COVER SHEET

SEC Registration Number

A S 0 9 3 - 7 9 4 6

COMPANY NAME

ALLIANCE GLOBAL GROUP, INC.
AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A (For December 31, 2017)	SEC	Certificate of Permit to Offer Securities for Sale

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. *For the fiscal year ended* **December 31, 2017**

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

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

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

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

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

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

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

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

Title of Each Class	*Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding* ***As of December 31, 2017***
Common	**10,269,827,979**
Treasury shares	**39,810,500**
Outstanding	**10,230,017,479**

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, 2017, based on the average price of its common stock of Thirteen Pesos and Seventy-One Centavos (P13.71) on the Philippine Stock Exchange on April 6, 2018, is P58,564,124,172.*

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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 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 become a holding company. Immediately, the Company began its diversification into the food and beverage and real estate industries, and, in 2005, into the quick-service restaurant business. In 2007, it reorganized to consolidate businesses controlled by Dr. Andrew L. Tan and family ("**Tan family**"), specifically in the distilled spirit manufacturing and property development. In 2008, the Company entered into integrated tourism development, with gaming activities, by partnering with a leading multinational leisure, entertainment and hospitality group. In 2011, AGI expanded its integrated tourism estate development outside of Metro Manila, particularly in the Calabarzon and Visayan regions, and in 2014, in Mindanao. From 2013 to 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 more than 170years, 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 2017 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 begins diversifying into infrastructure in 2017.

The Tan family beneficially owns a majority interest in AGI.

a.2. Subsidiaries

Emperador Inc.

EMPERADOR INC. ("EMP" or "Emperador") is a publicly-listed domestic holding company that 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. Emperador has established its identity in the Philippine alcoholic beverages business as producer of high quality liquor and innovative products through **Emperador Distillers, Inc.** ("EDI"), the Philippines' largest liquor company and the world's largest brandy producer. EDI, a wholly owned subsidiary of EMP, has a product portfolio that consists of its own brands, the Group's brands as well as licensed products. The offshore operations of Emperador fall under the wings of **Emperador International Limited** ("EIL"), a wholly-owned subsidiary of EMP, whose subsidiaries handle the Scotch whisky, Jerez and Mexican brandies and sherry wine operations. Through **Emperador UK Limited** ("EUK"), EMP acquired a rich heritage of a Scottish spirits company in **Whyte and Mackay Group Limited** ("WMG" or "Whyte and Mackay") of United Kingdom, the fifth largest Scotch whisky manufacturer in the world with products being distributed in over 102 countries. Through **Grupo Emperador Spain S.A.U.** ("GES"), EMP has expanded its rich heritage to brandy de Jerez and sherry wine and assets, including trademarks, vineyards, and well-matured inventory, in Spain with the acquisition of **Bodega San Bruno**; **Bodegas Fundador**, the largest and oldest in Jerez; and **Bodegas Garvey**, with origins dating back to 1780. GES further enhanced its brandy and wine business in North and South Americas

with the acquisition of assets related to **Domecq** brandy and wines. At present, EMP has a wider range of products in its portfolio - from value to super premium – and an international reach to at least 102 countries.

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. EMP has P20.0 billion authorized capital stock, P16.2 billion of which are outstanding as of December 31, 2017. Its consolidated total assets amounted to P111.5 billion as at December 31, 2017.

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

EDI operates two manufacturing plants in Laguna. The main plant is being leased from its wholly-owned domestic subsidiary ***Tradewind Estates, Inc.*** ("TEI") while the annex plant was acquired from Diageo Philippines in May 2012. TEI was incorporated on September 22, 2000 and was acquired by EDI from its previous owner, Alliance Global Brands, Inc. (a wholly-owned subsidiary of AGI), in March 2016. EDI has its own distillery plant which was acquired in February 2013 from **The Consolidated Distillers of the Far East, Inc**. ("Condis"), which is owned by the Tan family. Another distillery plant was built and became operational in March 2018. Both plants are being leased out to a wholly-owned domestic subsidiary ***Progreen Agricorp, Inc.,*** 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 EDI's requirements. AWG operates a flint glass container manufacturing plant in Laguna on a 24-hour shift which it leases from AGI.

International Operations

EIL, a wholly owned subsidiary of EMP, is a business company incorporated in the British Virgin Islands on December 13, 2006, which is involved in the international sales, marketing and merchandising of EMP products. EIL and its subsidiaries are responsible for the investments and properties in Spain, United Kingdom, and recently in Mexico. Both EMP and EDI have investments in EIL that account to 100%.

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. *GES* 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. In 2013, it acquired ***Bodega San Bruno, S.L.*** ("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**. ("GBS"), one of the largest and oldest liquor and wine conglomerate in Spain. The Spain group acquired vineyard estates in 2013-14. In 2014, Gonzalez Byass agreed to give Emperador 50% participation in ***Bodega Las Copas*** ("BLC"), a fully integrated brandy production company that it owns. On February 29, 2016, ***Bodegas Fundador SLU*** ("Bodegas Fundador'), a wholly-owned subsidiary of GES incorporated on September 28, 2011 under its former name Brandy Emperador Spain, completed the purchase in a deal signed on November 27, 2015, of the Spanish brandy and sherry business in Jerez de la Frontera, from **Beam Suntory Inc**. The purchase includes Spain's largest and oldest brandy cellars with sizeable brandy inventory aged more than 50 years; four iconic brands including 'Fundador Brandy de Jerez', the first Brandy de Jerez, and 'Harveys', the leading sherry wine in UK; production and bottling facilities, vineyards, distillery and winery facilities. On January 19, 2017, ***Complejo Bodeguero San Patricio SLU*** ("CBSP"), a wholly-owned subsidiary of GES incorporated on October 11, 2016, acquired well-known brands and

associated inventories and casks and real estate properties, including the **Bodegas Garvey**, one of the ancient brandy and sherry winery in Jerez founded in 1780. 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’ brandies and sherry wine portfolio and related assets from **Pernod Ricard SA**, from a deal signed on December 1, 2016. In a restructuring that followed, BLC transferred the acquired assets, which include the trademark to the first Mexican brandy ‘Presidente’ and winery in Ensanada, and three Mexican subsidiaries to ***Domecq Bodega Las Copas SL*** (“Domecq BLC” or “DBLC”) effective September 1, 2017. DBLC is a newly-incorporated subsidiary of GES with 50% equity owned by GB. Its wholly-owned subsidiaries in Mexico, ***Pedro Domecq SA de CV*** and ***Bodega Domecq SA de CV*** were incorporated on March 15, 2017 while ***Gonzales Byass de Mexico SA de CV*** was incorporated on October 2, 2001. The first is involved in the manufacturing, bottling and selling of spirits, the second is involved in business management while the latter is the distribution and sale of foods and beverages, which currently is mainly for the former two subsidiaries.

For its part, BLC keeps its main activities - planting, cultivation and exploitation of vineyards destined to grape for distillation, and manufacture, storage, distribution, sale of wine spirits, liquors, spirits and similar – which are developed throughout its Spanish fully owned subsidiaries **Alcoholera de la Mancha Vinícola, S.A.U.** (“Alcomasa”) and **Viñedos del Río Tajo, S.L.U.** (“Viñedos”), and the remaining stakes in the Mexican companies referred to above.

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***, a private limited company incorporated in Scotland on May 6, 2014. On October 31, 2014, ***Whyte and Mackay Group Limited*** (“WMG” or “Whyte and Mackay”) and subsidiaries were folded into the Emperador group, as a deal signed on May 9, 2014 between EUK and United Spirits (Great Britain) Limited, an indirect wholly-owned subsidiary of **United Spirits Limited** (“USL”) of India, was completed for an enterprise value of £430 million. USL (the world's largest spirits company by volume) was forced to put Whyte and Mackay up on sale because of UK anti-trust concerns, when London-based Diageo Plc (the world's leading premium drinks manufacturer) gained controlling interest in USL. Whyte and Mackay is the fifth largest Scotch whisky manufacturer in the world with a history of more than 170 years and ownership of some of the most iconic Scotch brands in the industry, including British luxury brand ‘The Dalmore Single Highland Malt’, ‘Jura Single Malt’, and ‘Whyte & Mackay Blended Scotch Whisky’. The products are distributed in approximately 102 countries mainly in Europe, North America and now Asia, with strong presence in the global travel retail space. WMG, the immediate parent and smallest consolidating group, was incorporated on August 7, 2001 in Scotland. The main trading entity and a wholly owned subsidiary is ***Whyte and Mackay Limited*** (“WML”), incorporated on January 20, 1927 in Scotland, the principal activity of which is the production, marketing and distribution of distilled potable alcoholic drinks which include Scotch whisky, vodka, liqueurs and other alcoholic drinks. The other two active wholly-owned entities are ***Whyte and Mackay Warehousing Ltd***. (“WMW”), incorporated in Scotland, and ***Whyte and Mackay Americas Ltd, LLC*** (“WMA”), incorporated in the United States of America. WMW’s principal activity is the warehousing and blending of bulk whisky for related and third-party customers while WMA, a direct subsidiary of WML, was formed to handle Whyte and Mackay’s business portfolio in US market. There are forty-one dormant companies within WMG Group that have been retained for branding purposes.

On December 4, 2014, with the completion of the Whyte and Mackay acquisition as a condition precedent to its entry, Singapore sovereign wealth fund **GIC Private Ltd**. (“GIC”), through its private equity arm, **Arran Investment Pte. Ltd.** (“Arran”) initially invested P17.6 billion in the Company split into 70%-equity and 30%-equity-linked securities debt (“ELS”), which is convertible to equity between 2 to 7 years. Through this initial investment, Arran acquired 7% ownership interest in EMP and AGI’s 88% was diluted to 82%. In 2017, additional new shares were issued to Arran in consideration for the three-year accrued interest on the ELS. The new issuance has minimal effect on the respective ownership interests of Arran and AGI. 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.

Megaworld Corporation

MEGAWORLD CORPORATION (“MEG” or “Megaworld”), a publicly-listed domestic company since 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 integrate leisure, entertainment and educational/training components. Founded in 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 Eastwood City in Quezon City, which is the pioneer project for Meg's "live-work-play-learn" lifestyle township concept and the country's first cyberpark to be designated a Philippine Economic Zone Authority ("**PEZA**") special economic zone. It has since then grown and diversified its roster of townships to twenty-three: four in Fort Bonifacio, six in Metro Manila, six 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, 2017, Megaworld owns or has development rights to over 4,400 hectares of land located throughout the Philippines. Since its incorporation, Megaworld and its affiliates have launched more than 660 residential buildings, 54 office towers, 15 lifestyle malls and 5 hotels.

The company founded by Dr. Andrew Tan has won recognition awards over the years. Recently, in 2017, it received 73 awards from both local and international award-giving bodies. It received three best developer awards, three executive awards, 37 project awards, nine corporate awards, 11 CSR awards and 10 communication awards. Dr. Andrew Tan received the hall of fame award as Property Man of the Year at the Property and Real Estate Awards and was awarded the Special Achievement Award at the Asia Pacific Entrepreneurship Awards.

Through its subsidiaries, MEG also engages in other property related activities such as project design, construction oversight and property management. Through a wholly-owned subsidiary, ***Prestige Hotels & Resorts, Inc.***, MEG owns and operates the Richmonde Hotel Ortigas in Pasig City, Eastwood Richmonde Hotel in Quezon City and Richmonde Hotel Iloilo in Mandurriao, Iloilo City. MEG has two other homegrown hotel brands – Belmont and Savoy.

Megaworld has P40.2 billion authorized capital stock and P32.43 billion paid-up capital (both common and preferred stock) as at end-2017. Its consolidated total assets amounted to P310.53 billion as at December 31, 2017.

From 46% effective ownership interest in MEG in 2007, the Group increased its effective ownership interest in MEG to 67% by end-2017 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 one of the leading property developers in the country and is engaged primarily in the development of integrated tourism and urban townships with residential, office, retail, hotel and/or golf components, It has 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 Pinas, Metro Manila; Eastland Heights in Antipolo, Rizal; and The Hamptons Caliraya in Lumban-Cavinti, Laguna. GERI undertakes its development business by itself or through joint venture with landowners. The township developments are marketed by a subsidiary and an in-house marketing group. Another subsidiary operates Fairways and Bluewater, a resort complex integrated with Boracay Newcoast. GERI has P20 billion authorized capital stock, P10.986 billion of which was subscribed and paid-up as at December 31, 2017. Total assets reported as at end-2017 amounted to P47.8 billion.

AGI acquired 60% interest in GERI in January 2011. With the capital infusion, GERI was able to pay its interest-bearing loans and pursue its development plans. In 2013, GERI doubled its authorized capital stock, of which Megaworld subscribed to 25% of the said increase; this together with indirect holdings translates to Meg's 24.7% beneficial ownership in GERI at end-2013. As at end-2017, Megaworld holds 82.32% of GERI.

Empire East Land Holdings, Inc. ("Empire East" or ''ELI''), a publicly-listed domestic company under the Megaworld group, was incorporated on July 15, 1994. It specializes in multi-cluster condominium projects and multi-phase subdivision developments in key locations in Metro Manila and Laguna. Laguna Bel-Air is ELI's flagship township project while Pioneer Woodlands in Mandaluyong is its first transit-oriented development. ELI is 81.73% owned by Megaworld. Total assets reported as at end-2017 amounted to P41.4 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.

Travellers International Hotel Group, Inc.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. ("Travellers"), a publicly-listed domestic company since November 5, 2013, was incorporated on December 17, 2003. It is the developer and operator of **Resorts World Manila** ("RWM"), an integrated tourism resort in the Philippines. RWM is the first integrated leisure and resort property in the Philippines that combines privately-operated gaming facilities with hotel, retail, dining, entertainment and other leisure amenities. Travellers was awarded one of the first licenses issued by the **Philippine Amusement and Gaming Corporation** ("PAGCOR") in June 2008 to construct and operate integrated leisure and gaming facilities to an international standard with the goal of enhancing tourism in the Philippines. RWM, which was the first site to be completed, opened in August 2009.

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

Construction of RWM commenced in July 2008, and its gaming facilities and casino opened in August 2009, along with non-gaming features, such as the 11,534 sq. m. Newport Mall, which includes a retail mall, a 1,500 seat performing arts theater (the "Newport Performing Arts Theater") and a four-screen cinema. The Marriott Hotel Manila opened in October 2009 and offers 342 rooms and suites plus 228 rooms in the Marriott West Wing which opened in November 2016; Maxims Hotel opened in December 2010 and offers 172 suites and villas, and the Remington Hotel opened in November 2011. The Marriott Grand Ballroom, a world-class events and convention center, formally opened its doors to the public in March 2015. The Grand Wing under Phase 3 development is ongoing and expected to open towards the end of 2018.

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 P1.68 billion is outstanding as at end-2017. AGI's ownership interest is accounted through direct holding of 25.12% and indirect holdings through its subsidiaries Megaworld, First Centro, Inc. and Adams Properties, Inc. ("Adams") which hold 1.84%, 4.49% and 22.47%, respectively, of Travellers'

outstanding common shares. Adams holds 83.3% of outstanding preferred shares. Travellers has consolidated total assets of P86.42 billion as at end-2017.

Golden Arches Development Corporation

GOLDEN ARCHES DEVELOPMENT CORPORATION ("GADC") is a domestic corporation engaged in the operations and franchising of quick service restaurant business under the McDonald's brand in the Philippines and in accordance with the master franchise agreement with **McDonald's Corporation** ("MCD"), a company incorporated in Delaware and with principal offices in Illinois, USA. GADC was incorporated on July 16, 1980. It has P99.44 million authorized and paid up common capital stock, 49% of which is held by AGI and the rest by its founder, Mr. George Yang and his family. Its consolidated total assets amounted to P17.66 billion at end-2017.

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.

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

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

b. **Business Description**

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

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

EMP
'**Emperador Brandy'**, the first brandy label of the Group, was launched in 1990. In 2010, '**Emperador Light'**, the first light brandy, 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. In 2017, EDI launched its first brandy shooter spiced with cinnamon, '**Emperador Hotshot**' and '**Emperador Red**', a brandy with a stronger alcohol content.

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

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

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

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

‘**Smirnoff Mule’**, a ready-to-drink blend of Smirnoff Vodka, ginger beer, and lime, was launched on April 28, 2015. It is a classic iconic drink that delivers a smooth, full flavored refreshment with a unique ginger taste. It is known as ‘Mule’ because of its premium vodka, ginger beer and lime, creating a ginger kick effect. The “Stubbornly Refreshing” drink is being manufactured and distributed in the Philippines, under license from Diageo North America, Inc..‘**Raffa Sparkling’** is a delightful drink that has the elegance of sparkling wine with a fruity and refreshing finish. It only has 4% ABV making it a drink to be enjoyed by everyone. It is meant for leisurely lunches, extended dinners and long get-togethers. Raffa is made from the finest white grapes grown in Bodega San Bruno's very own vineyard along the scenic Tajo River near Toledo. The product was launched in to the Philippine market in December 2016.

‘Zabana Single Barrel Reserve Philippine Rum’, 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.

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

EDI introduced ‘The Dalmore’, ‘Jura’ and ‘Whyte and Mackay’ variants at 700ml bottles in the local market in 2015. 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** from California, USA. The 'Pik-Nik' brand is owned by AGI Group.

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

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

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

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

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

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

'**Shackleton**' is the newest 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

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

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

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

John Barr, Cluny and **Claymore** are all blended Scotch whiskies, a combination of malt whiskies and grain whiskies from a number of different distilleries. The packaging of both John Barr and Claymore has recently been redesigned to enhance the consumer offering.
From *Bodegas Fundador*, the following iconic brands manufactured and distributed from Spain are under EMP Group beginning March 1, 2016:

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

'**Terry Centenario'** is the largest brandy in Spain. Centenario means centenary, and it evokes the change to the twentieth century when the Terry family started producing brandies in its bodegas in Puerto de Santa María. It is a premium and distinguished brand with the iconic net and the unique logo of the Terry Horse. '**Terry White**', a new expression, a new category, a new Classic "White Brandy" was born in 2017.

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

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

Harveys Very Old Amontillado 30-Year Old V.O.R.S was awarded the "The Best Wine in the World" by the International Wine Challenge (IWC), by bagging the Champion of Champions' Trophy 2016, while **Harveys V.O.R.S. Palo Cortado** was awarded in 2015 by the IWC as the "Best Sherry". Also in 2016, the International Wine & Spirit Competition (IWSC) awarded gold medals to **Harveys Pedro Ximenez 30 Year Old V.O.R.S**. and **Harveys Rich Old Oloroso Sherry 30 Year Old V.O.R.S**. An ultimate expression **Signature by Harveys** which was launched in 2017 is a 12-Year Old Cream Sherry, this product was awarded the silver medal by the IWSC in 2016.

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 660 residential buildings, 54 office towers, 15 lifestyle malls and 5 hotels. "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. A description of each of the group's 23 townships follows.

1. **Eastwood City** is the first township to to implement the Company's "live-work-play-learn" concept. Its 18.50-hectare community property in Libis, Quezon City has 19 completed luxury condominium towers, 10 first-class corporate office buildings, and a modern IT park. The planning of Eastwood City adopts an integrated approach to urban planning, with an emphasis on the development of the Eastwood City Cyberpark to provide offices with infrastructure such as high-speed telecommunications and 24-hour power supply that support BPO and other technology-driven businesses. The township provides education/training, restaurants, leisure and retail facilities and residences. It is currently home to more than 25,000 residents and 55,000 workers. Eastwood city is also home to the four-level Eastwood Mall — a shopping and dining destination which has been declared the "Best Shopping Center" by the Philippine Retailers Association. Eastwood City has three malls and around 500 commercial and retail shops. The Eastwood Richmonde Hotel is located adjacent to the Eastwood Mall.

2. **Forbes Town** is located in a 5-hectare land in Bonifacio Global City, Taguig, Metro Manila adjacent to the Manila Golf Club, Manila Golf and Country Club, the Forbes Park residential subdivision and Dasmariñas Village. Forbes Town has 12 residential towers which house more than 3,500 residential units. Upon completion, Forbes Town is expected to consist of residential, retail and entertainment properties. The focal point of activity in the township is Forbes Town Road, a retail strip with 37 restaurants and shops that cater to the diverse needs of the residents of the community's three Bellagio towers, six towers of Forbeswood Heights, two towers of Forbeswood Parklane, and the 53-storey Eight Forbes Town Road.

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 from the NAIA Terminal 3 and adjacent to the Villamor golf course. It will be targeted towards tenants and buyers who consider proximity to the NAIA Terminal 3 an advantage. The residential zone consists of eight to nine-storey medium-rise buildings. The corporate zone comprised of office buildings. The 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** with leisure and entertainment offerings such as gaming facilities, restaurants, hotels and shopping outlets. The hotel zone comprises the Marriott Hotel, Marriott West Wing, Maxims Hotel and Holiday Inn Express Hotel under Travellers; and Belmont Luxury Hotel and Savoy Hotel which are condotel projects of Megaworld. Travellers and its subsidiaries are set to add three global hotel brands, the Hilton Manila, the Sheraton Hotel Manila and Hotel Okura Manila. Newport City also features Travellers’ Marriott Grand Ballroom project, 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. 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. 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, 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 an “ultra-high-end” township being developed on a 34.5-hectare portion of the JUSMAG property in Fort Bonifacio which is directly beside Forbes Park and Manila Polo Club and across McKinley Hill in Taguig, Metro Manila. The development of McKinley West is another joint venture undertaking with BCDA. McKinley West will have rows of luxury residential estates, some of which will have their own swimming pools and other amenities. The upscale residential enclave will be supplemented by a modern business district of sustainable office buildings, an international school, and a commercial centre. These will all be complemented by open spaces and greenery. Ingress and egress points of the estate are conveniently located along Lawton Avenue which connects Fort Bonifacio to Pasay City and Makati City.

7. **The Mactan Newtown** is Megaworld’s first township venture outside Luzon, Mactan Newtown 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 beach and combines high-end office towers, luxury condominiums, leisure amenities, retail shops, a school, and upscale hotels. It will also have its own exclusive 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. 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. It also features The Street of Festive Walk, a 1.1-kilometre retail strip envisioned to be one of the longest shop-and-dine streets outside of Metro Manila. Iloilo Business Park has launched three residential condominium developments to date — One Madison Place Luxury Residence, Lafayette Park Square and The Palladium, the tallest building in the region at 22 storeys high. 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. A main "green" feature of the township is the approximately 1,000 trees that will be planted around the development. This greening feature will help provide an outdoor thermal comfort for the future residents, workers, tenants and visitors of the township. Sustainable buildings registered under Leadership in Energy and Environmental Design (LEED) are the standard of office developments in this township, with the first two to rise designed by world-renowned architectural firm Skidmore, Owings & Merrill. Other green features of ArcoVia City 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 in Lanang, Davao City, which used to be the Lanang Golf and Country Club. The township is envisioned to the 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, 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 has been accredited by PEZA with lifestyle amenities. It is also positioned to be the major hub for 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. It is envisioned to be a tourism destination on the island. Soon to rise in the tourism development are luxury and boutique hotels, commercial and retail district, upscale villas, and an exclusive residential village. Among the first residential towers to be built here is Oceanway Residences, a cluster of mid-rise condominiums offering 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 a commercial and retail strip.

13. **Twin Lakes**, an ongoing project under GERI, is a 1,200-hectare mixed-use leisure and resort community in Tagaytay. Within the tourism estate is 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 views of the Taal Volcano and the man-made lake within the estate. The Vineyard will have its own sports club and spa, wedding venue, and its 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, among others.

