83%
Grupo Emperador Spain, S.A.	EA	(s)	84%	85%	83%
Bodega San Bruno, S.L.	GES	(s)	84%	85%	83%
Bodegas Fundador, S.L.U.	BSB	(s)	84%	85%	83%
Complejo Bodeguero San Patricio, S.L.U.	BFS	(s, t)	84%	85%	83%
Destilados de la Mancha S.L.	CBSP	(s, t)	-	85%	83%
Grupo Emperador Gestion S.L.	DDLDM	(s)	84%	85%	83%
Domecq Bodega Las Copas, S.L.	GEG	(s)	84%	85%	83%
Stillman Spirits, S.L.	DBLC	(s)	42%	42%	41%
Bodega Domecq S.A. de C.V.	SSSL	(e, s)	84%	85%	-
Domecq Distribucion De Bebidas S.A. de C.V.	BDSC	(s, t)	-	-	41%
Pedro Domecq S.A. de C.V.	DDDB	(s)	42%	42%	41%
Emperador Europe SARL	PDSC	(s, t)	42%	42%	41%
Emperador Holdings (GB) Limited	EES	(s)	84%	85%	83%
Emperador UK Limited	EGB	(s)	84%	85%	83%
Whyte and Mackay Global Limited	EUK	(s)	84%	85%	83%
Whyte and Mackay Group Limited	WMGL	(c, s)	84%	85%	83%
Whyte and Mackay Limited	WMG	(s)	84%	85%	83%
Whyte and Mackay Warehousing Ltd.	WML	(s)	84%	85%	83%
	WMWL	(s)	84%	85%	83%
GADC and subsidiaries					
Golden Arches Development Corporation					
Advance Food Concepts Manufacturing, Inc.	GADC		49%	49%	49%
Golden Arches Realty Corporation			49%	49%	49%
Red Asian Food Solutions, Inc.	GARC	(u)	49%	49%	49%
Clark Mac Enterprises, Inc.			37%	37%	37%
Golden Laoag Foods Corporation			49%	49%	49%
Davao City Food Industries, Inc.			38%	38%	38%
First Golden Laoag Ventures, Inc.			37%	37%	37%
McDonald's Anonas City Center			34%	34%	34%
McDonald's Puregold Taguig			34%	34%	34%
Golden City Food Industries, Inc.			29%	29%	29%
McDonald's Bonifacio Global City			29%	29%	29%
Molino First Golden Foods Inc.			27%	27%	27%
GY Alliance Concepts, Inc.			26%	26%	26%
Retiro Golden Foods, Inc.	RGFI	(v)	19%	19%	19%
			-	-	34%
Travellers and subsidiaries					
Travellers International Hotel Group, Inc.					
Agile Fox Amusement and Leisure Corporation	Travellers	(w)	50%	50%	47%
			50%	50%	47%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2020	2019	2018
Subsidiaries					
Travellers and subsidiaries					
APEC Assets Limited			50%	50%	47%
Aquamarine Delphinium Leisure and Recreation Corporation.			50%	50%	47%
Bright Pelican Leisure and Recreation, Inc.			50%	50%	47%
Brightleisure Management, Inc.			50%	50%	47%
Brilliant Apex Hotels and Leisure Corporation			50%	50%	47%
Captain View Group Limited	Captain View	(f)	50%	-	-
Coral Primrose Leisure and Recreation Corporation			50%	50%	47%
Deluxe Hotels and Recreation, Inc.	DHRI		50%	50%	47%
Entertainment City Integrated Resorts & Leisure, Inc.			50%	50%	47%
FHTC Entertainment & Productions, Inc.	FHTC		50%	50%	47%
Golden Peak Leisure and Recreation, Inc.			50%	50%	47%
Grand Integrated Hotels and Recreation, Inc.			50%	50%	47%
Grandservices, Inc.			50%	50%	47%
Grandventure Management Services, Inc.			50%	50%	47%
Lucky Star Hotels and Recreation, Inc.	LSHRI		50%	50%	47%
Lucky Panther Amusement and Leisure Corporation			50%	50%	47%
Luminescent Vertex Hotels and Leisure Corporation			50%	50%	47%
Magenta Centaurus Amusement and Leisure Corporation			50%	50%	47%
Majestic Sunrise Leisure & Recreation, Inc.			50%	50%	47%
Netdeals, Inc.			50%	50%	47%
Newport Star Lifestyle, Inc.			50%	50%	47%
Royal Bayshore Hotels & Amusement, Inc.			50%	50%	47%
Sapphire Carnation Leisure and Recreation Corporation			50%	50%	47%
Scarlet Milky Way Amusement and Leisure Corporation			50%	50%	47%
Sparkling Summit Hotels and Leisure Corporation			50%	50%	47%
Valiant Leopard Amusement and Leisure Corporation			50%	50%	47%
Vermillion Triangulum Amusement and Leisure Corporation			50%	50%	47%
Westside City Resorts World, Inc.	WCRWI	(x)	49%	49%	47%
Purple Flamingos Amusement and Leisure Corporation			49%	49%	47%
Red Falcon Amusement and Leisure Corporation			49%	49%	47%
Westside Theatre Inc.			50%	50%	47%
Corporate and Others					
Alliance Global Brands, Inc.			100%	100%	100%
McKester Pik-nik International Limited	MPIL	(g)	100%	100%	100%
Great American Foods, Inc.		(y)	100%	100%	100%
New Town Land Partners, Inc.	NTLPI		100%	100%	100%
Alliance Global Group Cayman Islands, Inc.	AG Cayman	(d)	100%	100%	100%
Boracay Newcoast Resorts, Inc.		(c)	100%	100%	100%
Dew Dreams International, Inc.		(c)	100%	100%	100%
First Centro, Inc.	FCI		100%	100%	100%
ERA Real Estate Exchange, Inc.			100%	100%	100%
Oceanic Realty Group International, Inc.			100%	100%	100%
Greenspring Investment Holdings Properties Ltd.		(g)	100%	100%	100%
Infracorp Development, Inc.		(z)	100%	100%	100%
Shiok Success International, Inc.			100%	100%	100%
Travellers Group Ltd.		(g)	100%	100%	100%
Venezia Universal Ltd.		(g)	100%	100%	100%
Dew Dreams International, Ltd.		(g)	100%	100%	100%
Shiok Success International, Ltd.		(g)	100%	100%	100%
Adams Properties, Inc.	Adams		60%	60%	60%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2020	2019	2018
Associates					
First Premiere Arches Restaurant Inc.	FPARI		49%	49%	49%
Bonifacio West Development Corporation	BWDC		32%	31%	31%
Suntrust Home Developers, Inc.	SHDI	(aa), 12.2	23%	23%	31%
Citylink Coach Services, Inc.	CCSI	(bb)	6%	6%	31%
First Oceanic Property Management, Inc.	FOPMI	(bb)	6%	6%	31%
Palm Tree Holdings and Development Corporation	PTHDC		27%	27%	27%
SWC Project Management Limited	SPML	(bb)	23%	-	-
WC Project Management Limited	WPML	(bb)	23%	-	-
Fil-Estate Network, Inc.	FENI		11%	11%	11%
Fil-Estate Sales, Inc.	FESI		11%	11%	11%
Fil-Estate Realty and Sales Associates, Inc.	FERSAI		11%	11%	11%
Fil-Estate Realty Corp.	FERC		11%	11%	11%
Boracay Newcoast Hotel Group, Inc.	BNHGI	(cc), 12.3	-	-	8%
Nasugbu Properties, Inc.	NPI		8%	8%	8%
Joint Ventures					
Bodegas Las Copas, S.L.	BLC	(dd), 12.4	42%	42%	41%
Front Row Theatre Management, Inc.	FRTMI	(ee)	25%	25%	24%

Explanatory notes:

- (a) AGI's effective ownership interest is derived from its 46% direct ownership, 3% direct holdings of FCI, 18% direct holdings of NTLPI and 2% holdings of other subsidiaries.
- (b) AGI and Megaworld directly own 49% and 51%, respectively.
- (c) Incorporated subsidiaries in 2018.
- (d) Foreign subsidiaries operating under the laws of the Cayman Islands.
- (e) Incorporated subsidiaries in 2019.
- (f) Newly incorporated subsidiaries in 2020.
- (g) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands.
- (h) A subsidiary through 50/50 ownership of Travellers and Megaworld in 2017. In 2018, ownership interest changed to 67% and 33% for Megaworld and Travellers, respectively.
- (i) Acquired subsidiaries in 2018 accounted for as business acquisitions. [See Note 1.2(a)].
- (j) In June 2018, Megaworld and SPI acquired common shares of STLI from previous stockholders equivalent to 17.40% and 79.74% ownership interest, respectively. [See Note 1.2(a)].
- (k) AGI's effective ownership interest represents its indirect holdings through Megaworld, which owns 82% of GERI as at December 31, 2020 and 2019.
- (l) In 2018, Megaworld acquired additional shares of TLC from previous stockholders, thereby increasing the Group's effective ownership to 61%.
- (m) In 2018, GERI acquired all shares of ECPSI and TLHI through TLC.
- (n) A subsidiary through 60% and 40% direct ownership of GERI and Megaworld, respectively.
- (o) A subsidiary through 60% and 40% direct ownership of EELHI and FCI, respectively.
- (p) PCMI was considered as an associate of the Group in prior years. 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 these transactions is 82%. See Notes 1.2(a) and 30.7.
- (q) In line with its buy-back program which started in 2017, EMP repurchased common shares which resulted in the increase in AGI's effective ownership over EMP. On February 5, 2020, EMP reissued a portion of its treasury shares which decreased AGI's effective ownership. (See Note 21).
- (r) In 2018, TEI acquired 51% ownership and in January 2020, TEI increased ownership to 62%.
- (s) Subsidiaries under EIL, EA, EES and EGB are direct subsidiaries of EIL. EA is operating under the laws of Singapore. A subsidiary of EA, GES and its subsidiaries BSB, BFS, GEG, CBSP, DBLC, SSSL and DDLM (a subsidiary of BFS) are operating under the laws of Spain. DBLC's subsidiaries PDSC, BDSC and DDDDB are operating under the laws of Mexico. EES is operating under the laws of Luxembourg. EGB is the ultimate UK parent of EUK, WMG, WMGL, WML and WMWL which are operating under the laws of Scotland.
- (t) On January 1, 2020, CBSP was merged with BFS by absorption wherein the latter is the absorbing entity. On June 30, 2019, BDSC was merged with PDSC by absorption wherein the latter is the absorbing entity. The Group accounted for these business combinations under common control using pooling-of-interests method [see Note 2.11(b)].
- (u) GARC was acquired together with GADC.
- (v) In 2018, GADC sold its full ownership in RFGI which resulted in a gain of P19.5 million. [See Note 1.2(b)].
- (w) Travellers' common shares are directly owned 16% by AGI, 3% by FCI, 1% by Megaworld, 49% by Adams, 30% by Genting Hongkong Limited ("GHL") and 1% by the public.

- (x) 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).
- (y) Foreign subsidiary of MPIL operating under the laws of United States of America.
- (z) Infracorp is a subsidiary incorporated to engage in infrastructure business.
- (aa) In 2019, Megaworld and TDI disposed of certain number of shares over SHDI. In addition, Megaworld and a third party investor subscribed to the increase in the capitalization of SHDI, and the third party became the controlling shareholder. The foregoing transactions decreased AGI's effective ownership over SHDI to 23%. (See Notes 12.2 and 31.9).
- (bb) Subsidiaries of SHDI, an associate of Megaworld. In addition to the change in Megaworld's ownership over SHDI, the latter disposed certain number of shares over CCSI and FOPMI, resulting to further dilution of AGI's effective ownership to 6%. SPML and WPML are newly-incorporated, wholly-owned subsidiaries of SHDI in 2020. These companies are engaged in project management and consultancy services.
- (cc) In 2019, FEPI sold 15% ownership interest over BNHGI to third parties. The effective ownership interest of the Company decreased from 8% in 2018 to nil in 2019.
- (dd) A foreign joint venture under GES and operating under the laws of Spain.
- (ee) A joint venture through FHTC.

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 d, g, s, t, y and dd 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 December 31, 2020. Travellers applied for voluntary delisting and was officially delisted in the PSE on October 21, 2019.

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

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

1.2 Business and Asset Acquisitions and Disposals

(a) 2018 Acquisitions

In 2018, the Group obtained control over various entities to expand its operations as disclosed in Note 1.1(i)(r). These were accounted for under the acquisition method, except for the acquisition of PCMI [see Note 1.1(p)] which is accounted for under the pooling-of-interest method [see Notes 2.2(a) and 2.11].

The provisional and final fair values of identifiable net assets acquired and total considerations transferred under the acquisition method as at the dates of acquisition are presented below.

	<u>Final Fair Value</u>	<u>Provisional Fair Value</u>
Tangible assets acquired	P 3,173,829,458	P 3,279,496,359
Liabilities assumed	(1,376,876,569)	(1,376,876,569)
Net assets acquired	1,796,952,889	1,902,619,790
Non-controlling interest	(84,000,072)	(84,000,072)
Pre-acquisition loss	166,615,784	166,615,784
Net equity acquired	1,879,568,601	1,985,235,502
Fair value of cash consideration transferred	1,974,460,838	1,974,460,838
Goodwill (gain) on acquisition	P 94,892,237	(P 10,774,664)

A significant portion of tangible assets acquired pertains to real estate inventories. Tangible assets acquired also include cash, trade and other receivables, contract assets, property and equipment and other current assets. The acquired trade and other receivables mainly pertain to trade receivables from real estate sales.

As of December 31, 2018, the accounting for the acquisition of STLI was not yet complete. The fair values of assets acquired and liabilities presented at that time were only provisionally determined pending the finalization of necessary market valuations. As allowed under PFRS 3, *Business Combinations*, the Group determined the final fair values of identifiable assets and liabilities within 12 months from the acquisition date. In 2018, STLI recognized revenues and net profit amounting to P800.2 million and P293.7 million, respectively. Of these amounts, revenues and net profit of P744.1 million and P258.7 million, respectively, were recognized from acquisition date.

In 2019, management completed the assessment of the fair values of STLI's net assets and determined adjustments resulting in P246.9 million decrease in its net assets valuation. The adjustments to the provisionary amounts likewise resulted in a recognition of goodwill amounting to P94.9 million and additional deferred tax assets of P141.2 million. The goodwill comprises the fair value of expected synergies arising from the acquisition, which mainly pertain to real estate development expertise of the Group and the strategic location of real properties for development provided by STLI. In 2019, the 2018 consolidated financial statements were restated to reflect the final fair value measurement of the net assets of STLI.

There were no contingent consideration arising from the foregoing transaction. Also, acquisition related-costs were deemed immaterial on this transaction.

As to PCMI which became a subsidiary in December 2018, the acquisition was accounted for using the pooling-of-interest method [see Note 2.11(b)]. In 2019, EELHI increased its ownership interest, and the Group gained full rights over PCMI. Significant assets acquired from PCMI pertain to real estate inventories (land for future development).

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

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

(b) *2018 Disposals*

In 2018, the Group disposed of full ownership interests over RGFJ thereby losing control [see Notes 1.1(v) and 2.2(a)]. The carrying amount of net assets of the entities at the date of disposal and the resulting gain on deconsolidation are presented in the succeeding page.

Current assets (excluding cash)	P	1,502,687
Non-current assets		3,819,450
Current liabilities	(	12,966,403)
Non-current liabilities	(	<u>998,328</u>)
Total net liabilities	(	<u>8,642,594</u>)
Total consideration received in cash		15,500,000
Cash on hand and in banks	(	<u>4,662,791</u>)
Net cash received		<u>10,837,209</u>
Gain on deconsolidation	P	<u>19,479,803</u>

The gain on deconsolidation is presented as Gain on deconsolidation of subsidiaries under Finance and Other Income in the 2018 consolidated statement of comprehensive income (see Note 27).

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

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

The impact of these government-instituted restrictions, which ease out into four phases of community quarantine ("CQ"), to the Group's revenue streams are as follows:

Sale of Goods

Real estate sales were lower by 42% year-on-year due to limited selling activities and restricted construction activities resulting in fewer reservations from a year ago. Construction activities were suspended during the Enhanced CQ ("ECQ") and slowly resumed as CQ protocols were relaxed. Most new project launches were put on hold as work stoppage on site could result in delayed project completion. The Group noted a shift in market demand to lot sales and vacation homes instead of vertical developments.

Contrary to the impact on other revenue streams, the sale of consumer goods was 2% higher as compared to 2019. Off-trade sales expanded while on-trade sales were greatly affected by the restrictions on customers' operating capacity and hours (and temporary closure at the onset).

Rendering of Services

Sales by company-operated quick-service restaurants and franchise revenues declined by 37% and 45%, respectively, due to restrictions in operating capacity and store hours which caused lower foot traffic and closure of stores. Stores inside malls were hardest hit when only essential business was allowed to operate in malls and this caused few stores to permanently close.

Rental income declined by 24% primarily due to temporary closure of mall and commercial spaces except for what-is-considered-as essential establishments, and rent concessions granted to retail tenants and partners like waiver of certain rental charges and restructuring of lease contracts. Business process outsourcing (BPO) offices remained operational even during the ECQ.

Gaming revenues declined by 56% from a year ago since the Group's sustainability and profitability of operations significantly depended on customer foot traffic, local and international travel and tourism, and the ability to deliver commendable accommodation and dining experiences, which have been temporarily restricted by the CQ measures. Further, there was a temporary closure of casino operations from March 16, 2020 to May 31, 2020, and, subsequently, when operations resumed, capacity was only limited to 30%, then 50%.

Hotel revenues dropped by 53% as a result of temporary closure of hotels, travel bans and limited hotel operations in accordance with CQ guidelines. Occupancy dropped significantly due to travel restrictions and cancellation of bookings and meetings, incentives, conventions and exhibitions activities. With limited operations allowed, in-city hotels were offered as lodging for BPO employees and quarantine facilities for inbound/outbound overseas Filipino workers.

During this time, the safety and protection of the Group's employees and workers is our utmost concern. Health guards, vitamin C, and transport services are being provided free to employees. Physical distancing is strictly observed and laid out on the premises as well as no-contact greeting and no-visitors-allowed policies are put in place. The Group has refocused its business strategies to adapt to the changing market trends and customer behavior. It has implemented and undertaken the following actions:

- decentralized business operations as satellite offices were opened;
- maximized the use of digital platforms to limit face-to-face engagements;
- accelerated digitalization, which was started couple of years ago, that enabled the launch of online and mobile apps and platforms such as Pick-A-Roo, e-Concierge, iFAE, Boozy.ph, RWM Mobile App and McDonald's Apps, that allow contactless interactions;
- assisted tenants in implementing social distancing measures; and
- implemented work-from-home, rotation and skeletal shifts based on nature of work.

The Group's management believes it has quickly adapted to the unprecedented pandemic time and has mitigated its adverse effect to the business. It projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, it has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

1.4 Approval of the Consolidated Financial Statements

The Board of Directors ("BOD") approved on April 30, 2021 the issuance of the consolidated financial statements of the Group as at and for the year ended December 31, 2020 (including the comparative consolidated financial statements as at December 31, 2019 and for the years ended December 31, 2019 and 2018).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (“PAS”) 1, *Presentation of Financial Statements*. The Group presents all items of income, expenses and other comprehensive income or loss in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to such third consolidated statement of financial position are not required to be disclosed. The Group presented only one comparative period as none of these situations are applicable.

(c) Functional and Presentation Currency

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

Items included in the consolidated financial statements of the Group are measured using the Parent Company’s functional currency (see Note 2.19). Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Basis of Consolidation

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

Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

In addition, shares of stock of the Parent Company acquired by any of its subsidiaries are recognized as treasury shares at cost and these are presented as deduction in the consolidated statement of changes in equity (see Note 2.15). Any changes in their market values, as recognized separately by the subsidiaries, are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as addition to or deduction from additional paid-in capital ("APIC").

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

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

(a) *Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when (i) it is exposed, or has rights, to variable returns from its involvement with the entity and (ii) it has the ability to affect those returns through (iii) its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The acquisition method is applied to account for acquired subsidiaries (see Note 2.11).

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

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

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of the related goodwill (see Note 2.12).

(b) *Investments in Associates*

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint arrangement. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method from the date on which the entity becomes an associate.

Goodwill, which is the excess of the acquisition cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities, is included in the carrying amount of the investment. When the Group's share in the fair value of identifiable assets and liabilities is higher than the acquisition cost, the excess is included as income in the determination of the Group's share in net income of the associate in the period of acquisition.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Share in Net Profits of Associates and Joint Ventures account in the consolidated statement of comprehensive income. These changes include subsequent depreciation, amortization and impairment of the fair value adjustments of the associates' assets and liabilities.

Impairment loss is provided when there is objective evidence that the investments in associates will not be recovered (see Note 2.20).

Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity, for example, resulting from the associates' accounting for financial assets at fair value through other comprehensive income ("FVOCI"), are recognized in other comprehensive income of the Group, as applicable.

Any non-income related equity movements of the associates that arise, for example, from the distribution of dividends or other transactions with the associates' shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized. Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) *Interests in Joint Arrangements*

For interest in a joint operation, the Group recognizes in its consolidated financial statements its share of the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint operation. No adjustments or other consolidation procedures are required since the assets, liabilities, income and expenses of the joint operation are recognized in the separate financial statements of the operators.

For interest in a joint venture, the Group recognizes in its consolidated financial statements its interest using the equity method. Under the equity method, the interest in a joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share in the profit or loss of the joint venture after the date of acquisition. Unrealized gains arising from transactions with joint venture are eliminated to the extent of the Group's interest in joint venture against the related investment. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. Distributions received from an investee reduce the carrying amount of the investment. Impairment loss is provided when there is objective evidence that the investments in joint arrangement will not be recovered (see Note 2.20).

(d) Transactions with Non-Controlling Interest

The Group's transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interest that result in gains and losses for the Group are also recognized in equity. (See Note 2.15).

The Parent Company holds beneficial interests in various subsidiaries, associates and joint ventures as presented in Notes 1.1 and 12.

2.3 Adoption of New and Amended PFRS

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

The Group adopted for the first time the following pronouncements, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 3 (Amendments)	:	Business Combinations – Definition of a Business
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform
PFRS 16 (Amendments)	:	Leases – COVID-19-Related Rent Concessions

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

- (i) *Revised Conceptual Framework for Financial Reporting*. The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Group's consolidated financial statements.
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*. The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendments have also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments had no significant impact on the Group's consolidated financial statements.
- (iii) PFRS 3 (Amendments), *Business Combinations – Definition of a Business*. The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The application of these amendments had no significant impact on the Group's consolidated financial statements.
- (iv) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform*. The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(v) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions*. The Group elected to adopt early PFRS 16 (Amendments), which is effective for annual reporting periods beginning on or after June 30, 2020. The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those eligible rent concessions as if they are not lease modifications, i.e., as a variable lease payment. The amendments do not affect accounting for lessors. By applying the practical expedient, the Group is no longer required to remeasure the lease liabilities to reflect the revised consideration using a revised discount rate. Instead, the effect of the change in the lease liabilities is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs. The amount of reduction in lease liabilities that was recognized in profit or loss amounted to P474.3 million and is presented as Gain on COVID-19-related rent concessions under the Finance and Other Income account in the 2020 consolidated statement of comprehensive income (see Notes 13.3 and 27).

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

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

- (i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- (iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:
- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
 - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvements merely remove from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.
- (v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
- (vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.
- (c) *SEC Financial Reporting Reliefs Availed by the Group*

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

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

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

Relief	Description and Implication	Deferral Period
<p>IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry</p>	<p>The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.</p> <p>Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements:</p> <ul style="list-style-type: none"> (i) interest expense would have been higher; (ii) cost of real estate inventories would have been lower; (iii) total comprehensive income would have been lower; (iv) retained earnings would have been lower; and, (v) the carrying amount of real estate inventories would have been lower. 	<p>Originally until December 31, 2020 under MC 4-2020; further deferred until December 31, 2023 under MC 34-2020</p>
<p>PIC Q&A No. 2018-12-D, <i>Concept of the significant financing component in the contract to sell</i></p>	<p>PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.</p>	<p>Originally until December 31, 2020 under MC 4-2020; further deferred until December 31, 2023 under MC 34-2020</p>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 *Financial Assets*

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

(a) *Classification and Measurement of Financial Assets*

The classification and measurement of financial assets is driven by the Group's business model for managing the financial assets ("business model test") and the contractual cash flow characteristics of the financial assets ("cash flow characteristics test") to achieve a particular business objective. The business model is determined at a higher level of aggregation (portfolio or group of financial assets managed together) and not on an instrument-by-instrument approach to classification (i.e., not based on intention for each or specific characteristic of individual instrument) in order to achieve the stated objective and, specifically, realize the cash flows.

Financial assets are initially measured at fair value and then subsequently measured either at amortized cost, fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL"), depending on the classification determined at initial recognition. Financial assets designated and effective as hedging instruments are classified as financial assets at FVTPL.

(i) *Financial Assets at Amortized Cost*

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

- Business model test: the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- Cash flow characteristics test: the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

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

The Group's financial assets at amortized cost are presented as Cash and Cash Equivalents (see Note 5), Trade and Other Receivables (except Advances to suppliers) (see Note 6), Restricted short-term placements, Time deposits and Refundable deposits, and Property mortgage receivable [included under Other Current Assets and Other Non-current Assets accounts (see Note 9)].

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

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

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

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

Financial assets are classified at FVOCI if both of the following conditions are met:

- Business model test: they are held under a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset ("hold to collect and sell"); and,
- Cash flow characteristics test: SPPI on the principal amount outstanding.

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

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

Equity instruments that are not held for trading may be irrevocably designated at FVOCI at initial recognition on an instrument-by-instrument basis; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL or it is a contingent consideration recognized arising from a business combination.

Dividends received are recognized in the profit or loss (when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably), unless they clearly represent a recovery of the part of investment.

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

Financial assets are classified under FVTPL if they do not meet the conditions for measurement at amortized cost or FVOCI; instead, these are held within a business model whose objective is to realize changes in fair values through the sale of the assets. These include financial assets that are held for trading, which are acquired for the purpose of selling or repurchasing in the near term; designated upon initial recognition as FVTPL; or mandatorily required to be measured at fair value. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at FVTPL are measured at fair value with gains or losses recognized in profit or loss as part of Finance and Other Income account in the consolidated statement of comprehensive income. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group occasionally uses derivative financial instruments, such as foreign exchange forward contracts, to manage its risks associated with fluctuations in foreign currency. Derivative assets and derivative liabilities arise from foreign exchange margins trading spot and forward contracts entered into by the Group. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (see Note 2.13). The term of these forward contracts is usually one month to one year.

The Group's financial assets at FVTPL consist mainly of investments in marketable debt and equity securities and derivative instruments which are held for trading purposes (see Note 7).

Interest and dividend earned on these investments are recognized as part of Finance and Other Income account in the consolidated statement of comprehensive income.

(b) *Reclassification of Financial Assets*

The Group can only reclassify financial assets if the business model for managing those financial assets changes. A change in the business model will take effect only at the beginning of the next reporting period following the change.

- From amortized cost to FVTPL: Fair value is measured at reclassification date, with the difference between the amortized cost and fair value recognized as gain or loss in profit or loss.
- From amortized cost to FVOCI (debt instruments): Fair value is measured at reclassification date, with the difference between the amortized cost and the fair value recognized as gain or loss in other comprehensive income (“OCI”). The effective interest rate and the measurement of expected credit losses (“ECL”) remain the same.
- From FVTPL to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The effective interest rate is determined on the basis of the fair value at reclassification date, which is now treated as the date of initial recognition.
- From FVTPL to FVOCI: The financial asset continues to be measured at fair value.
- From FVOCI to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The cumulative gain or loss previously recognized in OCI is removed from equity and adjusted against the fair value of the financial asset at reclassification date. As a result, the measurement at reclassification date is as if the financial asset had always been measured at amortized cost. This adjustment affects OCI but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of ECL remain the same.
- From FVOCI to FVTPL: The financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in OCI is reclassified to profit or loss as a reclassification adjustment at reclassification date.

There were no reclassification of financial assets in 2020 and 2019.

(c) *Impairment of Financial Assets*

The Group assesses impairment using ECL model on a forward-looking basis for financial assets carried at amortized cost and debt instruments measured at FVOCI. The carrying amount of the financial asset at amortized cost are adjusted for impairment through a loss allowance account. The loss allowance for financial assets at FVOCI; however, is carried in OCI and does not reduce the carrying amount of the financial assets.

The Group considers a broad range of information in assessing credit risk and measuring ECL, including past events, current conditions, and reasonable and supportable forecasts that affect collectibility of the future cash flows of the financial assets. The Group considers all reasonable and supportable information that is available without undue cost or effort, as well as observable market information about the credit risk of the particular financial instrument or similar financial instruments.

The Group applies the simplified approach in measuring ECL, which uses a lifetime ECL allowance for all trade and other receivables and contract assets using provision matrix approach and loss rates approach, as the case may be. The lifetime ECL is estimated based on the expected cash shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Notes 3.2(b) and 32.2].

For the other financial assets measured at amortized cost, the Group applies the low credit risk simplification and measures the ECL on the financial assets based on the credit losses expected to result from default events that are possible within the next 12 months (12-month ECL) until there is a significant increase in credit risk since origination, at which point, the loss allowance will be based on lifetime ECL. When there has been a significant increase in credit risk on a financial asset since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL).

To calculate the ECL of related parties, the Group determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. The key elements used in the calculation of ECL are as follows:

- *Probability of Default ("PD")* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss Given Default ("LGD")* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at Default ("EAD")* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation which pertains to its amortized cost.

Impairment loss on financial assets at amortized cost are presented as part of Other Operating Expenses accounts in the consolidated statement of comprehensive income (see Note 26).

(d) *Put Option Accounted for as a Financial Guarantee Contract*

The put option on a co-development agreement meets the definition of financial guarantee contract, wherein it provides the holder of the instrument with protection against an adverse event (put option event). The put option transfers a risk to the Group, in which the Group is obligated to pay a specified amount if the holder chooses to exercise the put option upon the happening of any put option event [see Note 31.8(iv)].

In accounting for financial guarantee, the Group considers whether the financial risk transferred is significant or not. When the financial risk is considered significant, it should be accounted for under PFRS 9; otherwise, under PFRS 4, *Insurance Contracts*, wherein the general provision for accounting of insurance contracts shall apply.

When accounted for in accordance with PFRS 9, the financial guarantee is initially recognized at fair value, which is equivalent to the premium received at inception of the contract. Subsequent to initial recognition, financial guarantee is measured at the higher of the amount initially recognized or at the amount determined in accordance with the ECL model.

In measuring the put option under ECL model, the Group applies the general approach of ECL measurement, wherein the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. However, if the risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12 months after the end of the reporting period.

(e) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Derivative Financial Instruments and Hedge Accounting

A derivative is a financial instrument wherein its value changes in response to a specified change in variable; it requires no initial net investment or on an initial investment that is smaller than what would be required for other types of financial instruments that would be expected to have a similar response to changes in market factors; and, it is settled on a future date. The Group occasionally uses derivative financial instruments to manage its risks associated with foreign currency and interest rates. Derivatives are recognized initially and subsequently at fair value. Such derivatives are carried as assets when there is gain in the net fair value and as liabilities when there is loss in net fair value. Any gains or losses arising from changes in fair value of derivative financial instruments which are not designated as accounting hedges are recognized directly in profit or loss [see Note 2.4(a)].

The Group uses hedge accounting when it assigns hedging relationships between a hedging instrument, usually a derivative financial instrument, and a hedged item. The hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness to qualify for hedge accounting. The hedging relationship must be expected to be highly effective over the period for which it is designated as cash flow hedge.

Changes in fair value of derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and included under Revaluation Reserves on Cash Flow Hedge in equity to the extent that the hedge is effective. Any ineffectiveness in the hedge relationship is recognized immediately in profit or loss.

If the hedged future cash flows are no longer expected, the amount that has been accumulated in Revaluation Reserves on Cash Flow Hedge shall be immediately reclassified to profit or loss.

Gaming transactions of the Group with fixed-odds wagers known at the time of bet are considered derivative transactions wherein the Group takes a position against a patron and the resulting unsettled position becomes a derivative instrument under PFRS 9 that is settled by the Group to or collected from the patron when the outcome of the wager has been determined. See Note 2.16 for the accounting policy regarding gaming transactions covered under PFRS 9.

The derivative liability arising from accrual of unsettled wagers related to the expected and eventual payouts of slot machine jackpot is recognized as Slot jackpot liability included under Trade and Other Payables account in the consolidated statement of financial position (see Note 17).

2.6 Inventories

Inventories are valued at the lower of cost and net realizable value (“NRV”). Cost is determined using weighted average method, except for food, paper, and promotional materials and supplies, which use the first-in, first-out method. Finished goods and work-in-process include the cost of raw materials, direct labor and a proportion of manufacturing overhead (including an element of depreciation) based on normal operating capacity. The cost of raw materials includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities. (See Note 8).

NRV of finished goods is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials, spare parts and other operating supplies is the current replacement cost. [See Note 3.2(c)]

Accounting policies for real estate inventories and transactions are discussed in Note 2.7.

2.7 Real Estate Inventories and Transactions

Cost of inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and, borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group (see Note 2.17). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed. Costs of inventories are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

Repossessed property arising from sales cancellation is recognized at cost (see Note 2.16). The difference between the carrying amount of the receivable or contract asset to be derecognized and the cost of the repossessed property is recognized in the consolidated statement of comprehensive income.

2.8 Other Assets

Other assets, presented either under current or non-current assets classification in the consolidated statement of financial position, pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably (see Note 9).

Where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), such assets are classified as non-current assets.

Advances to suppliers that will be applied as payment for purchase of inventories or services to be rendered in the future are classified and presented under the Trade and Other Receivables account. On the other hand, advances to suppliers that will be applied as payment for purchase of items under property and equipment are classified and presented under the Other Non-current Assets account. These classification and presentation are based on the eventual realization of the asset to which it was advanced for.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.20).

2.9 Property, Plant and Equipment

Property, plant and equipment (“PPE”) are stated at cost and, except for land, less accumulated depreciation, amortization and any impairment in value. As no finite useful life for land can be determined, the related carrying amount is not depreciated. Land held for use in production or administration is stated at cost less any impairment in value. (See Note 13).

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use, including borrowing costs (see Note 2.17) and asset retirement obligation relating to property and equipment installed/constructed on leased properties [see Note 3.2(n)].

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

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows [see Note 3.2(h)]:

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

Leasehold improvements are amortized over the useful life of the assets or the term of the lease, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.17) and other direct costs. The account is not depreciated or amortized until such time that the assets are completed and available for use.

An asset’s carrying amount is written-down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (see Note 2.20).

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

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

An item of PPE, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon sale or disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.10 Investment Properties

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Properties and are carried at cost less accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation [see Notes 2.20, 3.1(g), and 14].

Cost capitalization, depreciation, impairment loss and asset derecognition are recorded in the same manner as in Property, Plant and Equipment (see Note 2.9). Depreciation of investment property (excluding land) is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years [see Note 3.2(h)].

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

2.11 Business Combinations and Asset Acquisitions

(a) Accounting for Business Combination using the Acquisition Method

A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participant. When a unit acquired does not constitute a business, it is accounted for as an asset acquisition. Under the asset purchase accounting, the purchase costs are allocated to identifiable assets and liabilities based on relative fair values of individual items, goodwill or gain on bargain purchase is not recognized, and transaction costs are capitalized.

Business acquisitions [see Note 3.1(k)] are accounted for using the acquisition method of accounting. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. Identifiable assets acquired and liabilities, including contingent liabilities, assumed are measured initially at their fair values at the acquisition date [see Note 3.2(q)]. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly either in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any existing equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed (see Note 2.20). Negative goodwill, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost, is recognized directly to income [see Note 2.2(a)]. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

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

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

(b) *Accounting of Business Combination using the Pooling-of-interests Method*

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method.

No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under PIC Q&A No. 2012-01, PFRS 3.2 – *Application of Pooling of Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements* (as amended by PIC Q&A No. 2015-01, *Conforming Changes to PIC Q&As – Cycle 2015*, and PIC Q&A No. 2018-13, *Conforming Changes to PIC Q&As – Cycle 2018*); hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as “equity reserves”, which will eventually be closed to additional paid-in capital. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements. The Group used this method in accounting for the merger between BFS and CBSP in 2020, the merger between PDSC and BDSC in 2019, and the restructuring of WMG in 2019 [see Note 1.1(s) and (t)].

2.12 Intangible Assets

Intangible assets include goodwill, trademarks, leasehold rights, computer software and franchise fee. Except goodwill and some specific trademarks, all other intangible assets have finite lives and are carried at cost less accumulated amortization and any impairment in value. Goodwill and trademarks with indefinite useful lives are not amortized, but are reviewed for impairment at least annually (see Notes 2.11, 2.20 and 15).

The cost of trademarks, leasehold rights, computer software and franchise fee includes the acquisition price and other direct costs. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of the assets as follows [see Note 3.2(h)]:

Trademarks [except those with indefinite useful lives (see Note 15)]	10 years
Franchise fee	10 years
Computer software	3 years

Leasehold rights are amortized over the useful life of 20 years or the term of the lease, whichever is shorter.

When an intangible asset is retired or otherwise disposed of, the carrying value value is removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

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

2.13 Financial Liabilities

Financial liabilities, which include Interest-bearing Loans (see Note 18), Bonds Payable (see Note 19), Lease Liabilities (see Note 13.3), Trade and Other Payables (except tax-related payables) (see Note 17), Advances from Related Parties (see Note 30.6), Redeemable Preferred Shares (see Note 20), and Equity-linked debt securities (“ELS”), Derivative liability, Guarantee deposits, Commission payable, Subscription payable and Retention payable [which are presented as part of Other Current Liabilities and Other Non-Current Liabilities accounts (see Note 21)] are recognized when the Group becomes a party to the contractual agreements of the instrument.

Except for capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.17), all interest-related charges incurred on financial liabilities are recognized as an expense in profit or loss under Finance Costs and Other Charges in the consolidated statement of comprehensive income (see Note 27).

Interest-bearing Loans, Bonds Payable and Equity-linked debt securities are raised for support of long-term funding of operations. These are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, except for capitalized borrowing costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

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

Redeemable Preferred Shares of GADC and TLC, which are mandatorily redeemable at the option of the holder, are recognized at fair value, net of transaction costs, on inception date and presented as a liability in the consolidated statement of financial position; the liability is subsequently measured at amortized cost (see Note 20). The corresponding accretion of the liability and the dividends paid on those shares are charged as part of Interest expense under Finance Costs and Other Charges account (see Note 27) in the consolidated statement of comprehensive income.

Dividend distributions to shareholders are recognized as financial liabilities on the record date set upon declaration by the BOD.

The Group's derivative liability arising from financial instruments designated as cash flow hedges is recognized and subsequently measured in accordance with its hedge accounting policy (see Note 2.5). All other derivative liabilities are measured at fair value (see Note 21).

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized as gain or loss in profit or loss.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. [see Note 3.1(o)].

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision. Contingent assets are not recognized, but disclosed where an inflow of economic benefits is probable. The asset is only recognized when it is virtually certain that the inflow of economic benefits will arise to the Group.

2.15 Equity

Capital stock represents the nominal value of shares that have been issued (see Note 22.1).

APIC includes any premiums received on the issuance or reissuance of capital stock. Any transaction costs associated with such issuances of shares are deducted from APIC, net of any related income tax benefits. Excess of proceeds from sale of treasury shares over acquisition cost of such treasury shares, and amounts of unexercised share options are also added to APIC. (See Note 22.2).

Treasury shares refer to AGI shares reacquired by the Company but not cancelled and AGI shares held by subsidiaries for investment purposes. These are carried at cost of reacquiring such shares (see Notes 2.2 and 22.3).

Net actuarial gains or losses on post-employment benefit plan pertain to actuarial gains or losses from remeasurement of post-employment benefit obligation and the Group's share in other comprehensive income or loss of associates and joint ventures.

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

Accumulated translation adjustments represent the translation adjustments resulting from the translation of foreign currency denominated financial statements of certain subsidiaries into the Group's presentation currency [see Note 2.19(b)(iii)].

Revaluation reserves on cash flow hedges pertain to the cumulative effective portion of gains and losses recognized on hedging instruments in a cash flow hedge (see Note 2.5).

Other reserves include legal reserves and reserves from changes in ownership interest in subsidiaries that do not result in a loss of control. Legal reserves represent the statutory requirements in Luxembourg, which comprise of net wealth tax reserve and capital reserve. Certain statutory requirements based on Spanish legislation were also included as part of this account.

Dilution gain or loss (presented as part of Other Reserves) arises when an investor or the Group exercises its pre-emptive rights to maintain its ownership interest in an investee. This represents the difference between the book value per share in an investee versus the Group's offer price at the time the rights are exercised. This also includes the Group's share in previous period's profit (loss) as a result of the current increase (decrease) in equity ownership over its subsidiaries. Dilution gain or loss is recognized on investments of which the Group continues to exercise control (see Note 22.4).

Share options represent the value of share options during vesting period upon recognition of share-based remuneration expense in profit or loss, net of any share options exercised or expired [see Notes 2.21(e) and 22.6].

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the profit and loss section of the consolidated statement of comprehensive income, reduced by the amount of dividends declared (see Note 22.7).

Non-controlling interests represent the portion of the net assets and profit or loss not attributable to the Parent Company's shareholders, which are presented separately in the Group's consolidated statement of comprehensive income and within the equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity. [See Notes 2.2(d), 2.11 and 22.8].

2.16 Revenue and Expense Recognition

Revenue arises mainly from sale of consumer goods and real properties and rendering of services which include quick-service restaurants, gaming-related activities, hotel operations and franchise revenues.

Revenue is recognized in a manner that depicts the pattern of goods and services to customers at an amount to which the Group expects to be entitled in exchange for those goods and services. The focus of revenue recognition is on the transfer of control of goods or services, which could be at a point in time or over time, following this five-step process:

1. Identify the contract with a customer;
2. Identify the performance obligation (distinct goods or services promised);
3. Determine the transaction price (including fixed amounts or variable amounts, or both, financing components, non-cash consideration, consideration payable to customer, if any);
4. Allocate the transaction price to the performance obligations; and,
5. Recognize revenue when (or as) performance obligations are satisfied (at a point in time or over time).

In identifying whether a contract with a customer exists, the following five gating criteria must be present:

- a. the parties to the contract have approved the contract either in writing or in accordance with other customary business practices and committed to perform their respective obligations;
- b. each party's rights regarding the goods or services to be transferred or performed can be identified;
- c. the payment terms for the goods or services to be transferred or performed can be identified;
- d. the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- e. collection of the consideration in exchange of the goods and services is probable (i.e., more likely than not to occur).

A contract, for purposes of revenue recognition, does not exist if each party has a unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue.

The following specific recognition criteria must also be met before revenue is recognized (see Note 24):

- (a) *Sale of consumer goods (under Sale of Goods)* – Revenues from sale of goods are recognized at a point in time when the customer has acknowledged the receipt of the goods.
- (b) *Real estate sales (under Sale of Goods)* – The Group develops real properties such as developed land, house and lot, and condominium units. The timing of revenue recognition is based on whether the real estate sold is pre-completed or completed. The significant judgment used in determining the timing of satisfaction of the Group's performance obligation with respect to its contracts to sell real properties is disclosed in Note 3.1(a).

The Group often enters into contracts to sell real properties as they are being developed. On such *pre-completed real estate properties*, revenue is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. On *completed real estate properties*, revenue is recognized at point in time when the control over the real estate property is transferred to the buyer.

Sales cancellations are accounted for on the year of forfeiture. Any gain or loss on cancellation is charged to profit or loss.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by Megaworld, GERI, EELHI, SPI, ECOC, MBPHI, SEDI, LFI, API, MGAI, MCTI and STLI.

- (c) *Sale of undeveloped land and golf and resort shares (included under Real Estate Sales)* – Revenues on sale of undeveloped land and golf and resort shares for sale are recognized at point in time when control on the undeveloped land and golf and resort shares have passed to the buyer and the amount of revenue can be measured reliably.
- (d) *Food, beverage and others (included in Hotel Operations under Rendering of Services)* – Revenues are recognized at point in time upon delivery to and receipt of consumer goods by the customer. Invoices for consumer goods transferred are due upon receipt by the customer.
- (e) *Hotel accommodation (included in Hotel Operations under Rendering of Services)* – Revenues are recognized over time during the occupancy of hotel guest and end when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.
- (f) *Sales from Company-operated quick-service restaurants (under Rendering of Services)* – Revenues are recognized at point in time upon delivery to and receipt of consumer goods by the customer, and the Group has no obligation that could affect the customer's acceptance of the goods. Invoices for consumer goods transferred are due upon receipt by the customer.
- (g) *Franchise revenues (under Rendering of Services)* – Revenues from franchised McDonald's restaurants (including the restaurant operated by a joint venture) include royalty and management fees. These are recognized in the period earned.
- (h) *Rendering of other services* – Revenue is recognized over time (i.e., time-and-materials basis as the services are provided) until the performance of contractually agreed tasks has been substantially rendered. Revenue from other services include commissions, cinema and production shows and other activities incidental to the Group's main operations.

Revenues and expenses are recognized excluding the amount of value-added tax ("VAT"). As applicable, when the Group is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period. Also, if applicable, the Group recognizes a right of refund asset on goods to be recovered from customers with a corresponding adjustment to Cost of Goods Sold account. However, there were no contracts that contain significant right of return arrangements that remain outstanding as of the end of the reporting periods.

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets [see Note 2.4(c)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If a transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on real estate sales, consideration received from buyers are presented as Customers' deposits under Other Liabilities account in the consolidated statement of financial position (see Note 21).

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

Gaming revenues from table games and slot machines are recognized from net wins (losses) from gaming activities, which represent the difference between coins and currencies deposited into the gaming machines or operations and the payments to customers; and for other games, the difference between gaming wins and losses, less sales incentives and other adjustments (i.e., promotional allowances) (see Note 24). The payout for wagers placed on gaming activities typically is known at the time the wager is placed (i.e., fixed odds wagering). These gaming transactions are accounted for as derivative transactions in accordance with PFRS 9 (see Note 2.5). Gaming revenues from these transactions are recognized at fair value, which represents the price that would be received to sell a wager position or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Promotional allowances include rebates under the casino rebates program and the provision for the value of the gaming points earned by members, i.e. in using a membership card provided by the Group, by reference to the relative fair values of the complimentary goods or services. Promotional allowances are presented as a reduction of gaming revenues.

The Group also administers games in which the Group receives a fee rather than the Group being at risk to win or lose based on the outcome of the game, i.e. tournaments including card games and bingo operations. Revenues from these gaming-related activities, which are accounted for in accordance with PFRS 15, are recognized over time as the services for administering the games are rendered, at an amount equivalent to the fee collected.

Cost and expenses (other than cost of real estate sales) are recognized in profit or loss upon utilization of the services or receipt of the goods or at the date they are incurred (see Notes 25 and 26). Incremental costs of obtaining a contract to sell a real estate property to a customer are recognized as an asset and are subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized. Incremental costs in obtaining other customer contracts are expensed as incurred since amortization period of these costs, if capitalized, would be less than one year (a practical expedient in PFRS 15).

2.17 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred (see Note 27), except to the extent that they are capitalized (see Notes 2.7, 2.9 and 2.10). Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.18 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

(i) *Accounting for Leases in Accordance with PFRS 16 (2020 and 2019)*

For any new contracts, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The Group assesses whether the contract meets the following three key evaluations:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- there is a right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- there is a right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At commencement date of the lease, a right-of-use asset ("ROUA") and a lease liability are recognized in the consolidated statement of financial position. For short-term leases and leases of low-value assets, the Group uses the practical expedients where related lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

The ROUA is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the ROUA is depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROUA or the end of the lease term. The Group also assesses the ROUA for impairment when such indicators exist (see Note 2.20). The ROUA is also adjusted for any re-measurement of the related lease liabilities, except for changes in lease payments in which the practical expedient on COVID-19-related rent concessions is applied.

On the other hand, the lease liability is measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily available, or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed payments) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the consolidated statement of financial position, ROUA are included as part of Property, Plant and Equipment account. On the other hand, Lease Liabilities are presented as a separate line item under Current Liabilities and Non-current Liabilities sections.

GADC is legally required under various lease agreements to dismantle the installations and restore the leased sites at the end of the lease term. It is also a Group's policy to remove permanent improvements or additions which contain designs and configurations inherent to GADC's business signs, trademarks, trade names, patent and other similar intellectual property rights belonging to McDonald's Corporation ("McDonald's") upon the termination or expiration of lease contract. The present value of these estimated costs is recognized and being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term [see Note 3.2(n)]. The carrying values of these costs which were previously taken up as part of buildings and leasehold improvements were transferred to ROUA on January 1, 2019 (see Note 13). The asset retirement obligation ("ARO") is recognized at fair value, with the periodic accretion recognized in profit or loss as part of interest expense. The outstanding ARO as at the end of the reporting period is presented as part of Other Non-Current Liabilities account in the consolidated statement of financial position (see Note 21).