14. **Southwoods City** is a 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 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. 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 is easily accessible to and from Metro Manila via the South Luzon Expressway and the Daang Hari Exit. Alabang West has a 1.3-kilometre commercial and retail row 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. The 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. **Northill Gateway** will rise in the northern part of Bacolod. 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. Northill Gateway is envisioned to be a refreshing lifestyle district that will house upscale residential villages, mixed-use office and retail developments, leisure and recreational amenities as well as institutional facilities. Megaworld is constructing a 'commercial town centre' on the Bacolod side of the Northill Gateway township, the Northill 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 masterplanned community of GERI, is a 170-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. 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-metre swimming pool, tennis and basketball courts, children's park and picnic ground overlooking a lake beside the Iloilo Golf and Country Club.

19. **The Capital Town Pampanga** is a 35.6-hectare prime property beside the provincial capitol of the City of San Fernando, Pampanga and is the fourth township launched by Megaworld in 2015. It is just 70 kilometers away from Metro Manila and accessible via the North Luzon Expressway and the Jose Abad Santos Avenue, also known as the Olongapo-Gapan Road. It is also around 20 kilometres away from Clark International Airport and will comprise of residential, office, commercial, and institutional components. It will be home to residential and BPO office towers, civic and institutional facilities such as a school, amphitheatre and event venues, mall and retail hubs, hotel and a shophouse district that highlights neo-classical and art deco architecture. 25% of the entire township will be devoted to green and open spaces, including road networks.

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 township will also be home to upscale residential condominiums, a luxury mall as well as international hotel brands. These hotels will have a total of

around 1,500 rooms. Westside City 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 Cavitex, Maple Grove is at the entry point of the industrial and residential centre of the Cavite-Batangas corridor. The company is allocating P10 billion in the next 10 years to develop Maple Grove. The township will comprise of residential, retail, office and institutional components.

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 36-hole golf course and country club, which will occupy around 20% of the entire development. It is also known for its elevation on the foot of the 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 centre, 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.

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 golfcourse, the only one in the island. Fairways &Bluewater features three private white sand beach coves. (see under townships).
2. **Twin Lakes** is the first and only vineyard resort community in the Philippines, located in the rolling terrains of Tagaytay overlooking the world-famous Taal Lake. The master-planned integrated tourism estate that sits on a 1,182-hectare property will feature real vineyard and chateaus, residential condominiums and villages, hotels, nature park as well as commercial and retail hubs. The Vineyard, a 69-hectare mixed-used phase will host a hotel and resort, sports club and spa, culinary school, residential condominiums and a traditional wine chateau for aging the vintage produce – all with the views of the vineyard and man-made twin lakes. (see under townships).
3. **Forest Hills** is a 500-hectare integrated development in Antipolo, Rizal which includes residential and commercial lots, an aqua park, two 18-hole golf courses and a community clubhouse.
4. **Mountain Meadows** is 260-hectare residential subdivision in Cagayan de Oro with a 4-hectare commercial area at the entrance of the project.
5. **Sherwood Hills** is a 350-hectare integrated development in Trece Martires, Cavite that will include residential lots, a 27-hole golf course and other facilities.
6. **Newport Hills** is a 127-hectare integrated residential and golf development in Lian, Batangas.
7. **Sta. Barbara Heights** is a vast township rising on a 170-hectare property beside the Sta. Barbara Golf Course, known as Asia's oldest golf course, located in Sta. Barbara, Iloilo. It will be home to residential villages, condominiums, office towers, a mall, and commercial and retail centers. (See under townships).
8. **Southwoods City** is a 561-hectare mixed-use development with golf course situated on the boundaries of Biñan, Laguna and Carmona, Cavite. (See under townships).
9. **Alabang West** is a 62-hectare residential and commercial development in Las Piñas City. (See under townships).

10. **Eastland Heights** is a township development along a 640-hectare of land along Marcos Highway with some areas overlooking Metro Manila’s panoramic skyline. (See under townships).
11. **The Hamptons Caliraya** is a 300-hectare sprawling community surrounding Lake Caliraya in Lumban-Cavinti, Laguna. (See under townships).

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 phases, Enclave, Country Club, Pavilion and Esplanade, have all been turned over and are almost sold out.
3. **The Cambridge Village** along East Bank Road in the boundary of Pasig City and Cainta, Rizal, is the ELI’s largest residential development in scale to date. This 37-tower mid-rise community on an 8-hectare land offers approximately 5,200 units targeted to the broad middle-income market segment. Most towers are RFO and sold out, with the few remaining towers of the Central Park phase nearing turnover and nearly sold out. Residents get a vacation lifestyle with its resort-type amenities and ground-level retail shops.
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. The low-rise Garden Villas 1 and 2 and the mid-rise Breeze Tower have been completed 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. Parklane, Palmridge and Hillcrest Towers are nearly sold out and more than halfway completed. Construction for Bridgeview Tower has already started.
5. **San Lorenzo Place** is a luxurious 4-tower high-rise development 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. Towers 4, 1 and 2 are ready-for-occupancy while Tower 3 is expected to be completed by mid of the year. Almost all residential units in the four towers have been sold out.
6. **Pioneer Woodlands** offers a transit-oriented lifestyle to its residents as it is connected directly to MRT-3 Boni station. Located along EDSA corner Pioneer Street in Mandaluyong City, close to Ortigas and Makati CBDs, the project has 6 high-rise towers, recreational amenities at the 5th level, and a two-level retail arcade. Towers 1, 2 and 3 have been sold out and are now ready for occupancy. Tower 4 will be finished by mid of the year while Tower 5 is almost sold out and in the initial stage of construction. Tower 6, which was launched last year, is nearly sold out.

7. **Little BaguioTerraces** is a 4-tower TOD mid-rise condominium community 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. Towers 1, 4 and 3 are RFO and sold out, while Tower 2 is almost sold out and scheduled for turnover by end of this year.
8. **Kasara Urban Resort Residences** along 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. The project's proximity to Ortigas CBD, Eastwood City and Bonifacio Global City, makes it a top choice for both investors and end-users. Almost sold out, Tower 1 is expected to be turned over soon while Tower 2 is significantly completed. Towers 3 and 5 are almost sold out and in the initial stages of construction. Tower 4 is under pre-selling while Tower 6 is set to be launched this year.

9. **South Science Park** is a 51-hectare property in Gimalas, Balayan, Batangas that is intended for mixed-use development.
10. **Mango Tree Residences** is an exclusive two-tower high-rise community situated along M. Paterno and J. Ledesma Streets in San Juan City. 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. West Residences is under-preselling and construction has just started while East Residences was launched last year and with more 50% take up to date.
11. **Covent Garden** is two-tower development located along Santol Street Extension in Santa Mesa, Manila walking distance to LRT-2 V. Mapa station, offering ultimate accessibility to the University Belts in Manila and Quezon City. Other transportation options such as jeepneys, city buses, and rail transits are also available within the area. The project promises an urban sanctuary and escape from the city through its various recreational amenities at an elevated level. South Residences is almost sold out and in full-swing construction. North Residences is under pre-selling and is almost sold out.

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

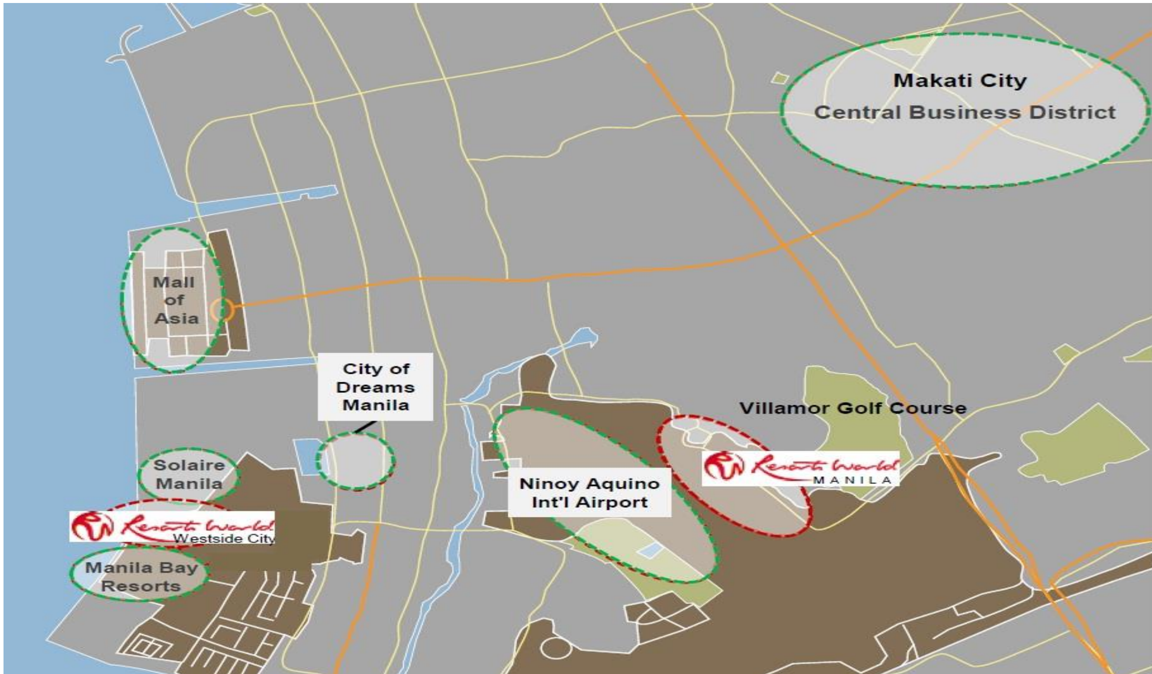
1. Sta. Rosa Heights, Sta. Rosa Hills, Suntrust Sentosa, The Mandara, and Suntrust Verona are horizontal residential developments in Eastern Cavite and Laguna.
2. Governor Hills, Gentri Heights, Suntrust Riva Bella, Cybergreens, Sunrise Hills, and Cyberville are horizontal community developments in Western Cavite.
3. Adriatico Gardens, Suntrust Parkview, UN Gardens, Suntrust Solana, Suntrust Treetop Villas are condominium projects in Manila and Mandaluyong areas.
4. Suntrust Shanata, Suntrust Asmara, Suntrust Amadea, and Capitol Plaza are condominium projects in Quezon City.
5. Suntrust Kirana is a condominium project in Pasig City.
6. Siena Hills is a Mediterranean-inspired subdivision in Lipa City, Batangas.
7. Suntrust 88 Gibraltar is a condominum project in Baguio City. This Mediterranean-inspired development is strategically located in front of Mines View Park.
8. Davao Park District is a township development in Davao City. (See under townships)
9. Suntrust Ecotown is a township development in Tanza, Cavite. (See under townships)
10. Northhill is a township development in northern part of Bacolod. Suntrust will develop 24.52 ha into house-and-lot residential project with modern theme called The Fountain Grove. (See under townships).

Travellers

Resorts World Manila ("RWM"), Travellers' first integrated leisure and lifestyle complex, combines hospitality, entertainment, leisure, shopping and gaming in one grand arena, a one-stop non-stop destination. RWM operates a two-storey gaming facility, which includes the Genting Club (a members-only lifestyle club, with a private gaming area, dining options and other fabulous lifestyle features), and additional gaming halls through the Remington Hotel (now Holiday In Express Manila Newport City) with an aggregate area of 16,076 square meters. As of the end of 2017, RWM has 244 casino tables and 1,381 slot machines/electronic gaming machines (EGMs). RWM also features the upscale Newport Mall (91 retail stores and food-and beverage outlets with a mix of high-end boutiques and mass market option), Newport Cinemas (24 hours on weekends), the 1,500-seat Newport Performing Arts Theater (a majestic venue for concerts, plays, musicals and exclusive productions), the GameZoo arcade, an office space (which features a training academy and a 400-seat capacity call center) and hotels.

Three hotels are currently in operation at RWM - the five-star 570-room Marriott Hotel Manila, the 172-all-suites Maxims Hotel, and the mid-range 712-room Remington Hotel which has been rebranded to Holiday Inn Express Manila Newport City.

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



Location map of the two RW sites

GADC

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

McDonald's restaurants offer varied menu of uniform and quality products, emphasizing value, fast and courteous service and convenience. The menu includes the McDonald's 'Global Icons' of beef burgers (Big Mac, Quarter Pounder with Cheese, Cheeseburger, World Famous Fries), 'Local Favorites' that cater to 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 all ages.

Aside from new dishes being introduced regularly, dessert kiosks, McDelivery, Drive Thru and McCafe are innovations that speak how GADC listen to the needs of its customers.

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

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

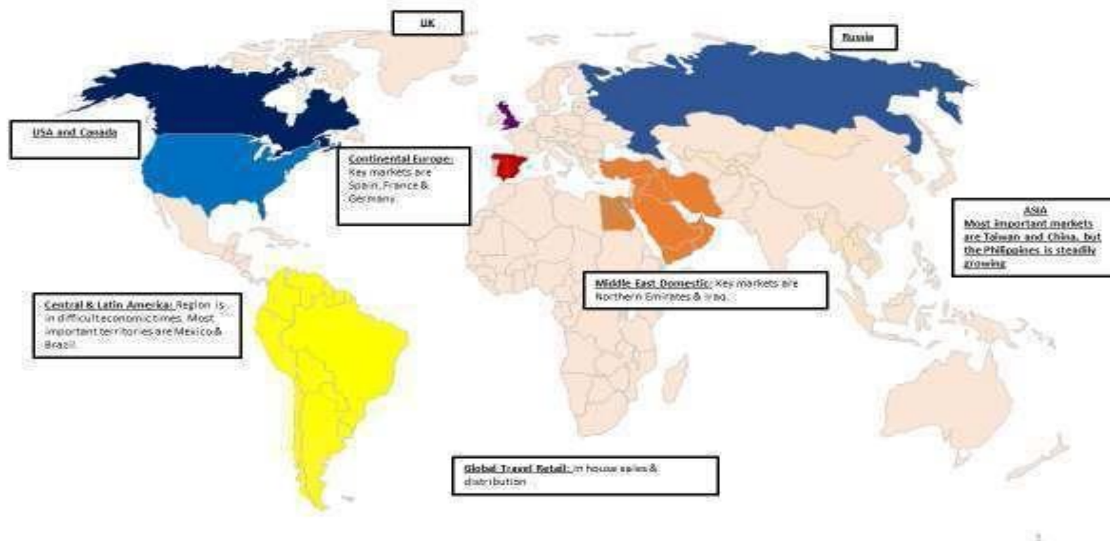
EMP
Export of the Emperador portfolio to the United Arab Emirates, West/East Africa, Qatar, Italy, Eastern Europe, Cambodia, Macau, Hong Kong and North America has been vastly growing due to the increasing demand of the Filipino community living and working in the said markets. EMP attributes its leading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

Whyte and Mackay's overriding objective is to operate as a global branded drinks company which delivers sustainable rates of growth and returns that increase overall shareholder value. It operates in the UK and increasingly in international markets, including the Travel Retail sector. About 50% of brand revenues come from UK and other European countries and around 11% from Asia with the balance coming from the Middle East, Americas and Pacific regions.

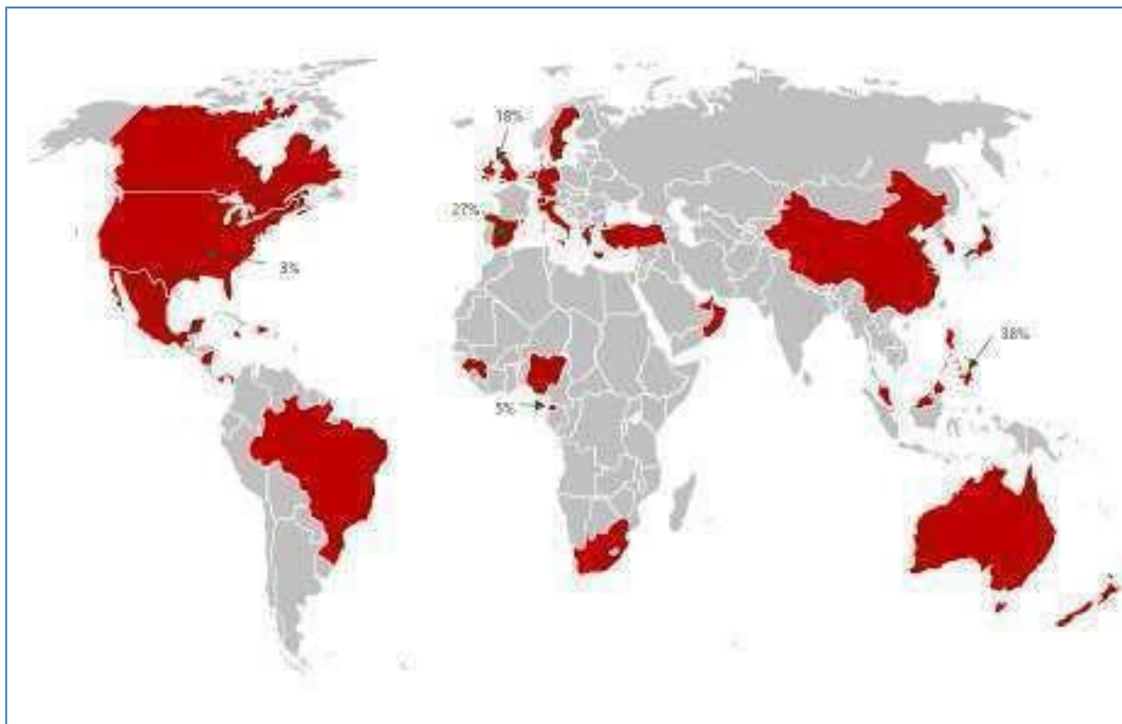
Bodegas Fundador operates as a global brandy and sherry company, with approximately 77% of the revenues coming from Spain, Philippines and UK with the rest coming from other European, American and African markets. Strategic growth will be brands-led but will be supported by private label business.

The global brandy and wine business is further fortified by the newly-acquired Domecq trademarks under Spain and Mexico and have commercial reach to South America, particularly Brazil and Colombia, and USA.

Map showing WMG global reach:



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



MEG
Real estate products are also being marketed internationally (see b.3. below) in Europe, North America, Asia and the Middle East through various brokers. Foreign sales contributed approximately 23%, 16% and 18% of Megaworld's consolidated sales and revenues in the last years.

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.

Travellers
Based on Travellers' rated members (those members with gaming activity), the principal foreign market consistently contributing for 2017 are from United States, Korea and China. Foreign guests in Maxims Hotel come from Korea, China, Malaysia, and Singapore; guests in Remington (now Holiday Inn Express Manila Newport City) are from the United States, Korea, China and Australia while for Marriott, majority are from the United States followed by Singapore, China and Korea.

Pik-Nik
Pik-Nik products are being sold locally in USA and exported to other countries at a ratio of approximately 48%-52%. The domestic sales in the USA slowed by 5% in 2017 as traditional retail stores struggle against club stores, dollar stores and natural food stores. Midwest is still the strongest market in the US, followed closely by Southeast and Southwest. International sales were down 15% as exports to Asia weakened.

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

EMP
EMP has a broad sales and distribution network which is one of its key strengths that will continue to drive its future growth. It has a distribution network of 25 sales offices across the Philippines, which supply national and regional customers, hypermarkets, supermarkets, wholesalers, traders, grocery outlets, convenient stores, and local neighborhood small sari-sari, stores. It employs a sales force of approximately 1,000 sales personnel and has a direct delivery service for over 125,000 accounts (more than 110,000 of which consist of sari-sari stores and 2,500 on-premise accounts) with a fleet of more than more than 530 direct sales vehicles. It uses direct sales vehicles such as cash vans to cover sari-sari stores across the country. Cash vans sell the brands directly to these small retailers on a cash-only basis, where the average transaction is for two cases. EMP believes that the day-to-day interaction its sales team has with its trade partners is essential to maintaining product availability as well as access to its consumers. Standard sales terms include a credit period of 30 days before a buyer is required to pay for its products.

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

The WMG business has a strong, international Route to Market. In UK, a dedicated sales team covers all trade channels and customers. It also has a dedicated Global Travel Retail team which manages its brands in a channel that is critical for single malt whisky equity building and sales. In other markets Whyte and Mackay has established a network of distribution partners that represent the brands in each territory. The goal is to develop long term partnerships with a strong local distributor in every markets, with selection based on strength and commitment in the channels offering the greatest opportunity in each market. At the start of 2016, Whyte and Mackay appointed E&J Gallo as their exclusive importer into the USA for certain key brands. The Dalmore's first flagship store in the Philippines, an exclusive retail store that houses some of the rarest and most expensive whisky collection in the Philippines, opened in February 2017 in Uptown Bonifacio.

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 word.

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. Typically, construction of a residential will not begin until at least 70% of the units have been pre-sold.

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

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

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

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

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

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

RWM uses a comprehensive membership management and customer database system.

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

GADC
McDonald's products are sold through McDonald's restaurants nationwide. There are 566 restaurants nationwide as of end-2017, out of which 52% are owned by GADC while 48% are franchised. Fifty-two new restaurants opened in 2017 across the country and reached new territories like Antique, Sorsogon, Masbate and San Francisco, Agusan Del Sur; while six 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 or website " mcdelivery.com.ph". There are 369 restaurants that are open 24/7 (24 hours every day).

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

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

EMP
'Emperador Red®' has the rich robust taste and smoothness of Emperador Light Brandy, 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. This makes up a perfect drink to reward yourself on your everyday *tagumpay*! The innovative product was launched in the Philippine market in October 2017.

'Emperador Hotshot®', a brandy shooter spiced up in a fiery delicious cinnamon flavor delivering a smooth, sweet & spicy kick to start every party hot. Emperador Hotshot is a vastly different brandy offering targeted to the young and daring drinkers. This game changing product was launched in July 2017.

'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. 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.

'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.

'Dalmore 50'. The Dalmore celebrated Richard Paterson's 50 years in the whisky industry with the release of an exceptionally rare 50 Year Old single malt in 2017. Building on the celebrations surrounding Paterson's milestone, The Dalmore 50 is the result of a partnership with four luxury houses: Champagne house Domaine Henri Giraud, French crystal house Baccarat, jewellery house Hamilton & Inches and bespoke furniture company Linley.

'Dalmore 40'. In the same year, The Dalmore released The Dalmore 40 Year Old with only 750 bottles of the whisky released. Famous French crystal firms Baccarat was selected to supply the hand-blown decanters, which also carry The Dalmore 12-point Royal Stag emblem that was originally created by Royal Warrant Holders Hamilton & Inches.

'**Shackleton**' is the newest Blended Malt brand launched in 2017. It was inspired by a 1907 whisky which was extracted after 100 years under ice.

'**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 though a modern concept of a white spirit. Through mixology platform, we are launching this disruptive concept to a fashionable position for a spirit drink for a future halo of Brandy de Jerez.

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

MEG
In 2017, **The Hamptons Caliraya,** the second '**integrated lifestyle community'** was launched by GERI. It is set to rise in the 300-hectares of land surrounding Lake Caliraya in Lumban-Cavinti, Laguna. Also announced is the development of a Makati-inspired business district in General Trias, Cavite, the 35-ha. **Maple Grove Commercial District** which sold around 80% of the 360 prime commercial lots worth P9 billion, the fastest take-up of titled commercial lots in Meg's history.

Megaworld is allocating P60billion capital spending in 2018, with 80% covering development projects and the remaining 20% for land acquisition and other investment properties.

ELI has a project development located along Shaw Boulevard near ESA called **The Paddington Place** which will have a total of 4towers.

Travellers
Travellers is currently developing several new hotels and other gaming and non-gaming attractions at RWM. And is committed to continuously improve and refresh the current facilities at RWM to create unique customer experience across a variety of gaming and non-gaming amenities.

Three luxury hotels - **Sheraton Manila Hotel**, **Hilton Manila** and **Hotel Okura Manila** – are expected to open by 2018. The RWM's Phase 3 project increase both gaming and non-gaming facilities within RWM.

In 2017, **RunWay Manila** was officially opened. It is a 220-meter pedestrian link bridge that connects NAIA Terminal 3 and Newport City and is accessible to the public, 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 elevators. It is designed to accommodate up to 2,000 persons at any time, or up to 216,000 individuals per day. RunWay Manila is constructed and fully financed by the group through a right granted by the Philippine government.

GADC
New McDonald's product variations and promotions are introduced every now and then which normally last for limited time only. GADC welcomed the new year 2017 with **Mushroom Pepper Steak** which featured a juicy burger patty smothered in mushroom cream with a hint of pepper and topped with sliced button mushrooms, which stayed on the menu for a limited time. Also brought back for a limited time after three years was the well-loved specially-seasoned golden crispy **Twister Fries**. Other Limited Time Offers during the year **were Shake Shake Fries** in three flavor options and **Fish and Fries**. A welcome variant of the McDo Chicken Fillet Meal is the **Sweet Soy Chicken Fillet** with a sweetened garlic sauce. In the second half of the year, **Chicken Combolicious** give customers different ways of enjoying McDonald's Best Tasting Chicken McDo, as it comes with Sundae, McFloat or McFreeze. Sprite and Dalandan **McFreeze** are expansions to the frozen sparkling beverage range. **McShare Bundles** with Chicken McDo and McNuggets became a permanent menu offering as these shareable offers give customers more options for group meals and great value for their money.

b.5. Competition

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

EMP
The Philippine spirits industry is dominated by brandy, gin and rum. Popularity of these spirits is strangely delineated geographically - gin in the northern provinces, rum in Viz-Min areas and brandy in Metro Manila and urban centers nationwide. Brandy has recorded the highest consistent sales among all the spirits in the industry. There are also imported labels in the domestic market, but they are significantly more expensive than the locally-produced products. Emperador is recognized as the largest-selling brand in the Philippines and No. 1 brandy in the world, and EDI as the largest liquor

company in the Philippines in terms of volume. EDI capitalizes primarily on the superior image and reputable quality of its brands.

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

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

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

WMG, on the other hand, 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 and Bacardi who are all materially larger than WMG. WMG can compete as they have differentiated brands in a fragmented Malt whisky market and their Blended Scotch brands are competitively priced. WMG management monitors market prices on an on-going basis and takes steps to safeguard the overall competitive position.

Fundador brands compete 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.

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

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

The group attributes its strong residential sales to two main factors – the popularity of its live-work-play communities in Metro Manila and the group's proven track record of delivering more than 660 buildings to its customers over the last two decades.

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

GERI considers Ayala Land Premiere, Alveo, Filinvest Premiere, Landco and SM Prime among its significant competitors in its real estate development business. GERI competes with other developers in the acquisition of land or development rights to land in key growth areas in the country. GERI

believes that its land bank, its real estate development experience, its innovative real estate offerings and the solid financial backing of its parent, Megaworld Corporation, are its competitive advantages. Its 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.

Travellers

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

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

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

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

GADC

McDonald's restaurants compete with a large and diverse group of restaurant chains and individual restaurants that range from independent local operators to well-capitalized national and international 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 Wendy's, Kenny Rogers, Shakey's and Pizza Hut. Since 2005, GADC has opened more than 300 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. EMP believes that AWGI has not had, and does not expect to have, difficulty sourcing glass bottles on behalf of EMP from third party suppliers, as required.

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

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

Travellers
Travellers has a large base of contractors and suppliers that provide construction, engineering and consulting services, and is not dependent on any one contractor or supplier. In 2017, the ten largest suppliers – Global Matrix Concept Group, Systech Lighting & Controls Inc., Aristocrat (MACAU) PTY Limited, Empire Automation Philippines Inc., Top Source Maintenance and Contracting Services, RGB LTD, Jay Edwards Group LLC, Vycon Inc, Arcridge Construction, Joint Venture Audio Visual Lighting Inc. – accounted for 49.53% 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 months contracts.

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

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

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

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

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

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

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

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

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

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

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

Whyte and Mackay owns approximately 700 trademarks worldwide, which includes trademarks for its products: The Dalmore, Isle of Jura, and Whyte & Mackay. It also has trademark licenses for Vladivar, Glayva, Claymore, John Barr and Cluny brands. Bodegas Fundador owns more than 900 trademarks worldwide, for its brands: Fundador, Tres Cepas, Terry Centenario and Harveys. Trademarks are typically renewed on a 10 to 20-year cycle. In 2017, CBSP acquired trademarks of well-known brands San Patricio, a dry Fino Sherry and Espléndido brandy and 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.

MEG
Megaworld owns the registered trademark over its name and logo which was renewed in March 2015 and valid until March 2025. GERI has trademark registrations and/or applications for its corporate name and key projects. Although the brand is important, Megaworld and GERI do not believe that its

operations or its subsidiaries' operations depend on its trademarks or any patent, license franchise, concession or royalty agreement.

Travellers

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

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

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

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

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

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

It has registered trademarks over "Passion," "Gamezoo," "Remington Hotel Newport City," "Remington Hotel Manila," "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," "Mabuhay Millions Poker," "Noodle Works," "iGrab everything I want," "iGrab," "Impressions," "Café Maxims," "Mercado," "Kimchi and Mojou," "Remington Bar Lounge," "Bar 360," "Ginzadon," "Grabit," "Thrill Like No Other," "Newport Performing Arts Theater Bar," "The Terrace," "Lucky Noon," "Laff Laugh Fun," "Kami Naman ang Taya," "Musikat Records," "Oak Tree Inn," "Regal Inn," "Hotel Gran Palacio," "El Castillo de Manila," "Castillo Manila," and "The Grand Theatre of Manila," "Grand Theatre of Manila," "Chill," "Grand Fiesta Manila," "R88," "Manila Bayshore Heritage Foundation, Inc.," "The World of Luck," "House Ultra Lounge," "Franks Craft Beers Manila," "Westford Inn," "Full House Theater Company," "Victoria Harbour," "Bayshore City Resorts World," "Westside Theatre," "Herald Theatre," "Fortissimo Theatre," "Galaxy Theatre," "Excelsior Theatre," "Diamond Theatre," "Bohemia Theatre," "Apollo Theatre," "Front Row Theatre Management," "Original Pilipino Performing Arts," "House Manila,"and their related devices which will expire on various dates in 2018-2026, 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 person under 18 years of age or within a certain distance from schools and churches. However, advertising and marketing of alcoholic beverages are largely unregulated in the Philippines, except that minors are not allowed to be employed for commercials or advertisements promoting alcoholic beverages.

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

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

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

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

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

Bodegas Fundador builds this business culture in systems of management that constitute the unifying axis from which it articulates a process of continuous improvement in key business aspects: the safetty 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 Housing and Land Use Regulatory Board (“HLURB”), must be secured before launching any selling activities. All subdivision and condominium plans for residential, commercial, industrial and other development projects are required to be filed with and approved by the HLURB and the relevant LGU of the area where the project is situated. Approval of such plans is conditional on, among other things, the developer’s financial, technical and administrative capabilities. Alterations of approved plans, which

affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government body or agency.

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

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

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

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

Travellers

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

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

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

GADC

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

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

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

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

On December 17, 2017, *Republic Act No. ("RA") 10963*, known as the *Tax Reform for Acceleration and Inclusion* ("TRAIN") 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.

EMP
Philippine local government legislations require a license to sell alcoholic beverages and prohibit the sale of alcoholic beverages to person under 18 years of age or within a certain distance from schools and churches. However, advertising and marketing of alcoholic beverages are largely unregulated in the Philippines, except that minors are not allowed to be employed for commercials or advertisements promoting alcoholic beverages. In addition, approvals from the FDA are required before 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 15ºC]. The current law, *RA 10351, known as the Sin Tax Reform Act of 2012*, imposes on distilled spirits a 15% ad valorem tax based on net retail price per proof plus ₱20.00 per proof liter for the years 2013-2014, with the ad valorem tax rate increasing to 20% thereafter while the P20.00 specific tax by 4% every year from beginning of 2016. EDI currently substantially passed on to consumers and form part of the sales prices.

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

On March 13, 2017, excise duty on spirits increased by nearly 4% or 36pence a bottle, which resulted in level of tax –excise duty and vat- on an average priced bottle of Scotch Whisky of about 80%. In November 2017, no further increase was made and duties on spirits were frozen. Yet, the Scotch Whisky Association repeats its call for a review of the alcohol duty system to deliver fairness for Scotch Whisky which is a unique UK product that needs to thrive after Brexit.

In Spain, the *Regulation of the Specific Denomination "Brandy de Jerez"* and its Regulating Council was approved by means of Ministerial Order dated June 13, 2005. This regulation contains the technical specifications relating to the production, ageing, packaging and labeling of Brandy de Jerez. The technical specifications of the product are included in the *Technical File of the Geographical Indication of Brandy de Jerez* that was approved by the Regional Ministry of Agriculture and Fisheries via Order dated February 9, 2015, that went into force on February 20, 2015. This regulation contains the specifications of the product, compliance with which, must be verified to enable use of the protected name. The Geographic Indication "Brandy de Jerez" is protected in the European Union, in accordance with its registration as a protected geographical indication, as per regulation (EU) no. 110/2008 relating to the definition, description, presentation, labelling and protection of the geographic indication of spirit drinks.

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

In Jerez, it is possible to use wine spirits of a higher degree of alcoholic content provided that the distillate or holandas does not exceed 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.
3. Brandy de Jerez Gran Reserva - ageing for more than three years expressed in UBEs.

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

Spanish duty and excise tax rates were updated at the end of 2016 by the Spanish Government at a 5% increase from 2015.

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

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

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

The issuance of a development permit is dependent on, among others (i) compliance with required project standards and technical requirements which may differ depending on the nature of the project,

and (ii) issuance of a barangay clearance, the HLURB locational clearance, Department of Environment and Natural Resources ("DENR") permits, and Department of Agrarian Reform ("DAR") conversion or exemption orders. A bond equivalent to 10% of the total project cost is required to be posted by the project developer to ensure commencement of the project within one year from the issuance of the development permit.

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

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

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

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

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

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

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

Certain investment properties are registered with *PEZA*, and this provides significant benefits to tenants. PEZA requirements for registration of an IT park or building differ depending on whether it is located in or outside Metro Manila. These requirements include clearances or certifications issued by

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

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

Travellers
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 P5.0 million 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. As of date, PAGCOR (one of the Appropriate Government Agencies) is in the process of finalizing the relevant Rules and Regulations in accordance with its Charter to be followed by its licensed casino operators.

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 issue on whether revenues from gaming operations of the Company are subject to income tax by the BIR under the National Internal Revenue Code of 1997 (NIRC), as amended, was settled in the case of *Bloomberry Resorts and Hotel, Inc. vs. Bureau of Internal Revenue,* G.R. No. 212530, August 10, 2016, where the Supreme Court ruled that: "As the PAGCOR Charter states in unequivocal terms 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.. This Decision has been affirmed with finality in the Supreme Court Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR.

Travellers is registered with PEZA as a Tourism Economic Zone. 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, Sheraton Manila Hotel, Hilton Manila and Hotel Okura Manila (formerly, Maxims II). As such, it is entitled to certain tax incentives.

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 10667 was issued to set forth the guidelines for the implementation of the said law.

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

RA 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 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 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 P500,000.00 to P5,000,000.00 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.

The Group is already compliant with RA 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 9367, otherwise known as the *Biofuels Act of 2006*, provides for the mandatory use of biofuels. RA 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 cirtical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the project's environmental effects. The issuance of an ECC is a Government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

In Scotland, WMG has an environmental policy which commits it to ensure that its activities are conducted in ways which comply with the law and, so far as is reasonably and commercially practicable, do not harm the environment. In Spain, Grupo 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, 2017, the Group has a total workforce of 42,055 personnel categorized by business segment as follows:

	End-2017	Anticipated Hiring in 2018
GADC………………………………………………	31,806	………6,967
Travellers…………………………………………...	4,785	……………736
Megaworld…………………………………………	1,234	
GERI………………………………………………	700	
Empire East………………………………………	712	……………100
Suntrust…………………………………………..	312	…………….35
Emperador…………………………………………	2,494	
Emperador UK………….. ..511		
Grupo Emperador Spain… 265		
Others…………………………………………….	12	
Total ……………………………...……………..	42,055	…………7,838

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

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

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

Megaworld, EDI and WML maintain each a funded, tax-qualified, non-contributory retirement plan that is being administered by a trustee 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 27.2 to the Consolidated Financial Statements)

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

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

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

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

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

The major risks that the present business faces include:

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 Emperador group use, such as distilled neutral spirit, brandy distillates, chicken, beef and paper, are largely commodities and are subject to price volatility caused by changes in supply and demand, weather conditions, fuel costs for transportation and production, agricultural uncertainty and government controls. Megaworld, GERI and Travellers source construction materials such as lumber, steel and cement 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.

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

2. PROPERTIES

The following are the principal properties owned or leased by the Group, including those reserved for future developments as of December 31, 2017:

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
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 lands	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		
One Uptown Residence	Fort Bonifacio, Taguig City	Joint Venture
Uptown Ritz Residences	Fort Bonifacio, Taguig City	Joint Venture
Uptown Parksuites Residence	Fort Bonifacio, Taguig City	Joint Venture
The Venice Luxury Residences	McKinley Hill	Owned
Viceroy Tower 3	McKinley Hill	Owned
Viceroy East Tower	McKinley Hill	Owned
The Florence	McKinley Hill	Owned
St. Moritz Private Estate Cluster One & Two	McKinley West, Fort Bonifacio	Joint Venture
The Albany Luxury Residences	McKinley West, Fort Bonifacio	Joint Venture
One Eastwood Avenue 2	Eastwood City, Quezon City	Owned
Manhattan Heights C	Quezon City	Joint Venture
Manhattan Plaza	Quezon City	Joint Venture
One Madison Place 1-3	Iloilo City	Owned
Lafayette Park Square	Iloilo City	Owned
The Palladium	Iloilo City	Owned
One Manchester Place	Mactan Newtown, Cebu	Owned
Greenbelt Hamilton 2	Makati City	Owned
Salcedo SkySuites	Makati City	Owned
The Ellis	Makati City	Owned
Noble Place	Manila City	Joint Venture
Eastwood Global Plaza Luxury Residence	Eastwood, Quezon City	Owned
San Antonio Residences East and West	Gil Puyat Ave., Makati City	Owned
Forbes Hill	Nothill Gateway, Bacolod	Joint Venture

Description	Location	Owned/Limitations on Ownership
Saint Dominique	Iloilo City	Owned
Saint Honore	Iloilo City	Owned
Maple Grove Commercial District	General Trias, Cavite	Joint Venture
Condominium Units in Completed Projects– Megaworld		
One Central	Makati City	Owned
Greenbelt Madisons	Makati City	Owned
Greenbelt Chancellor	Makati City	Owned
Greenbelt Radisson	Makati City	Owned
Greenbelt Excelsior	Makati City	Joint Venture
Greenbelt Hamilton	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	Owned
115 Upper McKinley	McKinley Hill	Joint Venture
McKinley Hill Garden Villas	McKinley Hill	Joint Venture
The Woodridge 1,2	McKinley Hill	Joint Venture
Tuscany Private Estate	McKinley Hill	Joint Venture
Stamford Executive Residences	McKinley Hill	Owned
Morgan Suites Executive Residences	McKinley Hill	Owned
The Venice Luxury Residences - Alessandro	McKinley Hill	Owned
The Venice Luxury Residences – Bellini	McKinley Hill	Owned
The Venice Luxury Residences – Carusso	McKinley Hill	Owned
The Venice Luxury Residences – Domenico	McKinley Hill	Owned
The Venice Luxury Residences – Emanuele	McKinley Hill	Owned
The Bellagio 1,2,3	Fort Bonifacio	Joint Venture
Forbeswood Heights	Fort Bonifacio	Joint Venture
Forbeswook Parklane	Fort Bonifacio	Joint Venture
8 Forbestown Road	Fort Bonifacio	Joint Venture
8 Newtown Boulevard	Mactan Newtown, Cebu City	Owned
One Pacific Residence	Mactan Newtown, Cebu City	Owned
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 Villa -1 & 2	Newport City	Joint Venture
Eastwood Le Grand 1 - 3	Eastwood City	Owned
Eastwood Parkview 1 & 2	Eastwood City	Owned
81 Newport Boulevard	Newport, Pasay City	Joint Venture
101 Newport Boulevard	Newport, Pasay City	Joint Venture
One Eastwood Avenue 1	Eastwood City, Quezon City	Owned
Grand Eastwood Palazzo	Eastwood City	Owned
One Central Park	Eastwood City	Owned
One Orchard Road Tower 1 - 3	Eastwood City	Owned
The Eastwood Excelsior	Eastwood City	Owned
The Eastwood Lafayette 1,2,3	Eastwood City	Owned
One Lafayette Square	Makati City	Owned
Two Lafayette Square	Makati City	Owned
Marina Square Suites	Manila City	Owned
Greenhills Heights	Quezon City	Joint Venture
Golf Hill Gardens	Quezon City	Owned
Manhattan Parkway	Quezon City	Joint Venture
Manhattan Heights Tower A, B and D	Quezon City	Joint Venture
Manhattan Parkview 1-3	Quezon City	Joint Venture
Manhattan Parkview Garden	Quezon City	Joint Venture
Mckinley West Subdivision	McKinley West, Taguig City	Joint Venture
El Jardin Del Presidente 1,2	Quezon City	Owned
8 Wack Wack Road	Mandaluyong City	Owned
Wack Wack Heights	Mandaluyong City	Owned
Cityplace Binondo A&B	Manila City	Owned
One Beverly Place	San Juan	Joint Venture
Iloilo Boutique Hotel	Iloilo City	Joint Venture
Viceroy Tower 1 & 2	Fort Bonifacio	Owned

Description	Location	Owned/Limitations on Ownership
The Venice Luxury Residences - Fiorenzo	Fort Bonifacio	Owned
Greenbelt Parkplace	Makati City	Owned
Belmont Luxury Hotel	Newport, Pasay City	Joint Venture
Savoy Hotel Newport City	Newport, Pasay City	Joint Venture
Rental Properties - Megaworld[1]		
Paseo Center	Makati City	Owned
The World Center	Makati City	Owned
California Garden Square Retail	Mandaluyong City	Owned
City Place Retail Mall	Manila City	Owned
Lucky Chinatown Mall	Manila City	Owned
One Beverly Place Retail	San Juan	Owned
Corinthian Hills Retail	Quezon City	Owned
Global One	Eastwood City	Owned
Techno Plaza 1	Eastwood City	Owned
Techno Plaza 2 Units	Eastwood City	Joint Venture
1800 Eastwood Avenue	Eastwood City	Owned
1880 Eastwood Avenue	Eastwood City	Owned
Cyber One Units	Eastwood City	Owned
IBM Plaza Units	Eastwood City	Owned
ICITE	Eastwood City	Owned
Eastwood City Walk 1 and 2	Eastwood City	Owned
Eastwood Mall	Eastwood City	Owned
Cyber Mall	Eastwood City	Owned
E-Commerce Plaza	Eastwood City	Owned
Commerce and Industry Plaza	McKinley Hill	Ground Lease
One Campus Place	McKinley Hill	Ground Lease
8 Campus Place	McKinley Hill	Ground Lease
8 Upper McKinley Road	McKinley Hill	Owned
Science Hub	McKinley Hill	Ground Lease
The Venice Piazza	McKinley Hill	Ground Lease
Three World Square	McKinley Hill	Owned
Two World Square	McKinley Hill	Owned
One World Square	McKinley Hill	Owned
McKinley Hill Parking building	McKinley Hill	Owned
Venice Corporate Center	McKinley Hill	Ground Lease
The Venice Canal Mall	McKinley Hill	Ground Lease
Woodridge Residences	McKinley Hill	Joint Venture
Tuscany Retail	McKinley Hill	Joint Venture
Burgos Circle	Fort Bonifacio, Taguig City	Joint Venture
Uptown Parade	Uptown Bonifacio, Taguig City	Joint Venture
Uptown Place Mall	Uptown Bonifacio, Taguig City	Joint Venture
One World Center	Cebu	Owned
Two World Center	Cebu	Owned
Iloilo Richmonde Hotel & 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 Bonifacio Tower 1 & 2	Uptown Bonifacio, Taguig City	Joint Venture
8 Newtown Boulevard	Mactan Newtown, Cebu	Joint Venture
One Techno Place	Iloilo Business Park, Iloilo City	Owned
The Richmonde Plaza	Ortigas, Mandaluyong City	Owned
Two Global Center	Iloilo Business Park, Iloilo City	Owned
Hotel Lucky Chinatown	Manila 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
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
331 Building	Makati City	Owned
Three Techno Place	Iloilo Business Park, Iloilo City	Owned
Hotels		

Description	Location	Owned/Limitations on Ownership
Richmonde Hotel Ortigas[2]	Pasig City	Owned
Eastwood Richmode Hotel[2]	Quezon City	Owned
Condotels under development		
Savoy Hotel Mactan	Mactan Newtown, Cebu	Owned
Belmont Hotel Mactan	Mactan Newtown, Cebu	Owned
Completed Projects – Empire East		
Little Baguio Gardens	San Juan, Metro Manila	Owned
Laguna BelAir 1 and 2	Don Jose, Sta. Rosa, Laguna	Joint Venture
Governors Place	Mandaluyong City	Joint Venture
Gilmore Heights	Gilmore Ave. cor N.Domingo, Quezon City	Joint Venture
Kingswood Tower	Makati City	Joint Venture
San Francisco Gardens	Mandaluyong City	Joint Venture
Greenhills Garden Square	Santolan Road, Quezon City	Owned
Central Business Park	Manggahan, Pasig City	Owned
Xavier Hills	Quezon City	Joint Venture
California Garden Square	Libertad St., Mandaluyong City	Owned
Laguna BelAir 3	Biñan, Laguna	Owned
Laguna BelAir 4	Sta. Rosa Ciy	Owned
Ongoing Projects- Empire East		
The Cambridge Village	Cainta, Rizal	Owned
Little Baguio Terraces	San Juan, Metro Manila	Joint Venture
Pioneer Woodlands	Mandaluyong City	Joint Venture
San Lorenzo Place	Makati City	Joint Venture
The Rochester	Pasig City	Owned
The Sonoma	Sta. Rosa City	Joint Venture
Kasara Urban Resort Residences	Eagle St., Pasig City	Owned
Southpoint Science Park	Gimalas, Balayan, Batangas	Owned
Subdivisions, condominiums, condotels, townhouses and leisure development projects - GERI:		
8 Sto. Domingo Place	Quezon City	Joint Venture
Caliraya Springs	Cavinti, Laguna	Joint Venture
Cathedral Heights	Quezon City	Joint Venture
Capitol Plaza	Quezon City	Co-development
Fairways &Bluewaters	Boracay, Aklan	Owned
Forest Hills	Antipolo City	Joint Venture
Goldridge Estate	Guiguinto, Bulacan	Joint Venture
Holiday Homes	Gen. Trias, Cavite	Joint Venture
Magnificat Executive Village	Lipa, Batangas	Joint Venture
Mango Orchard Plantation	Naic, Cavite	Joint Venture
Manila Southwoods	Biñan, Laguna	Joint Venture
Monte Cielo De Naga	Naga City	Joint Venture
Monte Cielo De Penafrancia	Naga City	Joint Venture
Mountain Meadows	Cagayan De Oro	Joint Venture
Newcoast Village	Malay, Aklan	Owned
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
ResidenciaLipa	Lipa, Batangas	Joint Venture

Description	Location	Owned/Limitations on Ownership
Riverina	San Pablo City	Joint Venture
Savoy Hotel Boracay	Malay, Aklan	Owned
Sta. Barbara Heights	Sta. Barbara, Iloilo	Joint Venture
Domaine Le Jardin	Laurel, Batangas	Owned
Tierra Vista	Lipa, Batangas	Joint Venture
Windsor Heights	Tagaytay	Joint Venture
Vineyard Residences	Laurel, Batangas	Owned
Villa Maria	Fairways&Bluewater,Boracay	Owned
Villa Margarita	Fairways&Bluewater,Boracay	Owned
Villa Michaela	Fairways&Bluewater,Boracay	Owned
Villa Lucia	Fairways&Bluewater,Boracay	Owned
Villa Catalina	Fairways&Bluewater,Boracay	Owned
Villa Vittoria	Fairways&Bluewater,Boracay	Owned
Villa Muligan	Fairways&Bluewater,Boracay	Owned
Holland Park	Biñan, Laguna	Joint Venture
Oceanway Residences	Malay, Aklan	Owned
Belmont 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
The Hamptons Caliraya	Cavinti, Laguna	Joint Venture
Hotels under Travellers		
Marriott Hotel(3)	Newport City	Owned
Maxims Hotel(3)	Newport City	Owned
Holiday Inn Express Manila Newport City(3)	Newport City	Owned

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

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

The following site map details the principal properties owned or leased by Travellers, including those reserved for future developments as of December 31, 2017.