(ii) *Accounting for Leases in Accordance with PAS 17 (2018)*

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) *Group as Lessor*

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Moreover, the Group derecognizes ROUA pertaining to subleases classified as finance lease and recognizes a corresponding finance lease receivable in its consolidated statement of financial position. The difference between the derecognized ROUA and recognized finance lease receivable is recognized in the consolidated profit or loss.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

Prior to adoption of PFRS 16 in 2019, the Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

2.19 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of foreign subsidiaries (see Note 1), which are measured using the United States (“U.S.”) dollars, British pound sterling and European Union euro, their functional currencies, are translated to Philippine pesos, the Parent Company’s functional currency as follows:

- (i)* Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii)* Income and expenses for each profit or loss account are translated at the average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- (iii)* All resulting exchange differences are recognized in other comprehensive income and in a separate component of equity under Accumulated Translation Adjustments account.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

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

2.20 Impairment of Non-Financial Assets

The Group’s Investments in Associates and Joint Ventures [see Notes 2.2(b), 2.2(c) and 12], Intangible Assets (see Notes 2.12 and 15), Investment Properties (see Notes 2.10 and 14), Property, Plant and Equipment (including right-of-use assets) (see Notes 2.9, 2.18, and 13) and other non-financial assets (see Notes 2.8 and 9) are subject to impairment testing [see Note 3.2(i)]. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for intangible assets with indefinite useful life or those not yet available for use, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.21 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as a defined contribution plan, and other employee benefits which are recognized as follows (see Note 28):

(a) *Short-term Employee Benefits*

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in the profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued employee benefits under Trade and Other Payables account in the consolidated statement of financial position.

(b) *Post-employment Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit pension plans cover all regular full-time employees. The respective pension plans are tax-qualified, noncontributory and administered by respective trustees of four significant subsidiaries.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (“DBO”) less the fair value of plan assets at the end of the reporting period. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. The interest rates are based from the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (“BVAL”). BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance and Other Income or Finance Costs and Other Charges account in the consolidated statement of comprehensive income.

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

(c) *Post-employment Contribution Plan*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity (i.e., Social Security System). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(d) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or, (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(e) *Share-based Employee Remuneration*

The Group grants share options to key executive officers and employees eligible under each share option plan of the Parent Company, Megaworld, GERI, EMP and Travellers. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss and the corresponding share option is recorded in the Equity section of the consolidated statement of financial position.

Expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vested on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as APIC, and the cost of the share option under Share Options account is reclassified to APIC.

Upon expiration of share option, the value assigned to the Share Options is reclassified to the APIC account in the Equity section of the consolidated statement of financial position.

(f) *Bonus Plans*

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

(g) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.22 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any (see Note 29).

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in consolidated profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity, respectively.

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

2.23 Non-current Assets Held for Sale

Non-current assets classified as held for sale refers to construction in progress, and land and buildings that the Group intends to sell within one year from the date of reclassification as held for sale (see Note 16).

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Non-current asset held for sale is measured at the lower of its carrying amount, immediately prior to their classification as held for sale, and its fair value less costs to sell. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain from any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation.

If the Group has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Group shall cease to classify the asset as held for sale.

The gain or loss arising from the sale or remeasurement of held for sale assets is recognized in profit or loss in the consolidated statement of comprehensive income.

2.24 Earnings per Share

Basic earnings per share (“EPS”) is computed by dividing net profit attributable to equity holders of the parent company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period (see Note 23).

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potentially dilutive shares [e.g., vested share options (see Note 22.6)].

2.25 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group’s Strategic Steering Committee (“SSC”), its chief operating decision-maker. The SSC is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally considers the Group’s major subsidiaries, as disclosed in Note 4, which represent the main products and services provided by the Group and the line of business in which the Group operates. Each of these operating segments, which represents the major subsidiaries within the Group, is managed separately by each respective officers and management. All intersegment transfers are carried out at arm’s length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements. However, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to any segment.

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

2.26 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged (see Note 30).

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) certain funded retirement plans, administered by trustee banks, of four significant subsidiaries.

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

Transactions individually or in aggregate over a 12-month period with the same related party, amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material. This is based on the requirements of SEC MC No. 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies*.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.27 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements. There are no post year-end events that occurred up to date of issuance of the financial statements that would require adjustment (see Note 37).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) *Evaluating the Timing of Satisfaction of Performance Obligations*

(i) *Real Estate Sales*

The Group exercises critical judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time.

In making this judgment, the Group considers the following:

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determined that its performance obligation for pre-completed real estate properties is satisfied over time since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.

(ii) *Sales of Consumer Goods*

The Group determines that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e. generally when the customer acknowledged delivery of goods.

(iii) *Hotel Accommodations*

The Group determines that its revenue from hotel accommodations shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other entities. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of hotel services as it performs.

(iv) *Food and Beverages, and Others*

In determining the appropriate method to use in recognizing the Group's revenues from food, beverage and other consumer goods, the Group determines that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e., generally when the customer acknowledged delivery of goods. The service component of the restaurant operations is deemed as an insignificant cause on the timing of satisfaction of performance obligation since it is only passage of time until the customer receives and consumes all the benefits after delivery of the food and beverage items.

(v) *Forfeited Collections and Deposits*

The Group determines that its revenue from forfeited collections and deposits shall be recognized at point in time in the year the contract was cancelled.

(vi) *Property Management Services*

The Group determines that its revenue from property management services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date, i.e., generally when the customer has acknowledged the Group's right to invoice.

(b) *Estimating Collection Threshold for Real Estate Revenue Recognition*

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(c) *Determining the Accounting Treatment of Gaming Revenues under PFRS 9 and PFRS 15*

The Group exercises judgment in determining whether its gaming transactions and gaming-related activities are within the scope of PFRS 9 or PFRS 15. In making this judgment, management considers whether both the Group and the patrons have the chance to win or lose money or other items of economic value based on the outcome of the game; or, only the patron has the chance to win or lose money or other items of economic value, with the Group only receiving a fee for administering the game (PFRS 15), rather than the Group being at risk to win or lose based on the outcome of the game (PFRS 9). When the Group takes a position against a patron, the resulting unsettled wager or position is a financial instrument that would likely meet the definition of derivative financial instrument and is accounted for under PFRS 9.

Relative to this, the management has determined that its gaming revenues from table games and slot machines are within the scope of PFRS 9, while gaming-related revenues from administering bingo and tournament games are within the scope of PFRS 15.

(d) *Evaluating the Business Model and Cash Flow Characteristics of Financial Assets*

The Group applies the business model test and cash flow characteristics test at a portfolio of financial assets (i.e., group of financial instruments that are managed together to achieve a particular objective) and not on an instrument-by-instrument approach (i.e., not based on intention for each or specific characteristic of individual instrument) as these relate to the Group's investment and trading strategies.

The business model assessment is performed on the basis of reasonably expected scenarios (and not on reasonably expected not to occur, such as the so-called 'worst case' or 'stress case', scenarios). A business model for managing financial assets is typically observable through the activities that the Group undertakes to achieve the objective of the business model.

The Group uses judgment when it assesses its business model for managing financial assets and that assessment is not determined by a single factor or activity. Instead, the Group considers all relevant evidence that is available at the date of assessment which includes, but not limited to:

- How the performance of the business model and the financial assets held within the business model are evaluated and reported to key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and,
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

(e) *Determining the ECL on Trade and Other Receivables and Advances to Related Parties*

The Group applies the ECL methodology which requires certain judgments in selecting the appropriate method of measuring ECL. In measuring ECL, the Group considers a broad range of information which include past events, current conditions, and reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is based on historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. Details about the ECL on the Group's trade and other receivables are disclosed in Notes 2.4(c) and 32.2.

For advances to related parties, the management determined that the use of liquidity analysis model is applicable in the ECL assessment. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. Details about the ECL on the Group's financial assets at amortized cost are disclosed in Note 32.2.

(f) *Determining Lease Term of Contracts with Renewal and Termination Options (2020 and 2019)*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

The Group determines whether any non-cancellable period or notice period in a lease would meet the definition of a contract and thus, would be included as part of the lease term. A contract would be considered to exist only when it creates rights and obligations that are enforceable.

In assessing the enforceability of a contract, the Group considers whether the lessor can refuse to agree to a request from the Group to extend the lease. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

The Group also considers any potential cost of dismantling and restoration of buildings and leasehold improvements for which the Group might be held liable in evaluating whether to renew the lease.

(g) *Distinguishing Investment Properties, Owner-Occupied Properties and Real Estate Inventories*

The Group determines whether a property qualifies as investment properties (see Note 2.10), owner-occupied properties or inventories. The Group applies judgment upon initial recognition of the asset based on the intention and also when there is a change in use. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Investment properties comprise of properties held to earn rental or for capital appreciation. Owner-occupied properties (see Note 2.9) generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process, while inventories (see Note 2.7) are properties that are held for sale in the ordinary course of business. The Group considers each property separately in making its judgment.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Group's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Group's main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(h) *Distinguishing Investments in Financial Instruments and Golf and Resort Shares Inventories*

In determining whether golf and resort shares shall be accounted for as either inventories or financial instruments, the Group considers its role in the development of the club and its intent for holding these shares. The Group classifies such shares as inventories when the Group acts as the developer and it intends to sell a developed property together with the club share.

(i) *Classifying Perpetual Debt Securities*

The Group exercises judgment in classifying its perpetual debt securities as financial liabilities or equity instruments. In making its judgment, the Group considers the terms of the securities including any restrictions on the Group's ability to defer interest payments. As of December 31, 2020 and 2019, Megaworld has perpetual capital securities that do not appear in the consolidated statement of financial position because all were bought back by subsidiaries of AGI in 2019. Previously, based on management's assessment, the perpetual debt securities were classified as equity securities and presented as part of NCI as the Group has the ability to defer payments of principal and interest indefinitely (see Note 22.8).

(j) *Determining Control, Joint Control or Significant Influence*

Judgment is exercised in determining whether the Group has control, joint control or significant influence over an entity, even though the Group holds less than 50% or less than 20% of the investee's voting shares. In assessing control or significant influence over investees, the Group considers voting rights, representation on the board of directors or equivalent governing body of the investee, presence of interlocking directors, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

(k) *Distinguishing Asset Acquisition and Business Combinations*

At the time of acquisition, the Group determines whether the acquisition represents the acquisition of a business or of assets (see Notes 1.2 and 2.11). The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., for Megaworld - maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40, *Investment Property*, on ancillary services.

In 2018, the Group gained control over various entities as described in Note 1.2 which, based on management's assessment, are accounted for as business combinations.

Moreover, the transfer of ownership interest over WML and WMWL from WMG to WMGL, the merger between CBSP and BFS and between PDSC and BDSC are accounted for as business combinations using pooling-of-interest method as these are transfers of interests in entities that are under the common control and there is no change of control before and after the restructuring or mergers [see Note 1.1 (t)].

(l) *Distinguishing Between Operating and Finance Lease Contracts where the Group is the Lessor*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's assessment, the Group's lease agreements, as lessor, are classified as operating leases, except for one which has been classified as a finance lease.

(m) *Determining Whether Lease Concessions Granted Constitute a Lease Modification*

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

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

The rent concessions granted by the Group for the year ended December 31, 2020 amounted to P2.2 billion.

(n) *Determining the Accounting Treatment of Put Option*

The Group determined that the put option contract entered by the Group meets the definition of financial guarantee under PFRS 4. Although a financial guarantee meets the definition of insurance contract under PFRS 4, if the risk transferred is significant, the issuer of the guarantee contract should apply PFRS 9.

The Group determined that the risk transferred to the Group is significant; hence, the put option is accounted for under PFRS 9 [see Notes 2.4(d) and 31.8(iv)].

(o) *Classification of Non-current Assets as Held for Sale*

The Group classifies an asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal group) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except when delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group). The actions required to complete the plan should also indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Based on management's assessment, the letter of intent in 2020, which provides the Group's commitment to sell certain land and buildings to a related party, is the main consideration for classifying these assets as non-current assets held for sale (see Note 13).

(p) *Recognizing Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 and disclosures on relevant provisions and contingencies are presented in Note 31.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) *Revenue Recognition for Performance Obligation Satisfied Over Time*

In determining the amount of revenue from real estate sales to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated total development costs would result in a significant change in the amount of revenue recognized in the year of change.

(b) *Impairment of Financial Assets at Amortized Cost and Measurement of Put Option*

In measuring allowance for ECL, the Group uses significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses), as further detailed in Note 2.4(c). The Group evaluated impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6.

Further, the measurement of the put option value under the ECL model required the use of significant assumptions with regard to the possibility of any of the option events from happening in the future and the possible change in the evaluation of the collateral within the 12-month assessment period, as further detailed in Note 31.8.

(c) *Valuation of Inventories*

In determining the NRV of inventories (see Notes 2.6 and 2.7), management takes into account the most reliable evidence available at the dates the estimates are made. NRV is one of the key variables used in analyzing possible impairment. The Group's core business is subject to changes in market factors that directly affect the demand for inventories, such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of the carrying amounts of these assets is also affected by price changes in the costs incurred necessary to produce the inventories and make a sale as well as market trends. Changes in the sources of estimation may cause significant adjustments to the Group's inventories and real estate properties within the next financial reporting period.

The amounts of allowance for inventory obsolescence provided by management are based on, among others, age and status of inventories and the Group's past experience. The NRV of inventories and an analysis of allowance for inventory write-down are presented in Note 8.

Considering the Group's pricing policy, the net realizable values of real estate properties are higher than their related costs.

(d) *Fair Value Measurement of Financial Assets at FVOCI*

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement are determined using verifiable objective evidence such as foreign exchange rates, interest rates and volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect other comprehensive income.

Management estimates the fair value of financial instruments where active market quotes are not available based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 2.4).

The carrying amounts of financial assets at FVOCI are disclosed in Note 11 [see Note 2.4(a)(iii)].

(e) *Fair Value Measurement of Investment Properties*

Investment properties are measured using the cost model (see Note 2.10). The fair value disclosed in Note 14 to the consolidated financial statements was estimated either by: (i) using the fair value of similar properties in the same location and condition; or, (ii) using the discounted cash flows valuation technique since the information on current or recent prices of certain investment property is not available.

The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and, appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

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

A significant change in these elements may affect prices and the value of the assets. As of December 31, 2020 and 2019, the Group determined that there were no significant circumstances that may affect the fair value measurement of these properties. The fair value of the investment properties is disclosed in Notes 14 and 34.4.

(f) *Fair Value Estimation of Share Options*

The fair value of the Executive Share Option (the “Options”) recognized as part of Salaries and employee benefits is shown under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). A corresponding credit to Share Options for options related to the Group is presented in the Equity section of the consolidated statements of financial position (see Note 22.6).

The Group estimates the fair value of the Options by applying an option valuation model, considering the terms and conditions on which the Options were granted. The estimates and assumptions used are presented in Note 22.6 which include, among other things, the option’s time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the share price (i.e., the Parent Company, Megaworld, GERI, TRAV and EMP) and fair value of the specific common shares. Changes in these factors can affect the fair value of share options at grant date.

(g) *Fair Value Measurement of Derivative Financial Instruments*

Fair value measurement for gaming revenues under PFRS 9 represents the price that would be received to sell a wager position or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date, less any promotional allowances and other similar adjustments.

For other derivative financial instruments, management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. The determination of the fair value of derivatives is dependent on the selection of certain assumptions used by third party experts in calculating such amounts. Those assumptions include, among others, expected movements in the index cumulative performance as defined in the swap agreement. Changes in assumptions could affect reported fair value of financial instruments. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(h) *Estimation of Useful Lives of Property, Plant and Equipment, Investment Properties and Intangible Assets*

The Group estimates the useful lives of property, plant and equipment (including right-of-use assets) (see Notes 2.9 and 2.18), investment properties (see Note 2.10) and intangible assets (see Note 2.12) with finite lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment properties and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Specific trademarks mentioned in Note 15 were assessed to have indefinite useful lives considering that there is no foreseeable limit to the period over which such trademarks are expected to generate cash inflows for the Group (i.e., trademarks for The Dalmore and Jura have been in existence for more than 100 years). Moreover, there are no legal or similar limits imposed on the period over which the Group has control or can use the said trademarks.

The carrying amounts of property, plant and equipment, investment properties and intangible assets are presented in Notes 13, 14 and 15, respectively. Actual results, however, may vary due to changes in factors mentioned above.

Based on management's assessment, no change in the estimated useful lives of property, plant and equipment, investment properties and intangible assets is necessary in 2020 and 2019.

(i) *Impairment of Non-Financial Assets*

Goodwill and specific intangible assets with indefinite useful life are reviewed annually for impairment. An impairment review on all other non-financial assets is performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.20. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment losses recognized on property, plant and equipment and certain trademarks are discussed in Notes 13 and 15, respectively. There is no other impairment loss recognized on the Group's investment properties, goodwill and other intangible assets, and other non-financial assets based on management's evaluation for the years ended December 31, 2020, 2019 and 2018.

(j) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. An analysis of the recognized and unrecognized deferred tax assets is presented in Note 29.1.

(k) *Valuation of Post-Employment Defined Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 28.2.

(l) *Measurement of Gaming Points and Estimation of Liability for Unredeemed Gaming Points*

The Group provides gaming points to its patrons based on gaming activity. Gaming points are redeemable in a wide selection of redemption categories. The Group recognizes the fair values of gaming points, based on redemption terms, historical redemption pattern of patrons and the fair value of promotional activities per source (i.e., hotel, food and beverage, and others). The Group reassesses the measurement basis used for calculating the fair value of gaming points on a regular basis. The carrying value of the gaming points accrued by the Group is presented as Unredeemed gaming points under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

(m) *Recognition of Financial Liability and Equity Components of Compound Financial Instruments*

The ELS instrument (see Note 21) contains both a financial liability, which is the Group's contractual obligation to pay cash, and an equity component, which is the holder's option to convert it into an equity instrument of the issuer. The equity component is assigned the residual value after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Valuation techniques are used to determine fair values, which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as own credit risk, volatilities and correlations require management to make estimates. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on conditions existing at the end of each reporting period.

In 2017, as a result of the amendments on the ELS, management reassessed the compound instrument and recomputed the fair values of the components at the time of amendment, which resulted in a revalued financial liability component and an equity component with value. Accordingly, the Group presented the components separately as Equity-linked debt securities under Other Non-current Liabilities account (see Note 21) and as part of Non-controlling Interest account under Equity section, respectively, in the consolidated statements of financial position.

On December 4, 2019, the Group exercised the option to extend the redemption date of ELS until December 4, 2021 which did not result to substantial modification of terms.

(n) *Provision for Restoration of Leased Property*

Determining the provision for leased property restoration requires estimation of the cost of dismantling and restoring leased properties (building and leasehold improvements) to their original condition for which the Group is liable (see Note 2.9). The estimated cost was initially determined based on a recent cost to restore the facilities and is being adjusted to consider the estimated incremental annual costs up to the end of the lease term. The estimated dismantling cost was discounted using the prevailing market rate at the inception of the lease for an instrument with maturity similar to the term of the lease.

The carrying amount of ARO and provision for dilapidation are presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21).

(o) *Provision for Onerous Lease*

The Group determines the provision for leasehold properties which are no longer used in the business for which the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease using discounted cash flows and assumptions relating to future sublease income expectations. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost and sublease assumptions would result in a significant change in the amount of provision recognized with a corresponding effect on consolidated profit or loss.

In 2019, these provisions were directly adjusted against the beginning balance of the Group's right-of-use assets in accordance with PFRS 16. In 2020, additional provision was recognized due to changes in assumptions arising from the impact of COVID-19. The carrying amount of provision for onerous lease is presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21).

(p) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2020 and 2019)*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(q) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment (see Note 2.11).

4. SEGMENT INFORMATION

4.1 *Business Segments*

The Group is organized into major business segments, which are the major subsidiaries of the Group. These represent the main products and services provided by the Group and the line of business in which the Group operates (see Note 2.25). Presented below is the basis of the Group in reporting its primary segment information.

- (a) The *Megaworld* segment consists of development of real estate, integrated resorts, leasing of properties and hotel operations business, which is primarily undertaken by Megaworld Corporation and subsidiaries, the Group's forerunner in the real estate industry.
- (b) The *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, contract assets, inventories, property, plant and equipment, intangible assets and investment properties. Segment liabilities include all operating liabilities and consist principally of trade and other payables, contract liabilities, lease liabilities, interest-bearing loans and bonds payable.

4.3 *Intersegment Transactions*

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information can be analyzed as follows for the years ended December 31, 2020, 2019 and 2018:

	2020				
	<u>Megaworld</u>	<u>Travellers</u>	<u>GADC</u>	<u>Emperador</u>	<u>Total</u>
REVENUES					
Sales to external customers	P 40,359,723,561	P 12,167,008,299	P 19,872,519,690	P 51,395,295,032	P 123,794,546,582
Intersegment sales	379,396,452	302,114,071	60,894,560	20,935,609	763,340,692
Finance and other income	<u>2,731,878,167</u>	<u>(176,954,741)</u>	<u>781,791,127</u>	<u>1,324,441,878</u>	<u>4,661,156,431</u>
Segment revenues	43,470,998,180	12,292,167,629	20,715,205,377	52,740,672,519	129,219,043,705
Cost of sales and expenses excluding depreciation and amortization	<u>(23,499,228,103)</u>	<u>(12,030,590,679)</u>	<u>(17,267,508,300)</u>	<u>(40,791,074,691)</u>	<u>(93,588,401,773)</u>
	19,971,770,077	261,576,950	3,447,697,077	11,949,597,828	35,630,641,932
Depreciation and amortization	<u>(3,104,661,233)</u>	<u>(3,415,318,051)</u>	<u>(2,871,924,719)</u>	<u>(1,567,325,817)</u>	<u>(10,959,229,820)</u>
Finance cost and other charges	<u>(2,902,210,084)</u>	<u>(2,122,927,402)</u>	<u>(1,203,893,047)</u>	<u>(513,380,443)</u>	<u>(6,742,410,976)</u>
Profit before tax	13,964,898,760	(5,276,668,503)	(628,120,689)	9,868,891,568	17,929,001,136
Tax benefit (expense)	<u>(3,347,906,258)</u>	<u>(26,305,278)</u>	<u>145,292,878</u>	<u>(1,399,085,656)</u>	<u>(4,628,004,314)</u>
SEGMENT PROFIT	<u>P 10,616,992,502</u>	<u>(P 5,302,973,781)</u>	<u>(P 482,827,811)</u>	<u>P 8,469,805,912</u>	<u>P 13,300,996,822</u>
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 374,893,702,823	P 116,426,830,157	P 34,826,330,051	P 117,650,258,379	P 643,797,121,410
Segment liabilities	148,742,486,482	84,390,957,849	29,262,553,333	52,427,534,132	314,823,531,796
OTHER SEGMENT INFORMATION					
Share in net profit (loss) of associates and joint ventures	<u>(69,879,672)</u>	<u>(42,607)</u>	-	185,108,059	115,185,780
Interest income	1,815,477,035	78,077,879	51,261,830	181,474,347	2,126,291,091
Interest expense	1,612,876,982	2,118,900,450	1,028,710,347	527,374,333	5,287,862,112
Investment property and PPE acquisition	7,162,324,039	8,896,976,635	742,674,846	818,549,748	17,620,525,268

	2019				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 63,342,918,434	P 28,267,765,663	P 32,008,231,692	P 50,287,604,713	P 173,906,520,502
Intersegment sales	492,157,146	624,157,769	-	39,622,750	1,155,937,665
Finance and other income	<u>3,477,664,373</u>	<u>170,650,370</u>	<u>246,811,141</u>	<u>1,219,630,451</u>	<u>5,114,756,335</u>
Segment revenues	67,312,739,953	29,062,573,802	32,255,042,833	51,546,857,914	180,177,214,502
Cost of sales and expenses excluding depreciation and amortization					
	(35,954,821,728)	(22,873,552,664)	(26,126,976,615)	(40,133,921,654)	(125,089,272,661)
	31,357,918,225	6,189,021,138	6,128,066,218	11,412,936,260	55,087,941,841
Depreciation and amortization	(2,718,633,788)	(3,170,381,239)	(2,400,921,516)	(1,545,659,310)	(9,835,595,853)
Finance cost and other charges	(3,232,333,913)	(1,763,599,201)	(818,097,750)	(752,870,374)	(6,566,901,238)
Profit before tax	25,406,950,524	1,255,040,698	2,909,046,952	9,114,406,576	38,685,444,750
Tax expense	(6,081,657,290)	(90,504,543)	(910,956,200)	(1,647,434,352)	(8,730,552,385)
SEGMENT PROFIT	<u>P 19,325,293,234</u>	<u>P 1,164,536,155</u>	<u>P 1,998,090,752</u>	<u>P 7,466,972,224</u>	<u>P 29,954,892,365</u>
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
OTHER SEGMENT INFORMATION					
Share in net profit (loss) of associates and joint ventures	(58,832,233)	(15,811)	-	239,168,070	180,320,026
Interest income	2,328,813,700	180,038,942	69,759,950	345,272,714	2,923,885,306
Interest expense	1,512,905,580	1,940,416,252	834,903,457	661,591,381	4,949,816,670
Investment property and PPE acquisition	10,740,708,282	12,223,857,190	2,170,458,185	2,158,685,600	27,293,709,257

	2018				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 54,881,328,733	P 20,532,703,973	P 28,415,529,909	P 46,358,326,003	P 150,187,888,618
Intersegment sales	532,091,812	109,819,621	-	-	641,911,433
Finance and other income	<u>2,013,790,171</u>	<u>1,879,662,536</u>	<u>204,209,303</u>	<u>679,322,390</u>	<u>4,776,984,400</u>
Segment revenues	57,427,210,716	22,522,186,130	28,619,739,212	47,037,648,393	155,606,784,451
Cost of sales and expenses excluding depreciation and amortization					
	(<u>30,130,763,120</u>)	(<u>18,213,082,209</u>)	(<u>24,823,471,642</u>)	(<u>36,671,149,630</u>)	(<u>109,838,466,601</u>)
	27,296,447,596	4,309,103,921	3,796,267,570	10,366,498,763	45,768,317,850
Depreciation and amortization	(<u>2,268,838,880</u>)	(<u>2,289,286,602</u>)	(<u>1,191,150,982</u>)	(<u>1,076,907,317</u>)	(<u>6,826,183,781</u>)
Finance cost and other charges	(<u>3,261,109,497</u>)	(<u>404,826,256</u>)	(<u>109,105,809</u>)	(<u>818,680,240</u>)	(<u>4,593,721,802</u>)
Profit before tax	21,766,499,219	1,614,991,063	2,496,010,779	8,470,911,206	34,348,412,267
Tax expense	(<u>5,544,362,408</u>)	(<u>144,909,807</u>)	(<u>758,056,178</u>)	(<u>1,607,414,678</u>)	(<u>8,054,743,071</u>)
SEGMENT PROFIT	<u>P 16,222,136,811</u>	<u>P 1,470,081,256</u>	<u>P 1,737,954,601</u>	<u>P 6,863,496,528</u>	<u>P 26,293,669,196</u>
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 322,180,697,342	P 104,709,932,153	P 19,580,530,142	P 114,542,338,652	P 561,013,498,289
Segment liabilities	123,368,102,367	58,410,773,061	11,656,147,656	54,404,692,853	247,839,715,937
OTHER SEGMENT INFORMATION					
Share in net profit (loss) of associates and joint ventures	92,307,592	(39,263)	-	198,909,795	291,178,124
Interest income	1,767,928,629	146,572,618	80,456,941	265,325,794	2,260,283,982
Interest expense	1,310,255,912	259,292,385	179,443,956	820,750,262	2,569,742,515
Investment property and PPE acquisition	14,880,116,974	19,454,736,037	1,937,820,265	2,342,743,988	38,615,417,264

4.5 Reconciliations

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues			
Total segment revenues	P 129,219,043,705	P 180,177,214,502	P 155,606,784,451
Unallocated corporate revenue	334,098,842	967,734,232	1,809,658,261
Elimination of intersegment revenues	(763,340,692)	(1,155,937,665)	(641,911,433)
Revenues as reported in consolidated comprehensive income	<u>P 128,789,801,855</u>	<u>P 179,989,011,069</u>	<u>P 156,774,531,279</u>
Profit or loss			
Segment operating profit	P 13,300,996,822	P 29,954,892,365	P 26,293,669,196
Unallocated corporate loss	(2,278,045,377)	(1,698,884,594)	(1,986,654,038)
Elimination of intersegment revenues	(763,340,692)	(1,155,937,665)	(641,911,433)
Profit as reported in consolidated comprehensive income	<u>P 10,259,610,753</u>	<u>P 27,100,070,106</u>	<u>P 23,665,103,725</u>
Assets			
Segment assets	P 643,797,121,410	P 617,812,678,279	P 561,013,498,289
Unallocated corporate assets	<u>24,695,663,757</u>	<u>26,663,650,188</u>	<u>27,226,921,775</u>
Total assets reported in the consolidated statements of financial position	<u>P 668,492,785,167</u>	<u>P 644,476,328,467</u>	<u>P 588,240,420,064</u>
Liabilities			
Segment liabilities	P 314,823,531,796	P 292,383,933,244	P 247,839,715,937
Unallocated corporate liabilities	<u>57,849,793,170</u>	<u>54,975,599,719</u>	<u>49,838,815,332</u>
Total liabilities reported in the consolidated statements of financial position	<u>P 372,673,324,966</u>	<u>P 347,359,532,963</u>	<u>P 297,678,531,269</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 years presented.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	<u>2020</u>	<u>2019</u>
Cash on hand and in banks	P 29,085,987,191	P 27,797,566,966
Short-term placements	<u>40,611,701,241</u>	<u>23,473,013,985</u>
	<u>P 69,697,688,432</u>	<u>P 51,270,580,951</u>

Cash in banks generally earn interest based on daily bank deposit rates [see Notes 27 and 32.1(b)].

Short-term placements are made for varying periods up to 90 days and earn effective interest per annum ranging from 0.3% to 4.9% in 2020, 1.0% to 6.6% in 2019, and 1.0% to 7.0% in 2018.

The Group has Restricted short-term placements and Time deposits, which are shown under Other Current Assets account in the consolidated statements of financial position (see Note 9).

Interest income from Cash and Cash Equivalents for the years ended December 31, 2020, 2019 and 2018 is presented under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of:

	Notes	<u>2020</u>	<u>2019</u>
Current:			
Trade receivables	18(p, x), 24.2	P 42,770,552,610	P 48,092,680,186
Advances to contractors and suppliers		16,808,912,784	18,378,671,303
Due from related parties	30.4, 30.5	4,063,987,929	3,693,710,918
Advances to condominium associations		607,672,180	577,430,568
Receivable from sale of land		378,391,250	398,391,250
Accrued interest receivable		127,923,540	150,728,714
Finance lease receivable		52,663,520	86,786,949
Note receivable		21,040,182	54,173,080
Others	13.2, 31.4	3,891,621,270	<u>3,513,676,600</u>
		68,722,765,265	74,946,249,568
Allowance for impairment	32.2	(1,405,788,934)	(1,180,164,821)
		<u>67,316,976,331</u>	<u>73,766,084,747</u>
Non-current:			
Trade receivables	24.2	7,779,783,780	7,865,065,213
Advances to contractors and suppliers		6,739,828,296	7,407,644,127
Finance lease receivable		540,640,642	585,969,480
Receivable from employees		118,254,343	118,254,343
Loans receivable		58,695,652	84,782,609
Note receivable		52,080,930	50,498,400
Others	13.2	899,241,299	<u>306,369,513</u>
		16,188,524,942	16,418,583,685
Allowance for impairment	32.2	(12,224,936)	(12,224,936)
		<u>16,176,300,006</u>	<u>16,406,358,749</u>
		<u>P 83,493,276,337</u>	<u>P 90,172,443,496</u>

Trade receivables are non-interest bearing. Most trade receivables, particularly those relating to real estate sales, are covered by post-dated checks. As at December 31, 2020 and 2019, the Group has outstanding receivables assigned to local banks amounting to P1.4 billion and P1.3 billion, respectively [see Note 18(p and x)].

The installment period of real estate sales contracts averages from one to five years. Noninterest-bearing trade receivables with maturity of more than one year after the end of the reporting period are remeasured at amortized cost using the effective interest rate of similar financial instruments. The fair values of noninterest-bearing contracts are determined by calculating the present value of the cash inflows anticipated to be received until the end of the contract term using the effective interest rate. This resulted in the recognition of day one loss amounting to P269.8 million, P494.9 million and P329.2 million in 2020, 2019 and 2018, respectively, which is presented under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). Interest income from unwinding the day one losses on noninterest-bearing receivables amounted to P408.3 million, P697.2 million and P474.5 million in 2020, 2019 and 2018, respectively. These amounts are presented as part of Interest income under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

Advances to contractors and suppliers pertain to noninterest-bearing and unsecured advances or downpayments to the Group's contractors and suppliers as initial payment or mobilization funds for services to be rendered and goods to be delivered to the Group. These are reduced proportionately upon receipt of progress billings from said suppliers. The current portion pertains to inventories while the non-current advances pertain to the construction of property, plant and equipment and investment properties.

Note receivable pertains mainly to a three-year unsecured interest-bearing advances granted by Travellers in 2018 to a certain third party.

Due from related parties and Receivable from employees pertain to noninterest-bearing, unsecured and immediately demandable advances, settlement of which is generally made in cash, or through deduction from employees' salary or employees' liquidation of business-related expenses (see Notes 30.4 and 30.5).

In 2019, a certain sublease of the Group qualified as a finance lease, as a result of which, the Group recognized finance lease receivable amounting to P669.3 million and a gain on finance lease amounting to P350.2 million, which is presented as Gain on finance lease under Finance and Other Income account in the 2019 consolidated statement of comprehensive income (see Note 27). Accordingly, the related right-of-use asset amounting to P319.1 million was derecognized (see Note 13.2).

Other receivables include other non-trade receivables.

All of the Group's trade and other receivables have been assessed for impairment using the ECL model required under PFRS 9 [see Notes 32.2 and 2.4(c)]. Certain past due accounts from real estate sales are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer as the titles to the real estate properties remain with the Group until the receivables are fully collected; hence there is no loss given default in case of non-payment (see Note 32.2).

A reconciliation of the allowance for impairment at the beginning and end of the reporting periods is shown in the succeeding page.

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Balance at beginning of year		P 1,192,389,757	P 1,392,294,371
Impairment losses during the year	26	234,331,971	12,453,267
Reversal of impairment previously recognized	27, 30.5	(8,332,950)	(142,414,348)
Write-off of trade receivables previously provided with allowance		(374,908)	(69,943,533)
Balance at end of year		<u>P 1,418,013,870</u>	<u>P 1,192,389,757</u>

Impairment losses are presented under Other Operating Expenses account (see Note 26), while the reversal of impairment, which pertains to recovery of receivables previously provided with allowance, is presented as Reversal of impairment losses on receivables under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

All trade receivables are subject to credit risk exposure (see Note 32.2). However, the Group does not identify specific concentrations of credit risk with regard to trade and other receivables as the amounts recognized consist of a large number of receivables from various customers.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of local and foreign investments, held for trading, as follows:

	<u>2020</u>	<u>2019</u>
Marketable debt securities	P 6,928,122,903	P 9,345,588,134
Quoted equity securities	2,807,647,073	2,699,521,974
Derivative financial assets	<u>52,551,232</u>	<u>-</u>
	<u>P 9,788,321,208</u>	<u>P 12,045,110,108</u>

Marketable debt securities, which bear interest ranging from 4.3% to 7.5%, 4.3% to 7.7% and 4.3% to 7.7% per annum as at December 31, 2020, 2019 and 2018, respectively, are measured at their fair values determined directly by reference to published prices quoted in an active market. The net changes in fair values of these financial assets are presented as part of Fair value gains under Finance and Other Income account or Fair value losses under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). Interest income is shown as part of Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

Derivative financial assets arise from foreign exchange forward contracts and cash flow hedge entered into by the Group. The term of these forward contracts is usually one month to one year. Changes in foreign currency value arising from such forward contracts are taken up in profit or loss and are recorded either as part of Fair value gains under Finance and Other Income account or Fair value losses under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). On the other hand, changes in the fair value of cash flow hedge are presented as part of other comprehensive income in the consolidated statements of comprehensive income. As of December 31, 2020, the hedging instrument has a positive fair value of P52.6 million. As of December 31, 2020 and 2019, there are hedging instruments which resulted in derivative liability of P849.0 million and P463.2 million, respectively (see Note 21).

8. INVENTORIES

The details of inventories are shown below [see Notes 2.6, 2.7, 3.1(g) and 3.2(c)].

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
At cost:			
Real estate for sale	18(p)	P 82,297,303,262	P 80,146,970,366
Property development costs		8,746,972,339	7,483,371,952
Raw land inventory		12,151,377,975	12,297,389,904
Golf and resort shares for sale		<u>2,951,286,629</u>	<u>2,929,635,312</u>
		<u>106,146,940,205</u>	<u>102,857,367,534</u>
At net realizable value:			
Finished goods		5,754,997,339	5,883,428,376
Work-in-process goods		21,071,773,814	20,746,632,386
Raw materials		3,956,319,534	3,221,149,805
Food, supplies and other consumables		<u>3,460,631,092</u>	<u>3,438,374,952</u>
		<u>34,243,721,779</u>	<u>33,289,585,519</u>
Allowance for inventory write-down	2.6	(<u>364,805,879</u>)	(<u>277,037,817</u>)
	18(l)	<u>33,878,915,900</u>	<u>33,012,547,702</u>
		<u>P 140,025,856,105</u>	<u>P 135,869,915,236</u>

Real estate for sale pertains to the accumulated costs incurred in developing residential houses, lots and condominium units for sale which refer to the Group's horizontal and condominium projects and certain integrated tourism projects. Total cost includes capitalized borrowing costs amounting to P793.7 million and P932.5 million in 2020 and 2019, respectively (see Note 18). The amount capitalized was determined using a capitalization rate of 4.25%, 4.48% and 4.55% in 2020, 2019, and 2018, respectively.

Certain real estate for sale are subject to negative pledge on certain loans obtained by the Group [see Note 18(p and l)].

Property development costs pertain to accumulated costs incurred for properties undergoing development. The relative cost of a unit sold under development is charged to cost of sales in the same manner as revenue is recognized. The relative costs of units completed prior to sale are reclassified to Real estate for sale.

Raw land inventory pertains to properties which the Group intends to develop into residential properties to be held for sale.

Golf and resort shares for sale comprise of proprietary or membership shares (landowner resort shares and founders shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders shares is based on the par value of the resort shares which is P100.0 per share.

Work-in-process pertains mainly to substantial inventory of aged whisky stocks in Scotland which mature over periods of up to 60 years. These maturing whisky stock inventory amounted to P17,038.7 million and P16,688.9 million as of December 31, 2020 and 2019, respectively, which included capitalized depreciation costs (see Note 13).

Food, supplies and other consumables include paper and packaging, promotional materials, membership program items, operating supplies, spare parts, fuel and lubricants.

A reconciliation of the allowance for inventory write-down at the beginning and end of the reporting periods is shown below.

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Balance at beginning of year		P 277,037,817	P 234,473,864
Additional losses during the year	25, 26	109,688,887	51,971,745
Reversals of write-down	27	(21,920,825)	(9,407,792)
Balance at end of year		<u>P 364,805,879</u>	<u>P 277,037,817</u>

The additional losses were recognized to reduce the carrying values of inventories in 2020 and 2019. These are shown as part of Other direct and overhead costs under Cost of Goods Sold account (see Note 25) while the losses pertaining to promotional supplies are shown as Write-down of inventories under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The reversals of write-down are shown as part of Miscellaneous under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

9. OTHER ASSETS

The composition of this account is shown below.

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Current:			
Input VAT		P 6,644,898,072	P 7,634,492,454
Restricted short-term placements	5, 31.2(a)	2,954,766,368	3,283,129,738
Prepayments		2,640,680,112	3,040,049,543
Deferred commission	24.3	1,805,210,470	1,206,488,729
Creditable withholding taxes		1,413,355,529	1,323,580,538
Office supplies		202,287,593	271,110,894
Time deposits	5	122,840,813	118,531,543
Refundable deposits		80,219,250	62,180,524
Others		<u>438,604,966</u>	<u>428,019,181</u>
<i>Balance brought forward</i>		<u>P 16,302,863,173</u>	<u>P 17,367,583,144</u>

	Notes	<u>2020</u>	<u>2019</u>
<i>Balance carried forward</i>		<u>P 16,302,863,173</u>	<u>P 17,367,583,144</u>
Non-current:			
Refundable deposits		2,004,150,671	1,804,338,685
Deferred commission	24.3	1,554,862,853	906,925,987
Advances for future investment	31.2(a)	1,538,277,765	2,732,900,470
Deposit for cancellation of perpetual securities		1,200,900,000	-
Property mortgage receivable		613,935,936	636,946,200
Advance payments for assets acquisition		246,254,633	98,276,647
Deferred input VAT		102,716,712	168,223,855
Claims for tax refund		49,954,694	112,282,175
Others		<u>558,316,098</u>	<u>561,997,753</u>
		<u>7,869,369,362</u>	<u>7,021,891,772</u>
		<u>P 24,172,232,535</u>	<u>P 24,389,474,916</u>

Restricted short-term placements [see Note 31.2(a)] are made for varying periods ranging from 30 to 90 days in 2020 and 2019, and earn effective interest of 0.3% per annum in 2020, 5.6% to 6.2% per annum in 2019 and 4.0% to 4.1% per annum in 2018 (see Note 27).

Time deposits pertain to placements with maturity of 360 days, which earn an effective interest of 1.9% in 2020, 2.6% in 2019, and 1.5% in 2018.

Prepayments include prepaid taxes, insurance, rentals and advertising, which are expected to be realized in the next reporting period.

Advances for future investment pertain to the advances made by the Group to Philippine Amusement and Gaming Corporation (“PAGCOR”) starting 2014 in connection with the development of Site A. In 2020 and 2019, the Group made additional payments to PAGCOR amounting to P588.2 million in each year to fulfill the future investment. [See Note 31.2(a)]. In 2020, the Group received parcels of land with a fair value of P1.8 billion. As consideration for the transfers, the advances for future investment was reduced by the value of the land received.

On December 23, 2020, Megaworld advanced an amount of P1,200.9 million for on-market purchase of its own perpetual capital securities (see Notes 22.8 and 37.2). As the securities are under the trusteeship of a third party, the amount was presented as Deposit for cancellation of perpetual securities as of December 31, 2020.

In 2016, the Group purchased from one of its property lessors an outstanding mortgage debt on one of the Group’s leased properties. The purchased mortgage asset entitles the Group to full security over the leased property and to monthly interest payments from the property lessor. However, the Group remains as lessee over the property; hence, it is still required to make monthly lease payments to the property lessor until 2036. Following the adoption of the PFRS 16 in 2019, the Group recognized ROUA and lease liabilities from this leased property (see Notes 13.2 and 13.3).

The advance payment for assets acquisition represents the deposits made for future purchase of machinery and equipment.

Current others include payroll funds and food and beverage supplies while non-current others include various security and other deposits.

10. ADVANCES TO/FROM LANDOWNERS AND JOINT OPERATORS

10.1 Advances to Landowners and Joint Operators

The Group enters into numerous joint arrangements for the joint development of various real estate projects. The joint operation agreements stipulate that the Group's joint operator shall contribute parcels of land while the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of residential and condominium units to be constructed on the properties. In addition, there were no separate entities created by these joint arrangements. Costs incurred by the Group on these projects are recorded under the Inventories account in the consolidated statements of financial position (see Notes 2.7 and 8).

The Group also grants noninterest-bearing, secured cash advances to a number of landowners and joint operators under agreements they entered into with the landowners covering the development of certain parcels of land. Under the terms of the arrangements, the Group, in addition to providing specified portion of total project development costs, also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

The total amount of advances made by the Group less amounts liquidated is presented as Advances to Landowners and Joint Operators account in the consolidated statements of financial position.

As at December 31, 2020 and 2019, management has assessed that the advances to joint ventures are fully recoverable. Further, there has been no outstanding commitment for cash advances under the joint agreements.

The net commitment for construction expenditures amounts to:

	<u>2020</u>	<u>2019</u>
Total commitment for construction expenditures	P 34,237,388,185	P 33,268,029,905
Total expenditures incurred	(24,563,557,032)	(22,896,502,186)
Net commitment	<u>P 9,673,831,153</u>	<u>P10,371,527,719</u>

The Group's interests in joint operations and projects, ranging from 57% to 90% in 2020 and 2019, are as follows:

Megaworld:

- McKinley Hill
- McKinley West
- Newport City
- Manhattan Garden City
- Noble Place
- Uptown Bonifacio
- Northhill Gateway
- The Maple Grove
- Vion Tower

GERI:

- Alabang West
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Pahara at Southwoods
- Sta. Barbara Heights
Phase 2 & 3
- Holland Park
- Sta. Barbara Heights Shophouse
District

SPI:

- Capitol Plaza
- Governor's Hills
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills
- Sentosa
- Asmara
- 88 Gibraltar
- One Lakeshore
- Two Lakeshore
- Riva Bella
- Solana
- Gentry Heights
- Fountain Grove
- Palm City
- The Mist Residence

EELHI:

- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and
Calabarzon Projects

The aggregate amounts of the current assets, long-term assets, current liabilities and long-term liabilities as at December 31, 2020 and 2019, and income and expenses for each of the three years in the period ended December 31, 2020 related to the Group's interests in these joint arrangements are not presented or disclosed in the consolidated financial statements as these are only joint operations in which the Group is an operator [see Note 2.2(c)].

As at December 31, 2020 and 2019, the Group has assessed that the probability of loss that may arise from contingent liabilities is remote and there are no other contingent liabilities with regard to these joint operations.

10.2 Advances from Joint Operators

This account represents the share of joint venture partners in the proceeds from the sale of certain projects in accordance with various joint venture agreements entered into by the Group. The total outstanding balance is presented as part of Advances from Related Parties account in the consolidated statements of financial position (see Note 30.6).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of December 31, 2020 and 2019, financial assets at FVOCI [see Note 2.4(a)(ii)], which pertain to equity securities, are comprised of the following:

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Quoted		P 58,847,908	P 64,874,067
Unquoted		<u>338,066,525</u>	<u>351,783,274</u>
	34.2	<u>P 396,914,433</u>	<u>P 416,657,341</u>

The reconciliation of the carrying amounts of these financial assets are as follows:

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Balance at beginning of year		P 416,657,341	P 459,974,884
Fair value gain (loss)		(17,674,933)	65,542,492
Disposals	30	(1,960,000)	(100,250,000)
Foreign currency losses	27	(107,975)	-
Reclassification		<u>-</u>	<u>(8,610,035)</u>
Balance at end of year		<u>P 396,914,433</u>	<u>P 416,657,341</u>

Quoted equity securities consist of listed local shares of stock and various proprietary club shares which are denominated in Philippine pesos. Golf club shares are proprietary membership shares of Travellers from certain golf clubs. Unquoted equity securities pertain to investments in shares of stock of local, privately-held companies.

The fair values of the quoted financial assets have been determined by reference to published prices in an active market. The fair value of unquoted equity securities were determined through valuation techniques (see Note 34.2). The changes in the fair value amounted to loss of P17.7 million in 2020, and gain of P65.5 million in 2019 and P26.5 million in 2018 and are presented as Net Unrealized Fair Value Gain (Loss) on Financial Assets at FVOCI in the consolidated statements of comprehensive income.

In 2019, the Group sold a total of P100.3 million of its investment in equity securities at P1.00 per share. As a result, realized fair value changes amounting to P67.8 million were directly reclassified from Net Fair Value Gains on Financial Assets at FVOCI to Retained Earnings account. In 2020, investment in equity securities with a total cost of P2.0 million were sold at cost to The Andresons Group, Inc. ("TAGI"), a stockholder of the Group (see Note 30).

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

12.1 Breakdown of Carrying Values

The details of investments in associates and interest in joint ventures, which are carried at equity method, are presented below and in the succeeding pages.

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Investments of Megaworld			
in Associates:			
Acquisition costs:			
SHDI	12.2	P 2,619,800,008	P 2,619,800,008
NPI		734,396,528	734,396,528
BWDC		199,212,026	199,212,026
PTHDC		<u>64,665,000</u>	<u>64,665,000</u>
		<u>3,618,073,562</u>	<u>3,618,073,562</u>
Accumulated share in net losses:			
Balance at beginning of year		(317,003,883)	(258,418,167)
Share in net profits (losses) for the year		(69,879,672)	(58,832,233)
Disposal during the year		<u>-</u>	<u>246,517</u>
Balance at end of year		<u>(386,883,555)</u>	<u>(317,003,883)</u>
Accumulated equity in other comprehensive income:			
Balance at beginning of year		46,720,168	58,137,227
Share in other comprehensive income (loss) of associate		<u>1,474,538</u>	<u>(11,417,059)</u>
Balance at end of year		<u>48,194,706</u>	<u>46,720,168</u>
Other changes in carrying amount:			
Balance at beginning of year		163,711,989	-
Effect of dilution in percentage ownership	12.2	-	152,294,930
Recycling due to disposal and dilution		<u>-</u>	<u>11,417,059</u>
Balance at end of year		<u>163,711,989</u>	<u>163,711,989</u>
<i>Balance carried forward</i>		<u>P 3,443,096,702</u>	<u>P 3,511,501,836</u>

	Note	2020	2019
<i>Balance brought forward</i>		<u>P 3,443,096,702</u>	<u>P 3,511,501,836</u>
Investment of EMP in BLC, a joint venture – acquisition cost	12.4	<u>2,845,367,065</u>	<u>2,845,367,065</u>
Accumulated share in net profits:			
Balance at beginning of year		178,200,678	432,240,327
Share in net profits for the year		185,108,059	239,168,070
Reductions during the year		<u>-</u>	<u>(282,499,965)</u>
Balance at end of year		<u>363,308,737</u>	<u>388,908,432</u>
Translation gain (loss)		<u>85,186,629</u>	<u>(210,707,754)</u>
		<u>3,293,862,431</u>	<u>3,023,567,743</u>
Investment of Travellers in FRTMI, a joint venture – acquisition cost		<u>10,000,000</u>	<u>10,000,000</u>
Accumulated share in net losses:			
Balance at beginning of year		<u>(826,231)</u>	<u>(810,421)</u>
Share in net losses for the year		<u>(42,607)</u>	<u>(15,810)</u>
Balance at end of year		<u>(868,838)</u>	<u>(826,231)</u>
		<u>9,131,162</u>	<u>9,173,769</u>
Investment of FCI in FPARI, an associate – acquisition cost		<u>14,700,000</u>	<u>14,700,000</u>
		<u>P 6,760,790,295</u>	<u>P 6,558,943,348</u>

The total share in net profits amounts to P115.2 million, P180.3 million and P291.2 million for the years ended December 31, 2020, 2019 and 2018, respectively. These amounts are shown as Share in Net Profits of Associates and Joint Ventures – Net account in the consolidated statements of comprehensive income.