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 April 5, 2016 is P13.90. The trading prices of the said shares for each quarter within the last two years and subsequent interim period are set forth below:

	2016				2017				2018
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
High	17.42	17.00	17.00	16.08	13.90	15.48	17.30	17.18	16.50
Low	12.60	13.98	14.94	12.20	12.20	12.68	13.06	15.06	12.56

(*Source: PSE Research Dept.*)

b. **Shareholders**

As of March 31, 2018, the Company had 1,017 stockholders, including nominees, holding 10,158,838,079 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.	4,033,178,294	39.701
2	PCD Nominee Corporation (Non-Filipino) *	2,891,404,702	28.462
3	PCD Nominee Corporation (Filipino)*	1,306,254,660	12.858
4	Altavision Resources, Inc.	451,574,334	4.445
5	Yorkshire Holdings, Inc.	255,773,508	2.518
6	Asiagroup Holdings, Inc.	220,004,000	2.166
7	Globaland Holdings, Inc.	220,004,000	2.166
8	Grand Bel Air Holdings, Inc.	220,004,000	2.166
9	Le Bristol Holdings, Inc.	216,100,000	2.127
10	California Orchard Growers Investments, Inc.	120,000,000	1.181
11	Eastwood Property Holdings, Inc.	112,600,000	1.108
12	Andrew L. Tan	63,684,078	0.627
13	Andresons Global, Inc.	30,088,596	0.296
14	Megaworld Cebu Properties, Inc.	10,000,000	0.098
15	Kingson Uy Siok Sian	5,001,100	0.049
16	Lucio W. Yan &/or Clara Y. Yan	1,000,000	0.010
17	First Centro, Inc.	364,200	0.004
18	Jianhua Su	202,500	0.002
19	American Wire & Cable Co., Inc.	200,000	0.001
20	Ramon Garcia	100,000	0.001

Please refer to Item 11 on page 76 for stockholders holding 5% or more. * PCD Nominee Corporations (Non-Filipino and Filipino) is comprised of several nominees and the participants with 5% or more are indicated in Security Ownership on page 65.

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

It is the Company's policy to periodically declare a portion of its unrestricted retained earnings as dividend usually in the third quarter of each year. The declaration of dividends depends upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends out of its unrestricted retained earnings only. Unrestricted retained earnings represent the net accumulated earnings of the Company, with its capital unimpaired, which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Cash dividends are subject to the approval by the Board of Directors (BOD). Stock dividends are subject to the approval by both the BOD and at least two-thirds (2/3) of the outstanding capital stock of the stockholders at a stockholders' meeting called for such purpose.

On August 12, 2015, the Company declared cash dividend of P0.31 per share, payable to all stockholders of record as of September 1, 2015, out of the unrestricted retained earnings of the Company as of December 31, 2014. On August 19, 2016, the Company declared cash dividend of P0.31 per share, payable to all stockholders of record as of September 05, 2016, out of the unrestricted retained earnings of the Company as of December 31, 2015. No dividends were declared in 2017 and as of the date of this report.

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

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

				Percent	Growth
In Million Pesos	2017	2016	2015	2017	2016
REVENUES	**141,622**	**139,741**	**139,098**	**1.35%**	**0.46%**
Non-recurring gains[1]	113	136	188		
Recurring Revenues	**141,509**	**139,605**	**138,910**	**1.36%**	**0.50%**
NET PROFIT	**21,826**	**22,819**	**21,686**	**-4.35%**	**5.22%**
Non-recurring gains(loss) – net[1]	(317)	136	68		
Recurring Net Profit	**22,143**	**22,683**	**21,618**	**-2.38%**	**4.93%**
NET PROFIT ATTRIBUTABLE TO OWNERS OF AGI	**14,931**	**14,801**	**13,965**	**0.88%**	**5.99%**
Non-recurring gains (loss) –net[1]	(317)	136	29		
Recurring NP Attributable to Owners of AGI	**15,248**	**14,665**	**13,936**	**3.98%**	**5.23%**
Net profit rate	15.41%	16.33%	15.59%		
Recurring NP rate	15.65%	16.25%	15.56%		
NP Attributable to parent	10.54%	10.59%	10.04%		
Recurring NP attributable to parent	10.78%	10.50%	10.03%		
Return on investment/assets [NP/TA]	3.88%	4.64%	4.83%		
	31-Dec-17	31-Dec-16	31-Dec-15		
TOTAL ASSETS	561,822	491,297	448,725	14.35%	9.49%
CURRENT ASSETS	267,905	230,074	225,720	16.44%	1.93%
CURRENT LIABILITIES	111,714	123,072	89,733	-9.23%	37.15%
Current ratio	2.40x	1.87x	2.52x		
Quick ratio	1.28x	0.95x	1.40x		

[1]Non-recurring gains in 2015 refer to P181 million gain on sale of investment in an associate of Megaworld, P3.7 million gain on acquisition of GADC subsidiary, P3.5 million gain on divestment interest and P120 million one-time expenses on acquisition by EMP. In 2016, there is P88.8 million gains from acquisition and deconsolidation of Meg subsidiaries and P46.9 million from disposal of a GADC subsidiary. In 2017, there is P113 million gain on sale of investment in an associate of Megaworld and P430 million loss from casualty of Travellers.

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

b. Discussion And Analysis Of Operation

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

b.1. Results Of Operations – By Subsidiary Groups

	MEG	EMP	RWM	GADC	Others	TOTAL
2017						
Revenues	50,410	42,656	21,342	25,907	6,215	146,530
Intercompany/ Adjusment	-174		-51		-4,683	
Consolidated	50,236	42,656	21,291	25,907	1,532	141,622
% contribution	35.5%	30.1%	15.0%	18.3%	1.1%	100.0%
Costs and expenses	33,338	34,821	20,881	23,501	2,171	114,712
Intercompany/ Adjustment	-1,584	-31	-37	-89	529	
Consolidated	31,754	34,790	20,844	23,412	2,700	113,500
Tax Expense	3,793	1,503	218	755	27	6,296
Net profit	13,279	6,332	243	1,651	4,017	25,522
Intercompany/ Adjustment	1,410	31	-14	89	-5,212	
Consolidated	14,689	6,363	229	1,740	-1,195	21,826
% contribution	67.3%	29.2%	1.1%	8.0%	-5.5%	100.0%
Net profit to owners	12,772	6,322	251	1,628	4,017	24,990
Intercompany/ Adjustment	-2,772	-1,125	-151	-741	-5,270	
Consolidated	10,000	5,197	100	887	-1,253	14,931
% contribution	67.0%	34.8%	0.7%	5.9%	-8.4%	100.0%
2016	MEG	EMP	RWM	GADC	Others	TOTAL
Revenues	46,814	40,938	27,635	22,811	5,604	143,802
Intercompany/ Adjustment	-126	-22	-58	0	-3,855	
Consolidated	46,688	40,916	27,577	22,811	1,749	139,741
% contribution	33.4%	29.3%	19.7%	16.3%	1.3%	100.0%
Costs and expenses	31,616	31,502	24,172	21,049	2,790	111,129
Intercompany/ Adjustment	3	-27	-34	0	-30	
Consolidated	31,619	31,475	24,138	21,049	2,760	111,041
Tax Expense	3,489	1,743	64	529	56	5,881
Net profit	11,709	7,693	3,399	1,233	2,758	26,792
Intercompany/ Adjustment	-129	5	-24	0	-3,825	
Consolidated	11,580	7,698	3,375	1,233	-1,067	22,819
% contribution	50.8%	33.7%	14.8%	5.4%	-4.7%	100.0%
Net profit to owners	11,332	7,693	3,402	1,220	2,758	26,405
Intercompany/ Adjustment	-3,767	-1,400	-1,918	-622	-3,897	
Consolidated	7,565	6,293	1,484	598	-1,139	14,801
% contribution	51.1%	42.5%	10.0%	4.0%	-7.7%	100.0%
2015	MEG	EMP	RWM	GADC	Others	TOTAL
Revenues	44,992	43,660	27,803	20,421	6,476	143,352
Intercompany/ Adjustment	-94	0	33	0	-4,193	
Consolidated	44,898	43,660	27,836	20,421	2,283	139,098
% contribution	32.3%	31.4%	20.0%	14.7%	1.6%	100.0%
Costs and expenses	31,133	35,210	23,736	19,295	2,936	112,310
Intercompany/ Adjustment	-22	0	0	0	-117	
Consolidated	31,111	35,210	23,736	19,295	2,819	112,171
Tax Expense	3,285	1,490	49	366	51	5,241
Net profit	10,575	6,960	4,018	760	3,489	25,802
Intercompany/ Adjustment	-72	0	33	0	-4,077	
Consolidated	10,503	6,960	4,051	760	-588	21,686
% contribution	48.4%	32.1%	18.7%	3.5%	-2.7%	100.0%
Net profit to owners	10,215	6,960	4,021	751	3,489	25,436
Intercompany/ Adjustment	-3,417	-1,288	-2,206	-383	-4177	
Consolidated	6,798	5,672	1,815	368	-688	13,965
% contribution	48.7%	40.6%	13.0%	2.6%	-4.9%	100.0%

Year-on-year Change	MEG	EMP	RWM	GADC	Others	TOTAL
2017						
Revenues	7.6%	4.3%	-22.8%	13.6%	-12.0%	1.3%
Costs and expenses	0.4%	10.5%	-13.6%	11.2%	-1.9%	2.2%
Tax Expense	8.7%	-13.7%	239.6%	42.6%	-51.2%	7.1%
Net profit	26.9%	-17.3%	-93.2%	41.1%	12.0%	-4.4%
Net profit to owners	32.2%	-17.4%	-93.3%	48.3%	10.0%	0.9%
2016						
Revenues	4.0%	-6.3%	-0.9%	11.7%	-23.4%	0.5%
Costs and expenses	1.6%	-10.6%	1.7%	9.1%	-2.1%	-1.0%
Tax Expense	6.2%	17.0%	30.6%	44.5%	9.8%	12.2%
Net profit	10.3%	10.6%	-16.7%	62.2%	81.6%	5.2%
Net profit to owners	11.3%	10.9%	-18.3%	62.5%	65.4%	6.0%

-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 gross of promotional allowance, which is then included under costs and expenses.

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

In Million Pesos	2017	2016	2015	2017 vs 2016	2016 vs 2015
REVENUES	141,622	139,741	139,098	1.35%	0.46%
Sale of goods	77,860	74,739	77,192	4.18%	-3.18%
Consumer goods	43,237	41,608	44,465	3.91%	-6.42%
Revenues from real estate(RE)sales	34,623	33,131	32,727	4.50%	1.23%
RE sales	28,902	27,451	27,262	5.28%	0.69%
Realized gross profit on RE sales	3,974	3,979	3,787	-0.11%	5.07%
Interest income on RE sales	1,747	1,701	1,678	2.71%	1.39%
Rendering of services	60,720	62,172	58,482	-2.34%	6.31%
Gaming	17,115	23,649	24,217	-27.63%	-2.35%
Sales by company-operated quick-service restaurant	23,070	20,540	18,476	12.32%	11.17%
Franchise revenues	2,470	2,089	1,864	18.25%	12.06%
Rental income	12,346	10,485	9,185	17.74%	14.16%
Other services	5,719	5,409	4,740	5.74%	14.11%
Hotel operations	4,187	3,790	3,265	10.47%	16.07%
Other services	1,532	1,619	1,475	-5.35%	9.76%
Share in net profits of associates and joint ventures	273	356	269	-23.31%	32.38%
Finance and other income	2,769	2,474	3,156	11.93%	-21.61%
COSTS AND EXPENSES	113,500	111,041	112,171	2.21%	-1.01%
Cost of goods sold	47,983	46,020	50,443	4.27%	-8.77%
Consumer goods sold	28,324	26,307	30,493	7.67%	-13.73%
RE sales	16,305	15,515	15,435	5.09%	0.52%
Deferred gross profit on RE sales	3,354	4,198	4,515	-20.10%	-7.03%
Cost of services	31,069	30,870	30,163	0.64%	2.34%
Gaming-license fees, promo allowances	8,795	10,856	11,362	-18.99%	-4.46%
Services	22,274	20,014	18,801	11.29%	6.45%
Other operating expenses	28,065	27,219	25,712	3.11%	5.86%
Selling and marketing	10,790	11,383	11,075	-5.21%	2.78%
General and administrative	17,275	15,835	14,637	9.09%	8.19%
Finance costs and other charges	6,383	6,933	5,852	-7.93%	18.46%
TAX EXPENSE	6,296	5,881	5,241	7.05%	12.22%
NET PROFIT	21,826	22,819	21,686	-4.35%	5.22%

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

For the Year Ended December 31, 2017 vs. 2016

The year 2017 has been a rather challenging year for the Group.

The Group attained P15.2 billion **core net profit attributable to owners**, up 4% from P14.7 billion a year ago. Non-recurring loss incurred from a casualty by Travellers this year was reduced by the non-recurring gain on disposal of investment by Megaworld, netting out to P317 million loss as compared to P136 million non-recurring gains last year. Taking into account these items, **net profit to owners** hit P14.9 billion, inching 1% from a year ago, with consolidated revenues reaching P141.6 billion on a 1% growth year-on-year.

Megaworld, the country's largest developer and pioneer of integrated urban townships, grew its group net profit to owners to P12.6 billion (net of P113million non-recurring gain), a 13% jump from P11.2 billion (net of P82 million non-recurring gain) a year ago. The healthy growth was underpinned by the strong performances of its key businesses in residential and hotel developments, office as well as commercial space leasing in malls and shopping centers. Consolidated revenues rose 8% to P50.4 billion, boosted by the 18% soar in rentals to P11.8 billion while residential sales expanded 5% to P28.9 billion. The Megaworld-GERI-Empire East-Suntrust brands turned over 58-16-15-11 of real estate sales. In later part of 2017, GERI launched its 2nd "integrated lifestyle community" and the group's 23rd township, the 300-hectare The Hamptons Caliraya in Lumban-Cavinti, Laguna, where nature becomes the focal point of development. The group's existing landbank offers abundant nature reserves that can be nurtured and preserved as part of its future community development. Megaworld has turned over 1,000 residential units in Makati Central Business District in 2017 which included the 30-storey Paseo Heights and 50-storey Three Central, and four more towers are under construction. The group also opened its 14th lifestyle mall in 2017, which is GERI's first full-scale mall, the Southwoods Mall, the first and only full-scale mall development within the Biñan-Carmona area. The group's operating results brought in 35% and 67% 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 P42.6 billion this year, a modest hike of 4% year-on-year attributed to strong sales from offshore subsidiaries. The Scotch Whisky segment turned over revenues to external customers higher by 7% year-on-year. Own Scotch whisky labels The Dalmore and Jura remained to be the growth drivers, with strong sales in UK, Asia, USA, Greater Europe, Latin America and Travel Retail. Jura, with new bottle and packaging upgrade, has a significant launch of the redesigned range in the US. The Brandy segment, on the other hand, turned over revenues to external customers higher by 3% year-on-year. Spanish brandies Fundador and Terry Centenario and Harveys Bristol Cream sherry enjoyed a good year, with sales growing in Spain, UK and the Philippines. It was a challenging year for Emperador Brandy, yet it keeps its lead in the domestic market. Higher cost of goods sold, strategic marketing expenses and unrealized foreign currency losses dragged clipped net income to P6.3 billion from P7.7 billion a year ago. Nevertheless, gross profit margins (GPM) remained healthy at 35% in 2017 and 37% in 2016. The GPMs of the Brandy and Scotch Whisky segments were respectively posted at 35% and 30% in 2017 and 40% and 28% in 2016. The group accounted for 30% and 29% of AGI's consolidated revenues and net profit, respectively.

Travellers, the owner and operator of RWM, reported a 5% increase in non-gaming revenues to P4.0 billion driven by hotel and MICE operations. Gross gaming revenues continued to recover after the loss of the second-floor gaming area in June 2017, increasing 22% in the fourth quarter as compared to the previous quarter and ending the year at P17.1 billion as property visitation continued to improve averaging 27,000 in the fourth quarter, up from 23,000 in the third quarter. The casino was closed for 27 days in June and the second-floor gaming area has not been opened. Average occupancy rate for the three hotels stayed high, hovering around the 80% mark, led by Remington Hotel (now Holiday Inn Express) at almost 90%. Total gross revenues amounted to P21.1 billion for the current year with EBITDA of P3.5 billion. The group contributed 15% and 1% 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, continued to grow business in 2017 exceeding targets with margins growing at pace with topline sales. Within the QSR market, McDonald's outpaced reported market growth at 8.9%. Net profit surged 34% to P1.6 billion from P1.2 billion a year ago. Sales revenues rose 13% to P25.5 billion, boosted by 52 new store openings (half are company-owned), menu innovations and local store marketing activities which allowed system wide sales to reach P42.6 billion. System wide same-store-sales grew 5.8%

year-on-year. Total number of restaurants totaled 566 at end-2017, reaching new territories as far as Antique, Sorsogon, Masbate and San Francisco, Agusan Del Sur. Consumer touchpoints such as drivethru and online delivery have delivered double-digit growths. A strong source of incremental business is the convenient services across the country through McDelivery which made McDonald's post the fastest growth in the QSR industry. These operating results translated into 18% and 8% of the consolidated revenues and net profit of AGI and subsidiaries.

Revenues, as a result of the foregoing, showed 1% year-on-year growth to P141.6 billion in 2017, as the strong performances in the real estate, QSR and alcoholic beverages countered RWM's lost gaming revenues. Sale of goods (real estate, alcoholic beverages, snack products) jumped 4%. Service revenues (QSR, rentals, hotels, gaming) slid 2%, with sales from company-operated QSR and rental income growing 12% and 18%, respectively, cushioning the impact of 28% drop in gaming revenues.

Cost and expenses expanded 2% to P113.5 billion in 2017. Cost of goods sold, as a function of sales, showed same 4% expansion pace inspite of the higher costs of wine and packaging materials for alcoholic products.

Share in net profits of associates and joint ventures went down 23% or P83 million, due to decrease in net profit of Megaworld's associates.

Finance and other income increased 12% or P295 million higher than last year from interest income and other miscellaneous gains, including the gain on sale of investment in an associate of Megaworld.

Finance costs and other charges appeared to dwindle 8% because of foreign currency losses reported last year by Megaworld and Travellers from the translation of their foreign-currency bonds, which mitigated the high interest expenses and loss from casualty reported this year.

Tax expense rose P414.8 million or a 7% increase due to higher taxable income for Megaworld and GADC, and the expiration of a previously recognized deferred tax asset of Travellers from 2014.

Net profit totaled P21.8 billion this year, 4% down year-on-year, with **net profit attributable to owners** slightly up by 1% to P14.9 billion.

For the Year Ended December 31, 2016 vs. 2015

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

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

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

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

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

GADC reported a 62% surge in net profit in 2016 to P1.2 billion from P760 million a year ago as revenues climbed 12% to P22.8 billion. This all-time high is achieved from the opening of 44 new restaurants (22 company-owned, 21 franchised, 1 joint venture), renovation of existing restaurants, expansion of business extensions (delivery service, drive-thru, dessert centers, midnight hours and breakfast daypart), the introduction of new products (Chicken Fillet ala King, Cheesy Eggdesal, Mushroom Soup) and the continuous marketing and promotions of core menu. The new and improved Burger McDo was introduced on May 27, 2016. The new restaurants contributed about 3% to total system sales while business extensions comprise 23% of the total. Drive-thru is the extension which has the biggest contribution of 12% of total revenues. There were 520 restaurants operating by the end of 2016, as compared to 481 restaurants a year ago, out of which 275 were company owned and operated as compared to 254 a year ago. Systemwide same-store sales grew by 7% year-on-year. Price increases were also strategically implemented in order to mitigate the impact of increase in cost of raw materials and to maintain the level of product quality. Cost of sales and services went up by 7%, primarily due to cost of inventory which increased by 6% brought about by increase in sales volume, higher prices of imported raw materials and the shift in product mix. These operating results translated into 16% and 5% of the consolidated revenues and net profit of AGI and subsidiaries for 2016.

Revenues, as a result of the foregoing, totaled P139.7 billion in 2016 as compared to P139.1 billion a year ago. Service revenues grew by 6% or P3.7 billion which mitigated the 3% contraction in sale of goods. The growth in service revenues (gaming, hotel, quick-service restaurants, rentals, cinemas) was attributed to the 11% increment in quick-service restaurant sales, 14% jump in rental income and 16% boom in hotel revenues. The contraction in sale of goods (real estate, alcoholic beverages and snack products) was attributed to an agency brand which Emperador's WMG stopped distributing by the end of 2015.

Costs and expenses decreased 1% year-on-year. Cost of goods sold, which is a function of sales, decreased by 9%, while cost of services went up 2% due to higher restaurant sales and brisk hotel and rental operations. Other operating expenses rose 6% primarily due to higher general marketing expenditures and depreciation at RWM, payroll and rentals of GADC, salaries and benefits of MEG employees, and operating expenses of the new Spanish business unit. There was also an increase in strategic marketing spend in the Scotch core malt brands as compared to a year ago.

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

Finance and other income went down 22% in 2016 because of lower cash level during the year as compared to 2015 which resulted in lower interest income earnings in 2016. **Finance costs and other charges** went up 18% due to higher interest expense in 2016 as new loans were obtained during the year.

Income tax increased by 12% in 2016 as compared to a year ago, which is attributed to higher taxable income for Megaworld, EMP and GADC this year.

Net profit attributable to owners grew by 6%.

Financial Condition

December 31, 2017 vs 2016

Consolidated total assets amounted to P561.8 billion at end of 2017 from P491.3 billion at beginning of year. The Group is strongly liquid with **current assets** exceeding **current liabilities** 2.4times. Current assets amounted to P267.9 billion while current liabilities amounted to P111.7 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 went up 14% or P7.0 billion to end the year at P55.7 billion from P48.7 billion at the beginning of the year, primarily from loan proceeds. Cash flows from operating, financing and investing activities during the period were presented in the consolidated statements of cash flows.

Financial assets at fair value through profit or loss soared 29% or P3.0 billion from marketable securities purchased during the year.

Current trade and other receivables increased 28% or P16.2 billion mainly from real estate sales and rental transactions, advances to contractors and suppliers (mostly relating to ongoing construction works), booked insurance claims, and receivable from sale of land.

Inventories expanded 8% or P6.6 billion from the maturing liquids of Scotch whisky and Spanish brandy and real estate for-sale inventories. Emperador group acquired inventories relating to 'Domecq' brandies and Bodegas Garvey during the year.

Property development costs soared 15% or P3.0 billion due to various ongoing development projects of the Megaworld group. Megaworld is allocating P60 billion in capital spending in 2018, with 80% covering development projects, mostly residential, office and commercial developments in various townships across the country.

Other current assets went up 24% or P2.0 billion mainly due to an increase in the amount of unutilized input vat, prepayments and refundable deposits at year-end.

Advances to landowners and joint ventures escalated 23% or P1.1 billion due to additional advances made by Megaworld relating to its ongoing development projects.

Non-current Available-for-sale financial assets decreased 29% or P175.0 million from securities sold to get fresh funds. **Current available-for-sale financial assets** at end-2016 already matured during the year.

Land for future development expanded 15% or P3.4 billion due to additional land acquisitions and contribution of Meg's new subsidiaries.

Investment in and advances to associates and other related parties decreased 6% or P559.0 million primarily due to reduction in capitalization of a Spanish joint venture (BLC) and the transfer of such to a newly incorporated Spanish subsidiary (DBLC).

Property, plant and equipment increased 18% or P15.0 billion primarily attributed to Travellers, Megaworld and Emperador. Expansion works in RWM are in full swing with the Grand Wing, comprising of three hotels (Hilton Manila, Sheraton Manila and Hotel Okura Manila) and retail and gaming areas expected to be completed by the end of 2018. Megaworld completed its corporate headquarters in Uptown and Travellers completed RunWay Manila which opened to the public in April. There were also asset acquisitions (vineyards, bodegas wineries, real estate) in Spain and Mexico made during the year.

Investment property increased 17% or P10.7 billion as more revenue-generating malls, commercial centers and office buildings were completed by Megaworld group.

Intangible assets amplified 11% or P4.1 billion from trademarks acquired by Emperador from its asset acquisitions relating to 'Domecq' intellectual properties held by Pernod Ricard and those of Grupo Garvey which include brandies and sherry wines.

Deferred tax assets were reduced 18% or P180.0 million principally due to lapsing of the three-year validity of Travellers' MCIT in 2014.

Trade and other payables went up 17% or P6.7 billion as trade payables and retention payable to contractors swelled up, reflecting the heightened development activities at Megaworld and Travellers. Accrued expenses increased due to timing of accruals at year-end.

Current bonds payable plummeted 75% or P29.8 billion from the settlement of Cayman $500 million bonds which matured in August (P24.9 billion) and full settlement of Traveller's $300 million notes in November (P14.9 billion). Megaworld's $200 million bonds maturing in April 2018 (P10.0 billion) is reclassified (from non-current last year-end) to this account. **Non-current bonds payable** increased 9% or P2.1 billion from additional issuance of bonds by Megaworld for general corporate purposes. Megaworld issued P12.0 billion seven-year bonds which carry 5.3535% p.a. coupon on March 28, 2017.

Current interest-bearing loans ballooned 55% or P11.6 billion while **non-current interest-bearing loans** surged 95% or P52.8 billion, for a total increase of P64.4 billion which is mainly attributed to additional loans obtained by Travellers (P24.4 billion) and Megaworld (P1.7 billion) intended for capital expenditures; by AGCayman (P34.8 billion) to refinance its bonds and for investment purposes; and by Emperador offshore (P8.8 billion) for the purchase of stocks and capital expenditures in UK and Spain.

Income tax payable were reduced 15% or P163 million, mainly due to application of creditable withholding taxes, which come significantly from sale of land plus collections from franchisees which resulted in lower accrued income tax of GADC.

Non-current advances from related parties swelled 34% or P588.7 million due to advances received by Megaworld during the year.

Retirement benefit obligation reduced 25% or P660.8 million primarily driven by the increase in the fair value of Emperador group's plan assets.

Redeemable preferred shares, current and non-current portions combined, rose 5% or P94.9 million relating to the accretion of GADC's redeemable preferred shares.

Deferred tax liabilities increased 6% or P661.7 million from temporary tax difference of MEG and Emperador's UK group.

The **changes in equity components** are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners and to non-controlling interest increased 10% each, 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 Group's ongoing buyback program.

December 31, 2016 vs 2015

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

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

Cash and cash equivalents dipped by P19.9 billion or 29% to end at P48.7 billion from P68.6 billion at the beginning of 2016, primarily due to cash outlaid in the completion of Emperador's acquisition of assets of Bodegas Fundador; capital expenditures and business expansion of RWM, Megaworld and GADC; and dividend payments. Cash flows from operating, financing and investing activities during the period were presented in the consolidated statements of cash flows.

Financial assets at fair value through profit or loss went up 30% or P2.4 billion from additional investments made in 2016 and marked-to-market gains by the end of the year.

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

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

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

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

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

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

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

Property, plant and equipment swelled 25% or P16.7 billion primarily from the assets of the acquired Spanish business unit which include vineyards and buildings; massive constructions at RWM which

expanded a new wing and will add three new hotels; and new hotel buildings of Megaworld. The Marriott West Wing in RWM formally opened its doors to the public in November 2016 while the three hotels, Hilton Manila, Sheraton Manila Hotel, and Hotel Okura Manila, will be completed by 2018. It will also include an additional gaming area, new retail spaces and six basement parking decks.

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

Intangible assets ballooned 27% or P8.0 billion from the acquired Spanish trademarks and the goodwill resulting in the business unit acquisition in 2016.

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

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

Interest bearing loans, both current and non-current portions combined, increased 33% or P18.8 billion from the new loans obtained by Travellers (P7.0 billion), Megaworld (P7.0), GERI (P2.0 billion), SPI (P0.4 billion), EMP (P4.7 billion) and AGI in 2016. Principal amortizations and repayments were made as they fall due.
Income tax payable went up 78% or P492 million due to higher taxable profit and the resulting accrual of annual taxes which were higher for EMP and GADC.

Bonds payable, current and non-current combined, increased 13.4% or P7.3 billion due to higher forex translation in 2016 and the free-up of Megaworld bonds held by the Group. Last yearend 2015, such bonds were deducted from the bonds payable balance in consolidation, and at end-2016, such bonds had been sold or traded already.

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

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

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

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

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

The consolidated statements of financial position showed strong liquidity with current assets exceeding current liabilities 2.4times and 1.9times at end of 2017 and 2016, respectively. Total-liabilities-to-equity ratios were at 1.1:1 and 1.0:1 at the end of 2017 and 2016, respectively, while interest-bearing-debt-to-total-equity ratios were correspondingly at 66% and 58%. Assets exceeded liabilities 2times and equity 2times as well.

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

Amounts in Million Pesos	31-Dec-17	31-Dec-16	31-Dec-15
Cash and equivalents	55,673	48,673	68,594
FVTPL/AFS financial assets	13,948	11,138	10,260
Total Available	69,621	59,811	78,854
Interest-bearing debt –current	42,677	60,831	28,705
Interest-bearing debt- noncurrent	132,662	77,831	83,791
Equity-linked securities- non- current*	5,227	5,263	5,259
Total Debt	180,566	143,924	117,755
Net cash (debt)	-110,945	-84,113	-38,901
Available Cash and financial assets to interest-bearing debt	39%	42%	67%
Interest-bearing debt to total equity	66%	58%	51%

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

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

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

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

Megaworld has a strong roster of townships nationwide that are backed by adequate land banking and carefully-thought masterplans. Its aggressive thrust to grow its investment properties has resulted in increased recurring income stream. It continues to innovate its real estate development as it introduced what it calls the ‘integrated lifestyle community’ and targets to add more developments under this category. It intends to acquire more land and other investment properties.

Travellers sees a lot of potential for further growth, as it continues to expand its non-gaming facilities and offerings. It is looking forward to the completion of its Grand Wing in RWM which should boost its hotel and overall gaming capacity.

GADC will continue its brand promise of making delicious feel-good moments easy for every customer and remains steadfast in its expansion inspite of the challenges ahead. It aims to sustain its business momentum as it targets more new store openings with continuous focus on operational excellence, leveraging on its taste heritage and technology, espousing the role of family and community in delivering business while exemplifying good corporate citizenship.

In 2018, all the business segments are expected to sustain growth trajectory in line with targets and will continue to bolster their presence in their respective fields.

b.4. ***Others***

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

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

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

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

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

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

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

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

7. FINANCIAL STATEMENTS

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

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

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

8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATERS

a. External Audit Fees And Services

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

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

The fees, excluding out-of-pocket expenses and vat, for each of the last two fiscal years totaled P2.36 million and P2.26 million for the audit of 2017 and 2016 annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.

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

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

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

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

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

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

PART III - CONTROL AND COMPENSATION INFORMATION

9. DIRECTORS AND EXECUTIVE OFFICERS

a. Directors And Executive Officers

Directors are elected annually by the stockholders to serve until the election and qualification of their successors. 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 September 19, 2017.

The table below sets forth each member of the Company's Board as of March 31, 2018:

Name	Age	Citizenship	Position
Andrew L. Tan	68	Filipino	Chairman
Sergio R. Ortiz-Luis, Jr.	74	Filipino	Independent Director/Vice Chair
Kingson U. Sian	56	Filipino	Director
Winston S. Co	60	Filipino	Director
Katherine L. Tan	66	Filipino	Director
Kevin Andrew L. Tan	38	Filipino	Director
Alejo L. Villanueva, Jr.	76	Filipino	Independent Director

The table below sets forth the Company's executive officers as of March 31, 2018:

Name	Age	Citizenship	Position
Kingson U. Sian	56	Filipino	President
Katherine L. Tan	66	Filipino	Treasurer
Kevin Andrew L. Tan	38	Filipino	Executive Director
Dina D.R. Inting	58	Filipino	Chief Financial Officer
Dominic V. Isberto	43	Filipino	Corporate Secretary
Rolando D. Siatela	57	Filipino	Assistant Corporate Secretary

Andrew L. Tan
Chairman of the Board

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

Listed Company	Position	Date First Elected	Date Last Elected	No.of Term/ Years
Emperador Inc.	Chairman	Aug 2013	May 2017	4
Megaworld Corporation	Chairman & President	Aug 1989	June 2017	28
Travellers International Hotel Group, Inc.	Director	July 2008	June 2016	9
Global-Estate Resorts, Inc. (subsidiary of Megaworld)	Chairman	January 2011	June 2017	6
Empire East Land Holdings, Inc. (subsidiary of Megaworld)	Chairman	July 1994	June 2017	23

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

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

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

Kingson U. Sian
Director and President

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Megaworld Corporation	Director/Executive Director	Apr 2007	June 2017	10
Travellers International Hotel Group, Inc.	Director and President	June 2008	June 2016	8
	Chief Executive Officer	Oct 2014	June 2017	3

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

Bachelor of Science in Business Economics. He obtained his Masteral Degree in Business Administration for Finance and Business Policy from the University of Chicago.

Katherine L. Tan
Director and Treasurer

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Emperador Inc.	Director and Treasurer	Aug 2013	May 2017	4
Megaworld Corporation	Director	Aug 1989	June 2017	28
	Treasurer	Aug 1989	June 1995	6

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

Winston S. Co
Director

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Emperador Inc.	President and CEO	Aug 2013	May 2017	4

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

Kevin Andrew L. Tan
Director

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/
Empire East Land Holdings, Inc.	Director	June 2015	June 2016	1
Global-Estate Resorts, Inc.	Director	June 2014	June 2016	2
Emperador Inc.	Director	Oct 2017	Oct 2017	0

He is concurrently a Director of Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He has over 11 years of experience in retail leasing, marketing and operations. He currently heads the Commercial Division of Megaworld Corporation, which markets and operates the Megaworld Lifestyle Malls, including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill and Burgos Circle at Forbestown Center, both in Fort Bonifacio, California Garden Square in Mandaluyong City, Newport Mall at Resorts World Manila in Pasay City, 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.

Alejo L. Villanueva, Jr.
Independent Director

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Emperador Inc.	Independent Director	Aug 2013	May 2017	4
Empire East Land Holdings, Inc.	Independent Director	June 2007	June 2017	10
Suntrust Home Developers, Inc.	Independent Director	Oct 2012	Oct 2017	5

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

Dina D.R. Inting
Chief Financial Officer

Ms. Inting has served as 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	May 2017	4

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

Dominic V. Isberto
Corporate Secretary

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Global-Estate Resorts, Inc.	Corporate Secretary and Assistant Corporate Information Officer	Jan 2011	June 2017	6
Emperador Inc.	Corporate Secretary	Aug 2013	May 2017	4

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

Rolando D. Siatela
Assistant Corporate Secretary

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Suntrust Home Developers, Inc.	Corporate Secretary and Corporate Information Officer	May 2006	Oct 2017	11
Megaworld Corporation	Assistant Corporate Secretary	Oct 2006	June 2017	11
Global-Estate Resorts, Inc.	Assistant Corporate Secretary	Jan 2011	June 2017	6
Emperador Inc.	Assistant Corporate Secretary	Aug 2013	May 2017	4

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

b. Significant Employees

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

c. Family Relationships

1. Chairman/CEO Andrew L. Tan is married to Treasurer/Director Katherine L. Tan;
2. Director/Executive Director Kevin Andrew L. Tan is their son;
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 (CEO)
Kingson U. Sian, President (COO)
Katherine L. Tan, Treasurer
Dina D. Inting, FVP-Finance
Dominic V. Isberto, Corporate Secretary
Rolando D. Siatela, Asst. Corporate Secretary

The officers receive fixed salary on a monthly basis from the respective subsidiaries or businesses they principally handle. Hence, for years 2017, 2016, and 2015, no compensation was received from AGI, the holding company, and neither will there be for 2018, 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 December 19, 2011, 46.5 million options were granted to certain key executives and senior officers, including the CEO and President, at an exercise price of P9.175 with a market price of P10.28 on the date of grant. On March 14, 2013, additional 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. As of December 31, 2017, a total of 105.6 million options have vested but not yet exercised. An Option Holder may exercise in whole or in part his vested Option provided, that, an Option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said Option's Life Cycle. As of this time, the Company cannot determine if options can be exercised with less than forty percent (40%) of the total price of the shares so purchased. The Company does not provide or arrange for loans to enable qualified participants to exercise their options.

11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) **Security Ownership of Record and Beneficial Owners owning more than 5% of the Company's outstanding common stock as of March 31, 2018:**

Title of Class	*Name and Address of Record Owner &Relationship w/ Issuer*	*Name of Beneficial Owner & Relationship w/ Record Owner*	*Citizenship*	*No. of Shares*	*Percent Owned*
Common	THE ANDRESONS GROUP, INC. 7/F 1880 Eastwood Avenue, Eastwood City Bagumbayan, Quezon City,[1]	THE ANDRESONS GROUP, INC. (TAGI)	Filipino	4,033,178,294	39.701
Common	PCD NOMINEE CORPORATION (NON-FILIPINO) 37/F Tower 1, The Enterprise Center, 6766 Ayala Avenue, Makati City [2]	THE HONGKONG AND SHANGHAI CORP. LTD. (Non-Filipino) HSBC[2] Securities Services 12th Floor, The Enterprise Center, Tower I, 6766 Ayala Avenue corner Paseo de Roxas, Makati City.	Non-Filipino	1,691,561,129	16.651
Common	YORKSHIRE HOLDINGS, INC. 18th Floor Alliance Global Tower 26th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City [3]	YORKSHIRE HOLDINGS, INC. (YHI)	Filipino	1,583,459,842	15.587

[1]Mr. Andrew L. Tan is the Chairman of the Board of TAGI, is authorized to appoint proxy to vote for the shares.
[2]HSBC and Deutsche are participants of the PCD Nominee Corporation. The beneficial owners of the shares are not known to the Company.
[3]Mr. Andrew L. Tan, Chairman of YHI is authorized to appoint proxy to vote for the shares which includes direct and indirect beneficial ownership through Altavision Resources, Inc., Asiagroup Holdings, Inc., Globaland Holdings, Inc. Grand Belair Holdings, Inc., and Le Bristol Holdings, Inc.
[4]CGC is the parent company of Capital Research Management Company (CRMC), a US based investment company. CRMC in turn is the parent company of Capital Group International, Inc., which is in turn is the parent company of five investment management companies:

Common	PCD NOMINEE CORPORATION (NON-FILIPINO) G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	THE CAPITAL GROUP COMPANIES, INC. (CGC)[4] 333 South Hope Street, 55th Floor Los Angeles CA 90071-1406 USA	Non-Filipino	1,096,297,040	10.791
Common	PCD NOMINEE CORPORATION (NON-FILIPINO) G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	DEUTSCHE BANK MANILA-CLIENTS A/C[2] 26/F Ayala Tower One Ayala Triangle, Makati City	Non-Filipino	858,794,168	8.454

(2) **Security Ownership of Management as of December 31, 2017:**

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

12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the material related party transactions described in the notes to the consolidated financial statements of the Company for the years 2017, 2016, and 2015, (*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 (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.

Capital Guardian Trust Company, Capital International, Inc., Capital International Limited, Capital International Sarl and Capital International K.K. Neither CGC nor any of its affiliates own shares for its account. Rather, the shares reported are owned by accounts under the discretionary investment management of one or more of the investment management companies described above.

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, 2017)

Date	Disclosures
24 July 2017	Notice of Annual Stockholders' Meeting
25 July 2017	Notice of Analysts' Briefing
14 August 2017	Press Release: "Alliance Global reports 1H net profit of P10bn"
19 September 2017	Results of Annual Stockholders' Meeting
19 September 2017	Results of Organizational Meeting
19 September 2017	Press Release: "AGI announces P5-B share buyback program; maintains aggressive growth strategies"
19 September 2017	Approval of Share Buy-back Program
20 September 2017	Share buy-back transaction
21 September 2017	Share buy-back transaction
22 September 2017	Share buy-back transaction
25 September 2017	Share buy-back transaction
26 September 2017	Share buy-back transaction
27 September 2017	Share buy-back transaction
28 September 2017	Share buy-back transaction
29 September 2017	Share buy-back transaction
02 October 2017	Share buy-back transaction
03 October 2017	Share buy-back transaction
05 October 2017	Share buy-back transaction
10 October 2017	Share buy-back transaction
11 October 2017	Press Release: "Alliance Global Group Diversifies To Infrastructure"
11 October 2017	Share buy-back transaction
13 October 2017	Share buy-back transaction
17 October 2017	Share buy-back transaction
18 October 2017	Share buy-back transaction
19 October 2017	Share buy-back transaction
20 October 2017	Share buy-back transaction
23 October 2017	Share buy-back transaction
24 October 2017	Notice of Analysts' Briefing
24 October 2017	Share buy-back transaction
26 October 2017	Share buy-back transaction
27 October 2017	Share buy-back transaction
30 October 2017	Share buy-back transaction
02 November 2017	Share buy-back transaction
03 November 2017	Share buy-back transaction
06 November 2017	Share buy-back transaction
07 November 2017	Share buy-back transaction

08 November 2017	Share buy-back transaction
09 November 2017	Share buy-back transaction
10 November 2017	Press Release: “Alliance Global reports 9-month profit of P15-B”
10 November 2017	Share buy-back transaction
13 November 2017	Share buy-back transaction
14 November 2017	Share buy-back transaction
15 November 2017	Share buy-back transaction
16 November 2017	Share buy-back transaction
17 November 2017	Share buy-back transaction
20 November 2017	Share buy-back transaction
21 November 2017	Share buy-back transaction
22 November 2017	Share buy-back transaction
23 November 2017	Share buy-back transaction
24 November 2017	Share buy-back transaction
27 November 2017	Share buy-back transaction
28 November 2017	Share buy-back transaction
29 November 2017	Share buy-back transaction
01 December 2017	Share buy-back transaction
04 December 2017	Share buy-back transaction
05 December 2017	Share buy-back transaction
06 December 2017	Share buy-back transaction
07 December 2017	Share buy-back transaction
08 December 2017	Share buy-back transaction
11 December 2017	Share buy-back transaction
12 December 2017	Share buy-back transaction
14 December 2017	Share buy-back transaction
15 December 2017	Share buy-back transaction
18 December 2017	Share buy-back transaction
19 December 2017	Share buy-back transaction
20 December 2017	Share buy-back transaction
21 December 2017	Press Release on consortium
21 December 2017	Share buy-back transaction
22 December 2017	Share buy-back transaction
27 December 2017	Share buy-back transaction
29 December 2017	Share buy-back transaction

SIGNATURES

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

Alliance Global Group, Inc.
Issuer

By:

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

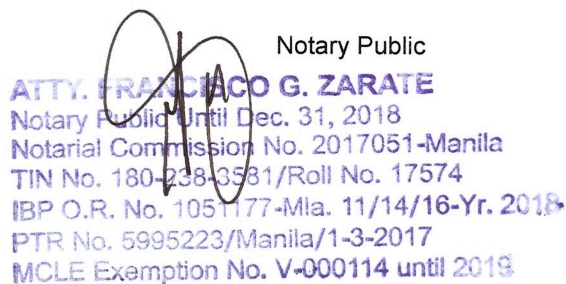
KINGSON U. SIAN
President and COO
(Principal Operating Officer)

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

DOMINIC V. ISBERTO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 06 2018, 2018 affiants exhibiting to me their Passports/SSS No., as follows:

NAMES	PASSPORT/SSS NO./ DRIVER'S LICENSE NO.	DATE OF ISSUE	PLACE OF ISSUE
Andrew L. Tan	EC1087269	May 14, 2014 to May 13, 2019	Manila
Kingson U. Sian	N11-79-019621	Valid until Aug. 27, 2019	Manila
Dominic V. Isberto	SSS 33-1952824-1		
Dina D.R. Inting	SSS 03-5204775-3		



Notary Public

ATTY. FRANCISCO G. ZARATE
Notary Public Until Dec. 31, 2018
Notarial Commission No. 2017051-Manila
TIN No. 180-238-3581/Roll No. 17574
IBP O.R. No. 1051177-Mla. 11/14/16-Yr. 2018
PTR No. 5995223/Manila/1-3-2017
MCLE Exemption No. V-000114 until 2019

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Page No. 85
Book No. 209
Series of 2018.

ALLIANCE GLOBAL

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

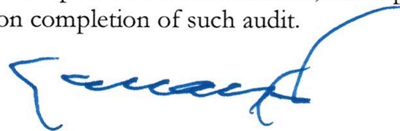
The management of ***Alliance Global Group, Inc. and Subsidiaries*** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed 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 but to do so.