Management assessed that the recognition of impairment loss on investments in associates and joint ventures in 2020, 2019 and 2018 is not necessary, except for those investments in joint ventures discussed in Note 12.5.

12.2 SHDI

The shares of stock of SHDI are listed in the PSE. In October 2019, Megaworld acquired additional 115.0 million shares of SHDI at market price during that time, totaling P100.1 million. Subsequently, Megaworld disposed of certain number of shares. In December 2019, Megaworld subscribed to additional 2,177.0 million shares from SHDI at P1.00 par value. Megaworld paid P1.25 billion out of the P2.20 billion additional subscribed capital. However, another investor subscribed to more new shares and, as a result, Megaworld's effective ownership was diluted to 34% and dilution gain amounting to P152.3 million was recognized as part of Gain on sale and dilution of investment in associates under Finance and Other Income in the 2019 consolidated statement of comprehensive income (see Note 27). The unpaid portion of subscription is presented as Subscription payable under Other Current Liabilities account in the consolidated statements of financial position (see Note 21).

12.3 BNHGI

In 2019, FEPI sold 15% ownership interest over BNHGI for P297.5 million. Gain on sale of investment in BNHGI amounting to P188.5 million was recognized in 2019 and is presented as part of Gain on sale and dilution of investment in associates under Finance and Other Income in the 2019 consolidated statement of comprehensive income (see Note 27). The Group has no more ownership interest in BNHGI after the disposal in 2019.

12.4 BLC

BLC is a foreign joint venture under GES and operating under the laws of Spain. The Group has no other commitments made with regard to this joint venture that are not recognized at the reporting date..

12.5 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net profit (loss) of the associates are as follows as at and for the years ended December 31, 2020 and 2019 (in thousands):

	<u>Current Assets</u>	<u>Non-current Assets</u>	<u>Current Liabilities</u>	<u>Non-current Liabilities</u>	<u>Revenues</u>	<u>Net Profit (Loss)</u>	<u>Other Comprehensive Income (Loss)</u>
2020:							
SHDI	P 5,934,436	P 16,559,530	P 350,879	P 13,816,021	P 15,197	(P 211,545)	P 4,337
NPI	260,528	5,411,009	1,317,006	-	-	-	-
BWDC	739,779	1,878,640	873,746	41,797	66,587	5,048	-
PTHDC	<u>1,134,948</u>	<u>277</u>	<u>1,009,910</u>	<u>-</u>	<u>5</u>	<u>(705)</u>	<u>-</u>
	<u>P 8,069,691</u>	<u>P 23,849,456</u>	<u>P 3,551,541</u>	<u>P 13,857,818</u>	<u>P 81,789</u>	<u>(P 207,202)</u>	<u>P 4,337</u>
2019:							
SHDI	P 1,307,765	P 141,145	P 57,503	P -	P 582,956	(P 314,779)	(P 9,232)
NPI	260,528	5,411,009	1,317,006	-	9	(726)	-
BWDC	728,777	1,859,781	843,760	69,418	165,496	104,863	-
PTHDC	<u>1,134,934</u>	<u>828</u>	<u>1,009,742</u>	<u>-</u>	<u>13</u>	<u>(462)</u>	<u>-</u>
	<u>P 3,432,004</u>	<u>P 7,412,763</u>	<u>P 3,228,011</u>	<u>P 69,418</u>	<u>P 748,474</u>	<u>(P 211,104)</u>	<u>(P 9,232)</u>

A reconciliation of the above summarized financial information to the carrying amount of the investment in associates are shown below:

	<u>SHDI</u>	<u>NPI</u>	<u>BWDC</u>	<u>PTHDC</u>
December 31, 2020				
Net assets	P8,327,065,945	P4,354,530,488	P1,702,875,266	P 125,315,140
Subscription receivable	1,387,499,990	-	-	-
Convertible bonds	(4,592,867,070)	-	-	-
	<u>5,121,698,865</u>	<u>4,354,530,488</u>	<u>1,702,875,266</u>	<u>125,315,140</u>
Proportion of ownership interest by the Group	<u>34%</u>	<u>14%</u>	<u>46%</u>	<u>40%</u>
Ownership share of the Group in the net asset	1,741,377,614	609,634,268	785,195,785	50,126,056
Nominal goodwill	-	122,513,422	-	-
Valuation adjustments	<u>177,270,895</u>	<u>(3,777,810)</u>	<u>(56,474,761)</u>	<u>17,231,232</u>
Carrying amount of investment	<u>P1,918,648,509</u>	<u>P 728,369,880</u>	<u>P 728,721,025</u>	<u>P 67,357,288</u>
December 31, 2019				
Net assets	P1,391,407,257	P4,354,530,488	P1,675,380,335	P 126,020,007
Subscription receivable	<u>3,937,500,000</u>	-	-	-
	<u>5,328,907,257</u>	<u>4,354,530,488</u>	<u>1,675,380,335</u>	<u>126,020,007</u>
Proportion of ownership interest by the Group	<u>34%</u>	<u>14%</u>	<u>46%</u>	<u>40%</u>
Ownership share of the Group in the net asset	1,811,828,467	609,634,268	772,517,872	50,408,003
Nominal goodwill	-	122,513,422	-	-
Valuation adjustments	<u>173,493,086</u>	<u>-</u>	<u>(46,124,514)</u>	<u>17,231,232</u>
Carrying amount of investment	<u>P1,985,321,553</u>	<u>P 732,147,690</u>	<u>P 726,393,358</u>	<u>P 67,639,235</u>

The summarized financial information of BLC, a joint venture, as of December 31, 2020 and 2019 and for the years then ended are presented below (in thousands).

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	P 46,095	P 175,176
Trade and other receivables	<u>985,946</u>	<u>1,967,037</u>
Financial assets	<u>P 1,032,041</u>	<u>P 2,142,213</u>
Current assets	P 1,674,212	P 2,421,905
Non-current assets	<u>2,364,174</u>	<u>1,653,886</u>
Total assets	<u>P 4,038,386</u>	<u>P 4,075,791</u>
Current liabilities	P 430,529	P 1,050,467
Non-current liabilities	<u>2,345</u>	<u>2,398</u>
Total liabilities	<u>P 432,874</u>	<u>P 1,052,865</u>
Current financial liabilities (excluding trade and other payables and provisions)	P 195,399	P 327,529
Non-current financial liabilities	<u>2,345</u>	<u>2,398</u>
Total financial liabilities	<u>P 197,744</u>	<u>P 329,927</u>

	<u>2020</u>	<u>2019</u>
Revenues	P 5,798,133	P 5,641,501
Depreciation and amortization	P 78,671	P 75,037
Net profit for the year	P 370,216	P 478,336

A reconciliation of the above summarized financial information to the carrying amount of the investment in BLC is shown below (in thousands):

	<u>2020</u>	<u>2019</u>
Net assets of BLC	P 3,605,512	P 3,022,926
Proportion of ownership interest by the Group	<u>50%</u>	<u>50%</u>
Ownership share of the Group in net assets of BLC	1,802,756	1,511,463
Fair value and translation adjustments	<u>1,491,106</u>	<u>1,512,105</u>
Carrying amount of investment	P 3,293,862	P 3,023,568

12.6 Write-off of Investments

In 2018, the Group had written off its investments in FERC, FENI, FESI and FERSAI. The carrying amount of the investments amounting to P44.9 million was recognized as impairment loss and is presented as part of Miscellaneous under Other Operating Expenses account in the 2018 consolidated statement of comprehensive income (see Note 26).

13. PROPERTY, PLANT AND EQUIPMENT

The carrying amount of this account is composed of the following:

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Property, plant and equipment	13.1	P 126,599,135,738	P 123,672,312,981
Right-of-use assets	13.2	<u>13,557,391,905</u>	<u>12,590,233,266</u>
		<u>P 140,156,527,643</u>	<u>P 136,262,546,247</u>

13.1 Carrying Values of Property, Plant and Equipment

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment at the beginning and end of the reporting periods are shown below. [See Notes 2.9, 3.1(g) and 3.2(h)(i)].

	<u>Land and Land Improvements</u>	<u>Buildings and Leasehold Improvements</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Condominium Units, Fixtures and Other Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2020							
Cost	P 13,412,006,314	P 71,255,207,852	P 32,122,388,427	P 1,621,260,671	P 17,601,149,500	P 35,699,233,434	P 171,711,246,198
Accumulated depreciation, amortization and impairment	(<u>334,917,463</u>)	(<u>17,370,224,979</u>)	(<u>17,354,334,868</u>)	(<u>1,200,734,773</u>)	(<u>8,851,898,377</u>)	-	(<u>45,112,110,460</u>)
Net carrying amount	<u>P 13,077,088,851</u>	<u>P 53,884,982,873</u>	<u>P 14,768,053,559</u>	<u>P 420,525,898</u>	<u>P 8,749,251,123</u>	<u>P 35,699,233,434</u>	<u>P 126,599,135,738</u>
December 31, 2019							
Cost	P 14,153,085,791	P 69,489,075,792	P 31,763,065,154	P 1,616,805,812	P 16,549,026,376	P 29,335,143,553	P 162,906,202,478
Accumulated depreciation, amortization and impairment	(<u>288,957,872</u>)	(<u>14,932,440,177</u>)	(<u>15,497,884,848</u>)	(<u>1,017,447,714</u>)	(<u>7,497,158,886</u>)	-	(<u>39,233,889,497</u>)
Net carrying amount	<u>P 13,864,127,919</u>	<u>P 54,556,635,615</u>	<u>P 16,265,180,306</u>	<u>P 599,358,098</u>	<u>P 9,051,867,490</u>	<u>P 29,335,143,553</u>	<u>P 123,672,312,981</u>
January 1, 2019							
Cost	P 14,606,121,143	P 60,368,660,615	P 28,643,555,824	P 1,503,903,069	P 14,430,580,074	P 31,509,507,398	P 151,062,328,123
Accumulated depreciation, amortization and impairment	(<u>243,771,951</u>)	(<u>12,526,574,394</u>)	(<u>13,635,832,315</u>)	(<u>821,069,323</u>)	(<u>6,333,436,904</u>)	-	(<u>33,560,684,887</u>)
Net carrying amount	<u>P 14,362,349,192</u>	<u>P 47,842,086,221</u>	<u>P 15,007,723,509</u>	<u>P 682,833,746</u>	<u>P 8,097,143,170</u>	<u>P 31,509,507,398</u>	<u>P 117,501,643,236</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>Land and Land Improvements</u>	<u>Buildings and Leasehold Improvements</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Condominium Units, Fixtures and Other Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2020, net of accumulated depreciation amortization and impairment	P 13,864,127,919	P 54,556,635,615	P 16,265,180,306	P 599,358,098	P 9,051,867,490	P 29,335,143,553	P 123,672,312,981
Transfer from investment property	-	-	-	-	169,332,500	-	169,332,500
Additions	107,808,533	745,080,350	958,244,449	48,079,766	948,094,877	8,075,319,836	10,882,627,811
Disposals – net	-	(94,951,243)	(129,061,453)	(23,377,041)	(16,946,473)	(33,083,287)	(297,419,497)
Transfer to non-current asset as held for sale (see Note 16)	(848,888,010)	(112,852,585)	-	-	-	-	(961,740,595)
Reclassifications – net	-	1,575,261,731	64,202,409	-	(7,031,438)	(1,678,146,668)	(45,713,966)
Impairment reversal (loss)	-	163,413,461	(78,925,153)	-	-	-	84,488,308
Depreciation and amortization charges for the year	(45,959,591)	(2,947,604,456)	(2,311,586,999)	(203,534,925)	(1,396,065,833)	-	(6,904,751,804)
Balance at December 31, 2020, net of accumulated depreciation, amortization and impairment	<u>P 13,077,088,851</u>	<u>P 53,884,982,873</u>	<u>P 14,768,053,559</u>	<u>P 420,525,898</u>	<u>P 8,749,251,123</u>	<u>P 35,699,233,434</u>	<u>P 126,599,135,738</u>

	<u>Land and Land Improvements</u>	<u>Buildings and Leasehold Improvements</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Condominium Units, Fixtures and Other Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2019, net of accumulated depreciation, amortization and impairment, as previously reported	P 14,362,349,192	P 47,842,086,221	P 15,007,723,509	P 682,833,746	P 8,097,143,170	P 31,509,507,398	P 117,501,643,236
Effect of PFRS 16 adoption	-	(65,414,011)	-	-	-	-	(65,414,011)
As restated	14,362,349,192	47,776,672,210	15,007,723,509	682,833,746	8,097,143,170	31,509,507,398	117,436,229,225
Transfer from investment property	286,841	1,056,210	-	-	400,488,452	-	401,831,503
Additions	78,676,324	1,350,024,935	3,636,368,233	135,708,023	1,145,789,847	10,514,502,710	16,861,070,072
Disposals – net	(218,832,143)	(10,406,698)	(179,802,646)	(5,828,010)	(2,812,057)	(75,992,829)	(493,674,383)
Transfer to non-current asset as held for sale (see Note 16)	(313,714,726)	-	-	-	-	(3,716,165,072)	(4,029,879,798)
Reclassifications – net	548,352	8,058,329,862	223,588,957	-	614,241,483	(8,896,708,654)	-
Impairment loss	-	(66,114,248)	-	-	-	-	(66,114,248)
Depreciation and amortization charges for the year	(45,185,921)	(2,552,926,656)	(2,422,697,747)	(213,355,661)	(1,202,983,405)	-	(6,437,149,390)
Balance at December 31, 2019, net of accumulated depreciation, amortization and impairment	<u>P 13,864,127,919</u>	<u>P 54,556,635,615</u>	<u>P 16,265,180,306</u>	<u>P 599,358,098</u>	<u>P 9,051,867,490</u>	<u>P 29,335,143,553</u>	<u>P 123,672,312,981</u>
Balance at January 1, 2018, net of accumulated depreciation, amortization and impairment	P 13,826,830,022	P 37,825,622,252	P 11,234,985,946	P 558,776,633	P 6,234,556,887	P 28,345,712,887	P 98,026,484,627
Transfer from investment property	188,327,685	3,995,657,527	-	-	779,754,000	-	4,963,739,212
Additions	400,611,838	1,736,357,067	3,567,034,502	305,532,305	1,921,481,657	12,054,594,344	19,985,611,713
Disposals – net	-	(106,041,493)	(195,259,103)	(12,995,619)	(5,066,502)	(26,842,756)	(346,205,473)
Reclassifications – net	(19,996,253)	6,476,513,167	2,372,336,312	18,588,239	70,991,204	(8,863,957,077)	54,475,592
Reversal of impairment loss	-	19,258,000	-	-	-	-	19,258,000
Depreciation and amortization charges for the year	(33,424,100)	(2,105,280,299)	(1,971,374,148)	(187,067,812)	(904,574,076)	-	(5,201,720,435)
Balance at December 31, 2018, net of accumulated depreciation, amortization and impairment	<u>P 14,362,349,192</u>	<u>P 47,842,086,221</u>	<u>P 15,007,723,509</u>	<u>P 682,833,746</u>	<u>P 8,097,143,170</u>	<u>P 31,509,507,398</u>	<u>P 117,501,643,236</u>

Construction in progress includes accumulated costs incurred on the casino and hotel sites being constructed as part of Travellers' investment commitment in accordance with its Provisional License Agreement with PAGCOR [see Note 31.2(a)]. In 2019 and 2018, Travellers has completed the construction of Hilton Manila and Sheraton Manila, respectively. Accordingly, the respective accumulated costs incurred for these facilities were reclassified from Construction in progress to Buildings and leasehold improvements in 2019 and 2018.

In 2020 and 2019, the following Property, Plant and Equipment amounting to P1.0 billion and P4.0 billion, respectively, were reclassified to Non-current Assets Held for Sale account in the consolidated statements of financial position, to reflect the intention of the management to recover these assets through sale rather than continuing use as of December 31, 2020 and 2019 (see Notes 16 and 31.9):

- On October 28, 2019, a co-development agreement was entered into by WCRWI and Travellers with SHDI, wherein WCRWI and Travellers are to lease the portion of Site A to SHDI for the development and management of the hotel casino. Accordingly, construction activities at Site A was suspended on October 31, 2019, following such agreement. As part of the agreement, the construction costs already incurred by the Group on Site A are to be reimbursed by SHDI.
- In 2020, the Group has discontinued the use of certain land and buildings previously occupied by a business unit. On December 27, 2020, management approved their sale through the signed letter of intent with Global One Real Estate Spain, SAU ("Global One"). The letter of intent stated that the Group will sell and Global One will purchase the assets at a purchase price equivalent to the net book value of the property, at any time until three years after the COVID-19 pandemic has ended.

Moreover, construction in progress also includes the accumulated costs incurred in the construction of new McDonald's stores and construction of distillery plant in Batangas. The corresponding costs of completed projects were transferred to specific property, plant and equipment accounts.

Total property, plant and equipment includes capitalized borrowing costs amounting to P2,864.5 million and P2,175.4 million in 2020 and 2019, respectively, representing the actual borrowing costs, net of related investment income, incurred on specific and general borrowings obtained to fund the construction project (see Note 18). The capitalization rate used was based on effective interest rates of applicable specific and general borrowings ranging from 4.5% to 8.8% and 5.3% to 8.3% in 2020 and 2019, respectively.

In 2020 and 2018, GADC's annual impairment testing of its stores resulted in recognition of gain on reversal of impairment losses amounting to P296.0 million and P19.3 million, respectively, and are presented as Reversal of impairment losses on PPE under Finance and Other Income account in the 2020 and 2018 consolidated statements of comprehensive income (see Note 27). GADC and Travellers recognized impairment losses in 2020 and 2019 amounting to P211.5 million and P66.1 million, respectively, to write down to recoverable amount the carrying value of certain property and equipment and is presented as part of Impairment of PPE and intangible assets under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The value in use was computed using weighted average cost of capital of 5.0% in both 2020 and 2019.

In 2020 and 2019, the Group recognized net losses on disposal of various property, plant and equipment amounting to P174.8 million and P11.6 million, respectively, which are presented as Loss on disposal of PPE – net under Finance Costs and Other Charges account in the 2020 and 2019 consolidated statements of comprehensive income (see Note 27). In 2018, the Group recognized net gain on disposal of various property, plant and equipment totaling P53.9 million, which is presented as part of Gain on disposal of PPE and investment properties – net under Finance and Other Income account in the 2018 consolidated statement of comprehensive income (see Note 27).

The amount of depreciation and amortization charges is presented as part of Depreciation and amortization which is presented under Cost of Goods Sold, Cost of Services and Other Operating Expenses accounts (see Notes 25 and 26). In 2020, 2019 and 2018, depreciation expense amounting to P329.3 million, P320.4 million and P303.8 million, respectively, was capitalized to form part of the work-in-process inventory. Such capitalized amount represents depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held (see Note 8).

As of December 31, 2020 and 2019, certain land and building with carrying values of P112.1 million and P113.0 million, respectively, are held as collateral by a local bank for a loan obtained by GADC in 2011 [see Note 18(qq)].

13.2 Right-of-Use Assets

The Group has leases for certain land, commercial space, buildings and warehouses, gaming equipment and transportation and other equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statements of financial position as ROUA under Property and Equipment account and Lease Liabilities account. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and ROUA.

The table below describes the nature of the Group’s leasing activities by type of ROUA recognized in the consolidated statements of financial position.

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
<u>December 31, 2020</u>					
Land	2	16 to 19 years	18 years	1	-
Commercial space	585	1 to 27 years	14 years	530	491
Buildings and warehouses	54	2 to 13 years	8 years	20	17
Gaming equipment	1	4 years	4 years	-	-
Transportation and other equipment	72	1 to 4 years	3 years	-	-
<u>December 31, 2019</u>					
Land	2	16 to 19 years	18 years	1	-
Commercial space	556	1 to 28 years	14 years	554	465
Buildings and warehouses	48	1 to 14 years	7 years	20	17
Gaming equipment	1	4 years	4 years	-	-
Transportation and other equipment	72	1 to 5 years	3 years	-	-

The carrying amounts of the Group's ROUAs as at December 31, 2020 and the movements during the year are shown below.

		<u>Land</u>	<u>Commercial Space</u>	<u>Building and Warehouses</u>	<u>Gaming Equipment</u>	<u>Transportation and Other Equipment</u>	<u>Total</u>
Balance at January 1, 2020	P	962,583,724	P11,226,356,917	P 259,882,975	P 77,091,490	P 64,318,160	P12,590,233,266
Additions	-	-	2,922,801,170	30,130,997	-	-	2,952,932,167
Effect of lease modification	-	-	(32,482,473)	-	-	-	(32,482,473)
Translation adjustment	-	-	(63,171,043)	-	-	-	(63,171,043)
Derecognition	-	-	(77,871,407)	-	-	-	(77,871,407)
Impairment	-	-	(126,124,001)	-	-	-	(126,124,001)
Amortization	(	49,140,234)	(1,479,701,556)	(126,333,774)	(25,002,645)	(5,946,395)	(1,686,124,604)
Net carrying amount	P	913,443,490	P12,369,807,607	P 163,680,198	P 52,088,845	P 58,371,765	P13,557,391,905

The carrying amounts of the Group's ROUAs as at December 31, 2019 and the movements during the year are shown below.

		<u>Land</u>	<u>Commercial Space</u>	<u>Building and Warehouses</u>	<u>Gaming Equipment</u>	<u>Transportation and Other Equipment</u>	<u>Total</u>
Effect of PFRS 16 adoption	P	1,011,723,960	P10,042,340,599	P 358,688,291	P 102,094,135	P 71,235,714	P11,586,082,699
Additions	-	-	2,629,527,645	20,461,156	-	-	2,649,988,801
Derecognition	-	-	(319,136,009)	-	-	-	(319,136,009)
Impairment	-	-	(22,263,234)	-	-	-	(22,263,234)
Amortization	(	49,140,236)	(1,104,112,084)	(119,266,472)	(25,002,645)	(6,917,554)	(1,304,438,991)
Net carrying amount	P	962,583,724	P11,226,356,917	P 259,882,975	P 77,091,490	P 64,318,160	P12,590,233,266

The Group has relied on its historical assessments as to whether leases were onerous immediately before the date of initial application as alternative to performing an impairment review on right-of-use assets, and accordingly reclassified portion of its provision for onerous lease amounting to P355.6 million against the January 1, 2019 balance of ROUA. In 2020, additional onerous lease provisions amounting to P56.3 million were recognized and are presented as part of Miscellaneous under Other Operating Expenses account in the 2020 consolidated statement of comprehensive income (see Note 26).

Moreover, estimated cost of dismantling and restoration of certain leased properties amounting to P65.4 million was reclassified from Buildings and leasehold improvements to ROUA upon adoption of PFRS 16 [see Notes 2.9, 3.2(n) and 13.1]. The carrying amount of ARO and provision for dilapidation are presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21).

The derecognition of ROUA in 2020 amounting to P77.9 million pertains to termination of certain lease contracts during the year, while the derecognized ROUA in 2019 amounting to P319.1 million resulted from a certain sublease that qualified as a finance lease (see Note 6).

In 2020 and 2019, GADC's impairment testing of its ROUA resulted in recognition of impairment losses amounting to P126.1 million and P22.3 million, respectively, and is presented as part of Impairment of PPE and intangible assets under Other Operating Expenses account in the 2020 and 2019 consolidated statements of comprehensive income (see Note 26).

As at December 31, 2020 and 2019, none of the Group's ROUAs are used as collateral for any of the Group's interest-bearing loans and borrowings.

The amount of depreciation on ROUAs is presented as part of Depreciation and amortization which is presented under Cost of Goods Sold, Cost of Services and Other Operating Expenses accounts (see Notes 25 and 26).

13.3 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as at December 31 as follows:

	<u>2020</u>	<u>2019</u>
Current	P 1,427,669,658	P 1,297,248,962
Non-current	<u>15,864,238,579</u>	<u>14,623,215,469</u>
	<u>P 17,291,908,237</u>	<u>P 15,920,464,431</u>

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

As at December 31, 2020, the Group has committed to lease contracts which has not yet commenced. The total future cash outflows for leases that had not yet commenced amounted to P1,135.5 million in 2020 (nil in 2019).

The maturity analysis of lease liabilities at December 31 is as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More Than 5 years</u>	<u>Total</u>
December 31, 2020							
Lease liabilities	P 2,378,117,470	P 1,926,180,433	P 1,866,800,252	P 1,909,724,283	P 1,793,764,283	P 15,144,416,594	P 25,019,003,315
Finance charges	(950,447,812)	(728,993,566)	(715,923,526)	(706,242,201)	(699,156,441)	(3,926,331,532)	(7,727,095,078)
Net present values	<u>P1,427,669,658</u>	<u>P 1,197,186,867</u>	<u>P 1,150,876,726</u>	<u>P 1,203,482,082</u>	<u>P 1,094,607,842</u>	<u>P 11,218,085,062</u>	<u>P 17,291,908,237</u>
December 31, 2019							
Lease liabilities	P 2,143,562,645	P 1,887,368,972	P 1,870,995,038	P 1,791,596,991	P 1,759,484,939	P 13,758,096,192	P 23,211,104,777
Finance charges	(846,313,683)	(710,604,857)	(689,979,075)	(670,169,611)	(658,888,647)	(3,714,684,473)	(7,290,640,346)
Net present values	<u>P1,297,248,962</u>	<u>P 1,176,764,115</u>	<u>P 1,181,015,963</u>	<u>P 1,121,427,380</u>	<u>P 1,100,596,292</u>	<u>P 10,043,411,719</u>	<u>P 15,920,464,431</u>

The movements in the lease liabilities recognized in the consolidated statements of financial position are as follows:

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Balance at beginning of year		P15,920,464,431	P14,323,470,960
Additions during the year		2,926,260,202	2,659,594,115
Accretion of interest	27	926,438,279	790,593,640
Gain on COVID-19-related rent concessions	2.3(a)(v)	(474,320,704)	-
Derecognition		(129,021,193)	-
Offset against finance lease receivable		(93,931,898)	-
Lease modifications		(32,482,473)	-
Foreign exchange gains		(11,457,816)	(5,718,846)
Repayments of lease liabilities		<u>(1,740,040,591)</u>	<u>(1,847,475,438)</u>
Balance at end of year		<u>P17,291,908,237</u>	<u>P15,920,464,431</u>

Interest expense incurred on the lease liabilities amounting to P926.4 million and P790.6 million in 2020 and 2019, respectively, is presented as part of Interest expense under Finance Costs and Other Charges account in the 2020 and 2019 consolidated statements of comprehensive income (see Note 27).

13.4 Lease Payments Not Recognized as Lease Liabilities

The Group has elected not to recognize lease liabilities for short-term leases or for leases of low value assets; instead, expenses relating to these leases, which are significantly from short-term leases, amounting to P1,786.0 million and P3,703.7 million in 2020 and 2019, respectively, are presented as Rentals under Cost of Services and Other Operating Expenses in the consolidated statements of comprehensive income (see Notes 25 and 26).

The future minimum rentals payable of the Group arising from short-term leases amounted to P1,534.6 million and P1,534.6 million as of December 31, 2020 and 2019, respectively.

14. 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 property at the beginning and end of the reporting periods are shown below. [See Notes 2.10, 3.1(g), 3.2(e) and 3.2(h)].

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
December 31, 2020			
Cost	P 27,143,977,662	P 104,888,844,599	P 132,032,822,261
Accumulated depreciation	<u>-</u>	<u>(15,668,613,829)</u>	<u>(15,668,613,829)</u>
Net carrying amount	<u>P 27,143,977,662</u>	<u>P 89,220,230,770</u>	<u>P 116,364,208,432</u>
December 31, 2019			
Cost	P 26,982,515,398	P 98,481,730,336	P 125,464,245,734
Accumulated depreciation	<u>-</u>	<u>(13,126,058,170)</u>	<u>(13,126,058,170)</u>
Net carrying amount	<u>P 26,982,515,398</u>	<u>P 85,355,672,166</u>	<u>P 112,338,187,564</u>
January 1, 2019			
Cost	P 26,682,755,078	P 88,807,163,753	P 115,489,918,831
Accumulated depreciation	<u>-</u>	<u>(10,854,385,090)</u>	<u>(10,854,385,090)</u>
Net carrying amount	<u>P 26,682,755,078</u>	<u>P 77,952,778,663</u>	<u>P 104,635,533,741</u>

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

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
Balance at January 1, 2020, net of accumulated depreciation	P 26,982,515,398	P 85,355,672,166	P 112,338,187,564
Transfer from inventories	34,421	14,402,577	14,436,998
Transfer to property, plant and equipment	-	(169,332,500)	(169,332,500)
Additions	161,427,843	6,570,187,125	6,731,614,968
Disposals	-	(793,598)	(793,598)
Depreciation charges for the year	<u>-</u>	<u>(2,549,905,000)</u>	<u>(2,549,905,000)</u>
Balance at December 31, 2020, net of accumulated depreciation	<u>P 27,143,977,662</u>	<u>P 89,220,230,770</u>	<u>P 116,364,208,432</u>
Balance at January 1, 2019, net of accumulated depreciation	P 26,682,755,078	P 77,952,778,663	P 104,635,533,741
Transfer to property, plant and equipment	(286,841)	(401,544,662)	(401,831,503)
Additions	300,047,161	10,090,544,279	10,390,591,440
Disposals	-	(716,363)	(716,363)
Depreciation charges for the year	<u>-</u>	<u>(2,285,389,751)</u>	<u>(2,285,389,751)</u>
Balance at December 31, 2019, net of accumulated depreciation	<u>P 26,982,515,398</u>	<u>P 85,355,672,166</u>	<u>P 112,338,187,564</u>
Balance at January 1, 2018, net of accumulated depreciation	P 26,312,251,257	P 70,916,575,692	P 97,228,826,949
Transfer to property, plant and equipment	(187,391,998)	(4,776,347,214)	(4,963,739,212)
Additions	557,895,819	13,722,756,858	14,280,652,677
Disposals	-	(2,464,208)	(2,464,208)
Depreciation charges for the year	<u>-</u>	<u>(1,907,742,465)</u>	<u>(1,907,742,465)</u>
Balance at December 31, 2018, net of accumulated depreciation	<u>P 26,682,755,078</u>	<u>P 77,952,778,663</u>	<u>P 104,635,533,741</u>

Rental income earned from the investment property amounted to P13.2 billion, P17.3 billion and P14.7 billion for the years ended December 31, 2020, 2019 and 2018, respectively, are presented as Rental income under Rendering of Services account in the consolidated statements of comprehensive income (see Note 24.1). The direct operating costs, exclusive of depreciation, incurred by the Group relating to the investment property that generates income amounted to P884.7 million, P737.2 million and P661.0 million in 2020, 2019 and 2018, respectively, are presented as part of Cost of Services account in the consolidated statements of comprehensive income (see Note 25). The direct operating costs, which mostly pertain to real property taxes, of investment properties that did not generate rental income in 2020, 2019 and 2018 amounted to P37.2 million, P34.7 million, and P35.5 million, respectively. The operating lease commitments of the Group as a lessor are fully disclosed in Note 31.1.

In 2020, the Group reclassified investment properties with a carrying amount of P169.3 million to property, plant and equipment as such properties were used for operations (see Note 13.1). The Group also reclassified inventories with a carrying amount of P14.4 million to investment properties as use for such properties changed to earn rentals (see Note 8).

Investment property includes capitalized borrowing costs amounting to P1,846.8 million and P1,810.0 million in 2020 and 2019, respectively, representing the actual borrowing costs, net of related investment income, incurred on specific and general borrowings obtained to fund the construction project (see Note 18 and 19). The capitalization rate used was based on effective interest rates of applicable specific and general borrowings ranging from 2.9% to 4.3% and 4.0% to 4.5% in 2020 and 2019, respectively.

In 2019 and 2018, the Group used certain properties for hotel operations and administrative purposes. The Group occupied the properties and transferred the carrying values of those properties amounting to P0.4 billion and P5.0 billion, respectively, from Investment Property account to Property, Plant and Equipment account (see Note 13.1).

Depreciation charges are presented as part of Depreciation and amortization under Cost of Services account in the consolidated statements of comprehensive income (see Note 25).

As at December 31, 2020 and 2019, none of the Group's investment properties are held as collateral.

The fair market values of these properties amounted to P454.2 billion and P440.7 billion as at December 31, 2020 and 2019, respectively. These are estimated either by reference to current prices for similar properties or by calculation of the present values of the estimated cash inflows anticipated until the end of the life of the investment property using discount rates that reflect the risks and uncertainty in cash flows (see Note 34.4).

15. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of the reporting periods are shown below (see Notes 2.12 and 2.20).

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Leasehold Rights</u>	<u>Computer Software</u>	<u>Franchise Fee</u>	<u>Total</u>
December 31, 2020						
Cost	P 20,044,019,140	P20,954,565,481	P 187,545,568	P 46,980,004	P 160,485,210	P41,393,595,403
Translation adjustment	(246,918,866)	(280,852,237)	-	-	-	(527,771,103)
Accumulated amortization	-	(1,297,359,434)	(85,969,782)	(46,980,004)	(35,879,596)	(1,466,188,816)
Net carrying amount	<u>P 19,797,100,274</u>	<u>P19,376,353,810</u>	<u>P 101,575,786</u>	<u>P -</u>	<u>P 124,605,614</u>	<u>P39,399,635,484</u>
December 31, 2019						
Cost	P 20,296,474,629	P21,762,915,653	P 187,045,568	P 46,980,007	P 146,053,416	P42,439,469,273
Translation adjustment	(252,455,489)	(808,350,172)	-	-	-	(1,060,805,661)
Accumulated amortization	-	(1,295,744,043)	(78,241,229)	(42,505,799)	(18,801,438)	(1,435,292,509)
Net carrying amount	<u>P 20,044,019,140</u>	<u>P19,658,821,438</u>	<u>P 108,804,339</u>	<u>P 4,474,208</u>	<u>P 127,251,978</u>	<u>P39,943,371,103</u>
January 1, 2019						
Cost	P 20,185,059,123	P21,536,106,941	P 1,193,783,886	P 46,980,007	P 115,710,107	P43,077,640,064
Translation adjustment	111,415,506	226,808,712	-	-	-	338,224,218
Accumulated amortization	-	(1,021,726,652)	(293,327,766)	(35,996,522)	(11,340,504)	(1,362,391,444)
Net carrying amount	<u>P 20,296,474,629</u>	<u>P20,741,189,001</u>	<u>P 900,456,120</u>	<u>P 10,983,485</u>	<u>P 104,369,603</u>	<u>P42,053,472,838</u>

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

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Leasehold Rights</u>	<u>Computer Software</u>	<u>Franchise Fee</u>	<u>Total</u>
Balance at January 1, 2020, net of accumulated amortization	P 20,044,019,140	P19,658,821,438	P 108,804,339	P 4,474,208	P 127,251,978	P39,943,371,103
Additions	-	-	500,000	-	14,431,794	14,931,794
Translation adjustment	(246,918,866)	(280,852,237)	-	-	-	(527,771,103)
Amortization for the year	-	(1,615,391)	(7,728,553)	(4,474,208)	(17,078,158)	(30,896,310)
Balance at December 31, 2020, net of accumulated amortization	<u>P 19,797,100,274</u>	<u>P19,376,353,810</u>	<u>P 101,575,786</u>	<u>P -</u>	<u>P 124,605,614</u>	<u>P39,399,635,484</u>
Balance at January 1, 2019, net of accumulated amortization, as previously reported	P 20,296,474,629	P20,741,189,001	P 900,456,120	P 10,983,485	P 104,369,603	P42,053,472,838
Effect of PFRS 16 adoption	-	-	(783,333,333)	-	-	(783,333,333)
As restated	20,296,474,629	20,741,189,001	117,122,787	10,983,485	104,369,603	41,270,139,505
Additions	-	-	-	-	30,343,308	30,343,308
Impairment loss	-	(272,402,000)	-	-	-	(272,402,000)
Translation adjustment	(252,455,489)	(808,350,172)	-	-	-	(1,060,805,661)
Amortization for the year	-	(1,615,391)	(8,318,448)	(6,509,277)	(7,460,933)	(23,904,049)
Balance at December 31, 2019, net of accumulated amortization	<u>P 20,044,019,140</u>	<u>P19,658,821,438</u>	<u>P 108,804,339</u>	<u>P 4,474,208</u>	<u>P 127,251,978</u>	<u>P39,943,371,103</u>
Balance at January 1, 2018, net of accumulated amortization	P 20,090,166,886	P20,516,620,680	P 958,793,091	P 18,510,761	P 53,567,853	P41,637,659,271
Additions	94,892,237	-	-	-	60,060,430	154,952,667
Disposals	-	-	-	(25,000)	-	(25,000)
Translation adjustment	111,415,506	226,808,712	-	-	-	338,224,218
Amortization for the year	-	(2,240,391)	(58,336,971)	(7,502,276)	(9,258,680)	(77,338,318)
Balance at December 31, 2018, net of accumulated amortization	<u>P 20,296,474,629</u>	<u>P20,741,189,001</u>	<u>P 900,456,120</u>	<u>P 10,983,485</u>	<u>P 104,369,603</u>	<u>P42,053,472,838</u>

Goodwill primarily relates to growth expectations arising from operational efficiencies and synergies that will be achieved by combining the resources, skills and expertise of the individual components of the Group and by improving the Group's market reach and industry visibility both in the local and global market.

Trademarks pertain to trademarks registered under the Group for the manufacture and sale of distilled spirits, mostly brandy, which include brand names 'Emperador Brandy', 'Generoso Brandy', 'Emperador Deluxe', and 'The Bar.'

In 2014, from the Group's acquisition of WMG Group, the trademarks "Jura" and "The Dalmore" (collectively, "WMG brands") were recorded for a total of P9.6 billion. In 2016, the Group's acquisition of Bodegas Fundador in Jerez resulted in the recognition of four trademarks amounting to P6.7 billion, namely "Fundador Brandy", "Terry Centenario Brandy", "Tres Cepas Brandy", and "Harveys" sherry wine (collectively, "Fundador brands"). In 2017, the Group acquired various trademarks amounting to P3.5 billion including "Domecq" brands of Mexican and Spanish brandies which include "Presidente", "Azteca de Oro" and "Don Pedro"; "Grupo Garvey brands" which include "Garvey Brandy" and "Fino San Patricio"; and, other well-known sheries and liquors brands. These trademarks have indefinite useful lives; hence, are not subject to amortization.

The Group monitors goodwill and trademarks with indefinite useful lives on the cash generating units to which these assets were allocated [see Notes 2.20 and 3.2(i)]. An analysis of the value-in-use and the amount of intangible assets allocated to such groups of cash generating units is presented as follows (amounts in billions of pesos):

	2020				2019			
	Allocated Intangible Assets	Value in Use	Terminal Growth Rate	Discount Rate	Allocated Intangible Assets	Value in Use	Terminal Growth Rate	Discount Rate
Goodwill:								
Megaworld	P 9.14	P 333.33	1.00%	4.59%	P 9.14	P 378.44	1.00%	7.37%
GADC	1.25	9.85	1.00%	5.34%	1.25	34.03	1.00%	7.42%
WMG*	7.36	12.28	2.00%	9.75%	7.65	12.17	2.00%	9.75%
GES*	1.63	5.81	1.60%	7.51%	1.59	10.23	1.60%	7.51%
Trademarks with indefinite lives:								
WMG brands*	9.20	40.34	2.00%	9.75%	9.48	41.83	2.00%	9.75%
Fundador brands	7.43	22.83	1.60%	7.51%	7.24	10.57	1.60%	8.06%
Domecq brands**	2.66	3.92	1.50%	4.50%	2.84			
Grupo Garvey brands**	0.09	0.10	0.50%	7.65%	0.09			

* Amounts are translated at closing rate as of the end of the reporting periods in accordance with PAS 21, The Effects of Changes in Foreign Exchange Rates.

** As of December 31, 2019, management believes that Domecq brands are not impaired as DBLC's operations, which carry the Domecq brands, have reported revenues of P3.0 billion in 2019. Moreover, management believes that after the impairment provided for Grupo Garvey brands in 2019, the value-in-use as of 2019 approximates its carrying value. As of December 31, 2019, management believes that the carrying values of Domecq and Grupo Garvey brands approximate their value-in-use as of those dates since these were only acquired in 2017.

The value-in-use of each group of cash generating unit was determined using cash flow projections for five years, taking into consideration the impact of COVID-19, and extrapolating cash flows beyond the projection period using a perpetual terminal growth rate. The discount rates and growth rates are the key assumptions used by management in determining the value-in-use of the cash generating units.

In 2019, due to continuous decline of the Group's revenue from the products, the management assessed that a portion of trademarks under Grupo Garvey brands are impaired. Accordingly, the Group recognized an impairment loss amounting to P272.4 million which is presented as part of Impairment of PPE and intangible assets under Other Operating Expenses account in the 2019 consolidated statement of comprehensive income (see Note 26). Further, no impairment loss is required to be recognized on the carrying value of the other intangible assets (goodwill, leasehold rights, computer software and franchise fee) in 2020, 2019 and 2018 (see Note 2.20).

The amortization of trademarks with finite useful lives amounted to P1.6 million in 2020 and 2019 while the amount of amortization in 2018 was P2.2 million. These are shown as part of Depreciation and amortization under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26).

As of December 31, 2020 and 2019, the remaining useful life of the Group's "Emperador Deluxe" trademark with definite life is 2.5 years and 3.5 years, respectively [see Note 3.2(h)].

The "The BaR", "Emperador Brandy" and "Generoso Brandy" trademarks were fully amortized since 2018. Consequently, the Group renewed the trademark application of Emperador Brandy with the Intellectual Property Office of the Philippines.

In 2014, WCRWI entered into a lease agreement with Nayong Pilipino Foundation (“NPF”) covering certain parcels of land located at the Manila Bay Reclamation Area in Parañaque City for a period of 25 years, renewable for another 25 years under the terms mutually acceptable to the parties. Upon effectivity of the lease agreement, WCRWI has paid NPF P1.0 billion (presented under Leasehold rights) covering the first 20 years of the lease. The amount of amortization charges amounted to P50.0 million in 2018, which is presented as part of Depreciation and amortization under Other Operating Expenses account in the 2018 consolidated statement of comprehensive income (see Note 26). The carrying amount of P783.3 million was reclassified as part of Right-of-use assets upon adoption of PFRS 16 in 2019.

As at December 31, 2020 and 2019, the Group has no contractual commitments for the acquisition of any additional trademarks, leasehold rights, computer software and franchise fee.

No intangible assets have been pledged as security for liabilities as of December 31, 2020 and 2019.

16. NON-CURRENT ASSETS AS HELD FOR SALE

In 2019, non-current assets held for sale pertain to the land development cost made for the construction of Site A that WCRWI has discontinued in the same year, following the Co-Development Agreement with SHDI. The sale did not take place in 2020 since certain obligations under the Co-Development Agreement relating to the development of properties, project management and other conditions have not yet been performed as of December 31, 2020. The Group, however, remains committed to its plan to sell the asset and estimates that the sale will take effect in 2021 [see Note 31.8(ii)]. The carrying value of the non-current asset held for sale amounting to P4.0 billion is presented under the Travellers segment (see Note 4.4).

In 2020, the Group has discontinued the use of land and buildings called as “Complejo Bellavista” and “Cerro Viejo Vineyards” previously classified under property, plant and equipment (see Note 13.1). On December 27, 2020, management approved their sale through the signed letter of intent with Global One (see Note 31.9). The carrying value of the non-current asset held for sale amounting to P1.0 billion is presented under the Emperador segment (see Note 4.4).

The breakdown of these assets as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Construction in progress	P 3,716,165,072	P 3,716,165,072
Land and land improvements	1,162,602,736	313,714,726
Buildings	<u>112,852,585</u>	<u>-</u>
	<u>P 4,991,620,393</u>	<u>P 4,029,879,798</u>

The carrying value of the assets as of December 31, 2020 and 2019 is equal to their fair value less cost to sell (see Note 13.1). Accordingly, the Group did not recognize any loss in connection with the reclassification of the assets.

The Group believes that the sale of these assets is highly probable in 2021(see Note 31.8).

17. TRADE AND OTHER PAYABLES

The breakdown of this account follows (see Note 2.13):

	Notes	2020	2019
Trade payables	30.1, 30.2	P 33,191,985,612	P 36,185,457,475
Accrued expenses	30.3, 31.2,		
	31.4(e), 31.5	15,872,123,007	12,944,062,804
Deposit from SHDI	30, 31.8	9,901,072,000	-
Retention payable		5,526,451,618	4,602,091,363
Accrued interest payable	18, 19	1,488,658,449	1,231,918,126
Refund liability		1,042,344,049	676,136,137
Dividends payable	22.5	807,540,407	180,104,245
Gaming license fees payable	29.3	516,846,603	501,653,588
Output VAT payable		485,066,543	397,978,309
Due to related parties	30.5	412,878,940	412,878,940
Slot jackpot liability	2.5	259,221,496	346,234,075
Unredeemed gaming points	3.2(l)	201,492,558	256,299,339
Withholding tax payable		113,269,541	204,933,193
Deferred output VAT		110,005,463	461,947,714
Others	30.7	2,232,332,214	2,993,191,947
		<u>P 72,161,288,500</u>	<u>P 61,394,887,255</u>

Trade payables significantly comprise of obligations to subcontractors and suppliers of construction materials for the Group's projects and suppliers of raw materials. These also include unredeemed gaming chips determined as the difference between total gaming chips placed in service and the actual inventory of gaming chips under control or in custody, casino deposit certificates from patrons and other gaming-related liabilities.

Accrued expenses include accruals for salaries and other benefits, utilities, local and overseas travel, training and recruitment, dues and subscriptions, advertising, rentals, marketing and other operating expenses of the Group.

Retention payable pertains to amount withheld from payments made to contractors for construction work performed to ensure compliance and completion of contracted projects. Upon completion of the contracted projects, the retained amounts are returned to the contractors.

Refund liability pertains to amounts payable to customers due to real estate sales cancellation in respect of instalment sales contracts as covered by the Republic Act ("R.A.") No. 6552, *Realty Installment Buyer Protection Act*, otherwise known as the Maceda Law.

The unredeemed gaming points liability represents the estimated costs of unredeemed casino gaming points issued, which are redeemable for complimentary goods or services of the Group [see Notes 2.16 and 3.2(l)].

Dividends payable represents the non-controlling interest share on the dividends declared by AGI and Megaworld in 2020 payable in January 2021, and by Emperador in 2019 payable and paid in January 2020 (see Note 22.5).

Others include unearned rental, payables to government and other regulatory agencies, and various unreleased checks which are reverted to liability.

18. INTEREST-BEARING LOANS

The composition of the Group's outstanding interest-bearing loans is shown below.