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

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

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



ANDREW L. TAN
Chairman of the Board
(Chief Executive Officer)

KINGSON U. SIAN
President

DINA D.R. INTING
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this APR 0 6 2018, affiants exhibiting to me their Passport/SSS No., as follows:

Names	PassportNo./SSS No./DLNo.	Date	Place of Issue
Andrew L. Tan	EC1087269	May 14, 2014 to 2019	Manila
Kingson U. Sian	N11-79-019621	valid until Aug. 27, 2019	Manila
Dina D.R. Inting	SSS 03-5204775-3		

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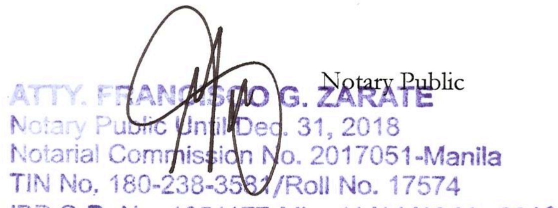

Notary Public

ATTY. FRANCISCO G. ZARATE
Notary Public Until Dec. 31, 2018
Notarial Commission No. 2017051-Manila
TIN No. 180-238-3581/Roll No. 17574

P&A
Grant Thornton
An instinct for growth™

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

T +63 2 988 2288

Report of Independent Auditors

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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

(a) Consolidation Process

Description of the Matter

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

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

How the Matter was Addressed in the Audit

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

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

- Tracing the balances used in the consolidation from the financial reports of the components;

- Ascertaining the appropriateness of the application of consistent accounting policy across the Group; and,

- Testing significant consolidation adjustments, which includes elimination of intercompany revenues, expenses and investments, and recognition of equity transactions to measure non-controlling interest, by identifying such intercompany transactions and balances among the entities or business activities within the Group.

(b) Revenue Recognition on Real Estate Sales

Description of the Matter

The Group, through its Megaworld business segment, recognizes revenue from real estate sales using the percentage-of-completion method for sale of pre-completed properties and full accrual method for sale of developed properties after establishing that collection of the total contract price is reasonably assured, which is determined when a certain percentage of the total contract price has already been collected. Further, under the percentage-of-completion method, the Group recognizes gross profit based on the stage of completion as estimated by management with the assistance of project engineers.

Revenue recognition from real estate sales amounting to P34.6 billion was significant to our audit as it comprises 24% of total revenues of the Group. Further, revenue recognition involves significant management judgments and estimates. Management applies judgment in ascertaining the collectability of the contract price, and estimating the stage of completion and contract costs of the real estate project under development. An error in application of judgment and estimate could cause a material misstatement in the consolidated financial statements.

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

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition on real estate sales included the following:

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

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

Description of the Matter

Sale of consumer goods amounting to P43.2 billion, which mainly from its Emperador business segment, represents 30% of the Group's total revenues. The Group recognizes sale of goods when the risks and rewards of ownership of the goods have passed to the buyer, i.e., generally when the customer has acknowledged delivery of goods.

Sale from company-operated quick-service restaurants amounting to P23.1 billion, which mainly from its GADC business segment, represents 16% of the Group's total revenue. The Group recognizes revenue from restaurant sales 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 23, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

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

On sale of consumer goods

- Testing the design and operating effectiveness of the Group's internal controls over the recognition and measurement of revenues from sale of goods;
- Testing sales invoices, delivery receipts and cash receipts, on a sample basis, of sales transactions throughout the current period to determine whether sale of goods is valid and actually occurred;
- Reviewing third party contracts and testing related sales invoices, delivery receipts and cash receipts, on sample basis, for bulk sales transactions;
- Confirming trade receivables, on a sample basis, as of the end of the reporting period from the sale of goods; and, performing alternative procedures such as, but not limited to, examining cash receipts, or sales invoices and delivery receipts.
- Testing sales invoices and delivery receipts immediately prior and subsequent to the current period to determine whether the related sales transactions are recognized in the proper reporting period; and,

- Performing substantive analytical review procedures over revenues from sale of goods 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.

On sales from company-operated quick-service restaurants:

- Testing 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;

- Testing implemented I.T. general and application controls over automated systems that process revenue from company-operated quick-service restaurants; and,

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

(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 P17.1 billion in 2017 representing 12% of the Group's total revenues. In our view, revenue recognition is significant to our audit because the amount is significant and it involves voluminous transactions at any given period of time, which undergo complex automated and manual gaming processes and controls under the Group's principal gaming and gaming-related systems.

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

How the Matter was Addressed in the Audit

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

- Testing the design and operating effectiveness of the Group's internal controls over recognition of revenue from gaming operations;

- Testing I.T. general and application controls on automated systems that process revenue from gaming operations;

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

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

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

(e) 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 amounts of its goodwill and trademarks, from its Emperador business segment, with indefinite useful life for impairment. As at December 31, 2017, goodwill amounted to P20.5 billion while the trademarks amounted to P20.1 billion. We considered the impairment test as a key audit matter because the amounts of goodwill and trademarks are material to the consolidated financial statements. In addition, management's assessment process is highly judgmental, and is based on significant assumptions, specifically the determination of the discount rate and cash flows projections used in determining the value-in-use of the trademarks and the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's policy on impairment assessment of goodwill and trademarks with indefinite useful life is more fully described in Note 2 while the relevant key assumptions used and the result of the impairment testing 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 goodwill and trademarks with indefinite useful life included, among others, the following:

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

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

(f) Fair Value of Investment Properties

Description of the Matter

The carrying amount of the Group's investment properties, which mainly from its Megaworld business segment, carried at cost less accumulated depreciation as at December 31, 2017 is P73.0 billion. As required by Philippine Accounting Standard 40, *Investment Property*, the Group disclosed in Note 14 to the consolidated financial statements the total fair value of its investment properties amounting to P310.1 billion. Management determined the fair value using the discounted cash flows model which considers assumptions that are mainly based on market conditions existing at the end of the reporting period, such as the receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements and appropriate discount rate.

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

The method and assumptions used in determining the fair value of investment properties is more fully described in Notes 3 and 33 to the consolidated financial statements while the fair value of investment properties as at December 31, 2017 is presented in Note 14.

How the Matter was Addressed in the Audit

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

(g) Existence and Valuation of Inventories

Description of the Matter

Inventories amounted to P91.7 billion as at December 31, 2017, which mainly from its Megaworld and Emperador business segments. The valuation of inventories is at the lower of cost or net realizable value (NRV).

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

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

How the Matter was Addressed in the Audit

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

On existence of inventories:

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

On valuation of inventories:

- Testing the design and operating effectiveness of the method of inventory costing and measurement at the lower of cost or NRV;
- Performing a price test, on a sample basis, of inventory items by examining supporting documents such as, but not limited to, construction contracts for real estate inventories, purchase contracts and invoices, and relevant importation documents;
- Performing detailed analysis of the Group's standard costing of inventories through analytical review procedures of actual costs during the current period against the budgeted standard, and testing significant actual costs, on a sample basis, by agreeing with contracts and invoices;
- Determining whether the application of the lower of cost or NRV is appropriate and consistent with prior periods; and,
- Evaluating the sufficiency and appropriateness of the amount of allowance for inventory write-down by testing the key assumptions used on the expected realization of inventories.

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, 2017, 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, 2017 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 2017 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. 6616014, January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-3 (until Nov. 29, 2019)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 6, 2018

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes		2017		2016
A S S E T S					
CURRENT ASSETS					
Cash and cash equivalents	5	**P**	**55,672,960,546**	P	48,672,938,017
Trade and other receivables - net	6		**73,812,169,152**		57,600,956,140
Financial assets at fair value through profit or loss	7		**13,516,474,011**		10,465,266,604
Inventories - net	8		**91,579,134,140**		84,928,119,642
Property development costs	2.7		**23,111,103,124**		20,105,196,663
Available-for-sale financial assets	11		**-**		66,501,898
Other current assets	9		**10,213,596,675**		8,235,312,421
Total Current Assets			**267,905,437,648**		230,074,291,385
NON-CURRENT ASSETS					
Trade and other receivables - net	6		**34,775,424,756**		35,678,314,324
Advances to landowners and joint ventures	10		**5,988,892,593**		4,859,000,177
Available-for-sale financial assets - net	11		**431,645,289**		606,613,388
Land for future development	2.7		**25,469,878,369**		22,079,341,640
Investments in and advances to associates and other related parties	12		**8,665,615,820**		9,224,586,430
Property, plant and equipment - net	13		**98,026,484,627**		82,993,671,075
Investment property - net	14		**72,999,467,061**		62,306,769,151
Intangible assets - net	15		**41,637,659,271**		37,524,214,229
Deferred tax assets - net	28.1		**800,928,952**		980,756,248
Other non-current assets	9		**5,120,358,496**		4,969,404,868
Total Non-current Assets			**293,916,355,234**		261,222,671,530
TOTAL ASSETS		**P**	**561,821,792,882**	P	491,296,962,915

	Notes	2017	2016
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	16	**P 45,648,707,657**	P 38,967,103,207
Interest-bearing loans	17	**32,700,476,157**	21,095,657,317
Bonds payable	18	**9,976,270,876**	39,734,990,308
Income tax payable		**959,058,840**	1,122,497,897
Redeemable preferred shares	19	**251,597,580**	-
Other current liabilities	20	**22,178,277,568**	22,151,381,020
Total Current Liabilities		**111,714,388,678**	123,071,629,749
NON-CURRENT LIABILITIES			
Interest-bearing loans	17	**108,273,087,030**	55,500,216,708
Bonds payable	18	**24,388,714,176**	22,330,589,969
Advances from related parties	29.6	**2,329,974,989**	1,741,255,704
Retirement benefit obligation	27.2	**1,943,453,287**	2,604,306,467
Redeemable preferred shares	19	**1,857,022,803**	2,013,695,292
Deferred tax liabilities - net	28.1	**12,116,387,446**	11,454,686,710
Other non-current liabilities	20	**27,356,716,682**	26,476,910,868
Total Non-current Liabilities		**178,265,356,413**	122,121,661,718
Total Liabilities		**289,979,745,091**	245,193,291,467
EQUITY	21		
Equity attributable to owners of the parent company		**162,574,974,361**	147,140,151,266
Non-controlling interest		**109,267,073,430**	98,963,520,182
Total Equity		**271,842,047,791**	246,103,671,448
TOTAL LIABILITIES AND EQUITY		**P 561,821,792,882**	P 491,296,962,915

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2017	2016	2015
REVENUES				
Sale of goods	23	P 77,859,966,979	P 74,739,178,749	P 77,191,938,805
Rendering of services	23	60,720,616,123	62,172,432,145	58,481,511,173
Share in net profits of associates and joint ventures - net	12	272,698,340	355,605,317	268,621,860
Finance and other income	26	2,768,704,769	2,473,666,563	3,155,787,700
		141,621,986,211	139,740,882,774	139,097,859,538
COSTS AND EXPENSES				
Cost of goods sold	24	47,982,847,802	46,019,543,082	50,442,851,655
Cost of services	24	31,068,609,355	30,870,331,895	30,163,499,053
Other operating expenses	25	28,065,392,787	27,218,660,549	25,712,056,719
Finance costs and other charges	26	6,382,794,291	6,932,664,573	5,852,497,011
		113,499,644,235	111,041,200,099	112,170,904,438
PROFIT BEFORE TAX		28,122,341,976	28,699,682,675	26,926,955,100
TAX EXPENSE	28	6,295,772,435	5,880,979,710	5,240,654,206
NET PROFIT		21,826,569,541	22,818,702,965	21,686,300,894
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains (losses) on remeasurement of retirement benefit obligation	27.2	950,503,573	(807,696,890)	887,318,413
Share in other comprehensive income (loss) of associates	12	33,916,495	(27,975,475)	38,744,144
Deferred tax income (expense) relating to components of other comprehensive income	28.1	(189,305,616)	130,194,376	(206,483,118)
		795,114,452	(705,477,989)	719,579,439
Items that will be reclassified subsequently to profit or loss				
Net unrealized fair value gains (losses) on available-for-sale financial assets	11	26,875,114	(10,848,693)	(1,077,987,929)
Translation adjustments	2.19	729,350,325	(2,602,327,527)	(773,889,829)
Net unrealized fair value loss on cash flow hedge	20	(45,942,879)	-	-
Realized fair value loss (gain) on disposal of available-for-sale financial assets	11	(28,356,713)	11,942,807	(38,213,359)
Deferred tax expense relating to components of other comprehensive income	28.1	(409,175)	(13,068,552)	(20,960,996)
		681,516,672	(2,614,301,965)	(1,911,052,113)
TOTAL COMPREHENSIVE INCOME		P 23,303,200,665	P 19,498,923,011	P 20,494,828,220
Net profit attributable to:				
Owners of the parent company		P 14,931,132,276	P 14,801,009,539	P 13,964,765,317
Non-controlling interest		6,895,437,265	8,017,693,426	7,721,535,577
		P 21,826,569,541	P 22,818,702,965	P 21,686,300,894
Total comprehensive income attributable to:				
Owners of the parent company		P 16,006,075,772	P 13,239,431,722	P 13,581,880,917
Non-controlling interest		7,297,124,893	6,259,491,289	6,912,947,303
		P 23,303,200,665	P 19,498,923,011	P 20,494,828,220
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company:	22			
Basic		P 1.4773	P 1.4587	P 1.3763
Diluted		P 1.4740	P 1.4437	P 1.3715

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

		Attributable to Owners of the Parent Company													
											Retained Earnings				
	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares – at cost	Net Actuarial Losses on Retirement Benefit Plan	Net Fair Value Gains (Losses) on Available-for-Sale Financial Assets	Accumulated Translation Adjustments	Revaluation Reserves on Cash Flow Hedge	Dilution Gain	Share Options	Appropriated	Unappropriated	Total	Noncontrolling Interest	Total Equity
Balance at January 1, 2017		P 10,269,827,979	P 34,395,380,979	(P 936,157,074)	(P 585,429,112)	P 477,744,138	(P 4,595,890,425)	P -	P 19,980,402,684	P 744,676,052	P 2,532,837,400	P 84,856,758,645	P 147,140,151,266	P 98,963,520,182	P 246,103,671,448
Transactions with owners:															
Acquisition of treasury shares		-	-	(629,988,966)	-	-	-	-	-	-	-	-	(629,988,966)	-	(629,988,966)
Share-based compensation	21, 27	-	-	-	-	-	-	-	-	-	-	-	-	49,457,009	49,457,009
Change in percentage ownership		-	-	-	-	-	-	-	58,736,289	-	-	-	58,736,289	40,140,199	98,876,488
Acquisition and incorporation of new subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	4,503,257,026	4,503,257,026
Dividend from investee		-	-	-	-	-	-	-	-	-	-	-	-	(1,719,702,265)	(1,719,702,265)
Recognition of conversion options		-	-	-	-	-	-	-	-	-	-	-	-	136,151,386	136,151,386
Retirement of preferred shares		-	-	-	-	-	-	-	-	-	-	-	-	(2,875,000)	(2,875,000)
		-	-	(629,988,966)	-	-	-	-	58,736,289	-	-	-	(571,252,677)	3,006,428,355	2,435,175,678
Appropriation of retained earnings	21	-	-	-	-	-	-	-	-	-	2,748,722,000	(2,748,722,000)	-	-	-
Reversal of appropriation	21	-	-	-	-	-	-	-	-	-	(2,532,837,400)	2,532,837,400	-	-	-
Total comprehensive income		-	-	-	548,891,312	(277,796,725)	834,745,495	(30,896,586)	-	-	-	14,931,132,276	16,006,075,772	7,297,124,893	23,303,200,665
Balance at December 31, 2017		**P 10,269,827,979**	**P 34,395,380,979**	**(P 1,566,146,040)**	**(P 36,537,800)**	**P 199,947,413**	**(P 3,761,144,930)**	**(P 30,896,586)**	**P 20,039,138,973**	**P 744,676,052**	**P 2,748,722,000**	**P 99,572,006,321**	**P 162,574,974,361**	**P 109,267,073,430**	**P 271,842,047,791**
Balance at January 1, 2016		P 10,269,827,979	P 34,395,380,979	(P 936,157,074)	(P 71,269,938)	(P 690,503,745)	(P 2,370,232,891)	P -	P 19,980,402,684	P 727,492,290	P 1,990,590,660	P 73,760,966,190	P 137,056,497,134	P 94,131,696,857	P 231,188,193,991
Transactions with owners:															
Share-based compensation	21, 27	-	-	-	-	-	-	-	-	88,261,583	-	-	88,261,583	48,020,050	136,281,633
Reclassification adjustment		-	-	-	(11,091,008)	1,100,000	-	-	-	(71,077,821)	-	(113,265,968)	(194,334,797)	194,334,797	-
Change in percentage ownership		-		-	-	-	-	-	-	-	-	95,823,396	95,823,396	(112,820,053)	(16,996,657)
Acquisition and incorporation of new subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	143,598,107	143,598,107
Dividend from investee		-	-	-	-	-	-	-	-	-	-	-	-	(1,700,800,865)	(1,700,800,865)
Cash dividends declared	21	-	-	-	-	-	-	-	-	-	-	(3,145,527,772)	(3,145,527,772)	-	(3,145,527,772)
		-	-	-	(11,091,008)	1,100,000	-	-	-	17,183,762	-	(3,162,970,344)	(3,155,777,590)	(1,427,667,964)	(4,583,445,554)
Appropriation of retained earnings	21	-	-	-	-	-	-	-	-	-	2,084,587,400	(2,084,587,400)	-	-	-
Reversal of appropriation	21	-	-	-	-	-	-	-	-	-	(1,542,340,660)	1,542,340,660	-	-	-
Total comprehensive income		-	-	-	(503,068,166)	1,167,147,883	(2,225,657,534)	-	-	-	-	14,801,009,539	13,239,431,722	6,259,491,289	19,498,923,011
Balance at December 31, 2016		P 10,269,827,979	P 34,395,380,979	(P 936,157,074)	(P 585,429,112)	P 477,744,138	(P 4,595,890,425)	P -	P 19,980,402,684	P 744,676,052	P 2,532,837,400	P 84,856,758,645	P 147,140,151,266	P 98,963,520,182	P 246,103,671,448
Balance at January 1, 2015		P 10,269,827,979	P 34,395,380,979	(P 936,157,074)	(P 551,140,907)	(P 505,662,807)	(P 1,692,318,460)	P -	P 19,980,402,684	P 577,813,280	P 1,225,000,000	P 63,707,319,305	P 126,470,464,979	P 91,012,950,893	P 217,483,415,872
Transactions with owners:															
Share-based compensation	21, 27	-	-	-	-	-	-	-	-	149,679,010	-	-	149,679,010	150,322,881	300,001,891
Change in percentage ownership		-	-	-	-	-	-	-	-	-	-	-	-	(2,291,217,054)	(2,291,217,054)
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	254,687,970	254,687,970
Dividend from investee		-	-	-	-	-	-	-	-	-	-	-	-	(1,907,995,136)	(1,907,995,136)
Cash dividends declared	21	-	-	-	-	-	-	-	-	-	-	(3,145,527,772)	(3,145,527,772)	-	(3,145,527,772)
		-	-	-	-	-	-	-	-	149,679,010	-	(3,145,527,772)	(2,995,848,762)	(3,794,201,339)	(6,790,050,101)
Appropriation of retained earnings	21	-	-	-	-	-	-	-	-	-	1,990,590,660	(1,990,590,660)	-	-	-
Reversal of appropriation	21	-	-	-	-	-	-	-	-	-	(1,225,000,000)	1,225,000,000	-	-	-
Total comprehensive income		-	-	-	479,870,969	(184,840,938)	(677,914,431)	-	-	-	-	13,964,765,317	13,581,880,917	6,912,947,303	20,494,828,220
Balance at December 31, 2015		P 10,269,827,979	P 34,395,380,979	(P 936,157,074)	(P 71,269,938)	(P 690,503,745)	(P 2,370,232,891)	P -	P 19,980,402,684	P 727,492,290	P 1,990,590,660	P 73,760,966,190	P 137,056,497,134	P 94,131,696,857	P 231,188,193,991

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 28,122,341,976**	P 28,699,682,675	P 26,926,955,100
Adjustments for:				
Depreciation and amortization	24, 25	**5,839,552,780**	5,100,711,730	4,486,155,305
Interest expense	26	**5,554,066,867**	4,856,184,716	4,030,183,353
Interest income	26	**(2,093,123,324)**	(1,818,829,674)	(2,477,581,190)
Losses from property damages	13, 30.7	**652,604,324**	-	-
Unrealized foreign currency losses - net		**285,082,501**	1,833,760,579	1,671,668,080
Share in net profits of associates and joint ventures	12	**(272,698,340)**	(355,605,317)	(268,621,860)
Loss (gain) on disposal of property, plant and equipment and investment property	26	**(115,773,777)**	35,820,601	(1,779,421)
Gain on sale of investments in an associate	26	**(113,069,227)**	(82,459,513)	(181,347,731)
Gain on reversal of impairment losses	13, 26	**(60,504,846)**	-	(1,877,430)
Stock option benefit expense	27	**49,457,009**	136,281,633	300,444,171
Unrealized loss on interest rate swap	26	**27,235,637**	31,769,386	30,186,511
Loss (gain) on sale of investment in available-for-sale financial assets	26	**(22,230,010)**	(11,942,807)	34,615,950
Dividend income	26	**(12,423,602)**	(6,312,863)	(15,376,038)
Fair value losses (gains) - net	26	**9,126,926**	(159,134,466)	(257,633,748)
Reversal of preacquisition income (loss)	26	**(2,715,950)**	3,314,788	(291,847)
Impairment of property, plant and equipment	13, 25	**-**	166,497,656	-
Income from acquisition and deconsolidation of subsidiaries	26	**-**	(53,333,760)	(3,758,167)
Gain on reversal of liabilities	26	**-**	-	(6,000,000)
Operating profit before working capital changes		**37,846,928,944**	38,376,405,364	34,265,941,038
Increase in trade and other receivables		**(14,707,810,124)**	(10,818,767,603)	(12,420,286,494)
Decrease (increase) in financial assets at fair value through profit or loss		**(3,060,334,333)**	1,381,247,869	(2,874,686,770)
Increase in inventories		**(5,971,254,910)**	(6,646,895,698)	(5,010,665,696)
Increase in property development costs		**(986,067,337)**	(5,200,693,240)	(2,467,537,709)
Increase in other current assets		**(2,350,535,366)**	(2,954,106,410)	(1,614,508,215)
Increase (decrease) in trade and other payables		**6,807,728,994**	(574,864,877)	1,346,538,032
Increase (decrease) in other current liabilities		**(106,480,791)**	599,129,197	(1,060,888,298)
Increase (decrease) in retirement benefit obligation		**(60,038,783)**	34,207,167	16,743,203
Increase (decrease) in other non-current liabilities		**1,309,967,252**	(321,679,183)	3,347,111,659
Cash generated from operations		**18,722,103,546**	13,873,982,586	13,527,760,750
Cash paid for taxes		**(5,138,190,000)**	(4,455,061,359)	(4,210,292,049)
Net Cash From Operating Activities		**13,583,913,546**	9,418,921,227	9,317,468,701
Balance carried forward		**P 13,583,913,546**	P 9,418,921,227	P 9,317,468,701

	Notes	2017	2016	2015
Balance brought forward		**P 13,583,913,546**	P 9,418,921,227	P 9,317,468,701
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	13	**(19,349,174,305)**	(15,258,990,246)	(13,362,202,290)
Investment property	14	**(13,842,368,413)**	(12,979,191,612)	(12,896,131,534)
Intangible assets	15	**(3,012,832,940)**	-	(125,000)
Subsidiaries, associates and business units	12	**(2,283,198,971)**	(12,208,064,237)	(956,432,437)
Land for future development		**(404,398,113)**	(1,687,208,045)	(4,358,367,202)
Available-for-sale financial assets	11	**(15,857,795)**	(161,284,871)	(536,169,158)
Proceeds from:				
Disposal of property, plant and equipment	13	**1,519,523,083**	76,795,977	205,139,013
Withdrawal of investment in a joint venture		**858,354,900**	-	-
Sale of available-for-sale financial assets	11	**306,432,916**	1,689,935,683	3,240,197,938
Sale of investment in associates	12	**297,454,675**	343,867,951	422,256,169
Collections of advances from associates and other related parties	12	**285,081,063**	386,790,457	193,297
Disposal of investment property	14	**169,869,223**	766,776	33,846,200
Interest received		**1,796,894,279**	1,578,065,218	2,190,794,144
Additional advances granted to associates		**(308,966,472)**	(35,162,769)	(1,557,034,759)
Collection from (advances to) landowners, joint ventures and other related parties		**(255,044,624)**	(265,563,720)	230,269,524
Increase (decrease) in other non-current assets		**(150,905,407)**	2,025,977,244	(4,675,923,285)
Cash dividends received		**73,375,843**	99,704,157	15,376,038
Net Cash Used in Investing Activities		**(34,315,761,058)**	(36,393,562,037)	(32,004,313,342)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from interest-bearing loans and bonds	17, 18	**98,231,009,865**	46,474,698,987	50,622,198,717
Payment of interest-bearing loans and bonds	17, 18	**(62,327,686,223)**	(27,657,660,328)	(32,852,765,742)
Interest paid		**(8,278,141,867)**	(6,504,307,008)	(5,230,421,625)
Dividends paid	21	**(1,719,702,265)**	(4,846,328,637)	(5,053,522,908)
Advances collected and received from related parties	29	**1,333,718,613**	1,330,728,915	2,404,220,900
Proceeds from issuance of shares of subsidiaries		**847,882,450**	-	13,737,924
Acquisition of treasury shares and redemption of preferred shares	21	**(632,863,966)**	-	-
Payments of derivative liabilities	20	**(360,478,688)**	(339,463,500)	(324,351,375)
Advances granted and paid to related parties	29	**(338,467,614)**	(1,405,950,723)	(420,471,559)
Net Cash From Financing Activities		**26,755,270,305**	7,051,717,706	9,158,624,332
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**6,023,422,793**	(19,922,923,104)	(13,528,220,309)
CASH AND CASH EQUIVALENTS OF NEW SUBSIDIARY		**976,599,736**	1,902,094	63,342,689
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**48,672,938,017**	68,593,959,027	82,058,836,647
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 55,672,960,546**	P 48,672,938,017	P 68,593,959,027

Supplemental Information on Non-cash Investing and Financing Activities:

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

2. In 2017, the Group wrote-off certain properties and equipment amounting to P652.6 million which were damaged due to the incident at Resorts World Manila (see Notes 13 and 30.7).

3. In 2017, a subsidiary issued 122.4 million common shares in consideration of the accrued interest amounting to P832.3 million (see Note 20).

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General Information

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

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2017	2016	2015
Subsidiaries					
Megaworld and subsidiaries					
Megaworld Corporation	Megaworld	(a)	**67%**	67%	67%
Megaworld Resort Estates, Inc.		(b)	**83%**	83%	83%
Sonoma Premiere Land, Inc.		(c)	**73%**	73%	73%
Megaworld Land, Inc.			**67%**	67%	67%
Prestige Hotels and Resorts, Inc.			**67%**	67%	67%
Mactan Oceanview Properties and Holdings, Inc.			**67%**	67%	67%
Megaworld Cayman Islands, Inc.		(d)	**67%**	67%	67%
Richmonde Hotel Group International Ltd.	RHGI	(e)	**67%**	67%	67%
Eastwood Cyber One Corporation	ECOC		**67%**	67%	67%
Megaworld Cebu Properties, Inc.			**67%**	67%	67%
Megaworld Newport Property Holdings, Inc.			**67%**	67%	67%
Oceantown Properties, Inc.			**67%**	67%	67%
Piedmont Property Ventures, Inc.			**67%**	67%	67%
Stonehaven Land, Inc.			**67%**	67%	67%
Streamwood Property, Inc.			**67%**	67%	67%
Suntrust Properties, Inc.	SPI		**67%**	67%	67%
Luxury Global Hotels and Leisures, Inc.			**67%**	67%	67%
Suntrust Ecotown Developers, Inc.	SEDI		**67%**	67%	67%
Arcovia Properties, Inc.			**67%**	67%	67%
Citywalk Building Administration, Inc.			**67%**	67%	67%
Forbestown Commercial Center Administration, Inc.			**67%**	67%	67%
Paseo Center Building Administration, Inc.			**67%**	67%	67%
Uptown Commercial Center Administration, Inc.			**67%**	67%	67%
Global One Integrated Business Services, Inc.			**67%**	67%	67%
Luxury Global Malls, Inc.			**67%**	67%	67%
Davao Park District Holdings Inc.			**67%**	67%	67%
Governor's Hills Science School, Inc.			**67%**	67%	67%
Sunrays Properties Management, Inc.			**67%**	67%	67%
Suntrust One Shanata, Inc.			**67%**	67%	67%
Suntrust Two Shanata, Inc.			**67%**	67%	67%
Belmont Newport Luxury Hotels, Inc.			**67%**	67%	67%
Global One Hotel Group, Inc.			**67%**	67%	67%
Ilo-ilo Center Mall Administration, Inc.			**67%**	67%	67%
Valley Peaks Property Management, Inc.			**67%**	67%	67%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2017	2016	2015
Subsidiaries					
Megaworld and subsidiaries					
Newtown Commercial Center Administration, Inc.			**67%**	67%	67%
Landmark Seaside Properties, Inc.		(f)	**67%**	67%	-
San Vicente Coast, Inc.		(g)	**67%**	67%	-
San Lorenzo Place Commercial Center Administration, Inc.	SLPCCAI	(h)	**67%**	-	-
Megaworld Bacolod Properties, Inc.	MBPI		**62%**	62%	62%
Southwoods Mall Inc.	SMI		**61%**	61%	61%
Megaworld Global-Estate, Inc.		(i)	**60%**	60%	60%
Manila Bayshore Property Holdings, Inc.	MBPHI	(j)	**57%**	57%	57%
Twin Lakes Corp.	TLC		**56%**	56%	56%
Empire East Land Holdings, Inc.	EELHI		**55%**	55%	55%
Valle Verde Properties, Inc.			**55%**	55%	55%
Empire East Communities, Inc.			**55%**	55%	55%
Sherman Oak Holdings, Inc.			**55%**	55%	55%
Eastwood Property Holdings, Inc.			**55%**	55%	55%
20th Century Nylon Shirt, Inc.			**55%**	55%	55%
Global-Estate Resorts, Inc.	GERI	(k)	**55%**	55%	55%
Fil-Estate Properties, Inc.	FEPI		**55%**	55%	55%
Aklan Holdings Inc.			**55%**	55%	55%
Blu Sky Airways, Inc.			**55%**	55%	55%
Fil-Estate Subic Development Corp.			**55%**	55%	55%
Fil-Power Construction Equipment Leasing Corp.			**55%**	55%	55%
Golden Sun Airways, Inc.			**55%**	55%	55%
La Compaña De Sta. Barbara, Inc.			**55%**	55%	55%
MCX Corporation			**55%**	55%	55%
Pioneer L-5 Realty Corp.			**55%**	55%	55%
Prime Airways, Inc.			**55%**	55%	55%
Sto. Domingo Place Development Corp.			**55%**	55%	55%
Fil-Power Concrete Blocks Corp.			**55%**	55%	55%
Fil-Estate Golf and Development, Inc			**55%**	55%	55%
Golforce, Inc.			**55%**	55%	55%
Fil-Estate Urban Development Corp.			**55%**	55%	55%
Novo Sierra Holdings Corp.			**55%**	55%	55%
Global Homes and Communities, Inc.			**55%**	55%	55%
Megaworld Central Properties, Inc.			**51%**	51%	51%
Megaworld Capital Town, Inc.	MCTI	(h)	**51%**	-	-
Townsquare Development, Inc.	TDI		**50%**	50%	50%
Golden Panda-ATI Realty Corporation			**50%**	50%	50%
Soho Cafe and Restaurant Group, Inc.		(f)	**50%**	50%	-
La Fuerza, Inc.	LFI		**45%**	45%	45%
Fil-Estate Industrial Park, Inc.			**44%**	44%	44%
Megaworld-Daewoo Corporation	MDC		**40%**	40%	40%
Laguna Bel-Air School, Inc.			**40%**	40%	40%
Northwin Properties, Inc.	NWPI	(h)	**40%**	-	-
Gilmore Property Marketing Associates Inc.			**35%**	35%	35%
Megaworld Globus Asia, Inc.			**34%**	34%	34%
Philippine International Properties, Inc.			**34%**	34%	34%
Maple Grove Land, Inc.		(g)	**34%**	34%	-
Southwoods Ecocentrum Corp.		(l)	**33%**	33%	31%
Philippine Aquatic Leisure Corp.		(l)	**33%**	33%	31%
Sherwood Hills Development Inc.			**30%**	30%	30%
Oceanfront Properties, Inc.	OFPI		**28%**	28%	28%
Subsidiaries					
Emperador and subsidiaries					
Emperador Inc.	EMP or Emperador	(m)	**82%**	82%	82%
Emperador Distillers, Inc.	EDI		**82%**	82%	82%
Alcazar de Bana Holdings Company, Inc.		(g)	**82%**	82%	-
Anglo Watsons Glass, Inc.	AWGI		**82%**	82%	82%
Cocos Vodka Distillers Philippines, Inc.			**82%**	82%	82%
ProGreen AgriCorp, Inc.		(f)	**82%**	82%	-
South Point Science Park, Inc.		(f)	**82%**	82%	-
The Bar Beverage, Inc.			**82%**	82%	82%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2017	2016	2015
Subsidiaries					
Emperador and subsidiaries					
Tradewind Estates, Inc.	TEI	(n)	**82%**	82%	100%
Zabana Rum, Inc.		(o)	**82%**	-	-
Emperador International Ltd.	EIL	(e)	**82%**	82%	82%
Emperador Europe SARL	EES	(p)	**82%**	82%	82%
Emperador Asia Pte Ltd.	EA	(p)	**82%**	82%	82%
Grupo Emperador Spain, S.A.U.	GES	(p)	**82%**	82%	82%
Bodega San Bruno, S.L.	BSB	(p)	**82%**	82%	82%
Bodegas Fundador SLU	BFS	(p)	**82%**	82%	82%
Destilados de la Mancha S.L.	DDLM	(g)	**82%**	82%	-
Complejo Bodeguero San Patricio, SLU	CBSP	(g, p)	**82%**	82%	-
Emperador Gestion S.L.	GEG	(g, p)	**82%**	82%	-
Emperador Holdings (GB) Limited.	EGB	(p)	**82%**	82%	82%
Emperador UK Limited	EUK	(p)	**82%**	82%	82%
Whyte and Mackay Group Limited	WMG	(p)	**82%**	82%	82%
Whyte and Mackay Limited	WML	(p)	**82%**	82%	82%
Whyte and Mackay Warehousing Ltd.	WMWL	(p)	**82%**	82%	82%
Domecq Bodega Las Copas, S.L.	DBLC	(o)	**41%**	-	-
Pedro Domecq S.A. de C.V.	PDSC	(o)	**41%**	-	-
Bodega Domecq S.A. de C.V.	BDSC	(o)	**41%**	-	-
Gonzales Byass de Mexico S.A. de C.V.	GBMS	(o)	**41%**	-	-
GADC and subsidiaries					
Golden Arches Development Corporation	GADC		**49%**	49%	49%
Golden Arches Realty Corporation			**49%**	49%	49%
Clark Mac Enterprises, Inc.			**49%**	49%	49%
Advance Food Concepts Manufacturing, Inc.			**49%**	49%	49%
Golden Laoag Foods Corporation			**38%**	38%	38%
Davao City Food Industries, Inc.			**37%**	37%	37%
Red Asian Food Solutions			**37%**	37%	37%
First Golden Laoag Ventures			**34%**	34%	34%
Retiro Golden Foods, Inc.			**34%**	34%	34%
McDonald's Anonas City Center			**34%**	34%	34%
McDonald's Puregold Taguig			**29%**	29%	29%
Golden City Food Industries, Inc.			**29%**	29%	29%
McDonald's Bonifacio Global City			**27%**	27%	27%
Molino First Golden Foods, Inc.			**26%**	26%	26%
GY Alliance Concepts, Inc.			**19%**	19%	19%
Onzal Development Corp.	ODC	(q)	**-**	-	49%
Travellers and subsidiaries					
Travellers International Hotel Group, Inc.	Travellers	(r)	**47%**	47%	47%
APEC Assets Limited			**47%**	47%	47%
Bright Leisure Management, Inc.			**47%**	47%	47%
Deluxe Hotels and Recreation, Inc.	DHRI		**47%**	47%	47%
Entertainment City Integrated Resorts & Leisure, Inc.			**47%**	47%	47%
Grand Integrated Hotels and Recreation, Inc.			**47%**	47%	47%
Grandservices, Inc.			**47%**	47%	47%
Grandventure Management Services, Inc.			**47%**	47%	47%
Lucky Star Hotels and Recreation, Inc.	LSHRI		**47%**	47%	47%
Majestic Sunrise Leisure & Recreation, Inc.			**47%**	47%	47%
Netdeals, Inc.			**47%**	47%	47%
Newport Star Lifestyle, Inc.			**47%**	47%	47%
Royal Bayshore Hotels & Amusement, Inc.			**47%**	47%	47%
FHTC Entertainment & Production, Inc.	FHTC		**47%**	47%	47%
Bright Pelican Leisure and Production, Inc.			**47%**	47%	47%
Golden Peak Leisure and Recreation, Inc.			**47%**	47%	47%
Westside City Resorts World, Inc.	WCRWI	(s)	**47%**	47%	47%
Purple Flamingos Amusement and Leisure Corporation			**47%**	47%	47%
Red Falcon Amusement and Leisure Corporation			**47%**	47%	47%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI **2017**	2016	2015
Subsidiaries					
Travellers and subsidiaries					
Agile Fox Amusement and Leisure Corporation			**47%**	47%	47%
Aquamarine Delphinium Leisure and Recreation, Inc.			**47%**	47%	47%
Brilliant Apex Hotels and Leisure Corporation			**47%**	47%	47%
Coral Primrose Leisure and Recreation Corporation			**47%**	47%	47%
Lucky Panther Amusement and Leisure Corporation			**47%**	47%	47%
Luminescent Vertex Hotels and Leisure Corporation			**47%**	47%	47%
Magenta Centaurus Amusement and Leisure Corporation			**47%**	47%	47%
Sapphire Carnation Leisure and Recreation Corporation			**47%**	47%	47%
Scarlet Milky Way Amusement and Leisure Corporation			**47%**	47%	47%
Sparkling Summit Hotels and Leisure Corporation			**47%**	47%	47%
Valiant Leopard Amusement and Leisure Corporation			**47%**	47%	47%
Vermillion Triangulum Amusement and Leisure Corporation			**47%**	47%	47%
Westside Theatre Inc.			**47%**	47%	47%
Corporate and Others					
Alliance Global Brands, Inc.			**100%**	100%	100%
McKester Pik-nik International Limited	MPIL	(e)	**100%**	100%	100%
Great American Foods, Inc.		(t)	**100%**	100%	100%
New Town Land Partners, Inc.	NTLPI		**100%**	100%	100%
Alliance Global Group Cayman Islands, Inc.	AG Cayman	(d)	**100%**	100%	100%
Dew Dreams International, Inc.		(o)	**100%**	-	-
Dew Dreams International, Ltd.		(e)	**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.		(e)	**100%**	100%	100%
Infracorp Development, Inc.		(u)	**100%**	-	-
Shiok Success International, Inc.		(o)	**100%**	-	-
Shiok Success International, Ltd.		(e)	**100%**	100%	100%
Travellers Group Ltd.		(e)	**100%**	100%	100%
Venezia Universal Ltd.		(e)	**100%**	100%	100%
Adams Properties, Inc.	Adams		**60%**	60%	60%
Associates					
First Premiere Arches Restaurant Inc.	FPARI	(v)	**49%**	49%	-
Bonifacio West Development Corporation	BWDC		**31%**	31%	31%
Suntrust Home Developers, Inc.	SHDI	(w), 12.2	**31%**	29%	29%
First Oceanic Property Management, Inc.		(x)	**31%**	29%	29%
Citylink Coach Services, Inc.		(x)	**31%**	29%	29%
Palm Tree Holdings and Development Corporation	PTHDC		**27%**	27%	27%
Fil-Estate Network, Inc.	FENI		**11%**	11%	11%
Fil-Estate Sales, Inc.	FESI		**11%**	11%	11%
Fil-Estate Realty and Sales Associates, Inc.	FERSAI		**11%**	11%	11%
Fil-Estate Realty Corp.	FERC		**11%**	11%	11%
Pacific Coast Mega City, Inc.	PCMCI		**11%**	11%	11%
Boracay Newcoast Hotel Group, Inc.	BNHGI	(y), 12.3	**8%**	17%	25%
Nasugbu Properties, Inc.	NPI		**8%**	8%	8%
Joint Ventures					
Front Row Theatre Management, Inc.	FRTMI	(z)	**50%**	50%	50%
Bodega Las Copas, S.L.	BLC	(aa), 12.4	**41%**	41%	41%

Explanatory notes:

(a) AGI's effective ownership interest is derived from its 44% direct ownership, 3% direct holdings of FCI, 18% direct holdings of NTLPI and 2% holdings of other subsidiaries.
(b) AGI and Megaworld directly owns 49% and 51%, respectively.
(c) A subsidiary through 60% and 40% direct ownership of EELHI and FCI, respectively.
(d) Foreign subsidiaries operating under the laws of the Cayman Islands.
(e) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands (BVI).
(f) Acquired subsidiaries in 2016.
(g) Incorporated subsidiaries in 2016.
(h) Newly acquired subsidiaries in 2017.
(i) A subsidiary through 60% and 40% direct ownership of GERI and Megaworld, respectively.
(j) A subsidiary through 50/50 ownership of Travellers and Megaworld.
(k) AGI's effective ownership interest represents its indirect holdings through Megaworld, which owns 82% of GERI as at December 31, 2017 and 2016.
(l) As a result of additional investments of GERI in 2016, indirect ownership interest over these subsidiaries increased in proportion to the increase in effective interest of GERI.
(m) In 2017, EMP issued additional shares to a stockholder and repurchased certain number of outstanding common shares in relation to its share repurchase program during the year. AGI was able to retain its ownership interest at around 82%.
(n) In March 2016, AGBI sold its 100% ownership over TEI to EDI, a subsidiary of EMP; hence, the Company's effective interest decreased to 82%.
(o) Newly incorporated subsidiaries in 2017, except for GBMS. These are operating in the Philippines except for DBLC, a subsidiary of GES, which is operating under the laws of Spain and its subsidiaries PDSC, BDSC and GBMS which are operating under the laws of Mexico.
(p) Subsidiaries under EIL. EA is operating under the laws of Singapore while GES and its subsidiaries BSB, BFS, GEG, CBSP and DBLC, are operating under the laws of Spain. EES is operating under the laws of Luxembourg. EGB (the ultimate UK parent) is operating under the laws of England and Wales. EUK, WMG, WML and WMWL are operating under the laws of Scotland. EA, EES and EGB are direct subsidiaries of EIL.
(q) In December 2016, GADC sold its full ownership interest over ODC to AGI and a third party. The retained interest is now reclassified as available-for-sale (AFS) financial assets.
(r) Travellers' common shares are directly owned 15% by AGI, 3% by FCI, 2% by Megaworld, 46% by Adams, 24% by Genting Hongkong Limited (GHL) and 10% by the public.
(s) AGI's effective ownership is through 1% direct ownership, 45% through 95% ownership of Travellers, and 1% through ownership of other subsidiaries within the Group (i.e., FCI, Megaworld and Adams).
(t) Foreign subsidiary of MPIL operating under the laws of United States of America.
(u) In 2017, a major stockholder of AGI transferred its entire rights over Infracorp to AGI. Infracorp is a newly incorporated subsidiary engaged in infrastructure business.
(v) In 2016, FCI acquired 49% ownership in FPARI, a domestic corporation engaged in establishing, maintaining, operating and managing, for its own account, or for the account of other entities or individuals, restaurants, bars and general food catering services, specifically McDonald's.
(w) In 2017, TDI acquired shares of SHDI resulting to an increase in effective ownership over SHDI. The Group did not obtain control over SHDI as a result of the increase.
(x) Subsidiaries of SHDI, an associate of Megaworld. As a result of additional investment in SHDI in 2017, ownership over these associates increased in proportion to the increase in effective interest over SHDI.
(y) In 2017 and 2016, FEPI further sold 15% ownership interest each year over BNHGI to third parties. The Group maintained its ability to exercise significant influence over BNHGI despite the decrease in ownership.
(z) A joint venture through FHTC.
(aa) A foreign joint venture under GES and operating under the laws of Spain.

The Company, its subsidiaries, associates and joint ventures are incorporated and operating in the Philippines, except for such foreign subsidiaries and a joint venture as identified in the preceding table (see explanatory notes d, e, o, p, t and aa above).

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

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

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

1.2 Business and Asset Acquisitions and Disposals

(a) 2017 Acquisitions

On various dates in 2017, the Group obtained control over various entities to expand its operations as disclosed in Note 1.1. The acquisitions were accounted for as business acquisitions [see Notes 2.2(a) and 2.11]. The details of the recognized amounts of identifiable net assets acquired and total consideration transferred are as follows:

Recognized amounts of tangible assets acquired	P	5,782,812,627
Recognized amount of liabilities assumed	(	55,744,865)
Net assets acquired		5,727,067,762
Non-controlling interest	(	3,655,374,576)
Preacquisition loss	(	2,715,950)
Net equity acquired	P	2,068,977,236
Fair value of cash consideration transferred	P	2,068,977,236

Significant portion of tangible assets acquired relates to land held for future development. There was no goodwill nor gain recognized on the acquisition as the fair value of consideration transferred is equivalent to the fair value of net assets acquired, net of non-controlling interest and preacquisition loss.

Also, in 2017, the Group completed the asset acquisitions (see Note 2.11) of the Domecq brand portfolio and related assets and the Grupo Garvey brands and certain assets. The total consideration amounting to P6.7 billion was allocated among the tangible and intangible properties acquired based on the relative fair value of each asset, as translated at exchange rate at the date of purchase.

The intangible assets acquired pertains to various brands of brandies and wines which were assessed to have indefinite useful lives (see Note 15).

(b) 2016 Acquisitions

In February 2016, BFS, a subsidiary of GES, acquired the Spanish brandy and sherry business (Business Unit or Bodegas Fundador) of Beam Suntory Spain, S.L. The goodwill recognized from this acquisition reflects the opportunity to strengthen the Group's position in the global drinks market, and the synergies and economies of scale expected from combined operations. [See Notes 2.2(a) and 2.11]

Also on various dates in 2016, Megaworld acquired various business entities primarily to expand its reach in the local market [see Notes 1.1, 2.2(a) and 2.11).

The details of the recognized amounts of identifiable net assets acquired, total consideration transferred, goodwill and gain on acquisition recognized are presented in the succeeding page.