	<u>2020</u>	<u>2019</u>
Current:		
Philippine Pesos	P 45,078,795,464	P 35,235,234,123
Foreign currencies	<u>4,466,729,178</u>	<u>5,634,442,713</u>
	<u>49,545,524,642</u>	<u>40,869,676,836</u>
Non-current:		
Philippine Pesos	65,693,853,000	76,785,738,344
Foreign currencies	<u>58,677,563,317</u>	<u>61,497,698,532</u>
	<u>124,371,416,317</u>	<u>138,283,436,876</u>
	<u>P 173,916,940,959</u>	<u>P 179,153,113,712</u>

The summarized terms and conditions of each availed loan as at December 31, 2020 and 2019 are as follows:

<u>Outstanding Principal Balance</u>		<u>Explanatory Notes</u>	<u>Interest Rate</u>	<u>Security</u>	<u>Maturity Date</u>
<u>2020</u>	<u>2019</u>				
<i>Megaworld</i>					
P 2,083,333,333	P 3,750,000,000	(a)	Fixed at 5.6286%	Unsecured	2022
2,374,728,101	3,762,902,908	(b)	Floating rate on a 3-month LIBOR plus a certain spread	Unsecured	2022
4,992,347,917	4,979,470,301	(c)	5-day average reference plus a certain spread	Unsecured	2021
4,982,878,796	4,972,616,301	(d)	Fixed at 7.8488%	Unsecured	2023
1,995,105,616	3,982,128,155	(e)	Floating rate plus a certain spread	Unsecured	2021
1,250,000,000	2,500,000,000	(f)	Fixed at 6.4274%	Unsecured	2021
1,538,461,539	2,307,692,308	(g)	Fixed at 5.25%	Unsecured	2022
-	1,250,000,000	(h)	Fixed at 5.035%	Unsecured	2020
769,230,769	1,538,461,538	(i)	Fixed at 5.3812%	Unsecured	2021
500,000,000	1,166,666,667	(j)	Fixed at 5.2632%	Unsecured	2021
4,681,307,504	4,963,334,356	(k)	Higher of 4.75% fixed rate and floating rate plus certain spread	Unsecured	2024
4,285,282,788	4,818,842,821	(l)	Floating rate on a 3-month LIBOR plus a certain spread	Unsecured	2024
4,970,284,838	-	(m)	Floating rate based on a 5-day average reference rate plus a certain spread	Unsecured	2025
<u>P 34,422,961,201</u>	<u>P 39,992,115,355</u>				

<u>Outstanding Principal Balance</u>			<u>Explanatory Notes</u>	<u>Interest Rate</u>	<u>Security</u>	<u>Maturity Date</u>
<u>2020</u>	<u>2019</u>					
<i>EELHI</i>						
P	583,333,335	P	916,666,667	(n)	Fixed at 5.4% for 2 tranches; floating rate of 3.2% - 3.5% subject to quarterly repricing for the third tranche	Unsecured 2022
	100,000,000		500,000,000	(o)	Floating rate of 4.5%	Unsecured 2021
	384,610		384,610	(p)	Fixed at range of 7.0% and 9.0%	Secured Upon collection of assigned receivables
	500,000,000		-	(q)	Fixed at 3.12%	Unsecured 2021
P	1,183,717,945	P	1,417,051,277			
<i>LFI</i>						
P	-	P	125,000,000	(r)	Fixed at 5.0% subject to repricing	Unsecured 2020
<i>SPI</i>						
P	2,200,000,000	P	2,200,000,000	(s)	Floating rate of 4.5% subject to repricing every 30 to 180 days	Unsecured 2025
	300,000,000		600,000,000	(t)	3.50% subject to repricing every 30-180 days	Unsecured 2021
	-		375,000,000	(u)	3.15% to 5.15% subject to repricing	Unsecured 2020
	100,000,000		200,000,000	(v)	Floating rate of 3.5% repricing 30-180 days	Unsecured 2021
	300,000,000		-	(w)	Fixed at 5.25%	Unsecured 2021
	14,238,281		18,984,375	(w)	Fixed at range of 5.50% to 5.75%	Unsecured 2021
	-		42,000,000	(w)	Floating	Unsecured 2020
	1,422,690,170		1,261,285,752	(x)	Variable prevailing market rate of 5.5% to 15.0%	Secured Upon collection of related assigned receivables
	300,000,000		-	(y)	Floating rate of 4.5% subject to repricing	Unsecured 2027
P	4,636,928,451	P	4,697,270,127			
<i>GERI</i>						
P	1,647,058,820	P	2,000,000,000	(z)	Floating interest rate	Unsecured 2024
	1,000,000,000		1,500,000,000	(aa)	Floating rate	Unsecured 2022
	250,000,000		750,000,000	(bb)	Fixed based on 5-year PDST-R2 plus spread at 3% floor	Unsecured 2021
	-		231,502,563	(cc)	Fixed based on 5-year PDST-R2 fixed plus spread at 5% floor	Unsecured 2020
	1,000,000,000		-	(dd)	Fixed at 5.26%	Unsecured 2025
	500,000,000		-	(ee)	Floating interest rate	Unsecured 2027
P	4,397,058,820	P	4,481,502,563			
<i>OFPI</i>						
P	-	P	5,536,667	(ff)	Fixed at 5.035%	Unsecured 2020
<i>SWEC</i>						
P	-	P	38,000,000	(gg)	Fixed at 4.2%	Unsecured 2020
<i>TLC</i>						
P	281,250,000	P	300,000,000	(hh)	Floating interest rate	Unsecured 2024
	187,500,000		200,000,000	(hh)	Floating interest rate	Unsecured 2024
	468,750,000		-	(hh)	Floating interest rate of 5%-5.3% subject to 30-180 days repricing	Unsecured 2024
P	937,500,000	P	500,000,000			

<u>Outstanding Principal Balance</u>		<u>Explanatory Notes</u>	<u>Interest Rate</u>	<u>Security</u>	<u>Maturity Date</u>
<u>2020</u>	<u>2019</u>				
<i>EIL</i>					
P 23,490,000,729	P 22,882,500,021	(ii)	1.05% plus EURIBOR	Unsecured	2024
<i>EDI</i>					
P 62,500,000	P 312,500,000	(jj)	Fixed at 5.245%	Unsecured	2021
62,500,000	312,500,000	(jj)	Fixed at 5.113%	Unsecured	2021
150,000,000	350,000,000	(kk)	Fixed at 5.9641%	Unsecured	2021
41,666,667	208,333,333	(jj)	Fixed at 5%	Unsecured	2021
105,000,000	245,000,000	(kk)	Fixed at 6.1277%	Unsecured	2021
P 421,666,667	P 1,428,333,333				
<i>WMG</i>					
P 3,917,012,288	P 5,047,206,120	(ll)	0.5% over LIBOR	Secured	2021
<i>DBLC</i>					
P 2,151,664,921	P 2,581,799,112	(mm)	Fixed at 1.6%	Unsecured	2022
<i>PAI</i>					
P 400,000,000	P -	(nn)	Fixed at 5.0%	Unsecured	2021
<i>GADC</i>					
P 118,571,429	P 276,666,667	(oo)	Fixed at 4.18% and 5.17%	Unsecured	2021
37,142,857	86,666,666	(pp)	Fixed at 4.71%	Unsecured	2021
17,142,857	34,285,714	(qq)	Fixed at 5%	Secured	2021
-	26,000,000	(rr)	Fixed at 6%	Unsecured	2020
949,071,146	-	(ss)	Fixed at 4.5%	Unsecured	2025
500,000,000	-	(tt)	Fixed at 4.5%	Unsecured	2025
450,000,000	-	(uu)	Fixed at 4.5%	Unsecured	2025
P 2,071,928,289	P 423,619,047				
<i>Travellers</i>					
P 12,096,667,284	P 14,927,842,919	(vv)	Fixed at 7.0%	Unsecured	2025
7,355,143,470	8,449,638,259	(vv)	Fixed at 8.6% for two years and at 9% in the next five years	Unsecured	2025
-	7,500,000,000	(vv)	Fixed at 5.5%	Unsecured	2020
7,446,357,741	-	(vv)	Fixed at 4.75%	Unsecured	2027
6,112,975,966	6,980,426,886	(ww)	Fixed at 6.6% to date	Unsecured	2024
3,641,402,975	4,970,795,355	(xx)	Fixed at 7.3%, subject to 5.3% floor both plus 1.15% spread	Unsecured	2024
4,045,164,693	4,638,654,676	(xx)	Fixed at 8.2%	Unsecured	2024
3,985,416,244	3,979,968,597	(yy)	Floating rate subject to repricing plus a spread of 1.0% in 2019; with a floor rate of 5.25% in 2020	Unsecured	2023
3,483,766,103	3,475,703,320	(zz)	Fixed at 5.7%	Unsecured	2024
2,167,130,435	-	(vv)	Fixed at 4.75%	Unsecured	2021
2,000,000,000	-	(xx)	Floating rate subject to repricing	Unsecured	2021
1,000,000,000	-	(xx)	Floating rate subject to repricing	Unsecured	2021
1,000,000,000	-	(xx)	Floating rate subject to repricing	Unsecured	2021
1,000,000,000	-	(xx)	Floating rate subject to repricing	Unsecured	2021
1,000,000,000	1,000,000,000	(yy)	Fixed at 5.8%	Unsecured	2021
1,000,000,000	1,000,000,000	(aaa)	Fixed at 6.2%	Unsecured	2021
-	2,000,000,000	(xx)	Fixed at 6.0%	Unsecured	2020
-	1,000,000,000	(xx)	Fixed at 5.8%	Unsecured	2020
P 57,334,024,911	P 59,923,030,012				

<u>Outstanding Principal Balance</u>		<u>Explanatory Notes</u>	<u>Interest Rate</u>	<u>Security</u>	<u>Maturity Date</u>
<u>2020</u>	<u>2019</u>				
<i>AGI</i>					
<u>P 4,966,862,180</u>	<u>P -</u>	(bbb)	Fixed at 4.5%; subject to repricing at the end of fifth year	Unsecured	2027
<i>AG Cayman</i>					
<u>P 23,993,272,553</u>	<u>P 25,441,328,174</u>	(ccc)	Fixed at 4.1456%	Unsecured	2022
<u>4,798,045,435</u>	<u>5,088,075,098</u>	(ccc)	Fixed at 3.9%	Unsecured	2022
<u>4,794,296,569</u>	<u>5,080,746,806</u>	(ccc)	Fixed at 3.8330%	Unsecured	2022
<u>P 33,585,614,557</u>	<u>P 35,610,150,078</u>				
<u>P 173,916,940,959</u>	<u>P 179,153,113,712</u>				

Explanatory Notes:

- (a) Seven-year loan obtained by Megaworld from a local bank in two tranches in March and June 2015 totalling P10,000.0 million to fund various real estate projects and retire currently maturing obligations. Quarterly principal repayment on this seven-year loan commenced in June 2016 and interest is paid quarterly.
- (b) Five-year foreign-currency denominated loan obtained by Megaworld from a local bank in December 2017 amounting to U.S. \$98.87 million payable quarterly with a grace period of one year upon availment. The principal repayment shall commence in March 2019 and a floating interest is paid quarterly. Megaworld entered into a cross-currency swap agreement to hedge the U.S. dollar exposure of the loan (see Note 21).
- (c) Three-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in July 2018. The principal is payable upon maturity while interest is payable quarterly and commenced in October 2018.
- (d) Five-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in December 2018. The principal repayment is quarterly after two years from availment. Interest is payable quarterly.
- (e) Three-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in December 2018. The principal repayments commenced in September 2019 and interest is paid quarterly.
- (f) Five-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in November 2016. The principal repayments commenced in February 2018 and interest is paid quarterly.
- (g) Seven-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in November 2015. The principal repayments commenced in November 2016 and interest is payable semi-annually.
- (h) Five-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in December 2015. The principal repayments commenced in March 2017 and interest is paid quarterly. In 2020, the Megaworld has paid in full its outstanding loan balance.

- (i) Seven-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in August 2014. The principal repayments commenced in August 2015 while interest is paid semi-annually.
- (j) Five-year loan amounting to P2,000.0 million obtained by Megaworld in August 2016 from a local bank with a grace period of two years from availment. The principal repayment commenced in November 2018 and interest is paid quarterly.
- (k) Five-year loan amounting to P5,000.0 million obtained by Megaworld in December 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan shall commence in December 2020 and interest is payable quarterly.
- (l) Five-year loan amounting to U.S.\$95.62 million obtained by Megaworld in September 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan commenced in December 2020 and interest is payable quarterly. Megaworld entered into a cross-currency agreement to hedge the U.S. Dollar and interest rate exposure of the loan (see Note 21).
- (m) Five-year loan amounting to P5,000.0 million obtained by Megaworld in March 2020 from a local bank. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayments on the loan shall commence in June 2022 and interest is paid quarterly.
- (n) Seven-year loan amounting to P2,000.0 million obtained by EELHI in 2015 from a local bank released in three tranches from 2015-2016. Proceeds were used to fund development of various real estate projects.
- (o) Three-year loan obtained by EELHI from a local bank in February 2018 where the proceeds of the loan were used to fund various real estate projects. The principal is payable quarterly with a one-year grace period together with interest payable monthly in arrears.
- (p) Loans obtained by EELHI from local banks by assigning trade receivables on a with recourse basis (see Note 6). The loans are secured by certain residential and condominium units for sale with carrying value of P28.5 million as of both December 31, 2020 and 2019 (see Note 8). Interest is being paid as the related receivables are collected.
- (q) 90-day unsecured loans obtained by EELHI from local banks in 2020. The proceeds of the loan were used to fund the development of EELHI's various real estate projects. The principal of the loan is payable upon maturity and interest is payable monthly.
- (r) Five-year loan amounting to P500.0 million obtained by LFI from a local bank in December 2015. Quarterly installments began in March 2017, plus interest. In 2020, LFI paid in full the outstanding loan balance.

- (s) Seven-year loan amounting to P2,200.0 million obtained by SPI from a local bank in 2018 to fund the acquisition of STLI. Principal repayments is payable on a monthly basis after a grace period of three years from the date of availment.
- (t) Five-year loan totalling P900.0 million obtained by SPI from a local bank in 2017 and 2016, payable on a monthly basis after a grace period of two years from the date of availment. The loan bears floating interest which is subject to repricing every 30-180 days.
- (u) Five-year loan amounting to P1,500.0 million obtained by SPI from a local bank in 2015, payable in monthly installments after two years from initial drawdown. In 2020, SPI has paid the outstanding loan balance in full.
- (v) Three-year loan amounting to P300.0 million obtained by SPI from a local bank in 2018. The principal repayment is payable on a monthly basis after a grace period of two years from date of availment.
- (w) Outstanding balance of short-term loans availed in 2020 by SPI from local banks.
- (x) Loans obtained by SPI from a local bank in 2015 through assignment of trade receivables (see Note 6). The loans are being paid as the receivables are collected.
- (y) Seven-year loan amounting to P300.0 million obtained by SPI in 2020 from a local bank. The loan bears a floating interest and is payable upon maturity.
- (z) Five-year loan amounting to P2,000.0 million obtained by GERI in 2019 from a local bank payable quarterly for a term of five years, plus interest.
- (aa) Five-year loan amounting to P2,000.0 million obtained by GERI in December 2017 from a local bank payable quarterly commencing on the beginning of the fifth quarter from the initial drawdown date. Interest is payable quarterly.
- (bb) Five-year loan amounting to P2,000.0 million obtained by GERI in 2016 from a local bank, with a grace period of two years on principal installment. The loan is payable in quarterly installments of P125.0 million commencing on the 9th quarter from the date of initial drawdown and balloon payment at the end of five years.
- (cc) Five-year loan amounting to P1,500.0 million obtained by GERI in 2015 from a local bank payable quarterly commencing on the 9th quarter from the date of initial drawdown. In 2020, the GERI paid in full the outstanding loan balance.
- (dd) Five-year loan amounting to P1,000.0 million obtained by GERI in 2020 from a local bank payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in December 2022. The loan bears a fixed interest rate and is payable quarterly.

- (ee) Seven-year loan amounting to P500.0 million obtained by GERI in 2020 from a local bank. The loan is payable quarterly with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2022. The loan bears a floating interest rate and is payable quarterly.
- (ff) Five-year loan obtained by OFPI from a local bank in 2015. In 2020, OFPI has paid the outstanding loan balance in full.
- (gg) In 2018, SWEC renewed its credit line facility with a local bank amounting to P150.0 million, for working capital purposes. In December 2018, SWEC's initial loan drawdown amounted to P50.0 million, payable within 180 days. Upon expiration, SWEC paid the P12.0 million portion of the loan and extended the remaining P38.0 million for another 180 days. In 2020, SWEC paid in full the outstanding loan balance.
- (hh) Five-year loan amounting to P300.0 million and P200.0 million obtained by TLC in August and November 2019, respectively, from a local bank. The loans are payable in quarterly installments commencing in November 2020. In March 2020, TLC obtained additional interest-bearing loan amounting to P500.0 million. The loan bears floating interest rates and quarterly installments beginning in November 2020 are due until the loan is fully settled in 2024.
- (ii) Five-year foreign-currency denominated loan obtained by EIL in 2016 from international financial institutions was prepaid in 2019. A new five-year foreign-currency denominated loan was obtained in 2019 from a syndicate of foreign financial institutions at a lower margin to prepay existing loans. The loans are repayable in full at maturity.
- (jj) Five-year loan obtained by EDI in three tranches totaling P2,000.0 million in 2016 from a local bank. Principal repayment is in 12 equal quarterly payments starting on the ninth quarter after the initial drawdown.
- (kk) In 2018, EDI obtained additional unsecured, interest-bearing loans at a total amount of P850.0 million from a local bank for working capital purposes. The loans shall be payable in 12 equal quarterly amortizations commencing on the beginning of the ninth quarter from the initial drawdown. The principal repayments are expected to commence on April 10, 2019. In 2020 and 2019, total payments on the loan amounted to P340.0 and 255.0 million, respectively.
- (ll) Three-year foreign-currency denominated facility obtained by WMG from a foreign bank. The loan is secured by way of floating charge against WMG's inventories (see Note 8).
- (mm) Five-year foreign-currency-denominated loans of DBLC totaling P3,000.0 million used in relation to asset acquisition in 2017.
- (nn) In 2020, PAI obtained short-term loans at a total amount of P400.0 million from a local bank for working capital purposes. The loan shall be payable on January 6, 2021.
- (oo) Loans obtained by GADC from a local bank in 2014 payable in 21 quarterly principal payments commencing in September 2016.

- (pp) Loan obtained by GADC from a local bank in June 2015 in relation to a P500.0 million loan facility. Principal repayments began in June 2016 for 21 quarters.
- (qq) Ten-year loan granted to GADC in December 2011 by a local bank for the purchase of land and building from the latter, payable monthly starting on the third year of the loan until December 2021. The acquired land and building served as collateral on the loan (see Note 13.1).
- (rr) Short-term loan obtained by GADC from a local bank in December 2019 payable in 4 equal monthly installments commencing in March 2020. The amount was already settled as of the end of 2020.
- (ss) Five-year US dollar loan with a principal amount of P1,000.0 million obtained by GADC from a local bank in March 2020. GADC has a Cross Currency Swap (CCS) agreement with the local bank, whereby GADC will receive and settle the dollar loan and its interest at a fixed foreign exchange rate of P50.60 per US\$1 or total of P1,000.0 million (see Note 21). The loan is payable quarterly and bears a fixed interest rate.
- (tt) Five-year loan obtained by GADC from a local bank in June 2020 payable quarterly starting from September 2021. The loan bears a fixed interest.
- (uu) Five-year loan obtained by GADC from another local bank in June 2020 payable in 20 quarters from September 2020 to June 2025. Interest payments are fixed.
- (vv) In prior years, a local bank approved a credit line which grants Travellers to borrow P33,500.0 million. In 2019, Travellers made an additional drawdown amounting to P7,500.0 million as a short-term loan. In 2020, it converted some of the omnibus loans into a long-term loan and made additional borrowings amounting to P2,200.0 million. The loans are outstanding as of December 31, 2020 and 2019.
- (ww) Seven-year loans totalling P7,000.0 million obtained by Travellers in 2017 from a P7,000.0 million credit line with a local bank. In 2018, Travellers opened a P5,000.0 million omnibus credit facility with the bank, drew P1,000.0 million which was paid in the same year. The omnibus credit facility remains fully unutilized as of both December 31, 2020 and 2019.
- (xx) In 2017, Travellers entered into various credit line agreements with a total maximum loanable amount of P10,000.0 million from a local bank. As of December 31, 2018, drawdowns totaled P10,000.0 million, half of which pertains to term loans and the other half to omnibus loans. In 2019, the Group obtained another term loan facility with the bank amounting to P5,000.0 million. This was utilized through the conversion of the P5,000.0-million omnibus loan to a long-term loan. Following the conversion, the Group obtained various short-term loans in 2019 amounting to P3,000.0 million, which remained outstanding as of December 31, 2020 and 2019. In 2020, additional omnibus loans amounting to P2,000.0 million were borrowed. These loans also remained outstanding as of December 31, 2020.

- (yy) Five-year loan amounting to P4,000.0 million obtained by Travellers from a P5,000.0 million credit line with a local bank in 2018. In 2019, Travellers obtained a P1,000.0 million omnibus loan from the remaining unutilized credit line. The loans remained outstanding as of December 31, 2020 and 2019.
- (zz) In 2018, Travellers obtained a P3,500.0 million credit line from a local bank, which it had fully utilized in 2018 and settled P2,500.0 million in the same year. The remaining P1,000.0 million was settled early in 2019. Further, in 2019, Travellers renewed the credit line and drew down three omnibus loans, which upon maturity were converted into a five-year term loan for the same amount. Said loan remained outstanding as of December 31, 2020.
- (aaa) In 2019, Travellers procured a P2,000.0 million omnibus line with a local bank in which it utilized P1,000.0 million in same year. This remained to be outstanding as of December 31, 2020.
- (bbb) Seven-year loan amounting to P5,000.0 million obtained by AGI in July 2020 from a local bank. The loan is payable quarterly commencing after the one-year grace period, as provided in the loan agreement. The loan bears a fixed rate for the first five years, subject to repricing at the end of the fifth year. The interest is payable quarterly in arrears.
- (ccc) Five-year U.S. dollar-denominated loans obtained by AG Cayman in 2017 from a foreign bank totaling to US\$700.0 million with interest payable semi-annually in arrears. The loans are unconditionally and irrevocably guaranteed by AGI.

As at December 31, 2020 and 2019, the Group has complied with related loan covenants, including maintaining certain financial ratios, at the reporting dates. However, in 2020 and 2019, Travellers was not able to meet some financial covenants of its long-term loans but it was able to secure debt covenant waivers certified by the said local banks prior to December 31, 2020 and 2019, except for the waiver from one bank that Travellers received in 2021; hence, there was no default on the loans. There was also no written demand notice from the said bank, which is provided in the loan agreement, to constitute reclassification of the loan as current.

Total interest expense attributable to these loans, including amortization of capitalized transaction costs, amounted to P4,684.9 million, P4,536.9 million and P2,875.8 million for the years ended December 31, 2020, 2019 and 2018, respectively, and are presented as part of Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). Interest charges capitalized for the years ended December 31, 2020, 2019 and 2018 are included as part of additions to Construction in progress under Property, Plant and Equipment account (see Note 13.1), Investment Properties (see Note 14) and Real estate for sale under Inventories account (see Note 8). The amounts of outstanding accrued interest as at December 31, 2020 and 2019 are presented as part of Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

19. **BONDS PAYABLE**

This account consists of bonds payable of the Company's subsidiary as follows:

	<u>2020</u>	<u>2019</u>
U.S. Dollar	P28,308,952,890	P 12,658,010,411
Philippine peso	<u>11,973,903,096</u>	<u>11,965,873,279</u>
	<u>P40,282,855,986</u>	<u>P 24,623,883,690</u>

The significant terms of the bonds are discussed below.

<u>Face Amount</u>	<u>Outstanding Principal Balance</u>		<u>Explanatory Notes</u>	<u>Interest Rate</u>	<u>Nature</u>	<u>Maturity</u>
	<u>2020</u>	<u>2019</u>				
\$250.0 million	P 12.0 billion	P 12.7 billion	(a)	Fixed at 4.25%	Unsecured	2023
P 12.0 billion	12.0 billion	11.9 billion	(b)	Fixed at 5.3535%	Unsecured	2024
\$350.0 million	<u>16.3 billion</u>	<u>-</u>	(c)	Fixed at 4.125%	Unsecured	2027
	<u>P 40.3 billion</u>	<u>P 24.6 billion</u>				

- (a) On April 17, 2013, Megaworld issued 10-year term bonds with semi-annual interest payments every April 17 and October 17. The proceeds of the bond issuance are being used by Megaworld for general corporate purposes. The notes are listed in the Singapore Exchange Securities Trading Limited (SGX-ST).
- (b) On March 28, 2017, Megaworld issued seven-year term bonds totaling P12.0 billion, inclusive of P4.0 billion oversubscription. The bond carries a coupon rate of 5.3535% per annum and interest is payable semi-annually in arrears every March 28 and September 28. The notes are listed in the Philippine Dealing & Exchange Corporation (PDEx).
- (c) On July 30, 2020, Megaworld issued seven-year term senior unsecured notes totaling to U.S. \$350 million. The notes carry a coupon rate of 4.125% per annum and interest is payable semi-annually in arrears on January 30 and July 30. The notes are listed in the SGX-ST.

Megaworld has complied with the bond covenants, including maintaining certain financial ratios, at the end of the reporting periods.

Total interest incurred on these bonds amounted to P1,496.5 million, P1,201.8 million and P1,443.2 million in 2020, 2019 and 2018, respectively. Of these amounts, portion charged as expense amounted to P872.2 million, P717.4 million and P800.8 million in 2020, 2019 and 2018, respectively, and are presented as part of Interest expense under Finance Cost and Other Charges account in the consolidated statements of income (see Note 27). Interest charges capitalized for the years ended December 31, 2020, 2019 and 2018 are included as part of additions to Construction in progress under Property, Plant and Equipment account (see Note 13.1), Investment Properties account (see Note 14) and Real estate for sale under Inventories account (see Note 8). The outstanding interest payable as at December 31, 2020 and 2019 is presented as part of Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). Unrealized foreign currency gains in relation to these foreign bonds are presented as part of Foreign currency gains – net under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

Interest capitalized amounted to P581.2 million, P484.4 million and P642.4 million in 2020, 2019 and 2018, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 2.89% in 2020, 4.05% in 2019 and 5.37% in 2018.

20. REDEEMABLE PREFERRED SHARES

The Group's redeemable preferred shares pertain to preferred shares issued by GADC and TLC as presented below and in the succeeding pages. The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance and are classified in the consolidated statements of financial position as presented below.

	Notes	2020	2019
Current –			
TLC	20.2	<u>P 251,597,580</u>	<u>P 251,597,580</u>
Non-current:			
GADC	20.1	1,213,061,959	1,077,720,169
TLC	20.2	<u>251,597,580</u>	<u>503,195,160</u>
		<u>1,464,659,539</u>	<u>1,580,915,329</u>
		<u>P 1,716,257,119</u>	<u>P 1,832,512,909</u>

20.1 GADC's Redeemable Preferred Shares

The shares were issued in March 2005 to McDonald's Restaurant Operations ("MRO"), a company incorporated in the U.S.A. and is a subsidiary of McDonald's Corporation. The features of these preferred shares with par value per share of P61,066 each are presented below (in exact amounts).

Class	Voting	No. of Shares Authorized and Issued	Total Par Value (Undiscounted)	Additional Payment in the Event of GADC's Liquidation
A	No	778	P 47,509,348	U.S.\$1,086 per share or the total peso equivalent of U.S.\$845,061
B	Yes	25,000	1,526,650,000	U.S.\$1,086 per share or the total peso equivalent of U.S.\$27,154,927

Additional features of the preferred shares are as follows:

- (a) Redeemable at the option of the holder after the beginning of the 19th year from the date of issuance (March 2005) for a total redemption price equivalent to the peso value on the date that the shares were issued;
- (b) Has preference as to dividends declared by the BOD, but in no event shall the dividends exceed P1 per share; and,
- (c) The holder of preferred shares is entitled to be paid a certain amount of peso equivalent for each class of preferred shares, together with any unpaid dividends, in the event of liquidation, dissolution, receivership, bankruptcy or winding up of GADC.

The redeemable preferred shares are recognized at fair values on the date of issuance which were determined as the sum of all future cash payments, discounted using the prevailing market rates of interest as of the transaction date for similar instruments with similar term of 18 years.

The accretion of GADC's redeemable preferred shares in 2020, 2019 and 2018 amounted to P135.3 million, P120.3 million and P106.8 million, respectively, and is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). The fair value of these shares amounting to P1,437.4 million in 2020 and P1,307.6 million in 2019 are determined by discounting the sum of all future cash flows using prevailing market rates of interest for instrument with similar maturities at a discount rate of 2.32%.

20.2 TLC's Redeemable Preferred Shares

These were issued by TLC in September 2012 consisting of 1,258.0 million shares which are nonvoting and earn dividend at a fixed annual rate of 2.50% subject to the existence of TLC's unrestricted retained earnings. These were issued in exchange for certain parcels of land with total fair value of P1,338.2 million. The issuance through the exchange of land was approved by the SEC on April 17, 2013.

The preferred shares have a maturity of 10 years and shall be redeemed every anniversary date beginning on the sixth anniversary date until expiration of the 10-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

The accrued dividends on these preferred shares amounting to P0.9 million and P1.4 million as at December 31, 2020 and 2019, respectively, are presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21). The related interest expense recognized for the years ended December 31, 2020, 2019 and 2018 amounting to P16.9 million, P22.7 million and P28.4 million, respectively, is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). As at December 31, 2020 and 2019, the fair values of the redeemable preferred shares on the date of issuance approximate their par values.

21. OTHER LIABILITIES

The composition of this account is shown below.

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Current:			
Customers' deposits	2.16	P 11,458,223,060	P 10,726,411,469
Deferred rental income		3,668,867,976	3,055,770,143
Equity-linked debt securities	3.2(m)	3,443,750,000	1,836,250,000
Commission payable		3,164,723,364	1,700,760,516
Advances from customers		1,993,994,411	1,591,767,093
Subscription payable	12.2	1,114,665,008	1,114,665,008
Derivative liability	2.5, 2.13, 7	849,006,544	463,169,411
Others		107,124,075	61,235,969
<i>Balance brought forward</i>		<u>P25,800,354,438</u>	<u>P 20,550,029,609</u>

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<i>Balance carried forward</i>		<u>P25,800,354,438</u>	<u>P 20,550,029,609</u>
Non-current:			
Deferred rental income		4,005,898,409	4,112,190,641
Retention payable		3,255,790,866	3,698,890,599
Customers' deposit	2.16	2,968,470,263	3,083,064,985
Guaranty deposits		495,325,739	494,948,325
Provision for dilapidations	3.2(n)	157,351,424	150,691,002
Asset retirement obligation	2.9, 2.18, 13.2	93,634,802	91,148,725
Provision for onerous lease	3.2(o), 13.3	65,648,128	14,223,198
Accrued rent		11,538,105	24,284,786
Equity-linked debt securities	3.2(m)	-	3,443,750,000
Others	20.2	<u>382,714,790</u>	<u>350,690,688</u>
		<u>11,436,372,526</u>	<u>15,463,882,949</u>
		<u>P37,236,726,964</u>	<u>P 36,013,912,558</u>

Deferred rental income refers to the rental payments advanced by the lessee at the inception of the lease which will be applied to the remaining payments at the end of the lease term.

Derivative liability included the effect of change in foreign currency exchange rates in 2020 and 2019 that arises from the hedging instruments designated as cash flow hedges entered into by Megaworld with the same local bank in 2019 and 2017 (see Note 2.5). Under the cross currency swap agreement in 2017, Megaworld would receive a total of \$98.87 million to be paid on a quarterly basis beginning March 2019 up to December 2022 plus interest based on 3-month LIBOR plus a certain spread. In exchange, Megaworld would make fixed quarterly payments in Philippine pesos plus a fixed interest of 4.91%. In the other cross currency swap agreement in 2019, Megaworld will receive \$95.62 million to be paid on a quarterly basis beginning December 2020 up to September 2024 plus interest based on three-month LIBOR plus a certain spread. Megaworld shall make fixed quarterly payments in Philippine pesos plus a fixed interest of 4.82%.

Megaworld has designated the cross currency swap as a hedging instrument to hedge the risk in changes in cash flows of its loan denominated in U.S. dollar as an effect of changes in foreign currency exchange rates and interest rates [see Note 18(b) and (l)]. The hedging instruments have a negative fair value of P758.0 million and P242.4 million at end of 2020 and 2019, respectively. The Group recognized unrealized loss on cash flow hedges amounting to P144.7 million and P293.4 million in 2020 and 2019, respectively, and unrealized gain on cash flow hedges amounting to P230.8 million in 2018. These are presented as part of other comprehensive income in the consolidated statements of comprehensive income.

GADC also has a derivative liability which arose from a cross currency swap agreement related to foreign currency denominated loan payable in 2020. The terms of the agreement provide for the repayment of the principal and interest to be made in fixed peso amounts [see Note 18(ss)]. As of the end of 2020, this instrument has a negative fair value of P91.0 million and the change in fair value resulted to unrealized loss of the same amount that is presented as part of Miscellaneous under the Other Operating Expenses account in the 2020 consolidated statement of comprehensive income (see Note 26).

As of December 31, 2020 and 2019, the Group has assessed that the cross currency swaps designated as cash flow hedges will continue to be highly effective over the term of the agreement; hence, the Group used hedge accounting on the hedging relationship of its cross currency swaps and on its interest-bearing loans [see Note 3.1(n)].

Equity-linked debt securities (“ELS”) instrument arises from the subscription agreement between EMP and Arran Investment Private Limited (“the Holder”) for the issuance of additional common shares of EMP. The ELS may be converted into a fixed number of common shares (“conversion shares”) of EMP. The ELS bears a fixed annual interest rate (5.0% initially; 0% as amended in 2017) and variable interest (equal to the same dividend price declared and payable to common shareholders). On June 15, 2017, the ELS was amended, stipulating among others the change in the fixed number of Conversion Shares (728,275,862 new and fully paid-up) and in the Share Market Price (greater than P7.25 per share) for the mandatory conversion at any time from Redemption Date and ending on the Extended Redemption Date (December 4, 2021). On December 23, 2019, the parties further agreed to give the Holder the right to two tranches of conversion and allowed the Holder to transfer ELS to an affiliate of EMP. Furthermore, on January 31, 2020, the parties agreed to remove the mandatory conversion of the ELS when the Share Market Price is reached; and on February 5, 2020, the Holder exercised its Tranche 1 Conversion for P1,836,250,000 into 253,275,862 shares. As of December 31, 2020, the Holder has not yet exercised its Tranche 2 Conversion right corresponding to P3,443,750,000 into 475,000,000 shares.

The carrying amounts of the liability and equity components of the ELS instrument are presented in the consolidated statements of financial position as part of Other Current and Non-current Liabilities and as part of Non-controlling Interest, respectively. The related interest expense amounted to P52.3 million, P36.4 million and P108.4 million in 2020, 2019 and 2018, respectively, and is presented as part of Interest expense under Finance Cost and Other Charges account in the consolidated statements of comprehensive income (see Note 27).

Guaranty deposits consist of rental deposits and utility deposits.

Provision for dilapidations is recognized for the present value of the costs to be incurred by WML for the restoration of the leased properties to a specified condition at the end of the lease term in 2029 as provided in the tenant repairing clauses of lease agreements. Additional provisions are capitalized as part of ROUA in 2020 and 2019.

Provision for onerous lease pertains to WML's existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or subleased at a discount. The provision takes into account the current market conditions, expected future vacant periods, and expected future sublet benefits and are calculated by discounting expected net cash outflows on a pre-tax basis over the remaining period of the lease, which as of December 31, 2020 and 2019, is between one to 10 years and one to 11 years, respectively. In line with the adoption of PFRS 16 in 2019, the Group adjusted a portion of its provision amounting to P399.0 million against the beginning balance of right-of-use assets (see Note 13.3). In 2020, the Group recognized additional provision amounting to P56.3 million because of certain changes in assumptions arising from the impact of COVID-19. The additional provision is presented as part of Miscellaneous under Other Operating Expenses account in the 2020 consolidated statement of comprehensive income since the related right-of-use assets were fully impaired as of December 31, 2019 (see Note 26). The outstanding provision pertains to the remaining services expected to be settled with third party.

Others, which are currently due, include liabilities on stocks purchases and due to condominium unit holders arising from condo hotel operations while Others, which are not currently due, include accrued dividends on redeemable preferred shares (see Note 20.2) and security and miscellaneous deposits.

22. EQUITY

22.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2020	2019	2018	2020	2019	2018
Common shares – P1 par value						
Authorized	<u>12,950,000,000</u>	<u>12,950,000,000</u>	<u>12,950,000,000</u>	<u>P 12,950,000,000</u>	<u>P 12,950,000,000</u>	<u>P 12,950,000,000</u>
Issued:						
Treasury stock – at cost	<u>(686,257,400)</u>	<u>(569,464,200)</u>	<u>(355,364,600)</u>	<u>(7,596,939,422)</u>	<u>(6,793,114,766)</u>	<u>(4,130,664,509)</u>
Total outstanding	<u>9,583,570,579</u>	<u>9,700,363,779</u>	<u>9,914,463,379</u>	<u>P 2,672,888,557</u>	<u>P 3,476,713,213</u>	<u>P 6,139,163,470</u>

On March 12, 1999, the SEC approved the initial public offering of the Company's 336.1 million shares (248.1 million then outstanding and 88.0 million new issues) at P1.27 per share. The shares were initially listed in the PSE on April 19, 1999.

A 10% stock dividend was approved by the SEC and listed in September 1999. Three private placements ensued up to January 2011, of which 1.5 billion shares were listed in 2006. Then, a 10% rights offering of 200.47 million shares and 1:1 stock rights of 2.2 billion shares were approved and listed in 2005 and 2007, respectively. In 2007, there were also a share-swap transaction and a follow-on international offering wherein 4.1 billion and 1.8 billion shares, respectively, were issued and listed.

As at December 31, 2020 and 2019, the quoted closing price per share was P10.6 and P11.7, respectively. There are 999 holders, which include nominees, of the Company's total issued and outstanding shares as at December 31, 2020. The percentage of the Company's shares of stock owned by the public is 32.72% and 26.92% as at December 31, 2020 and 2019, respectively.

22.2 Additional Paid-in Capital

APIC consists mainly of P21.9 billion from the stock rights offering, share swap transaction and international offering in 2007. In prior years, the Group reissued treasury shares, resulting to an increase in APIC amounting to P7,237.7 million.

In 2019, P123.5 million was reclassified from Share Options account following the expiration of share options granted on December 19, 2011.

22.3 Treasury Shares

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. And on September 21, 2020, the BOD approved another one-year share repurchase program for P2.5 billion to end on September 23, 2021. As of December 31, 2020, the Parent Company has repurchased 563,293,200 shares for P6,660.8 million, which included transaction costs.

Under the Revised Corporation Code of the Philippines, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased 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 P936.2 million that were reported as part of Treasury Shares in the consolidated statements of changes in equity (see Notes 2.15 and 22.5).

22.4 Dilution Gain

The movement in dilution gain is a direct result of dilution in the Parent Company's ownership interest in certain subsidiaries when such subsidiaries offer pre-emptive stock rights, underwent international stock offering, and acquire additional shares, in years prior to 2011.

22.5 Dividends

On November 26, 2018, the BOD approved the declaration of cash dividends of P0.10 per share. Total dividends amounting to P1,003.74 million in 2018 were paid to stockholders of record as at December 11, 2018. The said dividends were fully paid on December 21, 2018.

On December 1, 2020, the BOD approved the declaration of cash dividends of P0.05 per share. Total dividends amounting to P485.6 million were payable on January 6, 2021 to stockholders of record as at December 15, 2020. The unpaid dividends as of December 31, 2020, net of P26.5 million final tax, were presented as part of Dividends payable under Trade and Other Payables account in the 2020 consolidated statement of financial position (see Note 17).

The amounts presented in the consolidated statements of changes in equity are net of dividends paid to subsidiaries (see Note 22.3). The Parent Company did not declare any dividends in 2019.

22.6 Share Options

(a) Of the Company

On July 27, 2011, the BOD approved an Executive Share Option Plan (“ESOP”) for the Company’s key executive officers, which was subsequently ratified by the stockholders on September 20, 2011. Under the ESOP, the Company shall initially reserve for exercise of share options up to 300.0 million common shares, or 3% of the outstanding capital stock, which may be issued out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and continue to be exercisable in accordance with terms of issue. Modification of any part of the ESOP is subject to approval by the stockholders before such modification can take effect.

The options shall vest within three years from date of grant (“offer date”) and the holder may exercise only a third of the option at the end of each year of the three-year vesting period. The vested option may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company’s shares for nine months immediately preceding the date of grant.

On December 19, 2011, pursuant to this ESOP, the Company granted share options to certain key executives to subscribe to 46.5 million common shares of the Company, at an exercise price of P9.175 per share. As at December 31, 2019, all of the said options have expired and the related value of the stock option amounting to P123.5 million was reclassified to Additional Paid-in Capital account (see Note 22.2).

On March 14, 2013, the Company granted additional 59.1 million share options to certain key executives at an exercise price of P12.9997. On March 12, 2020, the BOD affirmed the resolution of the Corporate Governance Committee to extend the exercise period for this grant until March 15, 2025 under the same terms and exercise price, and on August 6, 2020, this was ratified by the stockholders. As at December 31, 2020 and 2019, all of the said options vested and none have been exercised.

The fair values of the option granted were estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation of the March 2013 grant:

Original Option life		7 years
Share price at grant date	P	21.65
Exercise price at grant date	P	12.9997
Average fair value at grant date	P	9.18
Average standard deviation of share price returns		35.29%
Average dividend yield		2.10%
Average risk-free investment rate		2.92%

The underlying expected volatility was determined by reference to historical prices of the Company's shares over a period of four years.

(b) *Of Megaworld*

On April 26, 2012, Megaworld's BOD approved an ESOP for its key executive officers, and on June 15, 2012, the stockholders adopted it.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from Megaworld. The exercise price shall be at a 15% discount from the volume weighted average closing price of Megaworld's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, Megaworld granted share options to certain key executives to subscribe to 235.0 million of its common shares, at an exercise price of P1.77 per share.

In 2013, additional share options were granted to certain key executives to subscribe to 20.0 million common shares of Megaworld at an exercise price of P2.33 per share. In 2014, additional 40.0 million share options were granted in 2014 at an average exercise price of P3.00 per share. In 2019, additional 10 million share options were granted at an exercise price of P1.77. There were no grants in 2015 to 2018.

Further, in 2019, 10.0 million share options were forfeited due to resignation of certain key executive officers. There was no forfeiture due to resignation in 2020 and 2018.

A total of 5.0 million and 10.0 million have vested in 2020 and 2019, respectively.

In 2020 and 2019, 1.0 million and 0.5 million share options were exercised, respectively, at a price of P1.77 per share.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Option life	6.08 to 30.17 years
Share price at grant date	P2.54 to P4.52
Exercise price at grant date	P1.7731 to P3.2299
Fair value at grant date	P0.98 to P2.15
Average standard deviation of share price return	10.98 %
Average dividend yield	0.82 %
Average risk-free investment rate	3.93 %

The underlying expected volatility was determined by reference to historical date of Megaworld's shares over a period of time consistent with the option life.

(c) *Of GERI*

On September 23, 2011, GERI's BOD approved an ESOP for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of GERI, who are largely responsible for its further growth and development, to obtain an ownership interest and thereby encourage long-term commitment to GERI. The ESOP is being administered by the Executive Compensation Committee of GERI's BOD.

Under the ESOP, GERI shall initially reserve for exercise of share options up to 500.0 million common shares of its outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant.

The exercise price shall be at a 15% discount from the volume weighted average closing price of GERI's shares for twelve months immediately preceding the date of grant. The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period.

As of December 31, 2020, pursuant to this ESOP, GERI has granted the options to its key executive officers to subscribe to 400.0 million GERI shares. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. All 400.0 million options were fully vested as of December 31, 2019, but none of these have been exercised yet by any of the option holders as at the end of both reporting periods.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	7 years
Share price at grant date	P1.02 to P2.10
Exercise price at grant date	P1.00 to P1.93
Fair value at grant date	P0.24 to P2.27
Standard deviation of share price return	12.16% to 57.10%
Risk-free investment rate	2.14% to 2.59%

The underlying expected volatility was determined by reference to historical date of GERI's shares over a period of time consistent with the option life.

(d) *Of EMP*

On November 7, 2014, EMP's BOD approved an ESOP for qualified employees of EMP Group.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from the Group provided that the employee has continuously served for 11 years after the option offer date. The exercise price shall be at a 15% discount from the volume weighted average closing price of EMP's shares of nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2015, EMP granted share options to certain key executives of EDI to subscribe to 118.0 million common shares of EMP at an exercise price of P7.0 per share.

The fair value of the options granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	20.23 years
Average share price at grant date	P8.90
Average exercise price at grant date	P7.00
Average fair value at grant date	P4.09
Average standard deviation of share price returns	10.24%
Average dividend yield	1.08%
Average risk-free investment rate	4.89%

The underlying expected volatility was determined by reference to historical prices of EMP's shares over a period of one year.

(e) *Of Travellers*

Travellers has adopted an ESOP that grants share options to eligible key executive officers.

Travellers' ESOP is exempt from the registration requirements of SEC's Securities Regulation Code with respect to the issuance of the common shares, not to exceed 945,352,491 common shares, to eligible employees pursuant to Travellers' ESOP adopted by the its shareholders and BOD effective June 13, 2014.

The purpose of the ESOP is to (a) strengthen the alignment of interests between key employees and consultants of Travellers and its shareholders through the ownership of Travellers' shares of common stock and thereby increase focus on Travellers' share value; (b) motivate, attract and retain the services of key employees and consultants of Travellers, upon whose judgment, valuable work and special efforts, the day-to-day and long-term success and development of the business and the operations of Travellers are largely dependent; and, (c) encourage long-term commitment of the key employees and consultants of Travellers to contribute to the long-term financial success of Travellers.

The ESOP was being administered by the Remuneration and Compensation Committee of Travellers' BOD. The ESOP was abolished last October 21, 2019, when the Company was approved of their delisting application. The Company has not granted any option to its eligible optionees as of October 21, 2019.

The Group recognized a total of P48.3 million, P45.7 million and P53.5 million Share-option benefit expense in 2020, 2019 and 2018, respectively, as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income and a corresponding credit to equity and through Non-controlling Interest account for the portion related to the other shareholders of the subsidiaries (see Notes 26 and 28.3).

22.7 Appropriated Retained Earnings

In 2020 and 2019, GADC's BOD approved the appropriation of P6.0 billion and P6.7 billion, respectively, for its continuing business expansion projects which include construction of new stores, renovation of existing stores, development of information technology projects and office renovations. The construction of new stores and renovation of existing stores are projected to be completed within 2022. The appropriation in 2019 was fully utilized and reversed in 2020, through opening of seven new company-owned and renovation of eight McDonald's restaurants. In 2018 and 2017, GADC's BOD appropriated P6.2 billion and P4.6 Billion for the continuing business expansion which was fully utilized and reversed in 2019 and 2018, respectively.

In 2019, AWGP's BOD approved the appropriation of an additional P200.0 million for capital expenditures for the plant. The project is expected to be completed in 2022.

In 2020, NTLPI's BOD approved the appropriation of P400.0 million for capital expenditures, including land development for the next two years.

22.8 Perpetual Capital Securities

On April 11, 2018, Megaworld issued bonds amounting \$200.0 million. The bonds were issued with a nominal interest of 5.375% per annum and interest is payable semi-annually in arrears every April 11 and October 11. The bonds are currently listed in the Singapore Exchange. The financial instruments are treated as equity securities. These bonds may be voluntarily redeemed by Megaworld on April 11, 2023 or on any distribution date thereafter. The amount was previously presented as part of Non-controlling interest (NCI). As of December 31, 2020 and 2019, the perpetual capital securities do not appear in the consolidated statements of financial position because all are now held within the Group [see Notes 3.1(i), 9 and 37.2].

22.9 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material NCI are shown below (in thousands).

Name	Proportion of Ownership Interest and Voting Rights Held by NCI		Subsidiary's Consolidated Profit Allocated to NCI		Accumulated Equity of NCI	
	2020	2019	2020	2019	December 31, 2020	December 31, 2019
Megaworld	31%	33%	P 3,108,155	P 5,872,539	P 83,940,265	P 81,239,944
Travellers	51%	51%	(2,782,397)	479,504	22,056,765	24,839,162
GADC	51%	51%	(295,849)	968,078	1,608,850	1,906,274
Emperador	16%	15%	1,238,112	1,008,818	13,429,678	12,537,274

	December 31, 2019			
	Megaworld	Travellers	GADC	Emperador
Other comprehensive loss attributable to:				
Owners of Parent	(508,571)	(191,745)	(585)	(1,061,460)
NCI	(20,671)	-	-	(100,442)
Other comprehensive loss for the year	(529,242)	(191,745)	(585)	(1,161,902)
Total comprehensive income for the year	<u>P 18,766,787</u>	<u>P 749,367</u>	<u>P 1,893,252</u>	<u>P 5,670,634</u>
Net cash from (used in)				
Operating activities	P 23,381,900	P 7,485,747	P 4,670,359	P 7,444,213
Investing activities	(11,315,856)	(9,020,458)	(2,237,919)	(1,276,010)
Financing activities	(6,504,264)	3,111,040	(2,594,927)	(4,655,827)

23. EARNINGS PER SHARE

Earnings per share is computed as follows:

	2020	2019	2018
Basic:			
Net profit attributable to owners of the parent company	P 8,829,293,379	P 17,721,519,071	P 15,114,291,790
Divided by the weighted average number of outstanding common shares	<u>9,583,570,579</u>	<u>9,700,363,779</u>	<u>9,914,463,379</u>
	<u>P 0.9213</u>	<u>P 1.8269</u>	<u>P 1.5245</u>
Diluted:			
Net profit attributable to owners of the parent company	P 8,829,293,379	P 17,721,519,071	P 15,114,291,790
Divided by the weighted average number of outstanding common shares and potentially dilutive shares	<u>9,583,570,579</u>	<u>9,702,914,942</u>	<u>9,928,424,379</u>
	<u>P 0.9213</u>	<u>P 1.8264</u>	<u>P 1.5223</u>

The actual number of outstanding common shares approximates the weighted average for each year. There are 2.6 million and 14.0 million potentially dilutive shares as at December 31, 2019 and 2018, respectively, from the Group's ESOP (see Note 22.6). However, such number of dilutive shares has no significant effect on the weighted average number of outstanding common shares and, consequently, has little effect on the 2019 and 2018 diluted EPS.

The basic and diluted earnings per share are the same for the year ended December 31, 2020, as the potentially dilutive shares from the Group's ESOP 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 ESOP.

24. REVENUES

24.1 Disaggregation of Revenues

The Group disaggregates revenues recognized from contracts with customers into the operating business segments presented in Notes 4.1 and 4.4 that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The same disaggregation is used in earnings releases, annual reports and investor presentations.

The breakdown of revenues from sale of goods and rendering of services is presented below:

	Notes	2020	2019	2018
Sale of Goods:				
Sales of consumer goods	2.16(a)	P 52,156,126,415	P 50,916,284,803	P 47,607,702,279
Real estate sales	2.16(b, c)	24,858,537,303	42,603,984,572	37,667,540,752
		<u>P 77,014,663,718</u>	<u>P 93,520,269,375</u>	<u>P 85,275,243,031</u>
Rendering of Services:				
Sales by company-operated quick-service restaurants	2.16(f)	P 18,045,120,784	P 28,769,278,450	P 25,605,114,481
Rental income	2.18, 14	13,170,220,536	17,326,063,085	14,741,266,661
Net Gaming	2.16	9,398,336,935	21,545,613,743	15,881,465,964
Hotel operations	2.16(d, e)	3,581,296,104	7,545,578,746	5,005,152,260
Franchise revenues	2.16(g), 31.5	1,764,272,777	3,195,054,315	2,728,432,374
Others	2.16(h)	1,581,467,111	2,661,270,958	2,215,548,669
		<u>P 47,540,714,247</u>	<u>P 81,042,859,297</u>	<u>P 66,176,980,409</u>

Other revenues include income from commissions, construction, property management operations, cinema operations, parking, bingo, tournaments and production shows.

The disaggregation of revenues for each reportable segment is presented below.

	2020					
	Megaworld	Travellers	GADC	Emperador	Unallocated	Total
Sale of goods	P 24,858,537,303	P -	P -	P51,395,295,032	P 760,831,383	P 77,014,663,718
Rendering of services	<u>15,501,186,258</u>	<u>12,167,008,299</u>	<u>19,872,519,690</u>	<u>-</u>	<u>-</u>	<u>47,540,714,247</u>
	<u>P 40,359,723,561</u>	<u>P12,167,008,299</u>	<u>P19,872,519,690</u>	<u>P 51,395,295,032</u>	<u>P 760,831,383</u>	<u>P 124,555,377,965</u>
	2019					
	Megaworld	Travellers	GADC	Emperador	Unallocated	Total
Sale of goods	P 42,603,984,572	P -	P -	P50,259,676,633	P 656,608,170	P 93,520,269,375
Rendering of services	<u>20,738,933,862</u>	<u>28,267,765,663</u>	<u>32,008,231,692</u>	<u>27,928,080</u>	<u>-</u>	<u>81,042,859,297</u>
	<u>P 63,342,918,434</u>	<u>P28,267,765,663</u>	<u>P32,008,231,692</u>	<u>P50,287,604,713</u>	<u>P 656,608,170</u>	<u>P 174,563,128,672</u>
	2018					
	Megaworld	Travellers	GADC	Emperador	Unallocated	Total
Sale of goods	P 37,665,233,060	P -	P -	P46,345,675,149	P 1,264,334,822	P 85,275,243,031
Rendering of services	<u>17,216,095,673</u>	<u>20,532,703,973</u>	<u>28,415,529,909</u>	<u>12,650,854</u>	<u>-</u>	<u>66,176,980,409</u>
	<u>P 54,881,328,733</u>	<u>P20,532,703,973</u>	<u>P28,415,529,909</u>	<u>P46,358,326,003</u>	<u>P 1,264,334,822</u>	<u>P 151,452,223,440</u>

24.2 Contract Accounts

The significant changes in the contract assets and contract liabilities balances as of December 31 are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Contract Assets</u>	<u>Contract Liabilities</u>	<u>Contract Assets</u>	<u>Contract Liabilities</u>
Balance at beginning of year	P18,643,004,687	P5,213,555,043	P22,227,279,687	P 5,368,667,295
Transfers from contract assets recognized at the beginning of year to trade receivables	(4,684,255,960)	-	(13,872,777,770)	-
Increase due to satisfaction of performance obligation over time, net of cash collection	5,421,977,586	-	10,288,502,770	-
Revenue recognized that was included in contract liabilities at the beginning of year	-	(1,195,609,872)	-	(2,124,864,709)
Increase due to cash received in excess of performance to date	-	<u>1,825,684,132</u>	-	<u>1,969,752,457</u>
Balance at end of year	<u>P19,380,726,313</u>	<u>P5,843,629,303</u>	<u>P18,643,004,687</u>	<u>P 5,213,555,043</u>

The current and non-current classification of the Group's Contract Assets account as presented in the consolidated statements of financial position is shown below.

	<u>2020</u>	<u>2019</u>
Current	P 13,265,242,603	P 10,857,180,128
Non-current	<u>6,115,483,710</u>	<u>7,785,824,559</u>
	<u>P 19,380,726,313</u>	<u>P 18,643,004,687</u>

The current and non-current classification of the Group's Contract Liabilities account as presented in the consolidated statements of financial position is shown below.

	<u>2020</u>	<u>2019</u>
Current	P 2,647,780,045	P 1,703,947,321
Non-current	<u>3,195,849,258</u>	<u>3,509,607,722</u>
	<u>P 5,843,629,303</u>	<u>P 5,213,555,043</u>

The outstanding balance of trade receivables arising from contracts with real estate and hotel customers amounted to P25.7 billion and P28.8 billion as of December 31, 2020 and 2019, respectively, are presented as part of Trade receivables (see Note 6).

24.3 Direct Contract Costs

The Group incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission under Other Current Assets and Other Non-current Assets accounts in the consolidated statements of financial position (see Note 9). These are amortized over the expected construction period on the same basis as how the Group measures progress towards complete satisfaction of its performance obligation in its contracts. The total amount of amortization is presented as part of Commissions under Other Operating Expenses (see Note 26).

The movement in balances of deferred commission in 2020 and 2019 is presented below.

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	P 2,113,414,716	P 1,142,601,641
Additional capitalized costs	1,898,751,533	2,492,199,784
Reversals due to back out	(12,545,654)	(23,324,369)
Amortization for the year	(639,547,272)	(1,498,062,340)
Balance at end of year	<u>P 3,360,073,323</u>	<u>P 2,113,414,716</u>

24.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts amounted to P41.8 billion and P31.1 billion as of December 31, 2020 and 2019, respectively, which the Group expects to recognize as follows:

	<u>2020</u>	<u>2019</u>
Within a year	P 17,112,265,610	P 16,005,879,940
More than one year to three years	19,283,075,464	11,284,401,763
More than three years to five years	<u>5,426,500,143</u>	<u>3,774,194,420</u>
	<u>P 41,821,841,217</u>	<u>P 31,064,476,123</u>

25. COST OF GOODS SOLD AND SERVICES

The components of cost of goods sold and services are as follows:

	Notes	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cost of Goods Sold:	2.16			
Cost of consumer goods sold:				
Direct materials used		P 20,559,491,616	P 27,045,305,943	P 25,758,007,484
Change in work in process and finished goods		10,746,888,171	2,201,004,997	1,094,652,102
Salaries and employee benefits	28.1	1,404,287,077	1,495,018,481	1,324,506,139
Depreciation and amortization	13	1,188,004,363	902,861,094	917,072,273
Indirect materials and other consumables		279,932,536	333,823,318	321,029,104
Utilities		269,051,436	240,089,684	347,138,447
Repairs and maintenance		255,517,659	285,073,846	284,322,167
Outside services	30.1	240,130,937	234,555,623	253,244,690
Taxes and licenses		191,844,422	169,487,067	153,438,507
Supplies		73,696,771	243,509,236	124,640,547
Other direct and overhead costs	8	<u>668,338,522</u>	<u>554,348,157</u>	<u>695,883,912</u>
		<u>35,877,183,510</u>	<u>33,705,077,446</u>	<u>31,273,935,372</u>
Cost of real estate sales:				
Contracted services		9,505,319,098	17,531,181,959	16,516,692,619
Land costs		3,598,926,919	4,927,689,375	3,253,659,078
Borrowing costs		462,338,695	549,543,413	473,001,664
Other costs		<u>223,941,120</u>	<u>371,404,253</u>	<u>91,911,888</u>
	2.7	<u>13,790,525,832</u>	<u>23,379,819,000</u>	<u>20,335,265,249</u>
		<u>P 49,667,709,342</u>	<u>P 57,084,896,446</u>	<u>P 51,609,200,621</u>

	Notes	2020	2019	2018
Cost of Services:	2.16			
Food, supplies and other consumables		P 8,364,214,634	P 13,759,782,530	P 11,918,809,205
Salaries and employee benefits	28.1	5,465,068,304	8,419,165,899	7,064,302,241
Depreciation and amortization	13, 14	5,020,689,064	4,413,068,746	2,484,703,912
Gaming license fees	29.3	2,636,024,717	5,908,762,626	4,380,228,290
Rental		1,417,386,202	3,196,427,509	4,353,601,170
Outside services		1,245,013,053	810,865,489	686,663,019
Hotel operations		668,681,337	1,381,156,765	820,752,636
Casino operating expenses		318,685,528	1,056,185,565	917,762,234
Entertainment, amusement and recreation		31,548,612	88,024,085	61,803,637
Flight operations		19,138,932	45,164,491	401,669,099
Other direct and overhead costs		2,102,844,938	2,181,871,398	1,871,988,190
		<u>P 27,289,295,321</u>	<u>P 41,260,475,103</u>	<u>P 34,962,283,633</u>

Other direct and overhead costs include, among others, costs incurred for real property taxes, insurance, repairs and maintenance, utilities, other operating supplies, service fees charged by online ordering platforms and waste disposal.

26. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2020	2019	2018
Salaries and employee benefits	22.6, 28.1	P 6,010,147,091	P 7,144,731,793	P 6,590,129,223
Advertising and promotions		5,442,508,371	9,733,284,262	8,060,090,864
Depreciation and amortization	13, 14, 15	4,633,694,543	4,414,504,107	3,481,239,011
Professional fees and outside services		1,754,679,361	2,230,438,143	1,612,069,995
Taxes and licenses		1,580,851,219	1,419,368,580	1,150,742,613
Commissions	24.3	1,261,848,815	2,496,225,421	1,727,459,061
Utilities		950,790,339	1,523,080,666	1,588,180,506
Royalty	30.5, 31.5	889,229,140	1,411,937,403	1,257,196,109
Transportation and travel		737,193,346	1,255,802,420	1,150,349,456
Freight and handling		559,511,059	470,860,051	470,887,193
Dues and subscriptions		524,970,742	470,115,202	370,878,507
Repairs and maintenance		497,323,933	627,031,314	571,651,807
Representation and entertainment		378,253,305	560,602,339	252,028,984
Rental		368,647,671	507,267,828	637,441,531
Impairment of PPE and intangible assets	13, 15	337,678,063	360,779,482	-
Impairment of receivables	6	234,331,971	12,453,267	169,501,339
Management fees	30.3, 31.4	167,636,473	508,866,877	314,538,929
Write-down of inventories	8	64,913,811	34,242,266	4,926,653
Communication and office expenses		59,837,455	74,462,512	66,116,681
Insurance		37,569,713	30,062,799	31,973,829
Miscellaneous	12.6, 13.2, 15, 31.3	2,785,576,861	3,367,076,854	2,070,052,736
		<u>P 29,277,193,282</u>	<u>P 38,653,193,586</u>	<u>P 31,577,455,027</u>

Miscellaneous expenses include expenses incurred for security services, supplies and other consumables, donations, training and development, dues and subscriptions, and various other expenses.

These other operating expenses are classified by function as follows:

	2020	2019	2018
General and administrative expenses	P 19,221,601,871	P 22,486,207,787	P 18,048,986,859
Selling and marketing expenses	10,055,591,411	16,166,985,799	13,528,468,168
	<u>P 29,277,193,282</u>	<u>P 38,653,193,586</u>	<u>P 31,577,455,027</u>

27. OTHER INCOME AND CHARGES

Other income and charges provide details of Finance and Other Income account and Finance Costs and Other Charges account as presented in the consolidated statements of comprehensive income.

	Notes	2020	2019	2018
Finance and other income:				
Interest income	2.16, 5, 6, 7	P 2,160,829,212	P 2,874,346,544	P 2,833,780,599
Foreign currency gains – net	11, 19	592,921,796	893,016,567	-
Gain on COVID-19-related rent concessions	2.3(a), 13.2	474,320,704	-	-
Reversal of impairment losses on PPE	13.1	296,042,370	-	19,258,000
Gain from derecognition of right-of-use assets and lease liabilities	13.2, 13.3	51,149,786	-	-
Dividend income		7,117,104	20,870,837	63,767,349
Fair value gains - net	7	130,149	-	-
Gain on finance lease	6	-	350,218,385	-
Gain on sale and dilution of investments in associates	12.2, 12.3	-	340,809,382	-
Reversal of impairment losses on receivables	6	8,332,950	142,414,348	6,559,028
Insurance recovery	31.10	-	69,386,881	1,710,581,049
Gain on sale of financial assets at FVTPL	7	-	16,221,425	12,101,261
Gain on disposal of PPE and investment properties – net	13, 14	-	-	53,917,450
Gain on deconsolidation of subsidiaries	1.2(b)	-	-	19,479,803
Miscellaneous – net	6, 8, 13	528,394,039	538,278,002	311,685,176
		<u>P 4,419,238,110</u>	<u>P 5,245,562,371</u>	<u>P 5,031,129,715</u>
Finance costs and other charges:				
Interest expense	13.3, 18, 19, 20, 21, 28.2	P 6,840,980,033	P 6,292,708,219	P 4,084,166,535
Day one loss	6	269,781,190	494,929,021	329,207,293
Loss on disposal of PPE – net	13	174,787,449	11,601,932	-
Loss on sale of financial assets at FVTPL	7	818,378	-	-
Fair value losses – net	7	-	1,528,528	36,629,368
Foreign currency losses – net		-	-	1,728,894,002
Reversal of preacquisition income		-	-	166,615,784
Miscellaneous		363,916,470	319,763,763	507,470,754
		<u>P 7,650,283,520</u>	<u>P 7,120,531,463</u>	<u>P 6,852,983,736</u>

Interest income mainly pertains to interest earned from the Group's financial assets at amortized cost and financial assets at FVTPL.

Miscellaneous income includes gain on sale of other non-current assets, marketing fees and others.

Miscellaneous expenses pertain to amortization of discounts on security deposits, bank charges and other related fees.

28. SALARIES AND EMPLOYEE BENEFITS

28.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2020	2019	2018
Short-term employee benefits		P 12,343,924,950	P 16,466,671,687	P 14,415,205,637
Post-employment defined benefit	2.21(b), 28.2	487,237,440	546,568,907	510,274,924
Share option benefit expense	2.21(e), 22.6, 28.3, 30.8	48,340,082	45,675,579	53,457,042
		<u>P 12,879,502,472</u>	<u>P 17,058,916,173</u>	<u>P 14,978,937,603</u>

These are classified in the consolidated statements of comprehensive income as follows:

	Notes	2020	2019	2018
Cost of goods sold	25	P 1,404,287,077	P 1,495,018,481	P 1,324,506,139
Cost of services	25	5,465,068,304	8,419,165,899	7,064,302,241
Other operating expenses	26	6,010,147,091	7,144,731,793	6,590,129,223
		<u>P 12,879,502,472</u>	<u>P 17,058,916,173</u>	<u>P 14,978,937,603</u>

28.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

Megaworld group, EDI, EELHI, GADC and WML maintain funded, tax-qualified, noncontributory post-employment benefit plans, except that EELHI is partially-funded and GADC allows voluntary employee contribution. Each of the plans is being administered by a trustee bank that is legally separated from the Group. GERI and GADC's subsidiaries have unfunded, noncontributory post-employment benefit plans. All of plans mentioned cover all qualified regular and full-time employees.

The Parent Company and all other subsidiaries have no established corporate retirement plans. AWGI and TEI compute their retirement obligations based on the provisions of R.A. No. 7641, The Retirement Pay Law. Whereas, the Parent Company and the other subsidiaries within the Group have not accrued any post-employment benefit obligation as each entity has less than ten employees. The Group's management believes that non-accrual of the estimated post-employment benefits will not have any material effect on the Group's consolidated financial statements.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries in 2020 and 2019.

The amounts of retirement benefit obligation as of the end of the reporting periods, presented as a non-current liability in the consolidated statements of financial position, are determined as follows:

	2020	2019
Present value of the obligation	P 18,527,265,539	P 17,344,655,874
Fair value of plan assets	(16,094,952,613)	(15,143,284,766)
	<u>P 2,432,312,926</u>	<u>P 2,201,371,108</u>

The movements in the present value of retirement benefit obligation are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	P 17,334,655,874	P 14,911,962,326
Effects of foreign currency adjustment	(410,525,122)	(182,097,017)
Current service and interest costs	881,210,464	889,863,711
Past service cost	2,476,491	-
Remeasurements –		
Actuarial losses (gains)		
Arising from changes in:		
Financial assumptions	1,205,855,326	2,010,691,704
Demographic assumptions	278,476,360	571,726,580
Experience adjustments	127,875,106	(125,507,518)
Availment of sabbatical leave		(3,886,164)
Benefits paid	(892,758,960)	(738,097,748)
Balance at end of year	<u>P 18,527,265,539</u>	<u>P 17,334,655,874</u>

The movements in the fair value of plan assets of funded retirement plans of the Group are presented below.

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	P 15,143,284,766	P 13,121,942,658
Effects of foreign exchange adjustment	(412,026,001)	(268,780,601)
Return on plan assets (excluding amounts included in net interest)	1,215,280,925	2,051,615,975
Benefits paid	(734,424,352)	(699,063,635)
Contributions paid into the plan	551,215,465	517,136,793
Interest income	331,621,810	420,433,576
Balance at end of year	<u>P 16,094,952,613</u>	<u>P 15,143,284,766</u>

The plan assets of MEG, EMP, GADC and Travellers as at December 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Investments in:		
Long-term equity investments	63.42%	63.94%
Debt instruments	26.15%	25.94%
Unit investment trust fund	2.29%	2.23%
Cash and cash equivalents	3.71%	3.42%
Property	4.41%	4.45%
Loans and receivables	0.02%	0.02%
	<u>100.00%</u>	<u>100.00%</u>

Actual returns on plan assets in 2020 and 2019 amounted to P1,504.5 million and P2,472.0 million, respectively.

The fair value of the investments in other securities and debt instruments, long-term equity investments and cash and cash equivalents is at Level 1 in the fair value hierarchy. Unit investment trust fund is at Level 2, while loans and receivables and property are at Level 3 (see Note 34).

The amounts of post-employment benefits expense recognized as part of Salaries and employee benefits in profit or loss (see Note 28.1) and other comprehensive income are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Reported in consolidated profit or loss –</i>			
Current service cost	P 484,760,949	P 546,568,907	P 447,241,324
Past service cost	<u>2,476,491</u>	<u>-</u>	<u>63,033,600</u>
	<u>P 487,237,440</u>	<u>P 546,568,907</u>	<u>P 510,274,924</u>
<i>Reported in consolidated other comprehensive income:</i>			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	(P1,205,855,326)	(P2,010,691,704)	P 1,216,963,491
Demographic assumptions	(278,476,360)	(571,726,580)	95,290,623
Experience adjustments	(127,875,106)	125,507,518	(284,076,339)
Return on plan assets (excluding amounts in net interest expense)	<u>1,215,280,925</u>	<u>2,051,615,975</u>	<u>(837,548,125)</u>
	(396,925,867)	(405,294,791)	190,629,650
Tax income (expense)	<u>(208,421,283)</u>	<u>29,007,853</u>	<u>(73,057,872)</u>
	<u>(P 605,347,150)</u>	<u>(P 376,286,938)</u>	<u>P 177,571,778</u>

In 2020, 2019 and 2018, post-employment benefits expense amounting to P194.7 million, P180.6 million, and P180.6 million, respectively, were incurred for WML's defined contribution plan, thus will not be included in the current service cost presented under the movement of post-employment benefit obligation.

The amounts of post-employment benefits expense are included as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26).

The interest costs are presented as part of Interest expense under Finance Costs and Other Charges account (see Note 27).

In determining the post-employment benefit obligation, the following actuarial assumptions were used:

	<u>2020</u>	<u>2019</u>
Discount rates	3.70% - 5.12%	4.83% - 6.08%
Expected rates of salary increases	3.00% - 10.00%	4.00% - 10.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The discount rates assumed were based on the yields of long-term government bonds, as of the valuation dates. The applicable period used approximate the average years of remaining working lives of the Group's employees.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk, salary risk and inflation risk.

(i) *Investment and Interest Rate Risks*

Discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plans have placed majority of its plan assets in investments in equity and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity and debt investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) *Inflation Risk*

A significant portion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Group's liability.

(d) *Other Information*

(i) *Sensitivity Analysis*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

	<u>Change in Assumption</u>	<u>Impact on Post-employment Obligation</u>	
		<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<u>December 31, 2020</u>			
Discount rate	+/-0.25% to +/-1.00%	(P 1,400,533,254)	P 1,644,211,046
Salary increase rate	+/-1.0%	1,069,174,899	(891,874,650)
<u>December 31, 2019</u>			
Discount rate	+/-0.25% to +/-1.00%	(P 938,041,461)	P 1,009,321,127
Salary increase rate	+/-1.0%	604,666,020	(532,152,539)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

The Group, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing and selling of equities and debt securities that match the benefit payments as they fall due and in the appropriate currency.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P2.4 billion based on the Group's latest actuarial valuations. While there is no minimum funding requirement in the Philippines, the size of the underfunding may pose a cash flow risk in about 20 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan as at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Within one year	P 612,336,840	P 491,171,743
More than one year to five years	2,039,505,267	2,124,978,812
More than five years to ten years	1,412,911,211	2,173,103,807
More than ten years to 15 years	769,785,844	1,166,289,745
More than 15 years to 20 years	1,313,404,284	2,113,305,228
More than 20 years	<u>6,437,395,444</u>	<u>14,648,276,818</u>
	<u>P 12,585,338,890</u>	<u>P 22,717,126,153</u>

The Group expects to contribute P125.0 million and P40.0 million to the retirement plan maintained for Megaworld and GADC, respectively, in 2021. GERI and EMP have yet to decide the amount of future contributions to their existing retirement plans.

28.3 Share Option Benefits

The Group's share option benefit expense includes the amounts recognized by the Company, Megaworld, GERI and EMP over the vesting period of the options granted by them (Travellers has not yet granted any share options to its eligible optionees) (see Note 22.6). Options for 440.0 million shares and 431.3 million shares have vested and exercisable as at December 31, 2020 and 2019, respectively. Share option benefits expense, included as part of Salaries and employee benefits amounted to P48.3 million in 2020, P45.7 million in 2019 and P53.5 million in 2018 (see Note 28.1).

29. TAXES

29.1 Current and Deferred Taxes

The tax expense (income) reported in the consolidated statements of comprehensive income for the years ended December 31 are presented below (see Note 37.1).

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Reported in consolidated profit or loss:</i>			
Current tax expense:			
Regular corporate income tax ("RCIT") at 30%, 25%, 20%, 19% and 10%	P 4,190,172,616	P5,847,290,957	P 4,707,781,336
Minimum corporate income tax ("MCIT") at 2%	124,145,803	24,259,585	78,383,637
Final tax at 20% and 15%	95,025,628	315,964,163	128,439,560
Preferential tax rate at 5%	2,470,548	26,812,173	57,336,871
Others	<u>10,851,633</u>	<u>22,348,608</u>	<u>27,904,342</u>
	4,422,666,228	6,236,675,486	4,999,845,746
Deferred tax expense relating to origination and reversal of temporary differences	<u>223,043,409</u>	<u>2,533,168,879</u>	<u>3,107,658,791</u>
	<u>P 4,645,709,637</u>	<u>P8,769,844,365</u>	<u>P 8,107,504,537</u>
<i>Reported in consolidated other comprehensive income –</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u>P 203,940,044</u>	<u>(P 29,947,808)</u>	<u>P 73,774,847</u>

The Company and its Philippine subsidiaries are subject to the higher of RCIT at 30% of net taxable income or MCIT at 2% of gross income, as defined under the Philippine tax regulations. The foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the respective countries or jurisdictions where they operate.

ECOC, SEDI, Travellers, DHRI and LSHRI are Philippine Economic Zone Authority – registered entities which are entitled to 5% preferential tax rate on gross income from registered activities in lieu of all local and national taxes and to other tax privileges.

In May 2014, the Board of Investments approved SPI's application for registration on a certain project. SPI is entitled to income tax holiday for four years from May 2014 or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms. In May 2018, the registration with Board of Investments on the certain project has expired.

The reconciliation of tax on consolidated pretax income computed at the applicable statutory rates to consolidated tax expense is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tax on consolidated pretax income at 30%	P 4,471,596,117	P 10,760,974,341	P 9,531,782,479
Adjustment for income subjected to different tax rates	(278,695,172)	(392,261,409)	(345,795,938)
Tax effects of:			
Income not subject to RCIT	(6,892,435,488)	(11,280,631,715)	(8,201,593,447)
Nondeductible expenses	6,048,086,449	8,656,572,348	7,523,250,639
Tax benefit arising from unrecognized deferred tax asset	1,389,201,783	826,894,719	239,154,803
Adjustments in claiming Optional Standard Deduction (“OSD”)	(216,046,654)	284,614,862	(10,889,592)
Adjustment to current tax from prior years	-	(7,401,358)	(27,793,181)
Others	<u>124,002,602</u>	<u>(78,917,423)</u>	<u>(600,611,226)</u>
Tax expense reported in consolidated profit or loss	<u>P 4,645,709,637</u>	<u>P 8,769,844,365</u>	<u>P 8,107,504,537</u>

The deferred tax assets and liabilities as at December 31 presented in the consolidated statements of financial position relate to the following:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Deferred tax assets:			
Lease liabilities	P 4,823,535,729	P 4,241,570,673	P -
Retirement benefit obligation	807,752,626	687,630,599	711,922,438
Net operating loss carry-over (“NOLCO”)	192,766,983	5,766,629	5,399,215
Allowance for impairment losses	165,110,241	169,307,403	168,828,516
Difference between the fair value and carrying value of net assets acquired	141,225,062	141,225,062	141,225,062
MCIT	112,734,340	2,054,074	5,723,082
Allowance for inventory write-down	31,677,025	18,910,914	8,638,235
Allowance for property development costs	9,227,732	9,227,732	9,227,732
Unrealized foreign currency loss	-	1,627,464	3,988,361
Others	<u>67,577,647</u>	<u>200,008,661</u>	<u>95,541,928</u>
	<u>P 6,351,607,385</u>	<u>P 5,477,329,211</u>	<u>P 1,150,494,569</u>
Deferred tax liabilities – net:			
Uncollected gross profit	P 6,623,820,829	P 7,039,045,027	P 5,655,708,165
Capitalized interest	4,161,467,864	3,620,859,394	2,991,427,467
Right-of-use Asset	3,694,709,140	3,269,619,057	-
Brand valuation	1,807,354,161	1,612,067,160	1,832,968,656
Rent income differential	1,071,596,877	1,173,233,118	1,387,749,156
Unrealized foreign currency loss – net	(374,269,984)	(705,855,183)	(852,134,494)
Fair value adjustment	280,794,649	250,030,968	78,796,405
Retirement benefit obligation	(86,226,360)	(359,341,851)	(268,304,250)
Uncollected rental income	37,264,192	34,979,523	90,717,074
Others	<u>575,792,787</u>	<u>439,636,491</u>	<u>160,602,920</u>
	<u>P 17,792,304,155</u>	<u>P 16,374,273,704</u>	<u>P 11,077,531,099</u>

The net deferred tax expense (income) reported in the consolidated statements of comprehensive income is shown below.

	Consolidated Profit or Loss			Consolidated Other Comprehensive Income		
	2020	2019	2018	2020	2019	2018
Deferred tax expense (income):						
Uncollected gross profit	(P 669,620,316)	P2,119,133,707	P 1,218,405,616	P -	P -	P -
Capitalized interest	592,193,899	629,431,927	742,354,389	-	-	-
Unrealized foreign currency losses - net	331,585,199	148,503,722	179,728,927	-	-	-
Brand valuation	195,287,001	(220,901,496)	193,562,656	-	-	-
NOLCO	(187,000,354)	(367,414)	4,064,715	-	-	-
MCIT	(110,680,266)	3,669,008	(1,299,164)	-	-	-
Rent income differential	(101,636,241)	(214,516,038)	1,091,083,411	-	-	-
Retirement benefit obligation	48,321,237	(249,186,139)	(349,351,745)	208,421,283	(29,007,853)	73,057,872
Fair value adjustments	30,779,550	171,234,563	(42,086,715)	-	-	-
Allowance for impairment losses	10,536,958	(2,998,325)	29,116,331	-	-	-
Uncollected rental income	(3,683,975)	(46,664,018)	50,549,422	-	-	-
Accrued rent	3,399,573	3,299,972	-	-	-	-
Translation adjustments	-	-	-	(4,481,239)	(939,955)	716,975
Others	83,561,144	192,529,410	(8,469,052)	-	-	-
Net deferred tax expense (income)	<u>P 223,043,409</u>	<u>P 2,533,168,879</u>	<u>P3,107,658,791</u>	<u>P203,940,044</u>	<u>(P 29,947,808)</u>	<u>P 73,774,847</u>

The details of NOLCO, which can be claimed as deduction from the respective subsidiaries' future taxable income, are shown below. Specifically, NOLCO incurred in 2020 can be claimed as a deduction within five years after the year it was incurred, pursuant to Section 4 (bbbb) of R.A. No. 11494, *Bayanihan to Recover as One Act* (otherwise known as Bayanihan II) and as implemented under Revenue Regulations No. 25-2020.

Year	Original Amount	Applied	Expired Balance	Remaining Balance	Valid Until
2020	P 5,095,100,079	P -	P -	P 5,095,100,079	2025
2019	2,554,786,152	(149,305)	-	2,554,636,847	2022
2018	498,672,347	(35,976,345)	-	462,696,002	2021
2017	1,025,184,328	(20,256,947)	(1,004,927,381)	-	-
	<u>P 9,173,742,906</u>	<u>(P 56,382,597)</u>	<u>(P 1,004,927,381)</u>	<u>P 8,112,432,928</u>	

Some companies within the Group are subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations. The details of excess MCIT over RCIT, which can be applied as deduction from the entities' respective future RCIT payable within three years from the year the MCIT was paid, are shown below.

Year	Original Amount	Applied	Expired Balance	Remaining Balance	Valid Until
2020	P 115,231,299	P -	P -	P 115,231,299	2023
2019	24,429,671	(3,070,220)	-	21,359,451	2022
2018	70,259,725	(7,861,321)	-	62,398,404	2021
2017	36,220,476	(300,745)	(35,919,731)	-	-
	<u>P 246,141,171</u>	<u>(P 11,232,286)</u>	<u>(P 35,919,731)</u>	<u>P 198,989,154</u>	

The table in the succeeding page summarizes the amount of NOLCO and other deductible temporary differences as at the end of 2020, 2019 and 2018 for which the related deferred tax assets – net have not been recognized by certain subsidiaries within the Group based on their assessments that the related tax benefits may not be realized within the prescriptive period.

	2020		2019		2018	
	Amount	Tax Effect	Amount	Tax Effect	Amount	Tax Effect
NOLCO	P 5,653,621,307	P 1,696,086,392	P 4,059,420,723	P 1,217,826,217	P 1,530,940,587	P 459,282,176
Share-based compensation	523,704,160	157,111,248	523,704,160	157,111,248	647,239,210	194,171,763
Allowance for impairment	447,338,780	134,201,634	314,846,930	94,454,079	283,085,427	84,925,628
MCIT	93,622,327	93,622,327	128,855,798	128,855,798	124,154,674	124,154,674
Retirement benefit obligation	74,443,367	22,333,010	181,307,167	54,392,150	194,235,387	58,270,616
Unrealized foreign currency gains (losses) – net	10,920,953	3,276,286	(1,811,460)	(543,438)	(1,811,460)	(543,438)
	<u>P 6,803,650,894</u>	<u>P 2,106,630,897</u>	<u>P 5,206,323,318</u>	<u>P 1,652,096,054</u>	<u>P 2,777,843,825</u>	<u>P 920,261,419</u>

The total amount of MCIT for which no deferred tax assets have been recognized as of December 31, 2020 and 2019, would expire in full at the end of 2023 and 2022, respectively, while unrecognized deferred taxes from NOLCO as of December 31 2020 and 2019 will expire in full on 2025 and 2022, respectively. All other unrecognized deferred tax assets do not expire.

29.2 Optional Standard Deduction

Philippine corporate taxpayers have an option to claim either itemized deductions or OSD equivalent to 40% of gross sales. Once the option to use OSD is made at the beginning of the year, it shall be irrevocable for that particular taxable year.

In 2020, 2019 and 2018, the Philippine companies within the Group opted to continue claiming itemized deductions in computing for its income tax due, except for EDI, PAI, and AWGI, which opted to claim OSD during the same taxable years.

29.3 Taxation of Casino Operations

Under the Provisional License Agreement with PAGCOR, Travellers is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues. The license fees are directly remitted by Travellers to PAGCOR as required under the Provisional License Agreement.

In April 2013, the Bureau of Internal Revenue (“BIR”) issued Revenue Memorandum Circular (“RMC”) 33-2013 declaring that PAGCOR and its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended [see Note 31.2(c)].

In August 2016, the SC, in *Bloomberry Resorts and Hotels, Inc. vs. BIR*, (the SC Decision) confirmed that “all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos.” The SC Decision has been affirmed with finality by SC in a resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. 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.

Total license fees recognized amounted to P2.6 billion, P5.9 billion and P4.4 billion in 2020, 2019 and 2018, respectively, and are presented as Gaming license fees as part of Cost of Services account in the consolidated statements of comprehensive income (see Note 25). The outstanding liabilities are presented as Gaming license fees payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, jointly controlled entities, the Group's key management personnel and retirement fund, and others (see Note 2.26). The summary of the Group's transactions and balances with its related parties as of and for the years ended December 31, 2020, 2019 and 2018 are as follows:

Related Party Category	Notes	Amount of Transaction			Outstanding Balance Receivable (Payable)	
		2020	2019	2018	2020	2019
Parent Company and subsidiaries'						
stockholders:						
Casino transactions	30.2	P 23,697,780	P 236,735,346	P 222,106,178	(P 66,579)	(P 742,847)
Management fees	30.3	100,326,466	312,928,400	200,375,091	(96,767,702)	(15,216,479)
Accounts payable	30.5	-	-	-	(347,670,510)	(347,670,510)
Acquisition of investment	30.7	5,898,135,038	930,000,000	3,714,285,146	-	(680,000,000)
Sale of financial asset at FVOCI – at cost	11	1,960,000	-	-	-	-
Related party under common ownership:						
Purchase of						
raw materials	30.1	2,775,139,348	3,709,697,815	3,348,852,355	(811,977,473)	(1,019,713,848)
Advances granted	30.4	222,908,412	474,737,422	238,678,133	2,210,600,178	1,987,691,766
Purchase of						
finished goods	30.1	14,824,943	28,098,331	23,643,366	(983,717)	(1,710,514)
Management services	30.1	60,000,000	60,000,000	60,000,000	(110,000,000)	(77,000,000)
Associates –						
Advances granted	30.4	2,252,794	(34,488,474)	(138,316,007)	1,099,313,294	1,097,060,500
Deposit from an associate	31.9	9,901,072,000	-	-	(9,901,072,000)	-
Others:						
Advances from joint venture partners and others						
	30.6	(62,738,157)	(141,282,465)	55,488,129	(2,181,442,496)	(2,244,180,653)
Accounts receivable	30.5	145,115,805	280,683,010	78,811,540	754,074,457	608,958,652
Sales of investment property						
		-	-	-	378,391,250	398,391,250
Accounts payable	30.5	-	-	(75,000,000)	(65,208,430)	(65,208,430)
Donations	31.3(b)	103,557,015	234,453,338	156,673,203	(10,907,256)	(20,012,801)

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

30.1 Purchase of Goods and Management Agreement

Emperador imports raw materials such as alcohol, flavorings and other items, and finished goods through Andresons Global, Inc., a related party under common ownership. These transactions are normally being paid within 30 days. 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.

Moreover, 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 total management fees incurred are presented as part of Outside services under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 25).

The outstanding liability related to these purchases is presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30.2 Casino Transactions with GHL

Travellers recognized outstanding payables to GHL [see Note 1.1(w)] 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 payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30.3 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 as part of Management fees under the Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The outstanding liability arising from this transaction is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30.4 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 outstanding balances of Advances to associates and other related parties, which are shown as part of Due from related parties under Trade and Other Receivables account in the consolidated statements of financial position, are presented as follows [see Notes 6 and 12.1]:

	<u>2020</u>	<u>2019</u>
Associates	P 1,099,313,294	P 1,097,060,500
Other related parties	<u>2,210,600,178</u>	<u>1,987,691,766</u>
	<u>P 3,309,913,472</u>	<u>P 3,084,752,266</u>

The movements in the advances to associates and other related parties are as follows:

	<u>2020</u>	<u>2019</u>
<i>Advances to associates</i>		
Balance at beginning of year	P 1,097,060,500	P 1,131,548,974
Cash advances granted	2,252,794	-
Collections	<u>-</u>	<u>(34,488,474)</u>
Balance at end of year	<u>P 1,099,313,294</u>	<u>P 1,097,060,500</u>
<i>Advances to other related parties</i>		
Balance at beginning of year	P 1,987,691,766	P 1,512,954,344
Cash advances granted	258,517,055	570,167,429
Collections	<u>(35,608,643)</u>	<u>(95,430,007)</u>
Balance at end of year	<u>P 2,210,600,178</u>	<u>P 1,987,691,766</u>

As at December 31, 2020 and 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 (see Note 32.2).

30.5 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billing, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. The amounts due from and to related parties are unsecured, noninterest-bearing and due and demandable any time. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of Due from/to Related Parties are presented under Trade and Other Receivables (see Note 6) and Trade and Other Payables (see Note 17) accounts, respectively, in the consolidated statements of financial position as follows:

	<u>2020</u>	<u>2019</u>
<i>Due from Related Parties</i>		
Officers and employees	P 346,821,504	P 185,600,211
Other related parties	<u>407,252,953</u>	<u>423,358,441</u>
	<u>P 754,074,457</u>	<u>P 608,958,652</u>

	<u>2020</u>	<u>2019</u>
<i>Due to Related Parties</i>		
Stockholder	P 347,670,510	P 347,670,510
Other related parties	<u>65,208,430</u>	<u>65,208,430</u>
	<u>P 412,878,940</u>	<u>P 412,878,940</u>

The details of the due from/to related parties are as follows:

	<u>2020</u>	<u>2019</u>
<i>Due from officers and employees</i>		
Balance at beginning of year	P 185,600,211	P 141,599,434
Additions	163,016,996	66,733,198
Collections	(<u>1,795,703</u>)	(<u>22,732,421</u>)
Balance at end of year	<u>P 346,821,504</u>	<u>P 185,600,211</u>
<i>Due from other related parties</i>		
Balance at beginning of year	P 423,358,441	P 186,676,208
Additions	23,894,512	235,808,087
Collections	(<u>40,000,000</u>)	(<u>68,506</u>)
	407,252,953	422,415,789
Impairment recovery	<u>-</u>	<u>942,652</u>
Balance at end of year	<u>P 407,252,953</u>	<u>P 423,358,441</u>
<i>Due to Related Parties</i>		
Balance at beginning and end of year	<u>P 412,878,940</u>	<u>P 412,878,940</u>

With respect to its due from related parties, the Group under the ECL model recognized an impairment recovery amounting to P0.9 million in 2019, which are presented as part of Finance and Other Income account in the 2019 consolidated statement of comprehensive income (see Note 27).

As at December 31, 2020 and 2019, based on management's assessment, the outstanding balances of Due from officers and employees and related parties are not impaired; hence, no impairment losses were recognized.

30.6 Advances from Related Parties and Joint Operator Partners

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 golf share partners and lot owners which amounted to P277.2 million and P356.2 million in 2020 and 2019, respectively, and is presented as part of Advances from Related Parties in the consolidated statements of financial position (see Note 10.2).

The amortization of deferred interest amounting to P11.3 million in 2018 is presented as part of Interest expense under the Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). No amortization was recognized in 2020 and 2019 as the deferred interest was fully amortized in 2018.

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

	<u>2020</u>	<u>2019</u>
Advances from related parties	P1,904,227,259	P1,887,953,399
Advances from joint operator partners	<u>277,215,237</u>	<u>356,227,254</u>
	<u>P2,181,442,496</u>	<u>P2,244,180,653</u>

The movements in Advances from Related Parties and Joint Operator Partners are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	P2,244,180,653	P 2,385,463,118
Advances availed	24,157,233	32,361,651
Advances paid	(86,895,390)	(173,644,116)
Balance at end of year	<u>P2,181,442,496</u>	<u>P2,244,180,653</u>

30.7 Acquisition of Investments

In 2018, AGI acquired 2,250.0 million shares of PCMI for P3,714.3 million from TAGI, by way of assignment of subscription rights. The acquisition represents 60% ownership in PCMI. In 2019, AGI and TAGI amended the total consideration for the assignment of subscription rights to P4,644.3 million. This resulted in the recognition of subscription payable to Pacific Coast amounting to P930.0 million, which were paid during the same year. In 2020, AGI acquired additional 184.8 million shares of Megaworld and 524.9 million shares of Emperador at a total cost of P5.9 billion. As at December 31, 2019, the outstanding liability from this transaction amounted to P680.0 million which is shown as part of Others under Trade and Other Payables account in the 2019 consolidated statement of financial position [see Notes 1.2(a) and 17]. The outstanding liability was settled in full in 2020.

30.8 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows (see Note 28.1):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Short-term employee benefits	P 664,530,027	P1,013,451,876	P 1,051,064,363
Share-option benefit expense	109,436,279	132,403,058	124,009,692
Retirement benefit expense	<u>25,594,399</u>	<u>18,717,409</u>	<u>26,498,871</u>
	<u>P 799,560,705</u>	<u>P1,164,572,343</u>	<u>P1,201,572,926</u>

30.9 Transactions with the Retirement Plans

The Group has a formal retirement plan 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. Plan assets do not comprise any of the Group's or its related parties' own financial instruments or any of their assets occupied and/or used in its operations. The fair value, carrying amount and the composition of the plan assets as at December 31, 2020 and 2019 are shown in Note 28.2.

31. COMMITMENTS AND CONTINGENCIES

31.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under non-cancellable operating lease agreements covering various office and commercial spaces. The leases have terms ranging from 3 to 20 years, with renewal options, and include annual escalation rate of 5% to 10%.

Future minimum lease receivables under these leases as of December 31 are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Within one year	P 12,632,761,053	P 16,115,991,723	P 13,657,827,621
After one year but not more than two years	20,521,928,927	18,650,355,567	15,596,904,521
After two years but not more than three years	21,458,334,550	20,985,308,875	17,291,315,208
After three years but not more than four years	23,144,750,760	21,954,423,486	19,598,624,786
After four years but not more than five years	25,236,915,271	23,504,678,022	20,530,728,075
More than five years	<u>29,407,145,172</u>	<u>27,249,075,851</u>	<u>22,176,585,590</u>
	<u>P132,401,835,733</u>	<u>P128,459,833,524</u>	<u>P108,851,985,801</u>

31.2 Provisional License Agreement of Travellers with PAGCOR

On June 2, 2008, PAGCOR issued a Provisional License ("License") authorizing Travellers to participate in the development of a portion of certain entertainment sites (Site A and B), which is part of a larger scale integrated tourism project envisioned by PAGCOR, and to establish and operate casinos, and engage in gaming activities in Sites A and B. The term of Travellers' License shall be co-terminus with PAGCOR's franchise which will expire on July 11, 2033, and shall be renewed subject to the terms of the PAGCOR Charter.

(a) *Investment Commitments*

Under the terms of the License, Travellers and WCRWI are required to complete its U.S.\$1.3 billion (about P66.0 billion) investment commitment in phases, which amount is divided into Site A and Site B with the minimum investment of U.S.\$1.1 billion (about P55.8 billion) and U.S.\$216.0 million (about P11.0 billion), respectively (collectively, the “Project”).

Since PAGCOR was only able to turnover and/or deliver possession of Site A property to the Group in 2014, PAGCOR approved a revised project implementation plan for the Westside City Resorts World Project. WCRWI held the groundbreaking rites at Site A on October 1, 2014.

As a requirement in developing the aforementioned Project, Travellers transferred U.S.\$100.0 million (about P5.1 billion) to an escrow account with a local bank mutually agreed by PAGCOR and Travellers. At any given time, the escrow account shall have a maintaining balance of not lower than U.S.\$50.0 million (about P2.5 billion) (see Note 9). For failure to comply with such maintaining balance requirement after a 15-day grace period, Travellers shall be charged by PAGCOR an amount equal to P2.5 million for every 15 calendar days, or a fraction thereof, until the noncompliance is corrected. All funds for the development of the Project shall pass through the escrow deposit and all drawdown therefrom must be applied to the Project, unless Travellers is allowed to use other funds.

As at December 31, 2020, Travellers has spent P92.1 billion for its casino projects pursuant to its investment commitment under the License. It has short-term placements amounting to U.S.\$73.8 million (about P3.0 billion) and U.S.\$64.7 million (about P3.3 billion) as at December 31, 2020 and 2019, respectively, to meet its requirements with PAGCOR in relation to these investment commitments (see Note 9).

(b) *Requirement to Establish a Foundation*

Travellers, in compliance with the requirement of PAGCOR to incorporate and register a foundation for the restoration of cultural heritage, incorporated Resorts World Philippines Cultural Heritage Foundation Inc. (or the “Foundation”), on September 7, 2011 primarily to engage in various activities for charitable, educational, cultural and artistic purposes, and to promote, perpetuate, preserve and encourage Filipino culture.

The Foundation shall be funded by Travellers by setting aside funds on a monthly basis equivalent to 2% of total gross gaming revenues from non-junket tables. PAGCOR sets the guidelines for the utilization of funds as it approves, monitors the implementation, and conducts a post-audit of the projects the Foundation undertakes.

Pursuant to PAGCOR's guidelines, the Foundation is tasked to undertake projects in line with the following disciplines: (i) restoration of cultural heritage; (ii) education infrastructure; and, (iii) environment and health. As of December 31, 2020, the following are the completed and on-going projects of the Foundation:

- Donation of relief goods to typhoon Yolanda victims;
- Construction of school buildings in partnership with the Philippine Department of Education ("DepEd") whereby six school buildings in various public schools in Metro Manila and Luzon were completed and turned over to DepEd and the collegiate universities;
- Computerization project with DepEd through providing a computer laboratory to various public schools in various parts of the country whereby all phases of the said project covering 27 schools have been completed;
- Funding of the construction of a cadet barracks at the Philippine Military Academy ("PMA") in Baguio City in a joint effort with another PAGCOR licensee's foundation, which was completed and turned over to PMA;
- Scholarship program for underprivileged but deserving students enrolled in the field of performing arts;
- Construction of treatment and rehabilitation centers in coordination with the Department of Health in Davao City and Taguig City;
- Donation of funds for medicines, medical supplies and equipment for Philippine National Police Camp Crame General Hospital and Paranaque City; and;
- Construction of the National Capital Region Police Office Medical Center and Administrative Processing Center;
- Donation of medical supplies and relief goods to public hospitals and various government units to aid in the COVID-19 efforts.

Donations to the Foundation are recorded as part of Miscellaneous under Other Operating Expenses account (see Note 26). The outstanding liability, representing donations due for the last month of each year, and which is unsecured, noninterest-bearing and payable in cash upon demand, as at December 31, 2020 and 2019 is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

(c) *Tax Contingencies of Casino Operations*

Under the Travellers' License with the PAGCOR, Travellers is subject to the 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. In 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 (see Note 29.3).

In August 2016, the SC confirmed that “all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos.” The SC Decision has been affirmed with finality by the SC in a Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. 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.

31.3 Participation in the Incorporation of Entertainment City Estate Management, Inc. (“ECEMI”)

As a PAGCOR licensee, Travellers committed itself to take part in the incorporation of ECEMI in 2012, a non-stock, non-profit entity that shall be responsible for the general welfare, property, services and reputation of the Bagong Nayong Pilipino Entertainment City Manila. As at December 31, 2020 and 2019, contributions made to ECEMI booked in favor of Travellers amounted to P1.3 million and is presented as part of Others under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

31.4 Various Hotel Agreements Entered by Travellers

(a) Marriott Group (Marriott and Courtyard Iloilo)

Travellers has various service, license and royalty agreements with Marriott International B.V., Marriott International Design and Construction Services Inc., and International Hotel Licensing Company S.A.R.L., and Marriott International Licensing Company B.V. (collectively hereafter referred to as “Marriott Group”) for the license, supervision, direction, control and management of operations of the Travellers’ Marriott, including the monitoring of its compliance with Marriott Group’s standards.

The service agreements also include certain services in support of Marriott outside the Philippines. Such services are generally made available to hotels in the Marriott System and shall include the international advertising, promotion and sales programs, core training programs and other training programs for the benefit of the Marriott employees, special services and programs for the benefit of the Marriott System, and the reservations system, property management system and other systems.

Further, the license and royalty agreement with Marriott Group grants Travellers a non-exclusive and non-transferable right and license within Metro Manila and Iloilo to use the Marriott Trademarks for hotel services and other related goods and services offered only in connection with Travellers’ Marriott hotels and brands.

(b) Holiday Inn

In 2017, Travellers also entered into a Hotel Management Agreement (“HMA”) with Holiday Inns (Philippines), Inc. for the license, supervision, direction, control and management of operations of Holiday Inn Express (formerly Remington Hotel), including the monitoring of its compliance with the hotel group standards.

The HMA includes security arrangements, refurbishment of the existing structure, rebranding, advertising, promotion and sales programs, core training programs and other training programs for the benefit of the employees, special services, the reservations system, property management system and other systems.

The parties also entered into a Franchise Agreement for the non-exclusive use and non-transferable license to use the brand marks for the hotel services and other related goods offered in connection with Travellers' Holiday Inn Express.

(c) *Hotel Okura Manila*

Also in 2017, Travellers and Hotel Okura Co., Ltd ("Okura") signed another HMA for the license, supervision, direction, control and management of operations of the Hotel Okura Manila, which includes advertising, promotion and sales programs, core training programs and other training programs for the benefit of the employees, special services, the reservations system, property management system and other systems.

The HMA with Okura grants Travellers a non-exclusive and non-transferable right to use the Okura trademarks for hotel services and other related goods and services offered only in connection with the Hotel Okura Manila, which is expected to open in 2021.

(d) *Sheraton Manila Hotel*

In 2017, an Operating Services Agreement ("OSA") was executed between LSHRI and Starwood Asia Pacific Hotels & Recreation PTE. LTD ("Starwood"), a fully-owned company of Marriott Group, for the license, supervision, direction, control and management of operations of the Sheraton Manila Hotel, including the monitoring of its compliance with Marriott Group's standards.

The OSA also includes certain services similar to those covered by the existing agreement with the Marriott Group. Likewise, the license and royalty agreement with Starwood grants LSHRI similar rights provided by Marriott Group to Travellers. In January 2019, Sheraton Manila Hotel started its commercial operations.

(e) *Hilton Manila*

Also in 2017, a Management Agreement ("MA") was executed between DHRI and Hilton International Manage LLC ("Hilton") for the license, supervision, direction, control and management of operations of Hilton Manila, including the monitoring of its compliance with Hilton's standards.

The MA includes design and decoration of the Hilton Manila, advertising, promotion and sales programs, core training programs and other training programs for the benefit of the Hilton employees, special services and programs, and the reservations system, property management system and other systems.

The MA grants DHRI a nonexclusive and nontransferable right to use the Hilton Trademarks for hotel services and other related goods and services offered only in connection with the Hilton Manila. The Hilton Manila started operations in October 2018.

Payments to be made by Travellers for operating these foregoing hotel brands shall be computed based on the provisions of the above agreements. Total expenses recognized from these transactions in 2020, 2019 and 2018 totaled P59.4 million, P181.2 million and P117.1 million, respectively, and are presented as part of Management fees under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). As of 2020, there were no payments yet for the agreements with Okura.

The outstanding liabilities, which are unsecured, noninterest-bearing and payable in cash upon demand, as at December 31, 2020 and 2019 amounted to P17.4 million and P38.4 million, respectively, and are presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

31.5 License Agreements with MRO

MRO granted GADC the nonexclusive right to adopt and use the McDonald's System in its restaurant operations in the Philippines. In March 2005, the license agreement was renewed for another 20 years, and provides for a royalty fee based on certain percentage of gross sales from the operations of GADC's restaurants, including those operated by the franchisees. GADC recognized royalty expenses amounting to P889.2 million, P1,411.9 million and P1,257.2 million in 2020, 2019 and 2018, respectively, which are presented under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The outstanding payable to MRO relating to royalty expenses amounted to P1,115.8 million and P254.8 million as at December 31, 2020 and 2019, respectively, and presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

Individual sublicense arrangements granted to franchisees and joint venturers generally include a lease and a license to use the McDonald's system in the Philippines and, in certain cases, the use of restaurant facility, generally for a period of 10 years provided, however, that should GADC's license rights from McDonald's be terminated at an earlier date or not renewed for any reason whatsoever, these sublicense agreements shall thereupon also be terminated. Revenues recognized from sublicense agreements are presented as Franchise revenues under Rendering of Services in the consolidated statements of comprehensive income (see Note 24.1).

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

In 2018, the consortium of seven conglomerates, which included AGI, was granted an Original Proponent Status ("OPS") for its NAIA project proposal. On November 29, 2019, the National Economic and Development Authority 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 COVID-19 pandemic on airline travel, airline operations and airport passenger traffic, the consortium submitted the proposed changes in the Project's framework to ensure the viability of the NAIA project in the "new normal". On July 10, 2020, the consortium received a notice from the Manila International Airport Authority terminating any further negotiations with the consortium and revoking the OPS and approvals earlier granted.

31.7 Skytrain Project

On October 2017, the Group submitted an unsolicited proposal to the government to build a 2-kilometer automated people mover system called Skytrain that will link Uptown Fort Bonifacio to Guadalupe Station of Metro Rail Transit Line-3. The Group was granted an Original Proponent Status by the DOTr in May 2018 and its proposal is now undergoing review and evaluation at NEDA Board.

31.8 Co-Development Agreement (CDA) 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.

In line with the foregoing, on February 21, 2020, WCRWI and Travellers entered into a lease agreement with SHDI.

- (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 2020, WCRWI received the payment of US\$200.0 million (P9.9 billion) presented as Deposit from SHDI under Trade and Other Payables account in the 2020 consolidated statement of financial position. However, as of December 31, 2020 (see Notes 17 and 30), the Group has yet to comply with certain conditions specified in the CDA.

- (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.

On May 4, 2020, the parties entered into the required agreement. In accordance thereof, 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 December 31, 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.

Travellers' 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 [see Note 3.1(n)]. 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 [see Note 2.4(e)].

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 stock that they will receive. In determining the value of the shares, management assessed that the price of SHDI shares in the PSE of P1.28 per share or a total value of P4.7 billion is a reasonable estimate of its value. In terms of probability of default, management assessed that it is unlikely or remote (see Note 32.2).

As of December 31, 2020, 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.

31.9 Purchase and Sale Commitment

On December 27, 2020, management approved the sale of certain land and buildings in Spain through the signed letter of intent with Global One. The letter of intent stated that the Group will sell and Global One will purchase the assets at a purchase price of €16.6 million (equivalent to P961.7 million), which is equivalent to the net book value of the property, at any time within the period from December 27, 2020 until three years after the COVID-19 pandemic has ended (see Note 16).

31.10 Others

As at December 31, 2020 and 2019, the Group has unused lines of credit from banks and financial institutions totaling P18.2 billion and P32.5 billion, respectively (see Note 18).

On June 2, 2017, a certain individual entered Travellers' premises, fired his assault rifle, and set ablaze gaming furniture and equipment in the casino which resulted to physical damages on a portion of the Travellers' properties. The individual forcibly entered the casino area with a clear motive to rob and he started fires as a diversionary tactic. The smoke from the fires caused the death of several employees and guests, as well as physical injuries to a number of people. In 2018, Travellers' fully collected the claims accrued as of December 31, 2017 and received additional recoveries for business interruption. Further in 2019, Travellers' received P69.4 million as recoveries for third party claims paid by the Group to the victims in 2017. The Group presented the income from these recoveries under Finance and Other Income account in the 2019 and 2018 consolidated statements of comprehensive income (see Note 27).

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, interest-bearing loans, bonds payable, trade receivables and payables and derivative liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures or working capital requirements. 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 (which includes other price risk), credit risk and liquidity risk.

32.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, U.S. dollars, Euros and U.K. pounds, 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. The Group has no significant exposure to changes in foreign currency exchange rates for Euros and U.K. pounds since these currencies are not significant to the Group's consolidated financial statements.

Foreign currency denominated financial assets and liabilities, translated into Philippine pesos at period-end closing rate are as follows:

	2020		2019	
	U.S. Dollars	HK Dollars	U.S. Dollars	HK Dollars
Financial assets	P 18,398,371,318	P 2,101,047,856	P 3,672,859,651	P 2,731,732,048
Financial liabilities	(40,502,064,230)	(327,936,484)	(25,210,975,247)	(935,065,026)
	<u>(P 22,103,692,912)</u>	<u>P 1,773,111,372</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 financial liabilities and the U.S. dollar – Philippine peso exchange rate assumes +/- 6.34% and +/- 8.62% changes in exchange rate for the years ended December 31, 2020 and 2019, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 6.44% and +/- 8.66% changes for the years ended December 31, 2020 and 2019. These percentages have been determined based on the average market volatility in exchange rates in the previous year and 12 months, respectively, estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened against the U.S. dollar, with all other variables held constant, consolidated profit before tax would have increased by P1.4 billion for the year ended December 31, 2020 and increased by P1.8 billion for the year ended December 31, 2019. If in 2020 and 2019, the Philippine peso had strengthened against the HK dollar, with all other variables held constant, consolidated profit before tax would have decreased by P0.1 billion and P0.2 billion for the years ended December 31, 2020 and 2019, respectively.

However, if the Philippine peso had weakened against the U.S. dollar and the HK dollar by the same percentages, then consolidated profit before tax would have changed at the opposite direction by the same amounts.

The Group periodically reviews the trend of the foreign exchange rates and monitors its non-functional currency cash flows as part of the Group's foreign exchange risk management strategy consistent with its use and/or entering into cross currency swap agreements.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) *Interest Rate Sensitivity*

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to fixed interest rates.

The sensitivity of the consolidated income before tax for the period to a reasonably possible change in interest rates of +/- 2.05% for Philippine peso and +/- 2.13% 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 year and 12 months, respectively, estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held as at December 31, 2020 and 2019, with effect estimated from the beginning of the period. All other variables held constant, the consolidated income before tax would have decreased by P0.6 billion and P0.1 billion for the years ended December 31, 2020 and 2019, respectively. Conversely, if the interest rates decreased by the same percentage, consolidated income before tax would have been higher by the same amount.

32.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, which include granting loans and receivables to customers and other counterparties, and placing deposits.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as follows:

	Notes	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	5	P 69,697,688,432	P 51,270,580,951
Trade and other receivables	6	55,880,547,328	60,692,417,148
Contract assets	24.2	19,380,726,313	18,643,004,687
Due from related parties	6	4,063,987,929	3,693,710,918
Restricted short-term placements and time deposits	9	3,077,607,181	3,401,661,281
Property mortgage receivable	9	613,935,936	636,946,200
Refundable and other deposits	9	<u>2,084,369,921</u>	<u>1,866,519,209</u>
		<u>P 154,798,863,040</u>	<u>P 140,204,840,394</u>

The credit risk for cash and cash equivalents are considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash and cash equivalents in banks in the Philippines are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

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.

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.

ECL for advances to associates and other related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

Based on the Group's assessment, total loss allowance amounted to P1.4 billion and P1.1 billion as of December 31, 2020 and 2019, respectively, which is mostly coming from receivables from real estate sales.

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.

The estimated fair value of collateral and other security enhancements held against trade receivables are as follows:

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>
<u>2020</u>			
Real estate sales receivables	P 25,161,593,375	P 51,002,905,196	P -
Contract assets	19,380,726,313	36,253,449,145	-
Rental receivables	<u>4,412,404,797</u>	<u>7,685,122,965</u>	<u>-</u>
	<u>P48,954,724,485</u>	<u>P94,941,477,306</u>	<u>P -</u>
<u>2019</u>			
Real estate sales receivables	P 28,426,905,161	P 44,895,455,760	P -
Contract assets	18,643,004,687	35,512,470,476	-
Rental receivables	<u>4,274,038,207</u>	<u>5,889,977,004</u>	<u>-</u>
	<u>P 51,343,948,055</u>	<u>P 86,297,903,240</u>	<u>P -</u>

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

	<u>2020</u>	<u>2019</u>
Not more than 30 days	P 1,900,321,575	P 8,516,887,213
31 to 60 days	1,702,476,239	1,929,541,976
Over 60 days	<u>4,499,027,092</u>	<u>1,939,989,544</u>
	<u>P 8,101,824,906</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 [see Note 31.9(iv)].

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. In 2020 and 2019, the Group wrote off receivables amounting to P0.4 million and P69.9 million, respectively. There are no write-offs made in 2018.

32.3 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. Fundraising activities may include obtaining bank loans and capital market issues.

As at December 31, 2020 and 2019, the Group's financial liabilities (excluding lease liabilities – see Note 13.3) 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
December 31, 2020:				
Trade and other payables	P 45,205,848,778	P 15,140,777,051	P -	P -
Interest-bearing loans	27,993,950,057	25,580,114,668	129,359,591,892	809,092,749
Bonds payable	-	1,846,322,250	29,154,792,750	18,199,639,500
ELS	99,750,000	3,443,750,000	-	-
Advances from related parties	-	2,181,442,496	-	-
Redeemable preferred shares	-	257,384,324	251,597,580	1,574,159,348
Subscription payable	-	1,114,665,008	-	-
Guaranty deposits	-	18,471,898	424,524,542	454,344,271
Accrued rent	-	-	11,538,105	-
Derivative liabilities*	1,049,127,427	-	78,333,347	-
Other liabilities	-	3,164,723,364	3,255,223,656	-
	<u>P 74,348,676,262</u>	<u>P 52,747,651,059</u>	<u>P162,535,601,872</u>	<u>P 21,037,235,868</u>
December 31, 2019:				
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
Accrued rent	-	-	24,284,786	-
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>P186,089,774,305</u>	<u>P 2,527,440,549</u>

*This includes Slot jackpot liability, which is presented as part of Trade and Other Payables account (see Note 17).

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

32.4 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 at December 31, 2020 and 2019 are summarized below.

	<u>Observed</u> <u>Volatility Rates</u>		<u>Impact on Equity</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
2020 - Investment in quoted equity securities at:				
FVOCI	+66.28%	-66.28%	P 39,004,393	(P 39,004,393)
FVPL	+66.28%	-66.28%	P1,860,908,480	(1,860,908,480)
2019 - Investment in quoted equity securities at:				
FVOCI	+28.93%	-28.93%	P 18,768,068	(P 18,768,068)
FVPL	+28.93%	-28.93%	780,971,707	(780,971,707)

The maximum additional estimated 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 12 months at 95% confidence level.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

The Group is also exposed to other price risk in respect of its financial instruments at marketable debt securities and derivative financial assets and liabilities arising from foreign exchange margins trading spot and forward. These financial instruments will continue to be measured at fair value based on quoted prices for marketable debt and equity securities, and index reference provided by certain foreign financial institution for derivative financial assets.

33. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

33.1 Carrying Values and Fair Values 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.

Financial assets

Financial assets at amortized cost:					
Cash and cash equivalents	5	P 69,697,688,432	P 69,697,688,432	P 51,270,580,951	P 51,270,580,951
Trade and other receivables	6	59,944,535,257	59,947,974,952	64,386,128,066	64,824,686,699
Other financial assets	9	5,775,913,038	5,803,974,011	5,905,126,690	5,817,062,616
		<u>P 135,418,136,727</u>	<u>P 135,449,637,395</u>	<u>P121,561,835,707</u>	<u>P 121,912,330,226</u>
Financial assets at FVTPL:					
Marketable debt and equity securities	7	<u>P 9,788,321,208</u>	<u>P 9,788,321,208</u>	<u>P 12,045,110,108</u>	<u>P 12,045,110,108</u>
Financial assets at FVOCI –					
Equity securities	11	<u>P 396,914,433</u>	<u>P 396,914,433</u>	<u>P 416,657,341</u>	<u>P 416,657,341</u>
Financial liabilities					
Financial liabilities at FVTPL –					
Derivative liabilities*	17, 21	<u>P 1,108,228,040</u>	<u>P 1,108,228,040</u>	<u>P 809,403,486</u>	<u>P 809,403,486</u>

Notes	2020		2019		
	Carrying Values	Fair Values	Carrying Values	Fair Values	
Financial liabilities at amortized cost:					
Current:					
Trade and other payables	17	P 60,529,715,231	P 60,529,715,231	P 56,940,281,897	P 56,940,281,897
Interest-bearing loans	18	49,545,524,642	50,353,603,335	40,869,676,836	40,568,501,427
Subscription payable	21	1,114,665,008	1,114,665,008	1,114,665,008	1,114,665,008
Redeemable preferred shares	20	251,597,580	251,597,580	251,597,580	251,597,580
Advances from related parties	30	2,181,442,496	2,181,442,496	2,244,180,653	2,244,180,653
ELS	21	3,443,750,000	3,443,750,000	1,836,250,000	1,836,250,000
Commission payable	21	3,164,723,364	3,164,723,364	1,700,760,516	1,700,760,516
		<u>P 120,231,418,321</u>	<u>P 121,039,497,014</u>	<u>P104,957,412,490</u>	<u>P104,656,237,081</u>
Non-current:					
Bonds payable	19	P 40,282,855,986	P 43,032,299,663	P 24,623,883,690	P 23,667,412,590
Interest-bearing loans	18	124,371,416,317	121,262,609,744	138,283,436,876	137,520,164,323
ELS	21	-	-	3,443,750,000	3,443,750,000
Redeemable preferred shares	20	1,464,659,539	1,688,949,585	1,580,915,329	1,810,767,064
Retention payable	21	3,255,790,866	3,255,790,866	3,698,890,599	3,698,890,599
Security deposits	21	759,328,648	794,092,056	735,004,738	667,137,320
Accrued rent	21	11,538,105	11,538,105	24,284,786	24,284,786
		<u>P 170,145,589,461</u>	<u>P 170,045,280,019</u>	<u>P172,390,166,018</u>	<u>P 170,832,406,682</u>

See Notes 2.4 and 2.13 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 32.

33.2 Offsetting of Financial Assets and Financial Liabilities

Currently, the Group's financial assets and financial liabilities are settled on a gross basis because there is no relevant offsetting arrangement on them as of December 31, 2020 and 2019. In subsequent reporting periods, each party to the financial instruments (particularly those involving related parties) may decide to enter into an offsetting arrangement in the event of default of the other party.

34. FAIR VALUE MEASUREMENT AND DISCLOSURES

34.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or

non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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 technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3

34.2 Financial Instruments Measurements at Fair Value

The tables below and in the succeeding page show the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2020 and 2019.

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL – Debt and equity securities	P 9,788,321,208	P -	P -	P 9,788,321,208
Financial assets at FVOCI – Equity securities	58,847,908	127,200,000	210,866,525	396,914,433
	<u>P 9,847,169,116</u>	<u>P 127,200,000</u>	<u>P 210,866,525</u>	<u>P 10,185,235,641</u>
	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Financial liability at FVTPL – Derivative liabilities*	<u>P -</u>	<u>P 1,108,228,040</u>	<u>P -</u>	<u>P 1,108,228,040</u>
	2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL – Debt and equity securities	P 12,045,110,108	P -	P -	P 12,045,110,108
Derivative asset				
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>
Financial liabilities:				
Financial liability at FVTPL – Derivative liabilities*	<u>P -</u>	<u>P 809,403,486</u>	<u>P -</u>	<u>P 809,403,486</u>

*This includes Slot jackpot liability, which is presented as part of Trade and Other Payables account (see Note 17).

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below are the information about how the fair values of the Company's classes of financial assets are determined.

(a) *Equity Securities*

As at December 31, 2020 and 2019, equity securities classified as financial assets at FVTPL or at FVOCI included in Level 1 were valued based on their market prices quoted in various stock exchanges and converted into Philippine peso amounts at the translation rates at the end of each reporting period.

Golf club shares classified as financial assets at FVOCI in 2020 and 2019 are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity securities held in private companies are included in Level 3 since its market value is not quoted in an active market. The fair value was determined using the discounted cash flows model as the valuation technique. In determining the fair value, the management assumes a discount rate of 5%, terminal growth rate of 1% to 5%, using three-to-five year financial projections. Management assessed that based on the valuation technique used, the fair value of these financial instruments approximate their carrying values and any fair value changes are not material to the consolidated financial statements.

A reconciliation of the carrying amounts of Level 3 FVOCI equity securities at the beginning and end of 2020 and 2019 is shown below.

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	P 215,583,274	P 218,533,274
Fair value losses	(2,756,749)	(2,950,000)
Disposal	(1,960,000)	-
Balance at end of year	<u>P 210,866,525</u>	<u>P 215,583,274</u>

(b) *Debt Securities*

The fair value of the Group's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1.

(c) *Derivative Financial Instruments*

The fair value of derivative financial instruments is measured at inputs other than quoted prices that are indirectly observable for the financial instruments and are categorized within Level 2. The fair value is derived from prices set in the derivative contracts.

34.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The tables in the succeeding page show the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2020 and 2019.

		2020			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	P	69,697,688,432	P -	P -	P 69,697,688,432
Trade and other receivables		-	89,627,074	59,858,347,878	59,947,974,952
Other financial assets		<u>3,077,607,181</u>	<u>-</u>	<u>2,726,366,830</u>	<u>5,803,974,011</u>
		<u>P 72,775,295,613</u>	<u>P 89,627,074</u>	<u>P 62,584,714,708</u>	<u>P 135,449,637,395</u>
Financial liabilities:					
Current:					
Trade and other payables	P	-	P -	P 60,529,715,231	P 60,529,715,231
Interest-bearing loans		-	-	50,353,603,335	50,353,603,335
Subscription payable		-	-	1,114,665,008	1,114,665,008
Advances from related parties		-	-	2,181,442,496	2,181,442,496
Redeemable preferred shares		-	-	251,597,580	251,597,580
ELS		-	-	3,443,750,000	3,443,750,000
Commission payable		-	-	3,164,723,364	3,164,723,364
Non-current:					
Bonds payable		43,032,299,663	-	-	43,032,299,663
Interest-bearing loans		-	-	121,262,609,744	121,262,609,744
Redeemable preferred shares		-	-	1,688,949,585	1,688,949,585
Retention payable		-	-	3,255,790,866	3,255,790,866
Security deposits		-	-	794,092,056	794,092,056
Accrued rent		<u>-</u>	<u>-</u>	<u>11,538,105</u>	<u>11,538,105</u>
		<u>P 43,032,299,663</u>	<u>P -</u>	<u>P 248,052,477,370</u>	<u>P 291,084,777,033</u>
		2019			
		Level 1	Level 2	Level 3	Total
Financial assets:					
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		<u>3,401,384,081</u>	<u>-</u>	<u>2,415,678,535</u>	<u>5,817,062,616</u>
		<u>P 54,671,965,032</u>	<u>P 109,940,351</u>	<u>P 63,115,067,901</u>	<u>P 117,896,973,284</u>
Financial liabilities:					
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		<u>-</u>	<u>-</u>	<u>24,284,786</u>	<u>24,284,786</u>
		<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 with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

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

34.4 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 Level 3 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 at December 31, 2020 and 2019, the fair value of the Group's investment property amounted to P454.2 billion and P440.7 billion, respectively (see Note 14) and 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.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2020 and 2019.

35. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

It monitors capital using the liabilities-to-equity ratio as shown below.

	<u>2020</u>	<u>2019</u>
Total liabilities	P 372,673,324,966	P 347,359,532,963
Total equity	<u>295,819,460,201</u>	<u>297,116,795,504</u>
Liabilities-to-equity ratio	<u>1.26:1.00</u>	<u>1.17:1.00</u>

The Group has complied with financial covenant obligations that require maintaining certain liabilities-to-equity ratios for both periods.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities in 2020, 2019 and 2018 is presented below and in the succeeding pages. The details of net cash flows are presented in the consolidated statements of cash flows.

	Interest-bearing Loans (see Note 18)	Bonds Payable (see Note 19)	Derivative Liabilities (see Note 21)	ELS (see Note 21)	Redeemable Preferred Shares (see Note 20)	Total*
Balance as of January 1, 2020	P 179,153,113,712	P 24,623,883,690	P 242,417,137	P 5,280,000,000	P 1,832,512,909	P 211,131,927,448
Cash flows from financing activities:						
Borrowings availed	23,111,920,680	16,692,935,192	-	-	-	39,804,855,872
Payment of borrowings	(26,034,969,977)	-	-	-	-	(26,034,969,977)
Redemption of preferred shares	-	-	-	-	(251,597,580)	(251,597,580)
Non-cash activities:						
Foreign currency adjustment	(2,352,752,914)	(1,077,137,260)	-	-	-	(3,429,890,174)
Conversion of ELS	-	-	-	(1,836,250,000)	-	(1,836,250,000)
Amortization of transaction costs	39,629,458	43,174,364	-	-	-	82,803,822
Unrealized loss on cash flow hedges	-	-	606,589,407	-	-	606,589,407
Accretion of redeemable preferred shares	-	-	-	-	135,341,790	135,341,790
Balance at December 31, 2020	<u>P 173,916,940,959</u>	<u>P 40,282,855,986</u>	<u>P 849,006,544</u>	<u>P 3,443,750,000</u>	<u>P 1,716,257,119</u>	<u>P 220,208,810,608</u>

*Excluding lease liabilities (see Note 13.3)

	Interest-bearing Loans (see Note 18)	Bonds Payable (see Note 19)	Derivative Liabilities (see Note 21)	ELS (see Note 21)	Redeemable Preferred Shares (see Note 20)	Total*
Balance as of January 1, 2019	P 167,401,953,304	P 25,102,042,365	P -	P 5,258,801,592	P 1,963,861,825	P 199,726,659,086
Cash flows from financing activities:						
Borrowings availed	30,677,150,000	-	-	-	-	30,677,150,000
Payment of borrowings	(16,580,133,659)	-	-	-	-	(16,580,133,659)
Redemption of preferred shares	-	-	-	-	(251,597,580)	(251,597,580)
Non-cash activities:						
Foreign currency adjustment	(2,450,405,725)	(493,907,863)	-	-	-	(2,944,313,588)
Amortization of transaction costs	104,549,792	15,749,188	-	21,198,408	-	141,497,388
Unrealized loss on cash flow hedges	-	-	242,417,137	-	-	242,417,137
Accretion of redeemable preferred shares	-	-	-	-	120,248,664	120,248,664
Balance at December 31, 2019	<u>P 179,153,113,712</u>	<u>P 24,623,883,690</u>	<u>P 242,417,137</u>	<u>P 5,280,000,000</u>	<u>P 1,832,512,909</u>	<u>P 211,131,927,448</u>

*Excluding lease liabilities (see Note 13.3)

	Interest-bearing Loans <u>(see Note 18)</u>	Bonds Payable <u>(see Note 19)</u>	Derivative Liabilities <u>(see Note 21)</u>	ELS <u>(see Note 21)</u>	Redeemable Preferred Shares <u>(see Note 20)</u>	<u>Total</u>
Balance as of January 1, 2018	P 140,973,563,187	P 34,364,985,052	P 109,913,612	P 5,227,114,518	P 2,108,620,383	P 182,784,196,752
Cash flows from financing activities:						
Borrowings availed	59,942,342,396	-	-	-	-	59,942,342,396
Payment of borrowings	(36,010,504,182)	(10,425,600,000)	-	-	-	(46,436,104,182)
Redemption of preferred shares	-	-	-	-	(251,597,580)	(251,597,580)
Non-cash activities:						
Foreign currency adjustment	2,421,252,088	1,139,294,915	-	-	-	3,560,547,003
Additions due to consolidation of new subsidiaries	575,802	-	-	-	-	575,802
Amortization of transaction costs	74,724,013	23,362,398	-	31,687,074	-	129,773,485
Reversal of unrealized loss on cash flow hedges	-	-	(109,913,612)	-	-	(109,913,612)
Accretion of redeemable preferred shares	-	-	-	-	106,839,022	106,839,022
Balance at December 31, 2018	<u>P 167,401,953,304</u>	<u>P 25,102,042,365</u>	<u>P -</u>	<u>P 5,258,801,592</u>	<u>P 1,963,861,825</u>	<u>P 199,726,659,086</u>

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

37.1 Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, R.A. No. 11534, *CREATE Act*, amending certain provisions of the Philippine National Internal Revenue Code of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to the Group:

- regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;
- minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- the imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
- the allowable deduction for interest expense is reduced to 20% (from 33%) of the interest income subjected to final tax.

For subsidiaries with PEZA-registered activities, they may still avail of the 5% gross income tax for 10 years. After expiration of the transitory period of 10 years, they have an option to reapply and avail of the incentives provided under the CREATE Act and may still be extended for a certain period not exceeding 10 years at any one time.

Given that the CREATE Act was signed after the end of the current reporting period, the Group determined that this event is a non-adjusting subsequent event. Accordingly, its the Group's consolidated financial statements as of and for the year ended December 31, 2020 were not adjusted, and instead, will take this up prospectively in the next applicable reporting period. The Group used the prevailing tax rates as of December 31, 2020 in determining its current and deferred taxes in its 2020 consolidated financial statements.

As a result of the application of the lower RCIT rate of either 25% or 20% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the respective 2020 annual income tax return of some entities within the Group, would be lower than the amount presented in the respective 2020 financial statements.

In addition, the recognized net deferred tax assets and liabilities as of December 31, 2020 would be remeasured to 25% in the 2021 consolidated financial statements. This will result in a decline in the recognized deferred tax assets and liabilities in 2020 and will be charged to 2021 profit or loss, unless it can be recognized in other comprehensive income as provided in the applicable financial reporting standards.

37.2 Cancellation of Megaworld's Perpetual Capital Securities

On January 30 to February 2, 2021, RHGI made on-market purchases of all of Megaworld's U.S. \$200.0 million outstanding perpetual capital securities (see Notes 9 and 22.8). On April 1, 2021, the cancellation of Megaworld's perpetual capital securities was completed in accordance with the terms and conditions of the securities.



**Report of Independent Auditors
to Accompany Supplementary
Information Required by the
Securities and Exchange
Commission Filed Separately
from the Basic Consolidated
Financial Statements**

Punongbayan & Araullo

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

T +63 2 8988 2288

**The Board of Directors and the Stockholders
Alliance Global Group, Inc. and Subsidiaries**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Global Group, Inc. and subsidiaries (the Group) for the year ended December 31, 2020, on which we have rendered our report dated April 30, 2021. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8533234, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 30, 2021

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

- A. Statement of Management’s Responsibility for the Consolidated Financial Statements**
- B. Independent Auditors’ Report on the SEC Supplementary Schedules
Filed Separately from the Basic Consolidated Financial Statements**
- C List of Supplementary Information**

Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68

	<u>Page No.</u>
A. Financial Assets	1
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	2
C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements	3
D. Long-term Debt	4
E. Indebtedness to Related Parties (Long-term Loans from Related Companies)	8
F. Guarantees of Securities of Other Issuers	9
G. Capital Stock	10

Other Required Information

Reconciliation of Retained Earnings Available for Dividend Declaration

Map Showing the Relationship Between and Among the Company and its Related Entities

Alliance Global Group, Inc. and Subsidiaries
Schedule A - Financial Assets (Marketable Securities)
December 31, 2020

Financial Asset/Name of Banks	Amount Shown in Statement of Financial Position		Income Received and Accrued	
Financial Assets at Fair Value Through Profit or Loss				
HSBC Private Bank	P	9,734,412,519	P	4,297,814
Bank of Singapore		1,357,457		334,839
Derivative financial assets		52,551,232		-
		<u>9,788,321,208</u>		<u>4,632,653</u>
Financial Assets at Fair Value Through Other Comprehensive Income				
Various unquoted equity instruments		210,866,525		-
Various quoted equity instruments		58,847,908		2,496
Various club shares		127,200,000		-
		<u>396,914,433</u>		<u>2,496</u>
Total Financial Assets	P	<u>10,185,235,641</u>	P	<u>4,635,149</u>

Alliance Global Group, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2020

<i>Name and Designation of Debtor</i>	<i>Balance at the Beginning of Period</i>		<i>Deductions</i>		<i>Ending Balance</i>		<i>Balance at the End of Period</i>
			<i>Additions</i>	<i>Amounts Collected</i>	<i>Impairment</i>	<i>Current</i>	
Advances to Officers and Employees:							
Travellers - Officers and employees	P	88,156,829	P -	P -	P -	P 88,156,829	P 88,156,829
Travellers - Other related parties		66,034,653	23,894,512	-	-	89,929,165	89,929,165
Megaworld - Officers and employees		3,222,437	1,378,485	1,795,703	-	2,805,219	2,805,219
Emperador - Officers and employees		33,518,316	10,780,936	-	-	44,299,252	44,299,252
GADC - Officers and employees		60,702,629	150,857,575	-	-	211,560,204	211,560,204
- Other related parties		<u>357,323,788</u>	<u>-</u>	<u>40,000,000</u>	<u>-</u>	<u>317,323,788</u>	<u>317,323,788</u>
	P	<u>608,958,652</u>	P	<u>186,911,508</u>	P	<u>41,795,703</u>	P
				<u>-</u>		<u>754,074,457</u>	<u>754,074,457</u>

Legend:

Megaworld - Megaworld Corporation
Travellers - Travellers International Hotel Group, Inc.
Emperador - Emperador Inc.
GADC - Golden Arches Development Corporation

Alliance Global Group, Inc. and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2020

<i>Name and Designation of Debtor</i>			<i>Deductions</i>		<i>Ending Balance</i>		<i>Balance at End of Period</i>	
			<i>Amounts Collected</i>	<i>Amounts Written off</i>	<i>Current</i>	<i>Not current</i>		
<i>Due from Related Parties</i>								
New Town Land Partners, Inc.	P	2,894,403,740	P	-	P	-	P	2,894,403,740
Venezia Universal, Ltd.		3,541,956,832		-	P	1,172,054,673		2,369,902,159
Greenspring Investment Holdings Properties Ltd.		2,845,121,595		78,429,939		-		2,923,551,534
Alliance Global Brands, Inc.		403,555,608		-		-		403,555,608
Alliance Global Group Cayman Islands, Inc.		16,246,550		270,122,636		-		286,369,186
McKester Pik-nik International Limited		17,316,368,341		-		1,001,633,071		16,314,735,270
Empire East Land Holdings Inc.		450,000,000		-		73,815,826		376,184,174
Travellers International Hotel Group, Inc.		2,974,786,250.00		-		310,370,187		2,664,416,063

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Long-Term Debt
December 31, 2020

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption "Long-Term Debt" in Related Statement of Financial Position
Loans:			
Interest-bearing loans	P 110,772,648,464	P 45,078,795,464	P 65,693,853,000
Foreign borrowings:			
AG Cayman	\$ 700,000,000	-	33,585,614,557
Emperador	€ 370,000,000	-	23,490,000,729
Emperador	€ 37,097,670	549,716,890	1,601,948,031
Emperador	£ 61,203,317	3,917,012,288	-
		<u>49,545,524,642</u>	<u>124,371,416,317</u>
Bonds Payable:			
Issuer:			
Megaworld	P 11,973,903,096	-	11,973,903,096
Megaworld	\$ 600,000,000	-	28,308,952,890
		<u>-</u>	<u>40,282,855,986</u>
		P 49,545,524,642	P 164,654,272,303

a Interest-bearing loans include loans obtained by Megaworld pertaining to the following:

- 1.) Seven-year loan obtained by Megaworld from a local bank in two tranches in March and June 2015 to fund various real estate projects and retire currently maturing obligations. Quarterly principal repayment on this seven-year loan commenced in June 2016 and interest is paid quarterly.
- 2.) Five-year foreign-currency denominated loan obtained by Megaworld from a local bank in December 2017 amounting to U.S. \$98.87 million payable quarterly with a grace period of one year upon availment. The principal repayment shall commence in March 2019 and a floating interest is paid quarterly. Megaworld entered into a cross-currency swap transaction to hedge the U.S. dollar exposure of the loans.
- 3.) Three-year loan obtained by Megaworld from a local bank in July 2018. The principal is payable upon maturity while interest is payable quarterly and commenced in October 2018.
- 4.) Five-year loan obtained by Megaworld from a local bank in December 2018. The principal repayment is quarterly after two years from availment. Interest is payable quarterly.
- 5.) Three-year loan obtained by Megaworld from a local bank in December 2018. The principal repayments shall commence on September 2019 and interest is paid quarterly.
- 6.) Five-year loan obtained by Megaworld from a local bank in November 2016. The principal repayments commenced in February 2018 and interest is paid quarterly.
- 7.) Seven-year loan obtained by Megaworld from a local bank in November 2015. The principal repayments commenced in November 2016 and interest is payable semi-annually.
- 8.) Five-year loan obtained by Megaworld from a local bank in December 2015. The principal repayments commenced in March 2017 and interest is paid quarterly.
- 9.) Seven-year loan obtained by Megaworld from a local bank in 2014. The principal repayments commenced in August 2015 while interest is paid semi-annually.
- 10.) Five-year loan obtained by Megaworld in August 2016 from a local bank with a grace period of two years from availment. The principal repayment commenced in November 2018 and interest is paid quarterly.
- 11.) Five-year loan obtained by Megaworld in December 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan shall commence on December 2020.

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Long-Term Debt (continuation)
December 31, 2020

12.) *Five-year loan obtained by Megaworld in September 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan shall commence on December 2020.*

13.) *Five-year loan obtained by Megaworld in March 2020 from a local bank. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayments on the loan shall commence in June 2022 and interest is paid quarterly.*

b Interest-bearing loans include loans obtained by EELHI pertaining to the following:

1.) *Seven-year loan obtained by EELHI in 2015 from a local bank released in three tranches from 2015-2016. Proceeds were used to fund development of various real estate projects.*

2.) *Three-year loan obtained by EELHI from a local bank in February 2018 where the proceeds of the loan were used to fund various real estate projects. The principal is payable quarterly with a one-year grace period together with interest payable monthly in arrears.*

3.) *Loans obtained by EELHI from local banks by assigning trade receivables on a with recourse basis (see Note 6). The loans are secured by certain residential and condominium units for sale with carrying value of P28.5 million as of December 31, 2020 and 2019.*

4.) *90-day unsecured loans obtained by EELHI from local banks in 2020. The proceeds of the loan were used to fund the development of EELHI's various real estate projects. The principal of the loan is payable upon maturity and interest is payable monthly.*

c Five-year loan obtained by LFI from a local bank in December 2015. Quarterly installments began in March 2017, plus interest.

d Interest-bearing loans obtained by SPI include the following:

1.) *Seven-year loan obtained by SPI from a local bank in 2018 to fund the acquisition of STLI. Principal repayment is payable on a monthly basis after a grace period of three years from the date of availment.*

2.) *Five-year loan obtained by SPI from a local bank in 2017 and 2016, payable on a monthly basis after a grace period of two years from the date of availment. The loan bears floating interest which is subject to repricing every 30-180 days.*

3.) *Three-year loan obtained by SPI from a local bank in 2018. The principal repayment is payable on a monthly basis after a grace period of two years from date of availment.*

4.) *Outstanding balance of short-term loans availed in 2020 by SPI from local banks.*

5.) *Loans obtained by SPI from a local bank in 2015 through assignment of trade receivables. The loans are being paid as the receivables are collected.*

e Interest-bearing loans obtained by GERI include the following:

1.) *Five-year loan obtained by GERI in 2019 from a local bank payable quarterly for a term of five years, plus interest.*

2.) *Five-year loan availed by GERI in 2017 from a local bank payable quarterly commencing on the beginning of the fifth quarter from the initial drawdown date.*

3.) *Five-year loan obtained by GERI from a local bank in 2016, with a grace period of two years on principal installment. The loan is payable in quarterly installments of P125.0 million commencing on the 9th quarter from the date of initial drawdown and balloon payment at the end of five years.*

4.) *Seven-year loan obtained by GERI in 2020 from a local bank. The loan is payable quarterly with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2022. The loan bears a floating interest rate and is payable quarterly.*

5.) *Five-year loan obtained by GERI in 2020 from a local bank payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in December 2022. The loan bears a fixed interest rate and is payable quarterly.*

Alliance Global Group, Inc. and Subsidiaries
Schedule E - Long-Term Debt (continuation)
December 31, 2020

- f** *Five-year loan obtained by OFPI from a local bank in 2015.*
- g** *Five-year loan obtained by TLC in August and November 2019 from a local bank. The loan is payable in quarterly installments commencing November 2020. In March 2020, TLC obtained additional interest-bearing loan amounting to P500.0 million. The loan bears floating interest rates and quarterly installments beginning in November 2020 are due until the loan is fully settled in 2024.*
- h** *Five-year foreign-currency denominated loan obtained by EIL in 2019 from international financial institutions to refinance its maturing loan. The loan is repayable in full at maturity.*
- i** *Interest-bearing loans obtained by EDI include the following:*
- 1.) Five-year loan obtained by EDI in three tranches totaling P2,000.0 million in 2016 from a local bank. Principal repayment is in 12 equal quarterly payments starting on the ninth quarter after the initial drawdown.*
 - 2.) In 2018, EDI obtained additional unsecured, interest-bearing loans at a total amount of P850.0 million from a local bank for working capital purposes. The loans shall be payable in 12 equal quarterly amortizations commencing on the beginning of the ninth quarter from the initial drawdown. The principal repayments are expected to commence on April 10, 2019. In 2019, total payments on the loan amounted to P255.0 million.*
- j** *Foreign-currency denominated loan obtained by WMG from a foreign bank. The loan is secured by way of floating charge against WMG's inventories.*
- k** *Foreign-currency-denominated loans of DBLC totaling P3.0 billion used in relation to asset acquisition in 2017.*
- l** *In 2020, PAI obtained short-term loans from a local bank for working capital purposes. The loan shall be payable on January 6, 2021.*
- m** *Interest-bearing loans obtained by GADC include the following:*
- 1.) Loans obtained by GADC from local banks in 2014 payable in 21 quarterly principal payments commencing in September 2016.*
 - 2.) Loan obtained by GADC from a local bank in June 2015 in relation to the P500.0 million loan facility. Principal repayments began in June 2016 for 21 quarters.*
 - 3.) Ten-year loan granted to GADC in December 2011 by a local bank for the purchase of land and building from the latter, payable monthly starting on the third year of the loan until December 2021. The acquired land and building served as collateral on the loan.*
 - 4.) Five-year US dollar loan obtained by GADC from a local bank in March 2020. The loan is payable quarterly and bears a fixed interest rate.*
 - 5.) Five-year loan obtained by GADC from a local bank in June 2020 payable quarterly starting from September 2021. The loan bears a fixed interest.*
 - 6.) Five-year loan obtained by GADC from another local bank in June 2020 payable in 20 quarters from September 2020 to June 2025. Interest payments are fixed.*
- n** *Interest-bearing loans also include loans obtained by Travellers which includes the following:*
- 1.) In prior years, a local bank approved a credit line which grants Travellers to borrow P33,500.0 million. In 2019, Travellers made an additional drawdown amounting to P7,500.0 million as a short-term loan. In 2020, it converted some of the omnibus loans into a long-term loan and made additional borrowings amounting to P2,200.0 million. The loans are outstanding as of December 31, 2020 and 2019.*
 - 2.) Seven-year loans obtained by Travellers in 2017 from a credit line with a local bank. In 2018, Travellers opened a P5,000.0 million omnibus credit facility with the bank, drew P1,000.0 million which was paid in the same year. The omnibus credit facility remains fully unutilized as of both December 31, 2020 and 2019.*

Alliance Global Group, Inc. and Subsidiaries
Schedule E - Long-Term Debt (continuation)
December 31, 2020

- 3.) In 2017, Travellers entered into various credit line agreements with a total maximum loanable amount of P10,000.0 million from a local bank. As of December 31, 2018, drawdowns totaled P10,000.0 million, half of which pertains to term loans and the other half to omnibus loans. In 2019, the Group obtained another term loan facility with the bank amounting to P5,000.0 million. This was utilized through the conversion of the P5,000.0-million omnibus loan to a long-term loan. Following the conversion, the Group obtained various short-term loans in 2019 amounting to P3,000.0 million, which remained outstanding as of December 31, 2020 and 2019. In 2020, additional omnibus loans amounting to P2,000.0 million were borrowed. These loans also remained outstanding as of December 31, 2020.
- 4.) Five-year loan obtained by Travellers from a credit line with a local bank in 2018. In 2019, Travellers obtained a P1,000.0 million omnibus loan from the remaining unutilized credit line. The loans remained outstanding as of December 31, 2020 and 2019.
- 5.) In 2019, Travellers renewed a P3,500.0 million credit line and drew down three omnibus loans, which upon maturity were converted into a five-year term loan for the same amount. Said loan remained outstanding as of December 31, 2020.
- 6.) In 2019, Travellers, procured a credit facility with a local bank which consist of an omnibus line amounting to P2,000.0 million. Travellers utilized P1,000.0 million of the credit line, which remained outstanding as of December 31, 2020.
- o Seven-year loan obtained by AGI in July 2020 from a local bank. The loan is payable quarterly commencing after the one-year grace period, as provided in the loan agreement. The loan bears a fixed rate for the first five years, subject to repricing at the end of the fifth year. The interest is payable quarterly in arrears.
- p Five-year U.S. dollar-denominated loans obtained by AG Cayman in 2017 from a foreign bank totaling to US\$700.0 million with interest payable semi-annually in arrears. The loans are unconditionally and irrevocably guaranteed by AGI.
- q On March 28, 2017, Megaworld issued seven-year term bonds totaling P12.0 billion inclusive of P4.0 billion oversubscription. The bond carries a coupon rate of 5.3535% per annum and interest is payable semi-annually in arrears every March 28 and September 28. The bonds shall mature on March 28, 2024.
- r On April 17, 2013, Megaworld issued 10-year term bond that carries a coupon rate of 4.25% per annum and with semi-annual interest payments every April 17 and October 17. The proceeds of the bond issuance are being used by Megaworld for general corporate purposes
- s On July 30, 2020, Megaworld issued seven-year term bonds totaling to U.S. \$350.0 million. The notes carry a coupon rate of 4.125% per annum and interest is payable semi-annually in arrears on January 30 and July 30.

Legend:

AGI - Alliance Global Group, Inc.
Megaworld - Megaworld Corporation
EELHI - Empire East Land Holdings, Inc.
LFI - La Fuerza, Inc.
SPI - Suntrust Properties, Inc.
GERI - Global-Estates Resorts, Inc.
OFPI - Oceanfront Properties, Inc.
TLC - Twin Lakes Corp.
EIL - Emperador International Ltd.
EDI - Emperador Distillers, Inc.
WMG - Whyte and Mackay Group Limited
DBLC - Domecq Bodega Las Copas, S.L.
GADC - Golden Arches Development Corporation
Travellers - Travellers International Hotel Group, Inc.
AG Cayman - Alliance Global Group Cayman Islands, Inc.
PAI - ProGreen AgriCorp, Inc.
STLI - Stateland, Inc.

Alliance Global Group, Inc. and Subsidiaries
Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2020

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Balance at the beginning of year</i>	<i>Balance at the end</i>
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-nothing to report-

Alliance Global Group, Inc. and Subsidiaries
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2020

<i>Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is Filed</i>	<i>Title of Issue of Each Class of Securities Guaranteed</i>	<i>Total Amount Guaranteed and Outstanding</i>	<i>Amount Owned by Person for which this Statement is Filed</i>	<i>Nature of Guarantee</i>
Alliance Global Group Cayman Islands, Inc. by Alliance Global Group, Inc.	US\$ 700.0 million, 5-year loans, 3.8330% to 4.1456% interest	P 33,585,614,557	P 33,585,614,557	Guarantee of Principal and Interest

Alliance Global Group, Inc. and Subsidiaries
Schedule G - Capital Stock
December 31, 2020

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related balance sheet caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares - P1 par value	12,950,000,000	9,706,534,779	59,100,000	6,461,906,432	68,690,940	3,175,937,407

Alliance Global Group, Inc.
7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

Reconciliation of Retained Earnings Available for Dividend Declaration
Annex 68-D
As of December 31, 2020

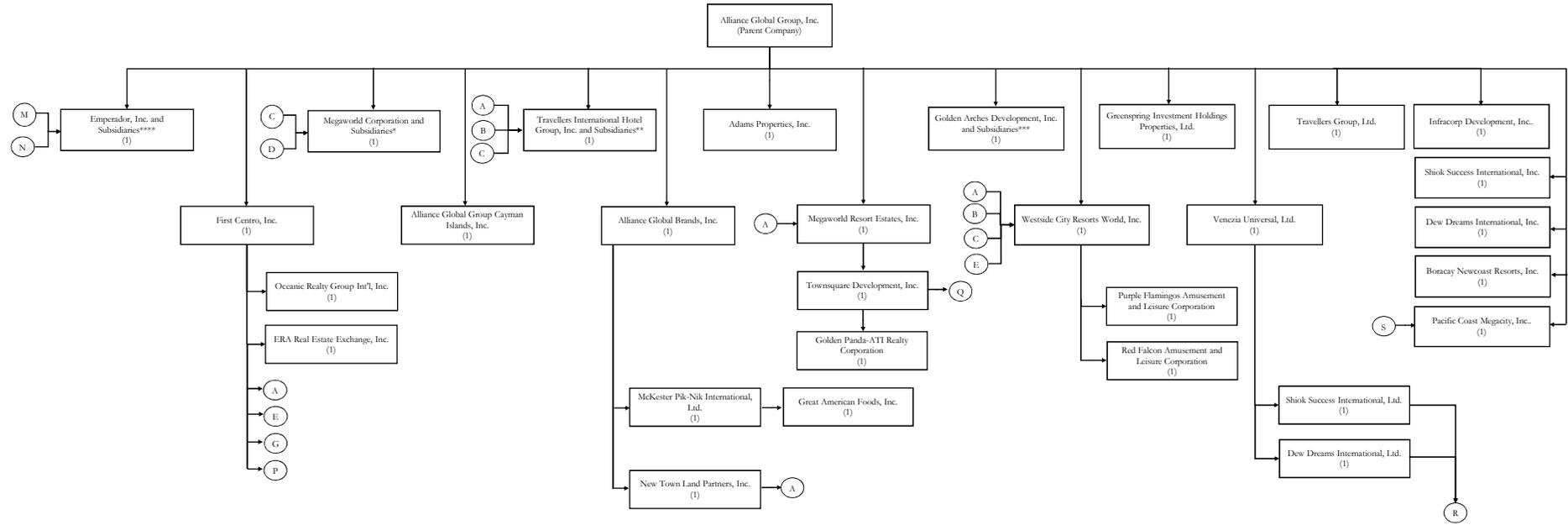
Unappropriated Retained Earnings at Beginning of Year	P		22,548,714,286
Retained Earnings Restricted for Treasury Shares*		(	<u>5,856,957,692)</u>
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted			16,691,756,594
Net income per Audited Financial Statements	P		1,803,801,925
Non-actual/unrealized income			
Fair value loss on financial assets at fair value through profit or loss		<u>6,440,000</u>	1,810,241,925
Other Transaction During the Year			
Acquisition of treasury shares*	(P		803,824,656)
Dividends declared	(	<u>485,562,534)</u>	(<u>1,289,387,190)</u>
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year			<u>P 17,212,611,329</u>

* In 2017, the Company entered into a two-year share repurchase program of up to P5.0 billion worth of common shares. In 2020 and 2019, a 12-month share repurchase program for up to P2.5 billion worth of common shares was approved by the Company's Board of Directors.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

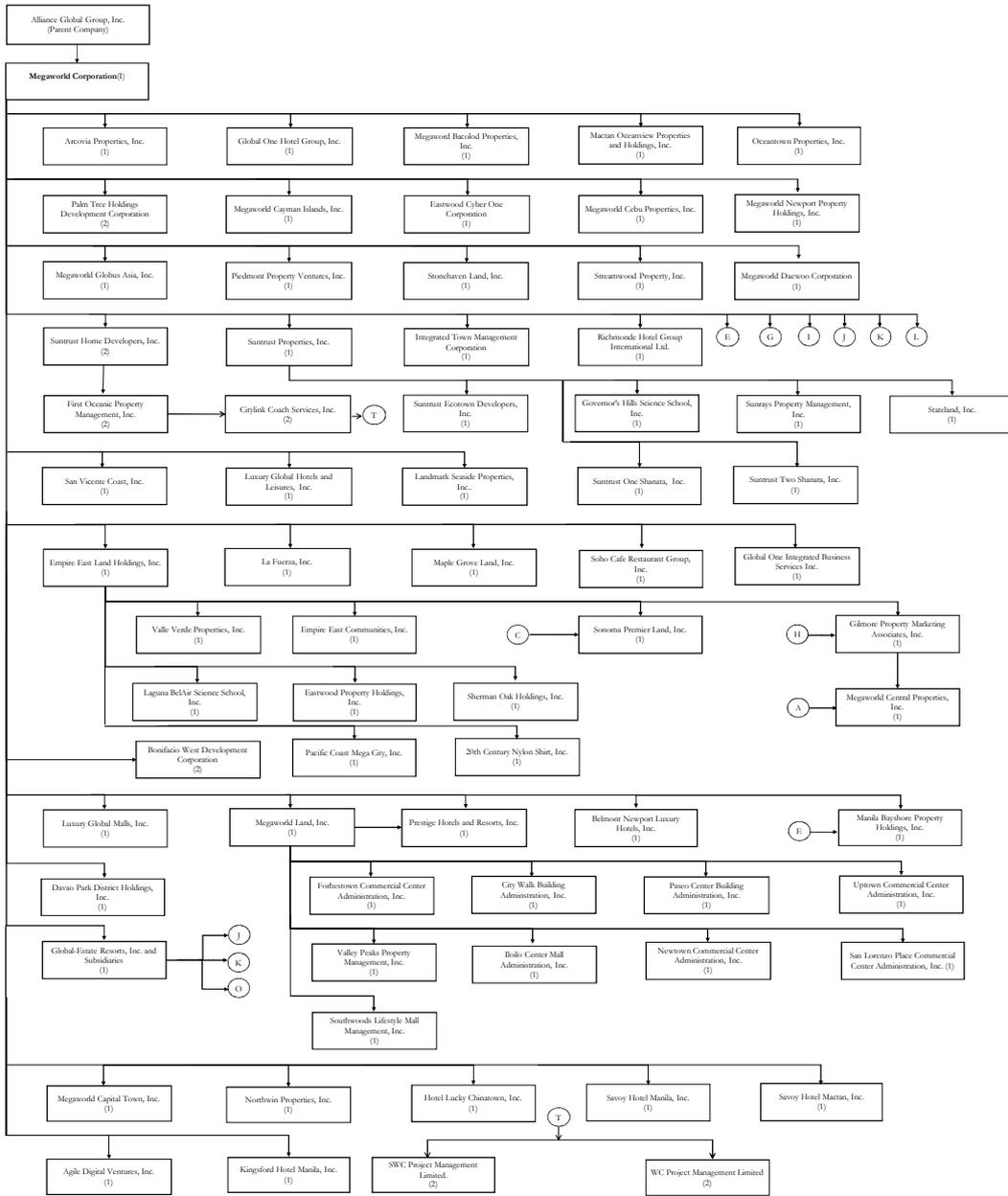
Map Showing the Relationship Between Alliance Global Group, Inc. and its Related Parties

December 31, 2020



Legend	
(1) Subsidiary	A Megaworld Corporation
(2) Associate	B Adams Properties, Inc.
(3) Jointly Controlled Entity	C First Centro, Inc.
	D Newtown Land Partners, Inc.
	E Travellers International Hotel Group, Inc.
	F Manila Bayshore Property Holdings, Inc.
	G Westside City Resorts World, Inc.
	H Townsquare Development, Inc.
	I Megaworld Resort Estates, Inc.
	J Twin Lakes Corporation
	K Megaworld Global Estates, Inc.
	L Megaworld Central Properties, Inc.
	M Shiok Success International, Ltd.
	N Dew Dreams International, Ltd.
	O Southwoods Mall, Inc.
	P Sonoma Premier Land, Inc.
	Q Gilmore Property Marketing Associates, Inc.
	R Emperor Inc.
	S Empire East Land Holdings, Inc.
	T Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between Alliance Global Group, Inc.
 and Megaworld Corporation Group
 December 31, 2020

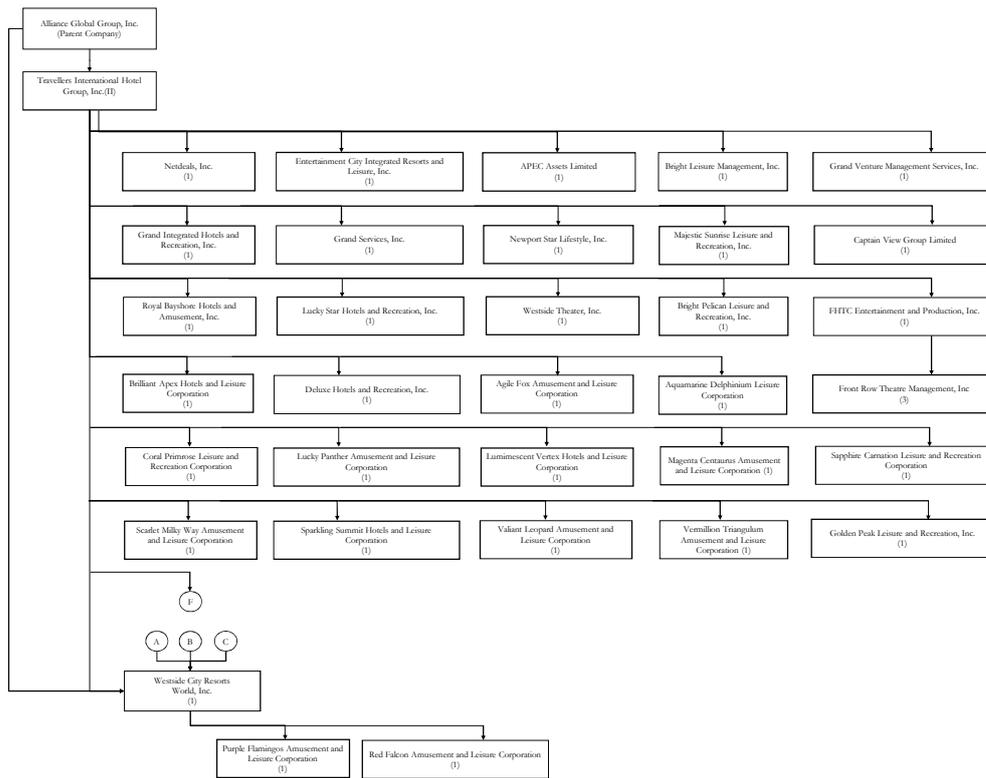


Legend
 Relationship with Megaworld Corporation

- (1) Subsidiary
- (2) Associate
- (3) Jointly Controlled Entity

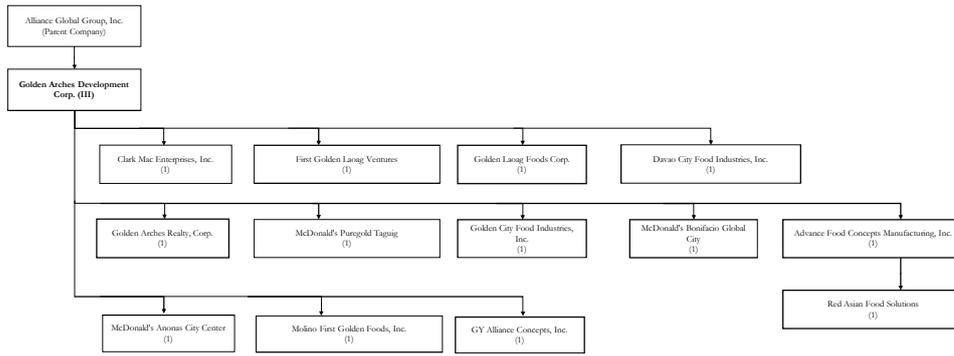
- | | | | | |
|-------------------------------|--|--------------------------------------|------------------------------------|---|
| A Megaworld Corporation | E Travellers International Hotel Group, Inc. | I Megaworld Resort Estates, Inc. | M Shok Success International, Ltd. | Q Gilmore Property Marketing Associates, Inc. |
| B Adams Properties, Inc. | F Manila Bayshore Property Holdings, Inc. | J Twin Lakes Corporation | N Dec Dreams International, Ltd. | R Empower Inc. |
| C First Center, Inc. | G Westside City Resorts World, Inc. | K Megaworld Global Estates, Inc. | O Southwoods Mall, Inc. | S Empire East Land Holdings, Inc. |
| D Newswon Land Partners, Inc. | H Townsquare Development, Inc. | L Megaworld Central Properties, Inc. | P Sonoma Premier Land, Inc. | T Suntrust Home Developers, Inc. |

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between Alliance Global Group, Inc.
 and Travellers Group
 December 31, 2020



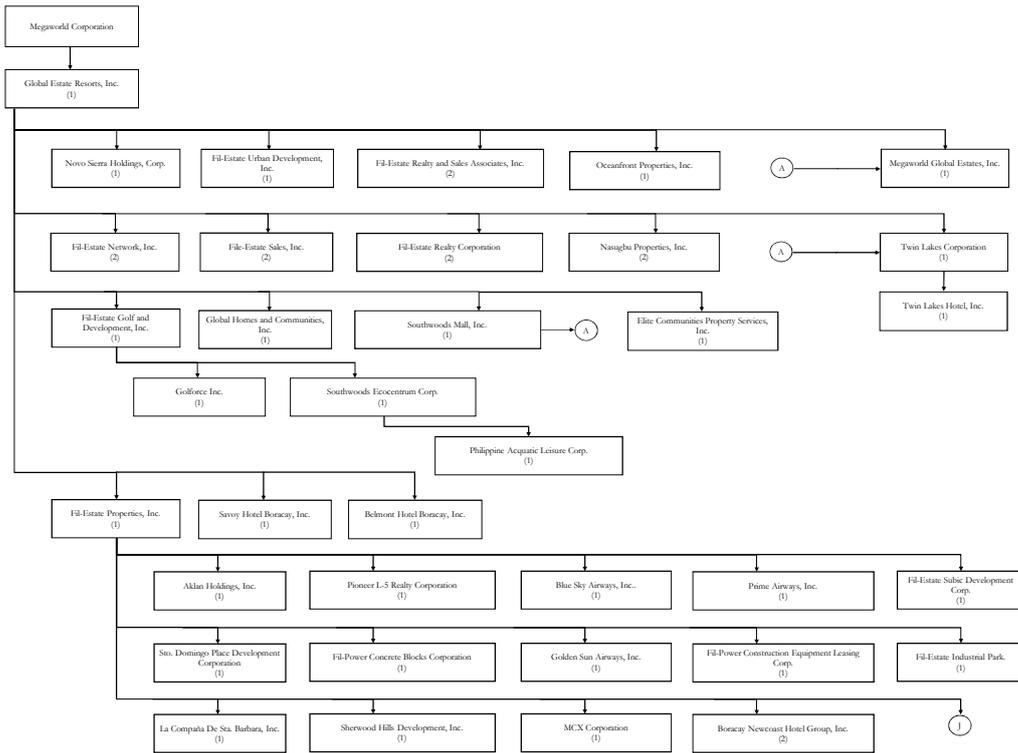
Legend	
Relationship with Travellers International Hotel Group, Inc.	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
A	Megaworld Corporation
B	Adams Properties, Inc.
C	First Centre, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Maui Bayshore Property Holdings, Inc.
G	Westside City Resorts World, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
S	Empire East Land Holdings, Inc.
J	Twin Lakes Corporation
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Shook Success International, Ltd.
N	Dew Dreams International, Ltd.
O	Southwoods Mall, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Empirestar Inc.
T	Suzerain Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between Alliance Global Group, Inc.
 and Golden Arches Development Corporation Group
 December 31, 2020



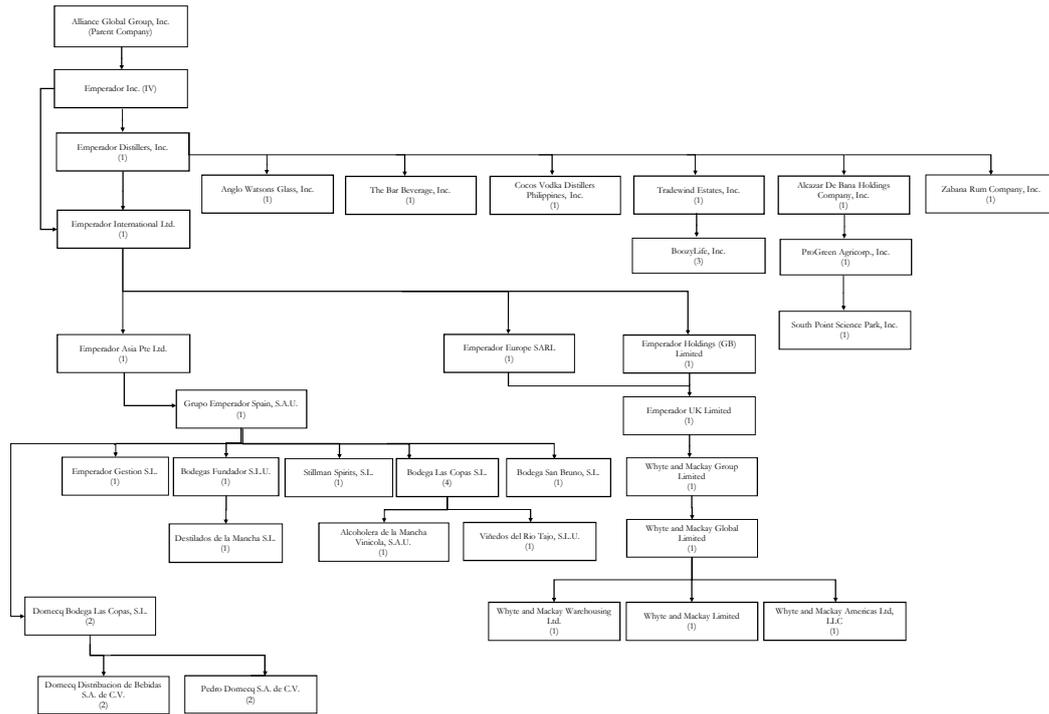
Legend	
Relationship with Golden Arches Development Corporation	
(I)	Subsidiary
(A)	Associate
(S)	Jointly Controlled Entity
A	Magsworld Corporation
B	Alamo Properties, Inc.
C	First Centro, Inc.
D	Newtown Land Partners, Inc.
E	Travelers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City Resorts World, Inc.
H	Townsquare Development, Inc.
I	Magsworld Resort Estates, Inc.
S	Empire East Land Holdings, Inc.
J	Twin Lakes Corporation
K	Magsworld Global Estates, Inc.
L	Magsworld Central Properties, Inc.
M	Shook Success International, Ltd.
N	Dew Decano International, Ltd.
O	Southwoods Mall, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Empirestar Inc.
T	Sunwest Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between and
 Among Megaworld and Global Estate Resorts Inc. Group
 December 31, 2020



Legend	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
A	Megaworld Corporation
B	Adams Properties, Inc.
C	Fine Centro, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City Resorts World, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
S	Empire East Land Holdings, Inc.
J	Twin Lakes Corporation
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Shoik Success International, Ltd.
N	Dew Dreams International, Ltd.
O	Southwoods Mall, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Emperador Inc.
T	Sunrise Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between Alliance Global Group, Inc.
 and Emperor Group
 December 31, 2020



Legend
 Relationship with Emperor Inc.
 (1) Subsidiary (100%)
 (2) Subsidiary (50%)
 (3) Subsidiary (62%)
 (4) Jointly Controlled Entity

Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo

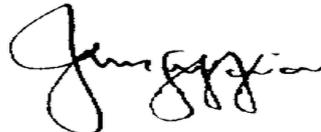
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**The Board of Directors and the Stockholders
Alliance Global Group, Inc. and Subsidiaries**
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Global Group, Inc. and subsidiaries (the Group) for the year ended December 31, 2020 and 2019, on which we have rendered our report dated April 30, 2021. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the two years in the period ended December 31, 2020 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO



By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8533234, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 30, 2021

Alliance Global Group, Inc. and Subsidiaries
7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

Schedule of Financial Soundness Indicators
Annex 68-E
As of December 31, 2020

Ratio	Formula	2020	2019
Current ratio	Current assets / Current liabilities	2.03	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)	0.94	1.05
Solvency ratio	EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds payable)	0.15	0.25
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings, bonds payable and equity-linked debt securities)	0.74	0.70
Asset-to-equity ratio	Total assets / Total stockholders' equity	2.26	2.17
Interest rate coverage ratio	EBIT / Total Interest (Non-recurring gain or loss is excluded from EBIT)	3.10	6.68
Return on investment	Net profit / Total stockholders' equity	0.03	0.09
Return on investment of equity owners	Net profit attributable to owners of the Parent Company/ equity attributable to the owners of the Parent Company	0.05	0.10
Return on assets	Net profit/ total assets	0.02	0.04
Net profit margin	Net profit / Total revenues	0.08	0.15

Trucost
ESG Analysis

S&P Global

Alliance Global Group, Inc.

ESG Report

Financial Year 2020



Credits

Vivian Zheng | Account Director
Deepti Panchratna | Project Manager
Kane Marcell | Senior Analyst
Vandana Gaur | Senior Specialist
Ankita Sinha | Senior Specialist

About Trucost

Trucost is part of S&P Global. A leader in carbon and environmental data and risk analysis, Trucost assesses risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors. Companies and financial institutions use Trucost intelligence to understand their ESG exposure to these factors, inform resilience and identify transformative solutions for a more sustainable global economy. S&P Global's commitment to environmental analysis and product innovation allows us to deliver essential ESG investment-related information to the global marketplace. For more information, visit www.trucost.com.

About S&P Global

S&P Global (NYSE: SPGI) is a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide. For more information, visit www.spglobal.com.

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About Alliance Global Group, Inc.

Alliance Global Group, Inc., (hereafter “AGI”) through its subsidiaries, is engaged in property development, food and beverage manufacture and distribution, quick-service restaurants, and integrated tourism development businesses in the Philippines. AGI also has international liquor operations based in the United Kingdom (in Scotland), Spain and Mexico. The company operates through its subsidiaries, namely, Megaworld Corporation (Megaworld), Travellers International Hotel Group, Inc. (Travellers), Emperador Inc. (Emperador), and Golden Arches Development Corporation (GADC). AGI, through Megaworld undertakes township development projects that would typically incorporate a residential segment (*i.e.*, building residential condominiums, subdivision lots, townhouses, condotels, and tourism estates for sale), an office section (with office towers catering mainly to the offshoring/outsourcing sector) and retail component (mainly malls and commercial spaces) for lease, and also operates and manages home-grown hotels. Through Travellers, AGI owns and operates Resorts World Manila, the country's integrated resort development that offers leisure, entertainment and hospitality through its various international hotel brands. Likewise, through Emperador, AGI produces glass containers, manufactures, bottles, and distributes distilled spirits and other alcoholic beverages under its local brands Emperador Light, Emperador Deluxe, Andy Player Whisky, Smirnoff Mule and The Bar, as well as its international brands like The Dalmore and Jura Scotch whiskies, and Fundador brandy. Further, AGI through GADC owns the master franchise of McDonald's in the Philippines. AGI was incorporated in 1993 and is based in Quezon City, the Philippines.

ESG in the Real Estate Sector

The real estate sector consumes significant amounts of energy primarily related to space heating, air conditioning, water heating, lighting and use of equipment and appliances. In addition, the sector consumes significant amounts of water in their operations through water fixtures, building equipment, appliances and irrigation. Moreover, the sector generates large amounts of waste through its operations that needs to be disposed responsibly.

The real estate sector is subjected to stringent government rules and regulations. It is also exposed to a number of governance-related risks. In order to manage and avoid these risks, companies in the industry can implement a range of governance measures, including employee training, oversight, policies, procedures, and enforcement systems focused on transparency and appropriate disclosures. Effective management of these risks can lead to increased client trust and better brand value in the market, adding to long-term revenue growth. Inadequate management of risks may lead to regulatory fines and penalties, as well as decreased client trust and a loss of its social license to operate.

ESG in the Alcoholic Beverages Sector

Companies in the Alcoholic Beverages industry rely on both purchased electricity and fuel as critical inputs for value creation. Fossil fuel and electrical energy consumption can contribute to environmental impacts, including climate change and pollution. These impacts have the potential to affect the value of companies in this industry as regulations of greenhouse gas (GHG) emissions and new incentives for energy efficiency and renewable energy could lead to increased price volatility for fossil fuels and conventional electricity while making alternative sources cost-competitive. Companies that manage their overall energy use through increased efficiency and use of alternative energy sources can increase profitability by lowering expenses and reducing risk.

Water management relates to a company's direct water usage, the exposure of its operations to water-scarce regions, and its management of wastewater. Companies in the Alcoholic Beverages industry use a large amount of water in their operations, as water is a key input to their finished products. Given alcoholic beverage companies' heavy reliance on large volumes of clean water and the fact that water stress is increasing in different regions globally, companies may be exposed to supply disruptions that could significantly impact operations and add to costs. Companies operating in water stressed regions that fail to address local water concerns may face further risk of losing their social license to operate. Improving water management through increased efficiency and recycling, particularly in regions with baseline water stress, can lead to lower operating costs, reduced risk, and higher intangible asset value.

The irresponsible consumption of alcoholic beverages can lead to negative social externalities such as drunk driving, addiction, public health issues, underage drinking, and even death. Every year, irresponsible alcohol consumption contributes to millions of deaths worldwide, a large portion of which includes underage youth and young adults. The harmful use of alcohol is a growing concern, particularly in developing countries that do not have laws to protect against alcohol's detrimental effects. Alcoholic beverage companies may be forced to internalize the costs of these social externalities through taxes, lawsuits, or reputational harm, which can have a material impact on operations and financial results. Failing to properly manage social externalities may lead to further unfavorable regulation and erode

the industry's social license to operate. Through education, engagement, community partnerships, and responsible marketing, particularly to underage individuals, companies can address and mitigate many of the social externalities associated with alcohol misuse. Companies that effectively manage this issue can reduce the likelihood of extraordinary expenses, improve market share, and decrease liabilities.

ESG in the Restaurants Sector

Restaurant operations have high energy intensity compared to other commercial building operations. Commercial kitchen appliances are extremely energy intensive, and dining areas are typically temperature-controlled for customers. Fossil fuel based energy production and consumption contribute to significant environmental impacts, including climate change and air pollution, which have the potential to indirectly, yet materially, impact the results of restaurant operations. Regulations on greenhouse gas (GHG) emissions pricing or regulatory incentives for energy efficiency improvements and renewable energy affect conventional and renewable energy prices. Companies that manage energy consumption at company owned and franchise locations can decrease operational costs through energy efficiency upgrades and limit exposure to GHG emissions regulations through the use of renewable energy resources.

Both food preparation methods and quality of ingredients can impact food safety in the Restaurants industry. Restaurant food safety is especially challenging to manage with a broad supply chain. The global nature of the industry as well as the franchising model make it difficult for restaurant companies to ensure the safety of their food supplies. Failure to monitor the quality of supplied products may increase a company's risk of supply disruptions as well as negative publicity. Food safety issues, such as foodborne illness concerns, in either company-owned or franchise-operated locations can affect the core of a restaurant's reputation. Reputational damage from food safety issues tends to have a long-term impact. Companies that adhere to industry standards for food preparation and safety are likely to be better positioned to protect shareholder value.

ESG in the Gaming and Casino Sector

With many facilities open 24 hours a day, the Casinos & Gaming industry requires a large amount of energy to operate. Casino facilities often have few windows and therefore rely on their buildings' mechanical systems for heating, ventilation, air-conditioning (HVAC), and lighting. Fossil fuel-based energy production and consumption contribute to significant environmental impacts, including climate change and pollution, and have the potential to impact casino companies' results of operations. It is becoming increasingly important for companies that rely on electricity consumption for their operations to manage energy efficiency as well as energy availability, including the risks and opportunities associated with energy sourcing from fossil fuels and/or from renewable and alternative energy sources.

Responsible gambling encompasses industry best practices to mitigate the impacts of problem gambling that may result from violations of self-exclusion lists, irresponsible advertising, gambling by minors, or instances where the company has otherwise enabled gambling problems. Highly-publicized incidents related to pathological and problem gambling may damage companies' reputations and result in regulatory curtailment of their licenses to operate.

By the nature of its business, the Casinos & Gaming industry can be attractive to criminals seeking to launder money or disguise the origin of funds. Risk factors include the large amount of cash transactions, accessibility to multiple facilities, and customer anonymity. Therefore, strict and robust internal controls are necessary for companies to prevent violations of reporting and money laundering regulations. Casino operators that fail to detect and prevent money laundering activities may open themselves to investigations. Violations of anti-money laundering laws and regulations could result in criminal prosecution and/or substantial regulatory penalties.

Introduction

AGI engaged Trucost to review reporting of its environmental, social and governance (ESG) impacts for the financial year of 2020 (FY2020), which comprised of January 2020-December 2020. AGI is interested in measuring its ESG impact to track progress against ESG-related activities over time. The results from this report are in line with common sustainability reporting frameworks such as Global Reporting Initiative (GRI), Climate Disclosure Project (CDP), Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD), among others, and can satisfy the sustainability reporting requirements for the Philippines Stock Exchange.

Proactively identifying key materiality issues provides companies with the opportunity to increase their value, both in business and financial terms. Focusing on these material ESG issues can allow companies to positively impact their growth in terms of profit and customers, while failure to address these issues can have a negative effect on a company's reputation and profits. Through an ESG report, AGI can communicate the company's commitment to sustainable development and its key achievements, practices, and management approaches to its target audiences and stakeholders.

Scope

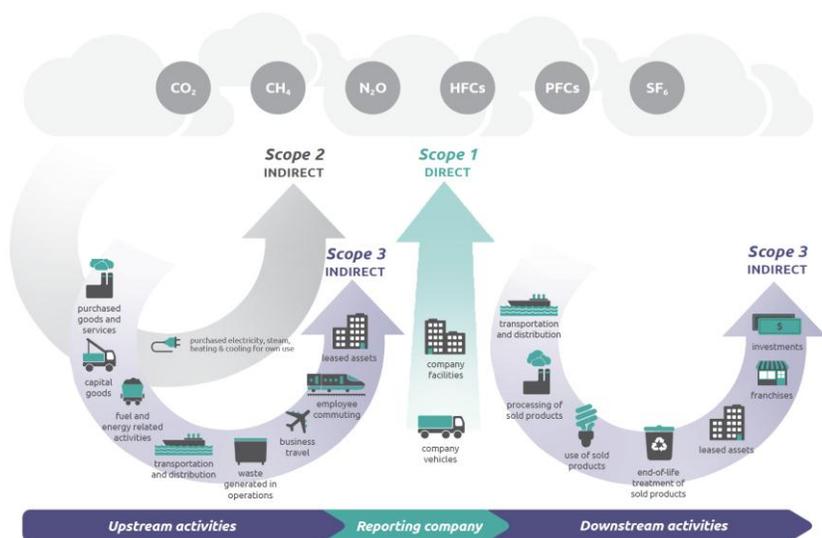
AGI assessed and disclosed environmental, social and governance impacts for its business segments, including Megaworld (together with its listed subsidiaries Empire East and Global-Estate Resorts Inc (GERI), Emperador, Travellers and GADC. The disclosure is calculated for sites over which each segment has financial control with operations aggregated for AGI disclosure.

Environmental indicators covered include:

- GHG emissions, scope 1, 2 and select scope 3 (see Figure 1 below)
- Electricity use
- Waste generation
- Water use
- Environmental standards

The figure below summarizes an organization's sources of GHG emissions, across scope 1 (direct emissions), scope 2 (indirect emissions, primarily purchased electricity) and scope 3 (indirect emissions from upstream suppliers and downstream customers).

FIGURE 1: SCOPE OF VALUE CHAIN GHG EMISSIONS FOOTPRINT



Source: WRI (2015) GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Social indicators covered include:

- Workforce diversity
- Employee training and development

Governance indicators covered include:

- Data privacy and security
- Electronic waste
- Stakeholder management
- Business ethics

Board Statement

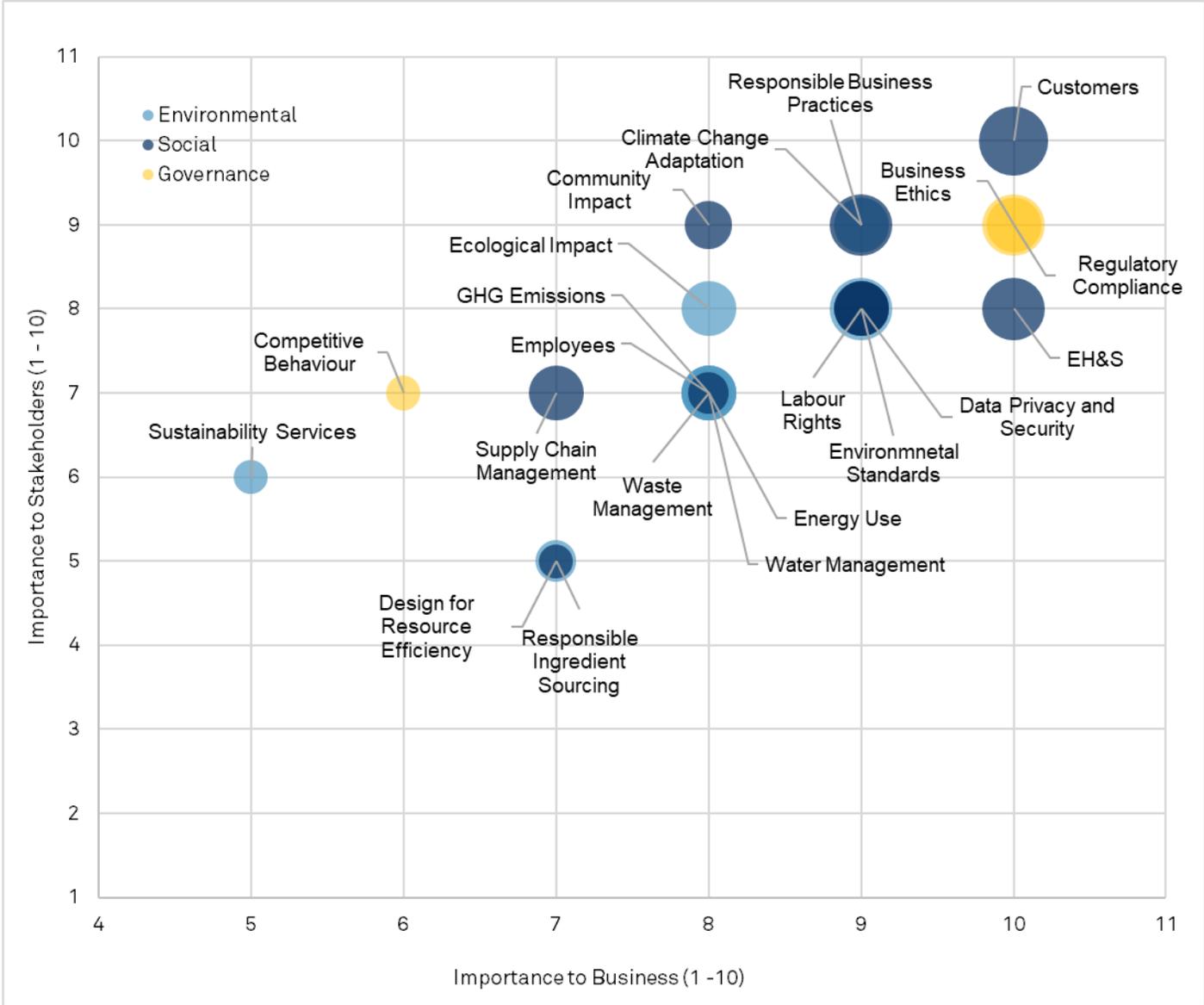
The board of directors of the Company (the “Board” or the “Directors”) are committed to maintaining a high standard of corporate governance and transparency within the Group and adopt sustainability reporting practices based on the Securities Exchange Commission’s Sustainability Reporting Guidelines for Publicly-Listed Companies (“Guidelines”). The Board has adopted the Guidelines where appropriate so as to strengthen corporate governance and reporting practice and foster greater corporate disclosure.

In addition, it has embraced the SEC Memorandum Circular, which requires every listed issuer to prepare an annual sustainability report. This report is developed in line with the Guidelines on a ‘comply or explain’ basis. The policies, targets, risks and opportunities identified within an external independent review are monitored and reported within this ESG report and the Board commits to oversee the appropriate activities are undertaken to achieve the good practice targets set.

The Company recognizes the importance of good governance for continued growth and investors’ confidence. In line with the commitment by the Company to maintaining high standards of corporate governance, the Company will continually review its corporate governance processes to strive to fully comply with the Guidelines. The Board confirms that for the financial year ended 31 December 2020 (“FY2020”), the Company has generally adhered to the principles and guidelines set out in the Guidelines, and where there are deviations from the Guidelines, appropriate explanations are provided.

ESG Materiality

EXHIBIT 1: AGI ESG MATERIALITY MATRIX, FY2020



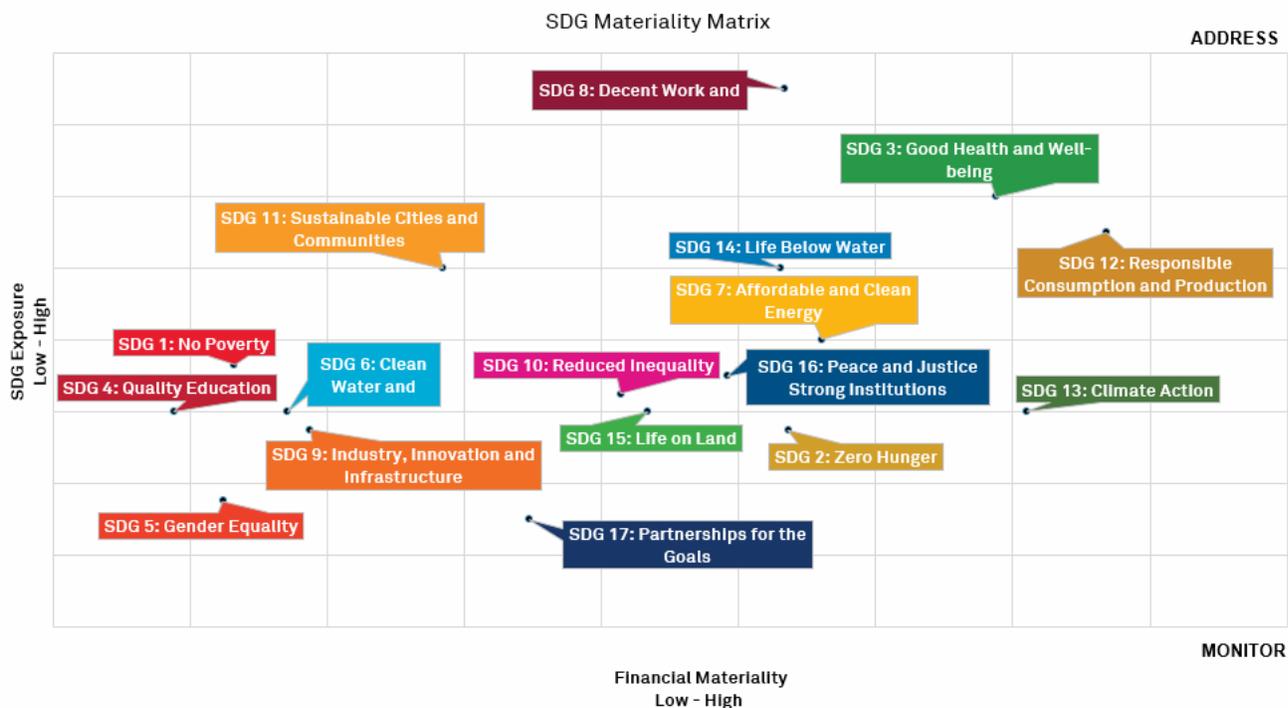
Trucost considered sector-level materiality to identify ESG issues relevant to companies operating in the associated sectors. These themes were identified using GRI, SASB, investor trend review and a wider literature review. Sector-level materiality was identified and refined based on specific practices of the company. Exhibit 1 shows the ESG materiality graph for AGI. The material topics shown in the graph are identified across three categories – Environment, Social and Governance. The bubbles in light blue represent material environmental topics, the bubbles in dark blue represent material social topics and the bubbles in yellow represent the governance topics material to AGI in FY2020. The y-axis represents the importance of the material topics to stakeholders on a scale of 1 to 10. These stakeholders include internal and external stakeholders of AGI. The x-axis represents the importance of the material topics to the business on a scale of 1 to 10, with 1 being the lowest and 10 being the highest score. The size of the bubble for each material topic signifies the financial impact of each material topic.

SDG Materiality

In 2015, the United Nations developed a blueprint for achieving peace and prosperity for people and the planet by 2030 in the form of 17 global goals and 169 targets for sustainable development. The United Nations Sustainable Development Goals (SDGs) are a call to action for governments, society and the private sector to achieve a more sustainable future. Since their launch in 2015, the SDGs have garnered widespread backing among companies and investors who have made progress towards aligning business strategies and capital allocation with the SDGs.

Exhibit 2 displays the top material SDGs for AGI based on the company’s operating sector and geographies and financial materiality¹. The matrix ranks the SDGs for AGI based on the level of importance of SDG-related issues based on AGI’s operating sectors and geographies and the degree of financial materiality of issues underlying each SDG. SDGs in the right-hand upper quadrant of the matrix are considered high in both financial materiality and potential risk exposure related to the SDGs; it is recommended that AGI prioritize activities related to addressing these SDGs in order to mitigate any adverse impacts to or by the company. These include SDG 3 (Good Health and Well-being), SDG 12 (Responsible Consumption and Production), and SDG 8 (Decent Work and Economic Growth). In the right-hand lower quadrant are SDGs that are considered high in financial materiality, but lesser in magnitude in terms of SDG-related issues that may affect or be affected by AGI; it is recommended to monitor these SDG-related issues. These include SDG 7 (Affordable and Clean Energy), SDG 13 (Climate Action), SDG 2 (Zero Hunger), and SDG 16 (Peace, Justice and Strong Institutions).

EXHIBIT 2: SDG MATERIALITY MATRIX



¹ Top financial material issues are provided by the SASB Materiality Matrix (<https://materiality.sasb.org/>) and mapped by Trucost to associated SDGs.

EXHIBIT 3: SDG INITIATIVES

SDG and Target	Project Name	Details
<p>SDG 1: Target 1.1 - By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than USD 1.25 a day.</p>	<p>The Gift of SMILE</p>	<p>Empire East started the year generating big smiles through its first pocket outreach for the year titled 'The Gift of SMILE' at New Little Baguio Elementary School. From their first visit in 2018, Empire East volunteers revisited the students and gave them goodie bags filled with toys and food, and special piggy banks containing a year's worth of savings from the employees. The activity instantly put priceless smiles among these children and ignited their interest in learning how to save for the future. Empire East believes in the potential of every child and strives to develop communities that empower their education. Through organizing pocket CSRs, the company aims to aid them in their studies and promote their steady growth. #EmpireEastCares.</p>
<p>SDG 1: Target 1.5 - By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.</p>	<p>Tulong sa Taal (Batangas relief)</p>	<p>Travellers's relief efforts to those affected by the Taal Volcano Eruption. Relief packing drive yielded 500 relief packs for 500 families and medical mission assisted over 607 evacuees housed at the Office of the City Veterinary and Agricultural Services (OCVAS) Brgy. Bolbok, Batangas City.</p>
<p>SDG 2: Target 2.3 - By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.</p>	<p>Showcasing locally-made products from merchants and local farmers</p>	<p>GERI has designated space for local farmers and merchants to sell their local food, produce and other products in its "Lokal Market" campaign in Southwoods Mall, Binan City, Laguna.</p>
	<p>Happy Meal Readers Program</p>	<p>Happy Meal (HM) Readers program offers a choice of a book or a toy for every HM purchase. The goal is to create more opportunities for memorable experiences shared over story telling.</p>
	<p>Happy Meal Program</p>	<p>With every purchase of HM from Nov. 27 to Dec. 17, McDonald's matches this with a book or toy to be donated to another child from partner beneficiaries in areas affected by typhoons Rolly and Ulysses.</p>
	<p>Bigay Tulong</p>	<p>Provide support to the needs of those affected by Taal Volcano Eruption.</p>
	<p>McDonald's Kindness Kitchen (+ Pilipinas Kontra Gutom Partnership)</p>	<p>Provide hot, free meals to people in affected by the pandemic.</p>

SDG and Target	Project Name	Details
<p>SDG 3: Target 3.8 - Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.</p>	<p>Gig-for-A-Cause</p>	<p>To aid our fellow employee on his COVID journey, the different departments of Empire East conducted a donation drive through a one-night gig that showcased the talents of our employees. It also aimed to raise awareness, aid, and vigilance against COVID-19 amongst the employees. The campaign was also an engagement activity and a way for the employees to interact through the virtual activity especially during these trying times.</p>
	<p>Mega Malasakit: Response to COVID-19</p>	<p>Megaworld's Foundation launched the "MegaMalasakit" initiative to stand with its fellowmen during these trying times. This initiative has made way for at least 1,000 health, LGU, and military front liners to receive meals, several hospitals to have additional disinfectant supplies, government front liners to have personal protective equipment, indigenous families to have relief goods, impoverished families to receive hygiene supplies and children and elderly to have face masks and month-long supply of vitamins. It has also conducted outreach events through its partner institutions, "Bringing Joy from a Distance," to cater for the vulnerable sectors, the elderly and children, keeping in mind of their well-being through worthwhile activities.</p>
	<p>Resorts World Philippines Cultural Heritage Foundation, Inc</p>	<p>The Resorts World Philippines Cultural Heritage Foundation, Inc has allocated USD 1 million worth of donations to protect the frontliners and provide aid to vulnerable families and its partners. Also, in cooperation with PAGCOR, the Foundation has provided PHP 125 million worth of donations for the frontliners and vulnerable families as part of on-going efforts to help win the fight against COVID-19.</p>
	<p>Whyte and Mackay Cares</p>	<p>Whyte and Mackay Cares program was established for employees to raise funds for mental health charities in the communities across the world where our employees work and live.</p>
	<p>Alcohol distribution</p>	<p>Produced 3.8m liters of ethanol for hand sanitizer when in short supply equivalent of 18m 250-ml bottles; Donated Alcohols and PPE's to the frontlines of Manila Doctors Hospital.</p>
	<p>Mental Health Awareness</p>	<p>Mental Health Awareness learning session to employees.</p>
	<p>SDG 4: Target 4.1 - By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.</p>	<p>Monetary donations for education scholarships</p>	Megaworld Foundation provides almost 1,000 educational scholarships to deserving youth. Out of sponsored scholarships, 65% is awarded to girls and underprivileged children. Megaworld intends to increase this to 10% next year.

SDG and Target	Project Name	Details
<p>SDG 4: Target 4.2 - By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.</p>	<p>The Gift of SMILE</p>	<p>Empire East started the year generating big smiles through its first pocket outreach for the year titled 'The Gift of SMILE' at New Little Baguio Elementary School. From their first visit in 2018, Empire East volunteers revisited the students and gave them goodie bags filled with toys and food, and special piggy banks containing a year's worth of savings from the employees. The activity instantly put priceless smiles among these children and ignited their interest in learning how to save for the future. Empire East believes in the potential of every child and strives to develop communities that empower their education. Through organizing pocket CSRs, the company aims to aid them in their studies and promote their steady growth. #EmpireEastCares.</p>
	<p>School supplies for Oriental Mindoro</p>	<p>The DMG group of HRAD Department has donated school supplies for the children of Oriental Mindoro. The department has come up with a donation drive that they used to buy a printer and other materials for Balye Mangyan Elementary School to help them cope with the new normal in education.</p>
	<p>Giving back to the community</p>	<p>For every minimum order of PHP 2,000 at Okura at Home – a donation of PHP 200 goes directly to Virlanie Foundation's Parola Community Program. The project ensures that the Parola community in Tondo, Manila continues to get hygiene kits and educational materials that the children can use to continue their learning at home.</p>
<p>SDG 4: Target 4.7 - By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development</p>	<p>Programs for the Youth in the New Normal</p>	<p>To stay connected with Megaworld Foundation's high school and college scholars, "Mega Summer Ventures#RoamFromHome", a social media-based group, was organized to have a platform to share informative posts, Bible verses and prayers, hobby-making videos, and weekly contests. A Video Call-mustahan also took place to check how the scholars were doing by the foundation and its alumni scholars who are now Megaworld employees. Hundreds of Megaworld scholars also took part in sharing words of encouragement to their fellowmen, especially to the frontliners, amidst the pandemic. Together, it has created collages that reached and inspired thousands of people online.</p>
	<p>Taking the Extra Mile for the Last Mile (support on access to education)</p>	<p>Through the Megaworld Foundation's partner institutions, motorized school boats were given to schools in Sulu and Bulacan to spare the students from swimming back and forth from their houses just to go to school. Also, furnished container van classroom/library and books were provided for the benefit of the students of Tagkawayan community in the Quezon Province.</p>

SDG and Target	Project Name	Details
<p>SDG 4: Target 4.7 - By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development</p>	<p>Support for DepEd's Distance Learning System: "Adapting to the New Normal"</p>	<p>In support of the needed educational modules for students, the Megaworld Foundation donated printers and other materials for the production of these printed modules to public schools in several provinces and charitable institution that cares for street girls who are recovering from trauma and abuse thru education and empowerment. It also sponsored one E-learning facility for orphaned children in Alabang.</p>
	<p>Eskwela ng Bayan (literacy and numeracy for indigent children)</p>	<p>To improve the basic knowledge in English and Mathematics of orphaned children aged 5 - 11 years old, tutorials and weekly monitoring during their summer break took place with the help of the partner institution. Learning materials and educational books were also distributed to them to facilitate their learning. Pre- and post-tests were conducted to measure their progress.</p>
<p>SDG 5: Target 5.1 - End all forms of discrimination against all women and girls everywhere.</p>	<p>Monetary donations for education scholarships</p>	<p>Megaworld Foundation provides almost 1,000 educational scholarships to deserving youth. Out of sponsored scholarships, 65% is awarded to girls and underprivileged children. Megaworld intends to increase this to 10% next year.</p>
<p>SDG 6: Target 6.3 - By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.</p>	<p>Bantay Langis Project</p>	<p>A CSR program of Travellers in partnership with ABS-CBN Foundation, Inc - Bantay Kalikasan. This is an advocacy and media campaign to inform the public of the dangers of improper handling and disposal of used kitchen and industrial oil.</p>
	<p>Water recycling</p>	<p>Recycling of rejected production water for comfort rooms.</p>
	<p>Utilization of reject water from the reverse osmosis</p>	<p>Zero to 10% fresh water was displaced by reverse osmosis reject water in washing fermentation vessels</p>
	<p>Utilization of steam condensate from distillation re-boiler as feed water.</p>	<p>Continuous recovery of steam condensate thereby reducing process water by at least 20%.</p>
	<p>Utilization of spent lees from distillation</p>	<p>Utilization of spent lees from distillation as process water in fermentation. Spent lees is considered as wastewater but 10% of it is being considered as process water required in fermentation.</p>

SDG and Target	Project Name	Details
SDG 6: Target 6.4 - By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.	Marriott optimised Nalco cooling tower	Increased water speed from 5.0 to 5.7 m ³ /second is achieved by improving the chemical program - from Nalco 3DT487 to Nalco 3DT437. The optimized Nalco 3DT 437 program allows a more efficient use of water thus the decrease in the required make-up water volume.
SDG 7: Target 7.b - By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing states, and land-locked developing countries, in accordance with their respective programmes of support.	Energy efficient design for hotel rooms and property units	Microswitch automatically shuts off the FCU when the balcony door is opened.
		Use of inverter type AC.
SDG 7: Target 7.2 - By 2030, increase substantially the share of renewable energy in the global energy mix.	Energy efficiency and optimization of equipment and machinery	Utilization of variable speed drives that reduced the energy consumption of our plant by 19% in 2020.
	Conversion of lighting system to LED lighting in Emperador plants	70% of Emperador plant's lighting system has been converted to LED.
	Green & Go (UNDP)	McDonald's Philippines' first green and good store. Building frames are made of 25% recycled steel. Street Lamps are powered by solar energy. E-Vehicle charging station to cutdown on carbon emission. Eco-friendly air-conditioning.
	Move to renewable electricity	Whyte and Mackay has move to renewable electricity. Currently, 97% of its electricity is green renewable.
SDG 9: Target 9.c - Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020.	Migration to Google Suite	In June 2020, the Company intensified its digitization efforts by launching G Suite or Google Workspace to improve productivity and accessibility of employees even during community quarantine. G Suite introduced the different essential apps to employees such as Gmail, Google Drive, Calendar and the different collaborative apps such as: Docs, Sheets and Slides.

SDG and Target	Project Name	Details
SDG 12: Target 12.2 - By 2030, achieve the sustainable management and efficient use of natural resources.	Selection of environment-friendly materials/ finishes	The use of natural materials such as wood, textile and paper with minimum plastic content. The use of water-based paint. The use of UV-reflective film for windows to reduce the heat inside the interiors.
SDG 12: Target 12.5 - By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	12 Months of Green (Green Day)	Travellers holds a monthly recycling activity inside the RWM complex that aims to minimize solid waste that goes to landfill. Recyclable materials are donated to Buddhist Compassion Relief Tzu Chi Foundation, to help produce useable materials for victims of calamity.
	Waste Electrical and Electronic Equipment Recovery Project	Under this project, all of Travellers' electrical and electronic equipment refuse are collected, treated and recycled by DENR-accredited transporter and recycler, Envirocare Management Precision, Inc in association with ABS-CBN Foundation.
	LOVE Ukay Okay Bazaar	Clothes donation for a charity that combines Travellers's social development and environmental sustainability thrusts. Donated secondhand clothes from Thrillmakers and Lost and Found items cleared for disposal are sold at a charity bazaar with proceeds used for subsequent relief drives and unsold items donated to Caritas Manila's Segunda Mana initiative.
	Hilton Re-purposing Condemned linens and bath towels	Donation of condemned linens to Social Development Center of Pasay City for their recycling.
	Zero heavy fuel oil consumption	First year of zero heavy fuel oil consumption at mainland distilleries – mains gas and LPG that resulted to carbon savings.
	Electric cars added to car option list	Electric cars have been added to the car option list and first charging posts have been installed. Fleet will progressively switch to EVs.
	Utilization of naturally created biogas from bio-methanation process	The biogas from bio-methanation process produces electricity thereby reducing reliance of the facility on fossil fuels. It reduced 13,860 MT fossil fuel by optimizing biogas usage.
	Utilization of sugarcane bagasse as a substitute to coal	Sugarcane bagasse is a waste product from sugarcane mills which can be used as an alternative fuel and renewable energy source. This reduced fossil fuel dependency by 37,800 MT for 180 days.
	Re-use/re-purpose of excess materials	Excess materials such as tiles, furniture, lighting and similar items from previous projects are re-allocated to other projects.

SDG and Target	Project Name	Details
<p>SDG 12: Target 12.5 - By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p>	<p>Solid waste and hazardous waste management program</p>	<p>Repair of wooden pallets; proper waste segregation (color coded labels on waste bins); audit scrap buyers regulatory permits and evaluate management system; proper handling and labelling of chemicals / hazardous waste; periodic hauling of accumulated waste; and, alignment with GHS labeling.</p>
	<p>Recycling and reuse of production waste</p>	<p>Reduced residual waste to landfill from 3% to 0.8%, between 2019 to 2020, respectively.</p>
	<p>Use of secondhand bottles for production</p>	<p>815,418 cases of secondhand bottles utilized for production.</p>
	<p>Construction of new cullet washing facility</p>	<p>Increased use of recycled glass cullets in production.</p>
	<p>Construction of wastewater plant</p>	<p>Recycled 5,680 cu. m. of water per year.</p>
<p>SDG 13: Target 13.3 - Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</p>	<p>LOVE Green Earth Hour</p>	<p>This program aims to minimize the environmental impact of the company's operations and promote environmental sustainability. During the Earth Hour, all non-essential lights are turned off in the Resorts World Manila property.</p>
<p>SDG 14: Target 14.2 - By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.</p>	<p>Rebuilding of The Dalmore weir fish ladder</p>	<p>Rebuilt The Dalmore weir fish ladder to protect Atlantic salmon that protected the quality of water.</p>

EXHIBIT 4: ALLIANCE GLOBAL GROUP, INC.
 COVID-19 DONATIONS AND PROJECTS

ANDREW TAN GROUP

P4.1 BILLION

TOTAL DONATIONS AND PROJECTS

 <p>MEGAWORLD Lifestyle Malls</p> <p>Assistance to retail partners through rent condonation</p> <p>P3B</p>	 <p>PHILIPPINE DISASTER RESILIENCE FOUNDATION</p> <p>Donation to Project Ugnayan</p> <p>P100M</p>
 <p>1-M liters of disinfectant alcohol</p> <p>P250M</p>	 <p>Megaworld donation for COVID-19 test labs to Philippine Red Cross</p> <p>P60M</p>
 <p>AGI and subsidiaries' donations to LGUs and other organizations</p> <p>P66M</p>	 <p>McDonald's Kindness Kitchen and funding for assistance to employees and communities</p> <p>P500M</p>
 <p>RWM & partners' PPE donations and food distribution to poor communities</p> <p>P125M</p>	 <p>Megaworld donations to Task Force T3 and other LGUs</p> <p>P8M</p>
 <p>Megaworld and subsidiaries' food distribution to frontliners and construction workers, Covid-19 facilities, and other partner beneficiaries, and free transport to frontliners</p> <p>P5M</p>	 <p>Megaworld Hotels' donations of essentials, PPEs, and medical supplies to IATF, LGUs, and hospitals</p> <p>P3M</p>



Environmental Impact

Operational Greenhouse Gas Emissions

Trucost reviewed AGI's environmental data for FY2020. Exhibit 5 below relates the key findings for environmental impacts. These impacts are described in absolute terms, or their total volume, as well as in intensity terms by m² of AGI's floor area (8,215,254 m²), by employee (39,437 employees) and by revenue (PHP 128,790 million).

EXHIBIT 5: COMBINED DIRECT AND INDIRECT OPERATIONAL GREENHOUSE GAS EMISSIONS, FY2020

Scope	Absolute Emissions	Carbon Intensity		
		tCO ₂ e per m ² of floor area	tCO ₂ e per employee	tCO ₂ e per PHP million revenue
Scope 1	148,825	0.02	3.77	1.16
Scope 2 (Location-based)	295,399	0.04	7.49	2.29
Scope 3	21,291	0.00	0.54	0.17
Total Emissions	465,515	0.06	11.80	3.61

EXHIBIT 6: ABSOLUTE GHG EMISSIONS BY BUSINESS UNITS

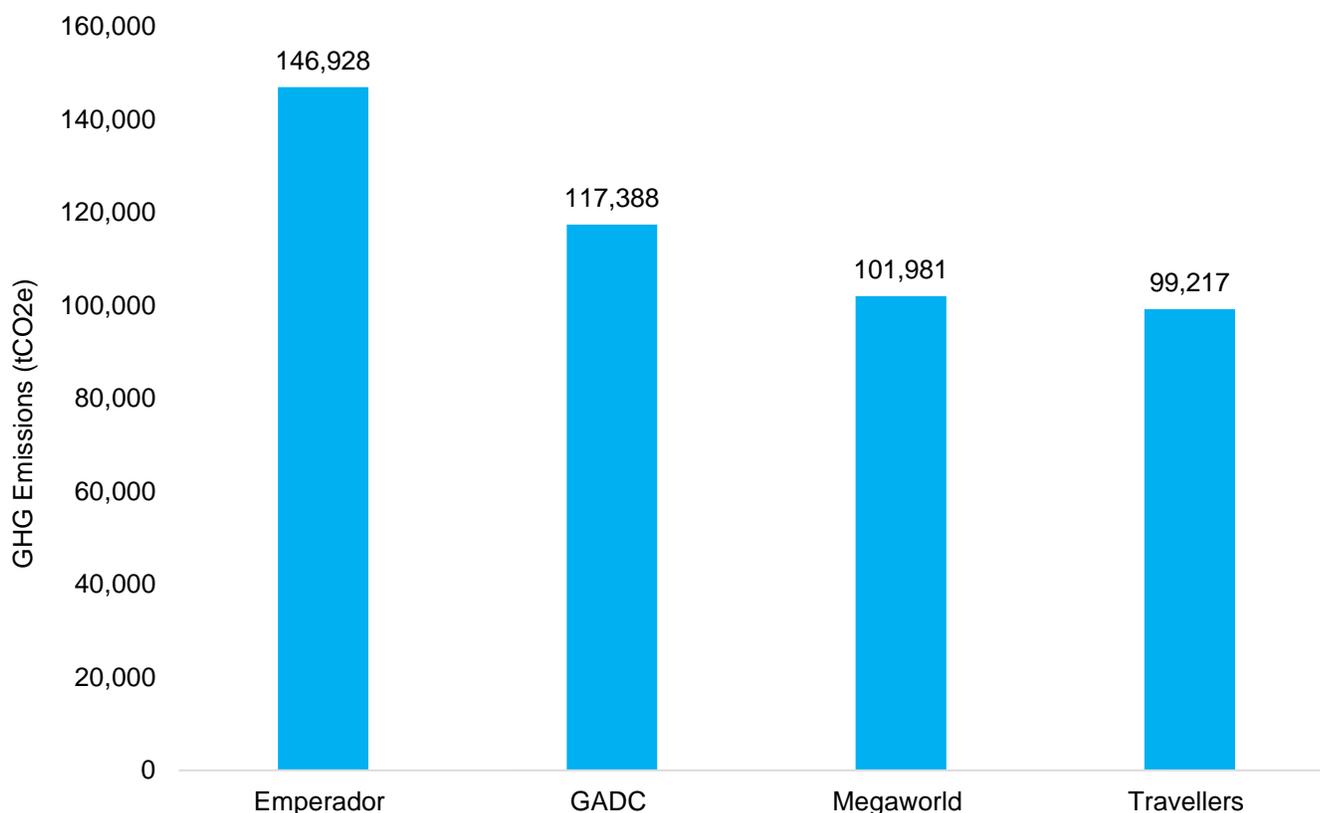


EXHIBIT 7: ABSOLUTE GHG EMISSIONS BY SCOPES

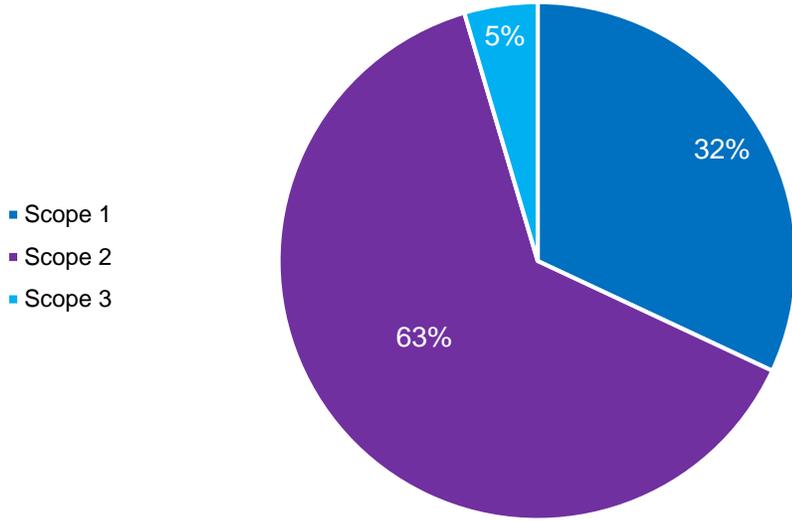
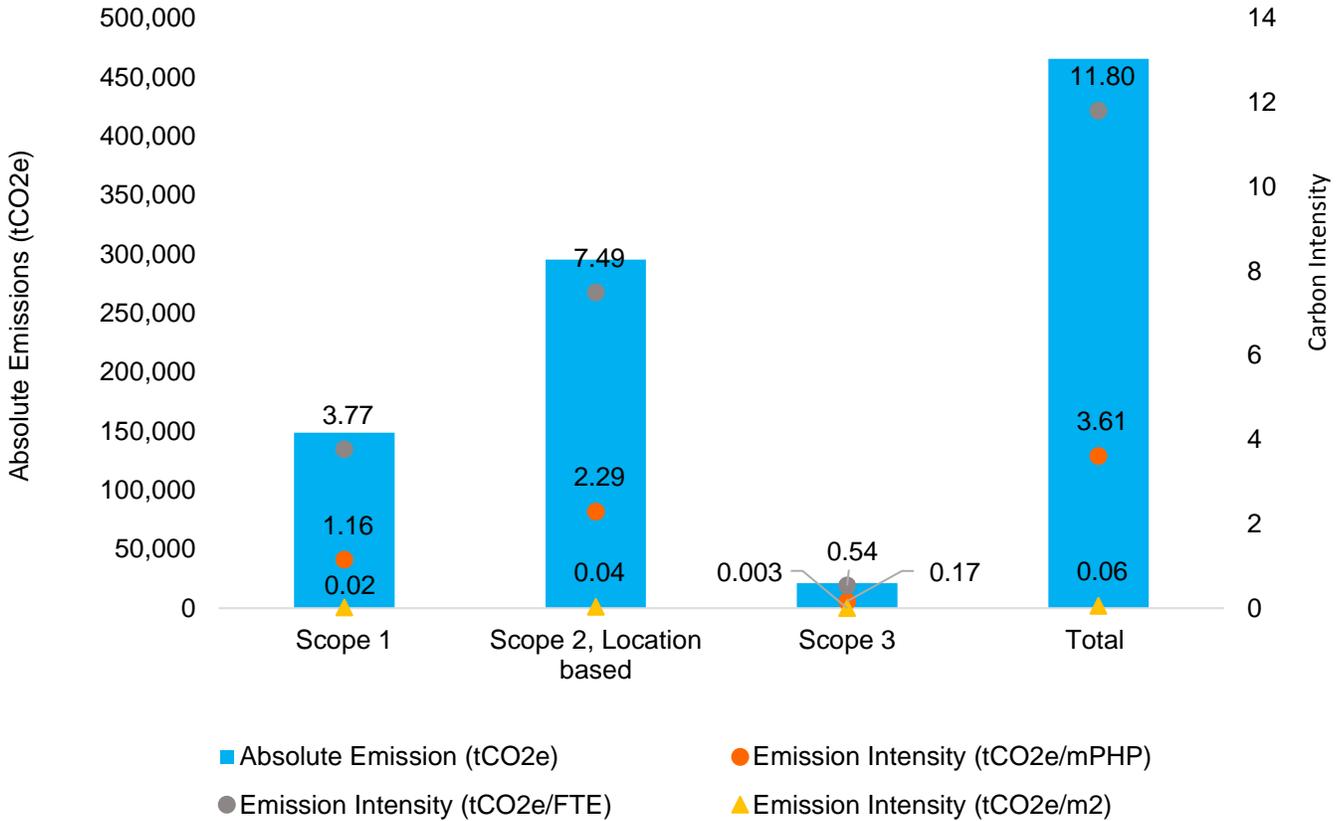


EXHIBIT 8: GHG EMISSIONS ABSOLUTE VALUES AND INTENSITY VALUES, FY2020



Direct (Scope 1) GHG Emissions

Direct emissions are GHG emissions from organizational operations are direct (or scope 1) emissions derived from propane, diesel, natural gas consumption for boiler, gas turbine, diesel generators, owned transportation, and refrigeration leakages. AGI’s scope 1 emissions during FY2020 was 148,825 tCO₂e, and the intensities of GHG emissions normalized by square meter of floor area, employees and revenue were 0.02 tCO₂e/m², 3.77 tCO₂e/employee and 1.16 tCO₂e/PHP million, respectively.

Indirect (Scope 2) GHG Emissions

A second component of GHG emissions related to organizational operations are indirect (or scope 2) emissions primarily from the consumption of purchased electricity. AGI’s scope 2 emissions (location-based) during FY2020 was 295,399 tCO₂e. 100% of the electricity was purchased from an electric grid. The intensities of GHG emissions normalized by square meter floor area, employees and revenue were 0.04 tCO₂e/m², 7.49 tCO₂e/employee and 2.29 tCO₂e/PHP million, respectively.

Indirect (Scope 3) GHG Emissions

A final component of GHG emissions related to organizational operations are indirect (or scope 3). AGI’s scope 3 emissions during FY2020 were calculated for category 5, waste generated in operations, and category 6, business travel and totaled 21,291 tCO₂e. The intensities of GHG emissions normalized by square meter floor area, employees and revenue were 0.003 tCO₂e/m², 0.54 tCO₂e/employee and 0.17 tCO₂e/PHP million.

Water Use

In FY2020, absolute water use totaled 9,944,668 cubic meters (m³) with 5,340,874 m³ from supplied water from local utilities, 4,603,794 cubic meters of water abstracted directly, with 2.94% (or 292,836 m³) of total water reused. AGI has received permits for water extraction, or has permit applications in progress for all sites. Water use intensity normalized by square meter of floor area, employee and revenue were 1.21m³/m², 252.17 m³/employee and 77.22 m³/PHP million respectively.

EXHIBIT 9: WATER USE BY BUSINESS UNITS, FY2020

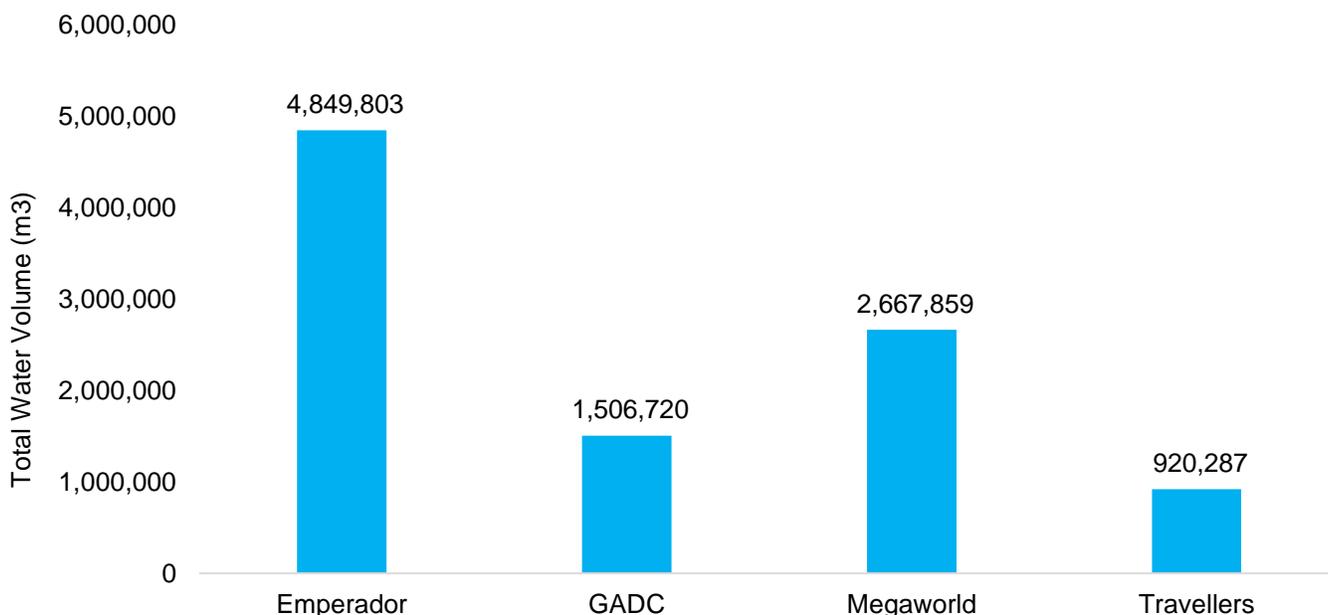
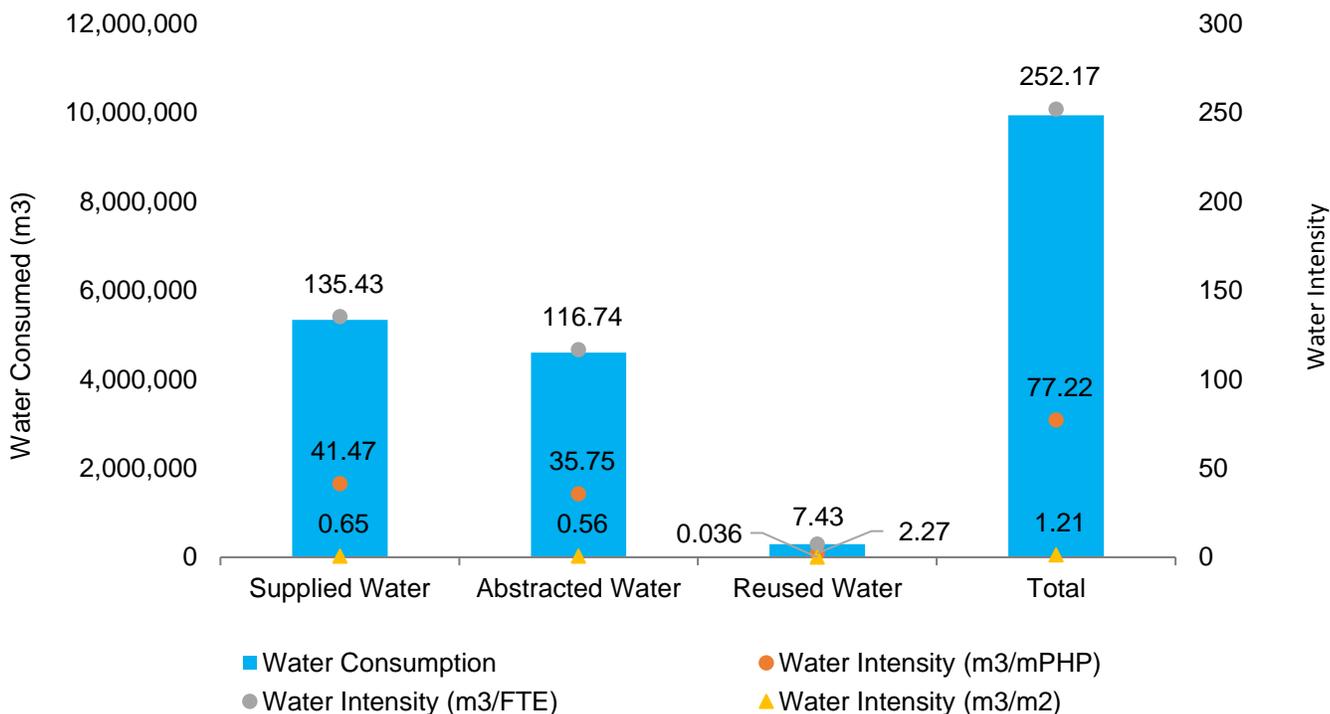


EXHIBIT 10: WATER USE INTENSITY, FY2020



Waste Generation and Recycling

Absolute non-hazardous waste and hazardous waste generated in FY2020 was 58,234, with 53,185 tonnes of non-hazardous waste and 5,050 tonnes of hazardous waste, with 55% of all waste (or 21,826 tonnes) being recycled. Major types of waste that contributed to the total mass were solid waste, metal, plastic and paper. The intensity of total waste generated normalized by square meter of floor area, employee and revenue were 0.01 tonnes/m², 1.48 tonnes/employee and 0.45 tonnes/PHP million.

EXHIBIT 11: WASTE BY BUSINESS UNITS, FY2020

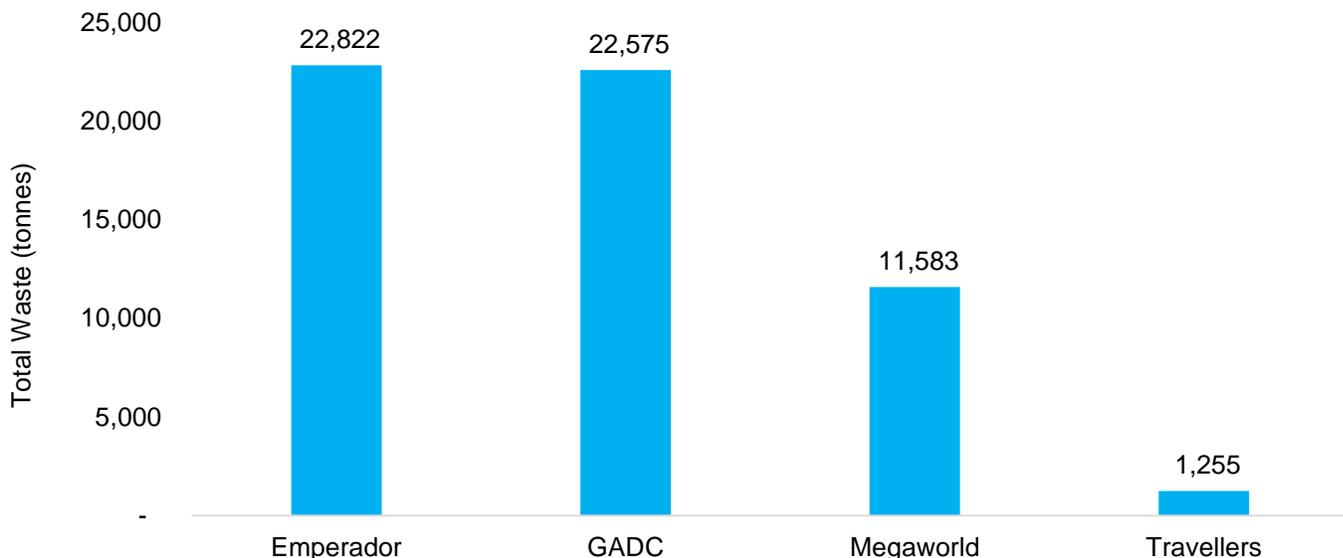
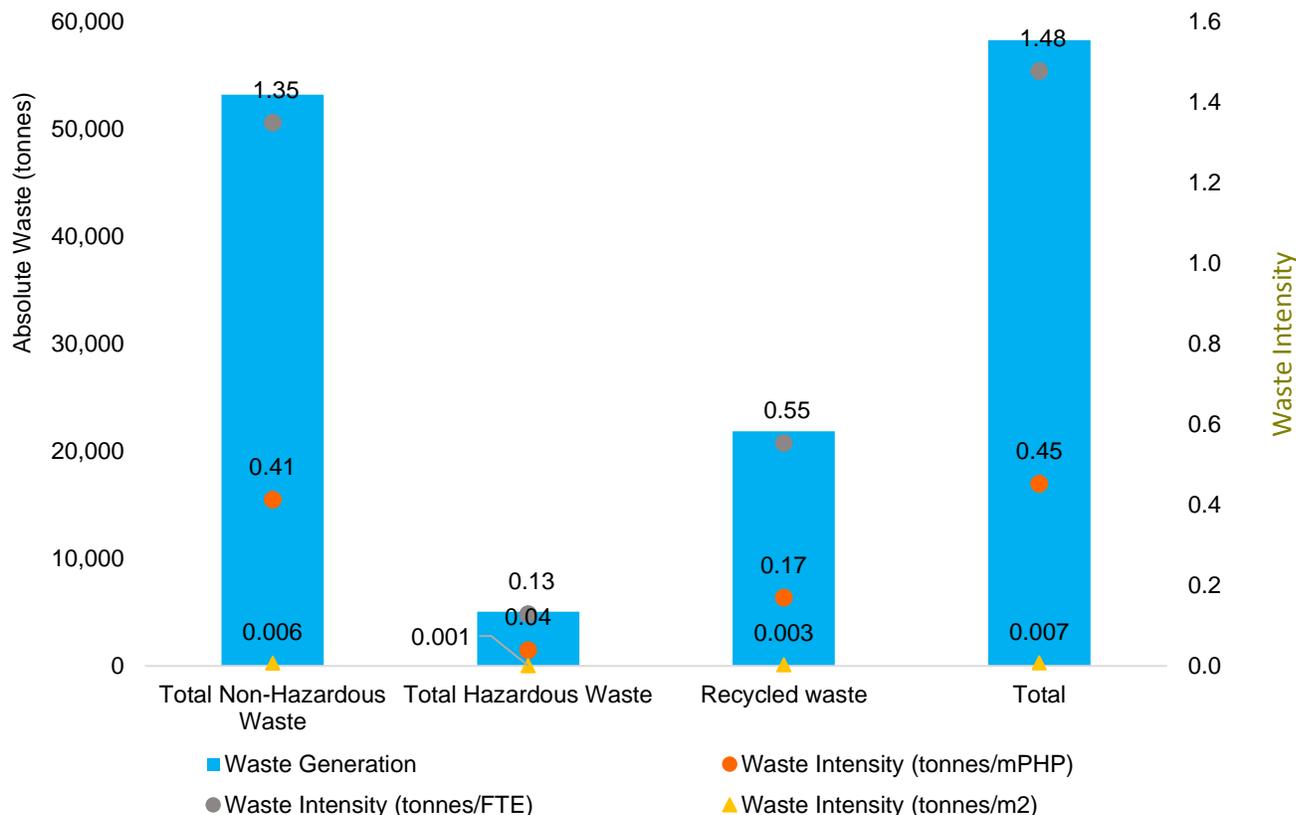


EXHIBIT 12: ABSOLUTE WASTE AND WASTE INTENSITY, FY2020



Social Impact

Workforce Diversity

Overall, the company has 39,437 employees with approximately 53% male and 47% female representation.

EXHIBIT 13: GROUP DIVERSITY AND EMPLOYEE REPRESENTATION, FY2020

Business Unit	Male	Female	Total
Emperador	2,679	820	3,499
GADC	12,208	12,401	24,609
Megaworld	2,510	2,924	5,434
Travellers	3,341	2,554	5,895

Employee Training and Development

AGI recognizes that training and education form an important part in the development of employee skills and supporting career development. In 2020, the Company dedicated 3,494,444 hours on training employees, which entailed a total expenditure of PHP 37,745,859.

Additionally, performance reviews are scheduled bi-annually to support in career development, promotion and merit enhancement. AGI also provides several government mandated and voluntary benefits to its employees such as leave, salary loans, saving benefits, several loans options, medical benefits, flexible working hours, among other benefits.

EXHIBIT 14: EMPLOYEE TRAINING, FY2020

Business Unit	Total number of hours for all employees	Expenditure (PHP)
Emperador	657,812	13,619,013
GADC	22,480	5,001,389
Megaworld	886,934	9,734,048
Travellers	1,927,518*	9,391,409

*Estimated based on training hours per employee and number of attendees.

EXHIBIT 15: EMPLOYEE DEVELOPMENT

Business Unit	Male	Female
Emperador	78%	89%
GADC	100%	100%
Megaworld	100%	100%
Travellers (excluding hotels)	15%	11%

Emperador Governance

Data Privacy and Security

Emperador collects client and supplier data. More than 17,568 individual customer data, 3,492 supplier data, 1,428 employee data and 33 stockholder data are maintained by the company. Out of the 33 certificated stockholders, 27 are held by individuals which include the 7 nominal shares of the Directors. Emperador collects clients and customer data in accordance to its privacy policy and applicable data privacy regulations. Emperador maintains secondary data for all its companies as part of its disaster recovery measures. During the reporting period, no requests for data were made by regulatory authorities in the past year.

EXHIBIT 16: DATA PRIVACY AND SECURITY, FY2020

Customer Privacy	
Number of substantiated complaints on customer privacy	0
Number of complaints addressed	0
Data Breaches	
Number of data security breaches in financial year	0

Electronic Waste

Computer equipment, such as disk servers, desktop computers and mobile phones at end-of-life, especially storage media, are disposed of provided that the procedure shall include the use of degaussers, erasers and physical destruction devices, among others. Electronic waste that is not processed on-site are sold to third party for destruction or recycling, with an exception of storage devices which are formatted, and data is destroyed before disposal.

Stakeholder Management

Emperador considers suppliers, communities and customers as its primary stakeholders. The company has a supplier code of conduct and suppliers must have relevant permits to operate with Emperador. The company is committed in resolving issues raised by customers through its Credit and Collections department and its Customer Relations department. At present there are no policies in place for maintaining customer satisfaction, except Spain where Procedure 006 is followed for the same.

Business Ethics

Emperador ensures that all transactions are executed fairly within the company's codes of conduct. Emperador expects each employee to observe the highest standards of business ethics. An employee cannot engage in any activity that would create conflict or interfere with the performance of his responsibilities. Receiving of gifts from third parties is not allowed.

Emperador values all information received from whistle blowers and/or anonymous sources. It encourages all stakeholders to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable practices and transactions entered by any of its employees and officers.

The company's risk management periodically reviews project progress and compliance to various government agencies. Given that constructions are contracted to suppliers, Emperador vets them carefully and ensures that they have secured environmental compliance licenses.

EXHIBIT 17: GOVERNANCE INDICATORS, FY2020

Policies and Procedures	
Total amount of monetary losses as a result of legal proceedings associated with money laundering	None
Anti-money laundering policy in place?	Yes - The policy is in accordance with RA 9160 Anti-Money Laundering Act – its implementing rules and regulations.
Anti-corruption policy in place?	A group-level policy is currently being drafted but offshore subsidiaries have their policies in place. The Philippine units operate in compliance with the Anti-Graft and Corrupt Practices Act.
Grievance mechanism for whistle-blower in place?	For each subsidiary or affiliate, reports of wrongdoing may be made directly to the Chairman or President for proper disposition to ensure confidentiality of information and protection of the identity of the whistle blower.
Policy or standard practices to identify risk of contamination, and the containment or remediation strategies deployed?	Yes - Emperador has quality control manual and sanitation policy for this purpose.
Ethical procurement policy in place?	Yes - Emperador has a Purchase and Provisioning procedure that takes into consideration food safety and food security in procurement practice.

Grupo Emperador Spain, SAU and consolidated companies engages an external firm in July 2020 to help them implement the necessary compliance procedures. Based on the recommendations received from the firm, several policies and systems have since been put in place while many are underway.

Given below are the details of policies and procedures that has been implemented so far:

1. **Criminal Compliance Policy:** This serves as the reference framework for the implementation of a crime prevention system, with well-defined commitments, principles and objectives. The purpose of this policy is to provide an overview of the crime prevention model, training and sensitizing all professionals, managers and attorneys-in-fact about the criminal risks to which their actions are exposed.
2. **Code of Ethics:** The purpose this Code is to define the general principles and basic rules of corporate governance and conduct that govern the activities of the Spanish companies within Grupo Emperador, applicable both to the relationship with its employees and to the relationship of the employees among them in the development of their professional activities.
3. **Whistleblowing Channel:** The purpose of this channel is to guarantee confidentiality and facilitate unhindered inquiries or communications of non-compliance from the staff members. Communications addressed to the Compliance Channel may be sent by filling in an electronic form that will shortly be made available in the section called "Ethical Channel" enabled within the website <https://www.grupoemperadorspain.com>

Further actions undertaken:

1. Crime Prevention and Control Body: The Crime Prevention Model has been entrusted to a body within the legal person with autonomous powers of initiative and control, composed of both internal Grupo Emperador personnel or internal staff combined with external experts on the matter.
2. Financial Resources Management Model: In order to have adequate financial resources, a financial resources management model has been set-up to prevent the commission of the crimes that must be prevented.
3. Training: In order to ensure that all managers and employees are familiar with the Group's Policies, Procedures and Controls, and that these are correctly applied, there have taken place five formations to all the employees of the Spanish companies within Grupo Emperador.
4. Disciplinary System: This has been set-up to enable sanctions for infringements of the procedures and internal rules implemented by the Group for the prevention and detection of crimes.
5. Periodic verification: A periodic review of the Model is to be undertaken.

GADC Governance

Data Privacy and Security

In FY2020, GADC has an estimate of approximately 3,000,000 customer’s data. GADC maintains data security and in the past year there were no reported data breaches or leaked information. GADC provide static information to National Privacy Commission as part of its compliance to Data Privacy Act of 2012. Data was safely disposed of after it is utilized.

EXHIBIT 18: DATA PRIVACY AND SECURITY, FY2020

Data Management Practices	
Number of individual clients for whom data was primarily stored	3,000,000
Number of companies for which secondary data is stored	None
Data Breaches	
Number of data security breaches in financial year	None

Electronic Waste

GADC discards its electronic waste in a responsible manner. GADC has a standard degaussing process for disposal of non-functional electronics. This takes place outside the organization and handled by accredited Third Party Supplier. The standard degaussing process in disposing the IT asset involves shredding or destroying the entire IT asset until it become non-operational.

EXHIBIT 19: ELECTRONIC WASTE, FY2020

Electronic Waste Management	
Fate of electronic waste not processed at site	The degaussing process takes place outside the organization and handled by accredited Third Party Supplier Standard degaussing process in disposing the IT asset means shredding or destroying the entire IT asset until it becomes non-operational.
Record maintained regarding end fate of waste electronics	GADC does not maintain or keep any records of all electronic waste. If the unit is found to be defective, it will be listed for disposal.
Disposal criteria	To confirm due diligence after the degaussing process: 1) the Third Party Supplier must confirm and email the disposal list document, and 2) will send images as part of asset disposal evidences.

Food Safety

GADC considers food safety a paramount responsibility being in restaurant business. Thus, has all its stores permitted with sanitary permit issued by Local Government Unit (LGU) Health Department and is compliant to local ordinance related to Food Safety, Food Safety Act, and PNSDW. GADC also gives importance to nutrient content in its food products. GADC reports that the nutrient content in their food requirement meets 89% and 100% Recommended Energy and Nutrient Intakes (RENI) requirement for adults and children, respectively.

EXHIBIT 20: FOOD SAFETY, FY2020

Description	Details
Percentage of restaurants inspected by a food safety oversight body	100%. All operating McDonald's restaurants in the Philippines were audited by third party certifying body, SGS Philippines, on McDonald's food safety procedures verification. All restaurants have valid sanitary permit for 2020 and compliant to the water safety requirement based on Philippine National Standards for Drinking Water.
Percentage receiving critical violations	None
Number of food recalls required in the year	None
Total amount of food recalled (Kg)	None
Number of confirmed foodborne illness outbreaks resulting in U.S. Centers for Disease Control and Prevention (CDC) investigation	None

EXHIBIT 21: NUTRIENT CONTENT, FY2020

Description	Details
Percentage of meal options consistent with national dietary guidelines	Estimate of 89% based on RENI (Recommended Energy and Nutrient Intakes)
Revenue from meal options consistent with national dietary guidelines	100% of food revenue
Percentage of children's meal options consistent with national dietary guidelines for children	Estimate of 100% based on RENI
Revenue from children's meal options consistent with national dietary guidelines for children	100% of food revenue

Business Ethics

GADC has implemented several policies to ensure that it conducts business in a fair manner. GADC has anti-money laundering policies, anti-corruption policies, and mechanisms for raising grievances. GADC also emphasizes on responsible sourcing of raw materials and has environmental management policy for the same.

EXHIBIT 22: GOVERNANCE INDICATORS, FY2020

Anti-Money Laundering	
Total amount of monetary losses as a result of legal proceedings associated with money laundering	None
Anti-money laundering policy in place	The Standards of Business Conduct of GADC is currently being updated/finalized and scheduled for release by the end of the year. GADC has provisions in place in contractual agreements regarding compliance with Anti-Money Laundering and relevant laws and regulations of the Philippines.
Anti-corruption policy in place	Similarly, the Anti-Corruption Policy of GADC is included in the Standards of Business Conduct which is currently being updated/finalized and scheduled for release before the end of the year. At any rate, GADC acknowledges the U.S. Foreign Corrupt Practices Act (FCPA) and incorporates this in employment contracts. Additionally, contractual agreements with supplier/vendors and external parties also include this provision as well as compliance with Philippine laws and rules on anti-corruption and bribery.
Grievance mechanism in place	GADC has grievance mechanisms in place such as the "myPAL", or a dedicated phone line for employee calls to report on ethics and compliance issues. Additionally, any reports for violations or complaints may be coursed through the following: (1) The immediate supervisor; (2) Restaurant General Manager; (3) Compliance Officer; (4) any HR representative; (5) Department Head; (6) any member of the Legal Department; (7) any member of the ManCom; or (8) any member of the ExeCom.
Environmental management policy	<p>1). Environmental Manual is in place to ensure compliance with corresponding environmental laws.</p> <p>2). We practice Responsible Sourcing of Raw Materials, where we use our scale to drive continuous improvement and innovation, to help realize a supply chain where people, animals and the planet thrive. Priority products that have been identified and are being sourced responsibly are:</p> <p>Soft seed oil in replacement of palm oil (address deforestation); coffee beans are Rainforest Alliance (RFA) certified (addresses economically viable farming and climate change); fiber packaging are Forest Stewardship Council (FSC) Certified (addresses healthy land management practices and waste).</p>
Contamination management policy	GADC has a policy of use of only approved equipment and smallwares which assures no possible contamination of heavy metals and harmful materials. All of the approved equipment and smallwares are either NSF or ANSI approved. Where there is no certification, food contact materials and food handling materials are tested for food grade status via 3rd party laboratories.
Contamination risk policy	No policy as of now

Megaworld Governance

Data Privacy and Security

In FY2020, Megaworld and its subsidiaries have collected and stored data for 305,492 clients. In FY2020, Megaworld provided response to regulatory authorities for breach incidents and privacy impact assessment. Megaworld takes reasonable steps to securely destroy or permanently de-identify or anonymize personal information if it is no longer needed. Disposal is in a manner that the personal data is unreadable (for paper) or irretrievable (for digital records), the disposal methods adopted are shredding of papers and burning of electronic waste.

EXHIBIT 23: DATA PRIVACY AND SECURITY, FY2020

Data Management Practices	
Number of individual clients for whom data was primarily stored	305,492
Number of companies for which secondary data is stored	12
Data Breaches	
Number of data security breaches in financial year	None

Electronic Waste

Megaworld discards its electronic waste in a responsible manner. Any records or files are copied to a Backup server (an on premise and offsite backup server). Hard drive data are wiped out using hard disk utility to erase the data to prevent data recovery.

There is disposal criteria in place with regard to external processors of electronic waste and the company engages the external processors in signing of the Non-Disclosure Agreement (NDA) sighting Data Privacy Rights in accordance to RA10173 or the PHL Data Privacy Act of 2012 (DPA).

EXHIBIT 24: MEGAWORLD ELECTRONIC WASTE, FY2020

Electronic Waste Management	
Fate of electronic waste not processed at site	Stored on designated Hazard Waste Storage to be collected by DENR registered transporter. The hotel has a compilation for the name of bidder, receipt and list of electronic waste. The hotel acquires its record furnished by accredited transporter in a form of "Certificate of Treatment".
Record maintained regarding end fate of waste electronics	Certificate or notice of removal/destruction of data.
Disposal criteria	Signing of the Non-Disclosure Agreement (NDA) sighting Data Privacy Rights in accordance to RA10173 or the PHL Data Privacy Act of 2012 (DPA)

Stakeholder Management

Megaworld considers suppliers, communities and customers as its primary stakeholders. The company has a vendor code of conduct and suppliers must have relevant permits to operate with Megaworld. The company has a Client Relations Group manual and policies for developing and maintaining customer satisfaction. The company also has programs and initiatives for the betterment of the communities it operates within.

EXHIBIT 25: MEGAWORLD STAKEHOLDER MANAGEMENT, FY2020

Procurement and Supply Chain Management	
Supply chain procurement policies	Yes
Supplier code of conduct	Yes
Relationship with community	
Policy for development and maintenance of communities	Yes
Customer Satisfaction	
Policy for developing and maintaining customer satisfaction?	Yes
Customer Complaints	
Number of substantiated complaints on product or service health and safety	No data
Number of complaints addressed	No data

Business Ethics

Megaworld has implemented several policies to ensure that it conducts business in a fair manner. Megaworld has anti-money laundering policies, anti-corruption policies and mechanisms for raising grievances. Megaworld is compliant with applicable local and national laws related to land development and their green space requirements. Megaworld also does Environmental Impact Assessments for all its projects in compliance with PD 1586 (Philippine Environmental Impact Statement System) and other environmental protection laws.

Megaworld has an Ethics Committee that receives reports of wrongdoing by the company's directors, senior management and employees and investigates them while at the same ensuring confidentiality of information and protection of the whistleblowers.

EXHIBIT 26: MEGAWORLD GOVERNANCE INDICATORS, FY2020

Anti-Money Laundering	
Total amount of monetary losses as a result of legal proceedings associated with money laundering	None
Anti-money laundering policy in place	Comply with Philippines and International anti-money laundering law
Anti-corruption policy in place	Company's manual of Corporate Governance and Code of Business Ethics
Grievance mechanism in place	Ethics committee
Environmental management policy	The Company complies with Presidential Decree No. 1586 (Philippine Environmental Impact Statement System) and other relevant environmental protection laws
Contamination management policy	None
Contamination risk policy	None

Travellers Governance

Data Privacy and Security

In FY2020, Travellers has collected and stored data for 2,301,366 RWM members, 358,791 hotel guests, 3,210 employees and 2,000 other guests. Data is safely disposed of after it is utilized. There were no data breaches across all the hotel chains in the Financial Year. Defective data storage devices are physically destroyed and disposed of through Disposal Request Forms (DRF) submitted and forwarded Safety, Environment and Pollution Control Compliance Unit for Proper Waste Disposal.

EXHIBIT 27: DATA PRIVACY AND SECURITY, NUMBER OF CLIENTS FOR WHOM DATA WAS PRIMARILY STORED, FY2020

Hotel	Hotel Guests	Employees	Other
Travellers	2,398,157*	2,294	No Data
Hilton	No Data	267	No Data
Marriott	213,000	494	No Data
Okura	No Data	155	No Data
Sheraton	49,000	No Data	2,000
Total	2,660,157	3,210	2,000

*This consists of 2,301,366 RWM members, 64,624 (Maxims) and 32,167 (HIEX)

Electronic Waste

Travellers discards its electronic waste in a responsible manner. The electronic waste is collected by a DENR-accredited provider (Envirocare Mgmt Precision, Inc). This happens as part of their CSR project with ABS-CBN Foundation Inc.-Bantay Kalikasan. The recovered electronic waste is valued and becomes Travellers' donation to the Foundation. The non-recoverable items like the plastic components of the WEEE are donated to a cement factory to be crushed/processed as binders of cement/hollow blocks for CSR activities of ABS CBN Foundation (donated to build schools). A Certificate of Destruction and Treatment is issued by the accredited service provider in conformance to Cradle to Grave Waste Management procedures.

EXHIBIT 28: ELECTRONIC WASTE, FY2020

Electronic Waste Management	Travellers	Hilton	Marriott	Okura	Sheraton
Fate of electronic waste not processed at site	Sent for disposal to DENR accredited processors	Sent to recycling facility.	Send to vendors for recycling or disposal	n/a	Send to vendors for recycling or disposal
Record maintained regarding end fate of waste electronics	Certificate of Destruction and Treatment is issued by the accredited service provider	None	Any records maintained are done so in accordance with local laws	n/a	Any records maintained are done so in accordance with local laws
Disposal criteria	Disposed only through DENR accredited transporters and processors	None	Data cleansing software used for E-waste capable of storing data	n/a	Data cleansing software used for E-waste capable of storing data

*Travellers does not have operational control of Hilton, Marriott, Okura or Sheraton.

Business Ethics

Travellers has implemented several policies to ensure that it conducts business in a fair manner. Travellers has anti-money laundering policies, anti-corruption policies and mechanisms for raising grievances. All projects have an Environmental Impact Assessment/Statement (EIS) and an Environmental Compliance Certificate from the Environmental Management Bureau of the Department of Environment & Natural Resources (EMB-DENR). In addition, Travellers strictly complies with the following laws:

- Republic Act 6969: Control of toxic substances and hazardous and nuclear wastes
- Republic Act 8749: Clean Air Act of 1999
- Republic Act 9003: Ecological & Solid Waste Act of 2000
- Republic Act 9275: Clean Water Act of 2004

The presence of these policies for other hotels is less consistent, most notably for Okura and Sheraton.

EXHIBIT 29: GOVERNANCE INDICATORS, FY2020

Indicator	Travellers	Hilton	Marriott	Okura	Sheraton
Anti-money laundering policy in place	The Money Laundering and Terrorist Financing Prevention Program (MTPP)	N/A	N/A	Code of Conduct drafted	No
Anti-corruption policy in place?	Company Code of Business Conduct and Ethics	Anti-corruption policy in Hilton World wide's Employee Handbook	FCPA rules, UK Anti-bribery act and all major international anti-corruption policies followed.	Code of Conduct drafted	No
Grievance mechanism in place	Company's Whistle Blower Program	Whistle-blower policy consistent with Hilton World wide's Employee Handbook	Marriott Business Integrity Line where associates can anonymously report integrity issues.	Code of Conduct drafted	No
Environmental management policy	Environmental compliance certificate from EMB-DENR	Internal programs to manage certain waste streams	Marriott has an Environmental and Energy Conservation Policy	No	No
Contamination management policy	Compliance with Republic Act 6969	N/A	Marriot Environmental Sustainability Hub (MESH)	No	No
Contamination risk policy	Compliance with DENR guidelines	N/A	Yes	No	No

Summary Table

		Units	2020	2019
Environment				
Emissions	Scope 1	tCO2e	148,825	276,198
	Scope 2	tCO2e	295,399	265,846
	Scope 3	tCO2e	21,291	43,167
	Total Emissions	tCO2e	465,515	585,212
	Emission Intensity	tCO2e/mPHP	3.61	3.25
Waste	Total Waste	tonnes	58,234	83,840
	Waste Intensity	tCO2e/mPHP	0.45	0.47
Water	Total Volume	m3	9,944,668	12,394,121
	Water Intensity	m3/mPHP	77.22	68.86
Social				
Workforce by Gender	Male	#	20,738	27,914
	Female	#	18,699	25,996
Employee Training	Total expenditure on employee training programs	PHP	37,745,859	58,195,758
	Total number of hours for all employees	#	3,494,444	2,070,248

Appendix I – Setting Science-Based GHG Reduction Targets

Targets to reduce GHG emissions are considered science-based if they align with the level of decarbonization needed to keep global temperature increase <2°C compared to preindustrial temperatures, per the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC)².

The Science Based Targets Initiative is a joint initiative of CDP, the UN Global Compact, the World Resources Institute, and WWF.² The initiative allows companies to choose from several target-setting methods, depending on the requirements of their sector. Researchers developed the Sectoral Decarbonization Approach through a multi-stakeholder process, which allocates the 2°C carbon budget to different sectors and limits any single company's GHG emissions to an amount based on its "fair share."²

This method takes account of inherent differences among sectors, such as how fast each sector can grow relative to economic and population growth. Within each sector, companies can derive their science-based emission reduction targets based on their relative contribution to the total sector activity and their carbon intensity relative to the sector's intensity in the base year.

Science-based GHG reduction targets are a natural next step and can assist a company in targeting improvement in the most-needed areas, such as the energy mix of power generation, transport and logistics. In addition, science-based targets will ensure that the company's reduction goals "are in line with the level of decarbonization required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperatures."²

As of December 2019, 742 companies have committed to science-based targets. While the Science Based Target Initiative accepts both absolute and intensity targets, there is a preference for setting absolute targets, as they ensure an overall reduction in GHG emissions relative to the remaining carbon budget. However, Trucost recommends that companies set both absolute and intensity targets to provide the most transparency to stakeholders. Using both targets also can help track real reductions in emissions and improvements to efficiency performance, while allowing for flexibility in addressing stakeholder needs.

² <https://www.ipcc.ch/assessment-report/ar5/>

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