	Spanish Brandy and Sherry Business	Various Acquisitions by Megaworld
Recognized amounts of assets acquired:		
Tangible assets	P 6,592,734,082	P 1,131,637,070
Intangible assets	6,662,974,698	-
	13,255,708,780	1,131,637,070
Recognized amount of liabilities assumed	-	(26,802,593)
Net assets acquired	13,255,708,780	1,104,834,477
Non-controlling interest	-	(675,882)
Preacquisition income	-	3,314,788
Net equity acquired	13,255,708,780	1,107,473,383
Fair value of consideration transferred:		
Cash	14,718,366,134	5,000,000
Advances to related parties	-	1,100,445,738
	14,718,366,134	1,105,445,738
Goodwill (gain on acquisition)	P 1,462,657,354	(P 2,027,645)

Significant portion of tangible assets acquired includes land for future development and property, plant and equipment (see Note 13). The total amount of intangible assets acquired pertains to trademarks assessed to have indefinite useful lives (see Note 15).

(c) *2015 Acquisitions*

In 2015, Megaworld and GADC acquired various subsidiaries for business expansion [see Notes 2.2(a) and 2.11]. The acquisitions are individually insignificant to the Group.

The aggregate information relating to the total recognized amounts of identifiable net assets acquired, total consideration transferred and gain on acquisition recognized is presented below.

Recognized amounts of tangible assets acquired	P 3,135,842,532
Recognized amount of liabilities assumed	(21,796,134)
Net assets acquired	3,114,046,398
Non-controlling interest	(254,687,970)
Preacquisition loss	(291,847)
Net equity acquired	2,859,066,581
Fair value of cash consideration transferred	2,855,308,414
Gain on acquisition	P 3,758,167

Tangible assets acquired includes cash, inventories and property, plant and equipment.

(d) 2016 Disposals

In 2016, the Group disposed ownership interests in various entities thereby losing control [see Notes 1.1 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 as follows:

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

1.3 Approval of the Consolidated Financial Statements

The Board of Directors (BOD) approved on April 6, 2018 the issuance of the consolidated financial statements of the Group as at and for the year ended December 31, 2017 (including the comparative financial statements as at December 31, 2016 and for the years ended December 31, 2016 and 2015).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

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

(b) Presentation of Consolidated Financial Statements

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

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

(c) Functional and Presentation Currency

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

Items included in the consolidated financial statements of the Group are measured using the 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 Company acquired by any of its subsidiaries are recognized as treasury shares and these are presented as deduction in the consolidated statement of changes in equity at cost (see Note 2.15). 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 Company, using consistent accounting principles. Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

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

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. 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 (Losses) of Associates and Joint Ventures account in the consolidated statement of comprehensive income. These changes include subsequent depreciation, amortization and impairment of the fair value adjustments of the associates' assets and liabilities.

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

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 AFS financial assets, are recognized in other comprehensive income or equity of the Group, as applicable.

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

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

(c) *Interests in Joint Arrangements*

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

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

(d) Transactions with Non-Controlling Interest

The Group's transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interest that result in gains and losses for the Group are also recognized in equity. (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 2017 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses
Annual Improvements to PFRS (2014-2016 Cycle)		
PFRS 12	:	Disclosure of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held for Sale

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

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative.* The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:

a. changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and,

b. a reconciliation of the opening and closing balances of liabilities arising from financing activities in the consolidated statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year and has not disclosed comparative figures as allowed by the transitional provisions. A reconciliation between the opening and closing balances of liabilities arising from financing activities, which includes both cash and non-cash changes are disclosed in Note 35.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Asset for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary differences; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of these amendments had no impact on the Group's consolidated financial statements.

(iii) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, PFRS 12, *Disclosure of Interest in Other Entities*, is relevant to the Group. The amendment clarifies that the disclosure requirements of PFRS 12 applies to interest in other entities classified as held for sale with practical concession in the presentation of summarized financial information. The amendment states that an entity need not present summarized financial information for interests in subsidiaries, associates, or joint ventures that are classified as held for sale. The application of these amendments did not have an impact on the Group's consolidated financial statements.

(b) Effective Subsequent to 2017 but are not Adopted Early

There are new PFRS, amendments, interpretations and annual improvements to existing standards effective for annual periods subsequent to 2017, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 40 (Amendment), *Investment Property – Reclassification to and from Investment Property* (effective from January 1, 2018). The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use.

(ii) PFRS 2 (Amendments), *Classification and Measurement of Share-based Payment* (effective from January 1, 2018). The amendments contain three changes covering the following matters: the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment; the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and, the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Management has assessed that these amendments have no significant impact on the Group's consolidated financial statements.

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

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

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

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

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

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

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

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

Based on an assessment of the Group's financial assets and liabilities as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- The Group's financial assets at FVTPL are composed of listed equity and debt securities and derivative financial instruments (see Note 7). Management expects that these financial assets will continue to be measured at fair value, with mark-to-market fluctuations directly recognized in profit or loss.

- Equity securities classified as available-for-sale (AFS) financial assets are composed of both listed and unquoted equity securities (see Note 11). In applying PFRS 9 (2014), the Group shall make an irrevocable designation whether these equity securities shall be classified as financial assets at FVTPL or at fair value through other comprehensive income.

- Management expects that majority of its trade and other receivables will continue to be accounted for at amortized cost.

- Most of the financial liabilities of the Group are measured at amortized cost. Upon application of PFRS 9 (2014), management has assessed that the amortized cost classification for most of the financial liabilities will be retained.

- The ECL model will apply to the Group's trade receivables from real estate sales. For other financial assets and receivables, the Group will apply a simplified model of recognizing lifetime expected credit losses as these items do not have a significant financing component.

- The Group will continue to assess its hedging instrument if it will still qualify to apply hedge accounting on a continuing basis.

(iv) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers,* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on an assessment and comprehensive study of the Group's revenue streams as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management determined that its significant sources of revenues pertain to revenues from real estate sales, sale of consumer goods, gaming activities, sales from company-operated quick-service restaurants, rentals and rendering of services. Management has initially identified the impact of PFRS 15 for each of the Group's revenue source as follows:

- Real estate sales include sale of developed land, house and lot, and condominium units on which the Group's performance obligation is to transfer ownership over the developed properties. The Group begins selling real properties prior to the completion of the development. Based on the requirements of PFRS 15, the Group has assessed that its performance obligation on its sale of real properties under development is satisfied over time considering that, under existing laws and regulations, the Group does not have an alternative use on the assets being developed and that it has rights to payment over the development completed to date. When the Group sells developed properties, its performance obligation is satisfied at a point in time; that is when the customer has accepted the property.

  The Group has also assessed that its contracts to sell real properties contain significant financing components as the timing of collection of promised consideration is not aligned with the timing of the satisfaction of performance obligation. Such timing difference usually extends beyond twelve months; hence, the Group will consider the significant financing component on its contracts when determining the transaction price.

- The Group's existing revenue recognition policy on revenues from sale of consumer goods, sales from company-operated quick-service restaurants, rentals and rendering of services are consistent with the requirements of PFRS 15.

- Gaming transactions of the Group with fixed-odds known at the time of bet are considered to be financial instruments (derivative contracts) and accordingly assessed to be outside the scope of PFRS 15. Management is currently assessing the full impact of this new standard in the Group's gaming operations.

- For the Group's franchise revenues, the Group will recognize revenues on transferring franchise rights over time, that is over the duration of the franchise agreement, as its franchise agreements grant customers the right to access the Group's intellectual properties as they exist throughout the franchise period.

(v) IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this interpretation has no material impact on the Group's consolidated financial statements.

(vi) PAS 28 (Amendment), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendment clarifies that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendment further clarifies that long term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9 (2014), which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Management is currently assessing the impact of this amendment in the Group's consolidated financial statements.

(vii) PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Management is currently assessing the impact of this new standard in the Group's consolidated financial statements.

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

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

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

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

(ix) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority.

When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this new interpretation in the Group's consolidated financial statements.

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

(xi) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, PAS 28 (Amendment), *Investment in Associates – Clarification on Fair Value through Profit or Loss Classification* (effective from January 1, 2018) is relevant to the Group. The amendment clarifies that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture. Management has initially assessed that this amendment has no material impact on the Group's consolidated financial statements.

(xii) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments which are effective from January 1, 2019 are relevant to the Group but have no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

- PFRS 3 (Amendments), *Business Combinations,* and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

2.4 Financial Assets

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

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments (see Note 2.5) are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

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

(i) *Financial Assets at FVTPL*

This category includes financial assets that are either classified as held-for-trading or that meets certain conditions and are designated by the entity to be carried at FVTPL upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments (see Note 2.5). Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

Financial assets at FVTPL are measured at fair value and changes therein are recognized in profit or loss.

The Group's financial assets included in this category consist mainly of investments in marketable debt and equity securities and derivative instruments (see Note 7).

(ii) *Loans and Receivables*

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

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents (see Note 5), Trade and Other Receivables (except Advances to contractors and suppliers) (see Note 6), Advances to associates and other related parties [included under Investments in and Advances to Associates and Other Related Parties account (see Note 12)], Time deposits and Refundable security deposits, and Property mortgage receivable [included under Other Assets account (see Note 9)]. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any [see Notes 2.4(b)(i) and 3.2(b)].

(iii) *AFS Financial Assets*

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

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any [see Notes 2.4(b)(ii) and 2.4(b)(iii)]. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Net Unrealized Gains (Losses) on Available-for-sale Financial Assets account in equity (see Note 2.15), except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

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

(b) Impairment of Financial Assets

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

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate [see Note 2.4(a)(ii)].

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss. [See Note 3.2(b)]

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

(ii) Carried at Cost – AFS Financial Assets

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed. [See Notes 3.1(b) and 3.2(d)]

(iii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset [see Note 2.4(a)(iii)] has been recognized in other comprehensive income and there is objective evidence that the asset is impaired [see Notes 3.1(b) and 3.2(d)], the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

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

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

All income and expenses, including impairment loss, relating to financial assets that are recognized in profit or loss are presented as part of Finance and Other Income and Finance Costs and Other Charges accounts in the consolidated statement of comprehensive income (see Note 26).

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

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Derivative Financial Instruments and Hedge Accounting

The Group occasionally uses derivative financial instruments to manage its risks associated with foreign currency and interest rates. Derivatives are recognized initially 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 cross currency swap instrument of Megaworld has been designated as a hedging instrument to one of its foreign currency denominated loan. Such hedging relationship qualified as an accounting hedge (see Note 20).

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 Hedges in equity to the extent that the hedge is effective (see Note 20). Any ineffectiveness in the hedge relationship is recognized immediately in profit or loss.

In assessing hedge effectiveness, the Group considers both expected and actual effectiveness of the hedge. The hedging relationship must be expected to be highly effective over the period for which it is designated as cash flow hedge and that actual results of the hedge should be around 80% to 125%.

If a forecast transaction is no longer expected to occur, any related gain or loss recognized in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

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, supplies and other consumables which use the first-in, first-out method. Finished goods and work-in-process include the cost of raw materials, direct labor and a proportion of manufacturing overhead (including an element of depreciation) based on normal operating capacity. The cost of raw materials 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 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)]

Real estate for sale are carried at the lower of cost and NRV. Cost includes costs incurred for development and improvement of the properties and borrowing costs on loans directly attributable to the projects which were capitalized during construction (see Note 2.17). Accounting policies for real estate development transactions are discussed in more detail in Note 2.7.

2.7 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Land for Future Development account. These costs are reclassified to Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans, if any, incurred during the development of the real estate properties are also capitalized by the Group as part of Property Development Costs (see Note 2.17). Once a revenue transaction occurs on a per project basis, up to the stage the unit is sold, the related property development costs are reclassified to Real Estate for Sale classified under Inventories account (see Notes 2.6 and 8) in the consolidated statement of financial position.

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

Costs of properties and projects accounted for as Land for Future Development, Property Development Costs and Real Estate for Sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and NRV. [See Note 3.2(c)]

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known.

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 Notes 9 and 2.20)

Where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), such assets are classified as non-current assets.

2.9 Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value. As no finite useful life for land can be determined, the related carrying amount is not depreciated. Land held for use in production or administration is stated at cost less any impairment in value. (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 (ARO) relating to property and equipment installed/constructed on leased properties [see Note 3.2(n)]. GADC is legally required under various lease agreements to dismantle the installations and restore the leased sites at the end of the lease term. It is also a Group's policy to remove permanent improvements or additions which contain designs and configurations inherent to GADC's business signs, trademarks, trade names, patent and other similar intellectual property rights belonging to McDonald's Corporation (McDonald's) upon the termination or expiration of lease contract. The present value of ARO is recognized as part of the balance of the related property, plant and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The outstanding ARO as at the end of the reporting period is presented as part of Other Non-Current Liabilities account in the consolidated statement of financial position (see Note 20).

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

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows: [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 life of the assets of 5 to 40 years or the term of the lease, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.17) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.20).

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 of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon sale or disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.10 Investment Property

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Property and are carried at cost less accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation [see Notes 2.20, 3.1(c)(d), 3.2(e) 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 or purpose for such property.

2.11 Business Combinations and Asset Acquisitions

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(g)] 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(p)]. 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 acquire 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.

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 certain trademarks 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 [see Note 3.2(h)] as follows:

Trademarks [except those with indefinite useful lives (see Note 15)]	10 years
Computer software	3 years
Franchise fee	10 years

Capitalized costs for trademarks with indefinite useful lives are not amortized. In addition, these assets are subject to impairment testing as described in Note 2.20. When these assets are retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

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

2.13 Financial Liabilities

Financial liabilities, which include Interest-bearing Loans (see Note 17), Bonds Payable (see Note 18), Trade and Other Payables (except tax-related payables) (see Note 16), Advances from Related Parties (see Note 29.6), Redeemable Preferred Shares [see Notes 3.1(i) and 19), and Equity-linked debt securities (ELS) (see Note 20), Derivative Liability and Guaranty deposits [presented as part of Other Non-Current Liabilities (see Note 20)] are recognized when the Group becomes a party to the contractual agreements of the instrument.

All interest-related charges incurred on financial liabilities are recognized as an expense in profit or loss under the caption Finance Costs and Other Charges in the consolidated statement of comprehensive income (see Note 26).

Interest-bearing Loans, Bonds Payable and Equity-linked debt securities are raised for support of long-term funding of operations. These are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

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

Redeemable Preferred Shares of GADC and TLC which are mandatorily redeemable at the option of the holder, are recognized at fair value, net of transaction costs, on inception date and presented as a liability in the consolidated statement of financial position; the liability is subsequently measured at amortized cost (see Note 19). 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 26) in the consolidated statement of comprehensive income.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are declared 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 20)

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.14 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(k)]

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 asset is not recognized – but is only 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 21.1).

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 is also added to APIC. (See Note 21.2)

Treasury shares are AGI shares reacquired by the Company but not cancelled or AGI shares held by subsidiaries for investment purposes. These are carried at cost of reacquiring such shares (see Notes 2.2 and 21.3).

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 AFS financial assets pertains to cumulative mark-to-market valuations on such securities [see Note 2.4(a)(iii)].

Accumulated translation adjustments represent the translation adjustments resulting from the conversion of foreign currency denominated financial statements of certain subsidiaries into the Group's presentation currency [see Note 2.19(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).

Dilution gain or loss arises when an investor or the Group exercises its pre-emptive rights to maintain its ownership interest in an investee. This represents the difference between the book value per share in an investee versus the Group's offer price at the time the rights are exercised. This also includes the Group's share in previous period's profit (loss) as a result of the current increase (decrease) in equity ownership over its subsidiaries. Dilution gain or loss is recognized on investments of which the Group continues to exercise control. (See Note 21.4)

Share options represent the value of share options during vesting period upon recognition of share-based remuneration expense in profit or loss [see Notes 2.21(d) and 21.6].

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 21.7).

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) and 2.11]

2.16 Revenue and Expense Recognition

Revenue (see Notes 23 and 26) is recognized to the extent that the revenue can be reliably measured by reference to the fair value of consideration received or receivable by the Group; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

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

(b) *Sale of residential and condominium units [included under Real Estate (RE) Sales]* – For financial reporting purposes, revenues from transactions covering sales of residential and condominium units for occupancy are recognized using the full accrual method while sales of units sold prior to completion are recognized under the percentage-of-completion method. [See Notes 3.1(a) and 3.2(a)]

Under the full accrual method, revenue is recognized in full when the risks and rewards of ownership of the properties have passed to the buyer, i.e., generally when the customer has acknowledged delivery of goods.

Under the percentage-of-completion method, realization of gross profit is recognized by reference to the stage of development of the properties (i.e., revenue is recognized in the period in which the work is performed). The unrealized gross profit on a year's sales is presented as Deferred gross profit on RE sales [under Cost of Goods Sold account (see Note 24)] in the consolidated statement of comprehensive income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred income on real estate sales [under Other Current and Non-Current Liabilities (see Note 20)] in the consolidated statement of financial position.

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

If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyers are initially recorded as Customers' deposits and presented as part of Other Liabilities [current and non-current (see Note 20)] in the consolidated statement of financial position. Revenues and costs relative to forfeited or back out sales are reversed in the current year as they occur.

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

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

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

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

(f) *Gaming revenues* – Revenue is recognized from net wins (losses) from gaming activities which represent the difference between coins and currencies deposited into the gaming machines and the payments to customers and, for other games, the difference between gaming wins and losses (see Note 23).

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

(h) *Sales from Company-operated quick-service restaurants* – Revenue from restaurant sales operations are recognized when the services are rendered, that is, food and beverage products or promotional items purchased by customers have been delivered and accepted by the customers (see Note 23).

(i) *Franchise revenues* – Revenue from franchised McDonald's restaurants (including the restaurant operated by a joint venture) includes continuing rental, royalty and management fees. These are recognized in the period earned. (See Note 23)

(j) *Rentals* – Rental income is recognized on a straight-line basis over the duration of the lease terms [see Notes 2.18(b) and 23]. For tax purposes, rental income is recognized based on the contractual terms of the lease. Advance rentals and refundable rental deposits, if any, are recorded as deferred rental (see Note 20). Deferred rental, specifically the refundable rental deposit, is measured at amortized cost using the effective interest rate method.

(k) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset (see Note 26).

(l) *Dividends* – Revenue is recognized when the right to receive the payment is established (see Note 26).

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

The Group provides a membership card for its gaming patrons (i.e., of Travellers). Members earn points on gaming activity and such points are redeemable for complimentary goods and services such as room 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) (see Note 24) for the value of the points earned by members by reference to the relative fair values of the complimentary goods or services.

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs (see Note 2.17) and estimated costs to complete the project, determined based on estimates made by the project engineers (see Notes 2.7 and 24).

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 24 and 25).

All finance costs are reported in profit or loss on an accrual basis (see Note 26), except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.17).

2.17 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred (see Note 26), except to the extent that they are capitalized (see Notes 2.6, 2.7 and 2.9). Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset.

The capitalization of borrowing costs commences when expenditures for the asset are being incurred 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

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.19 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, European Union euro and Mexican peso, 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 Property (see Notes 2.10 and 14), Property, Plant and Equipment (see Notes 2.9 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.

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 27)

(a) *Post-employment Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit pension plans cover all regular full-time employees. The respective pension plans are tax-qualified, noncontributory and administered by respective trustees of three significant subsidiaries.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of zero coupon government bonds as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in consolidated other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance and Other Income or Finance Costs and Other Charges account in the consolidated statement of comprehensive income.

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

(b) *Post-employment Contribution Plan*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity (i.e., Social Security System). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Share-based Employee Remuneration

The Group grants share options to key executive officers and employees eligible under each share option plan of the Parent Company, Megaworld, GERI, 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.

(e) Bonus Plans

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

(f) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.22 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any (see Note 28).

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow form the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in consolidated profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.23 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 22).

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares [e.g., vested share options (see Note 21.6)].

2.24 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Strategic Steering Committee (SSC), its chief operating decision-maker. The SSC is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally considers the Group's major subsidiaries, as disclosed in Note 4, which represent the main products and services provided by the Group and the line of business in which the Group operates.

Each of these operating segments, which represents the major subsidiaries within the Group, is managed separately by each respective officers and management. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements. However, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to any segment.

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

2.25 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 29).

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Group and close members of the family of any such individual; and, (d) certain funded retirement plans, administered by trustee banks, of 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.

2.26 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Recognizing Revenue for Real Estate Activities

The Group uses judgement in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured. [See Note 2.16(b)]

(b) Assessing Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. [See Notes 2.4(b)(ii) and (iii)]

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

The Group determines whether a property qualifies as an investment property (see Note 2.10). In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Investment property comprise of properties held to earn rental or for capital appreciation. Owner-occupied properties (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 Land for Future Development (see Note 2.7) are properties intended solely for future development. The Group considers each property separately in making its judgment.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Group's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Group's main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

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

Real estate for sale comprise residential and condominium units that are held for sale in the ordinary course of business (see Note 8). Meanwhile, investment properties (see Notes 2.10 and 14) comprise of land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Group considers management's intention over these assets in making its judgement.

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

In determining whether golf and resort shares shall be accounted for as either inventories or financial instruments, the Group considers its role in the development of the club and its intent for holding these shares. The Group classifies such shares as inventories when the Group acts as the developer and it intends to sell a developed property together with the club share.

(f) Determining Control, Joint Control or Significant Influence

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

(g) Distinguishing Asset Acquisition and Business Combinations

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 2017 and 2016, the Group gained control over various entities and a business unit as described in Note 1.2 which, based on management's assessment, are accounted for as business combinations. Also in 2017, the Group acquired brands and assets as described in Note 1.2(a) which, based on management's assessment, are accounted for as asset acquisitions.

(h) Distinguishing Operating and Finance Leases

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(i) Classifying Preferred Shares as Financial Liability

The Group determines the classification of preferred shares based on the substance of the contractual agreement and the characteristics of a financial liability or an equity instrument (see Notes 2.13 and 19).

(j) Recoverability of Insurance Claims

The Group recognized insurance recoveries in 2017 covering actual losses incurred for damaged capital assets, and other casualty losses arising from the arson and robbery incident in June 2017 (see Note 30.7). Critical judgment was exercised by management to evaluate the recoverability of said claims as highly probable and virtually certain. The Group has not yet accrued the whole amount of recoverable claims as of December 31, 2017 pending Travellers' finalization with the insurance company. The amount recognized as Claims receivables as of December 31, 2017 is presented as part of Trade and Other Receivables account in the 2017 consolidated statement of financial position (see Note 6).

(k) 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 30.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Revenue Recognition Using the Percentage-of-Completion Method

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts [see Note 2.16(b)].

There were no changes in the assumptions or basis for estimation during the year. The realized gross profit on real estate sales recognized in 2017, 2016 and 2015 is disclosed in Note 23.

(b) Impairment of Trade and Other Receivables

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists [see Note 2.4(a)(ii)]. The Group evaluates the amount of allowance for 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 customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6.

(c) Valuation of Inventories and Real Estate Properties

In determining the net realizable values of inventories (see Note 2.6) and real estate properties (see Note 2.7), management takes into account the most reliable evidence available at the dates the estimates are made. Net realizable value is one of the key variables used in analyzing property development costs, residential and condominium units for sale, golf and resort shares for sale and land for future development for possible impairment. The Group's core business is subject to changes in market factors that directly affect the demand for inventories and real estate properties such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of the carrying amounts of these assets is also affected by price changes in the costs incurred necessary to make a sale. Changes in the sources of estimation may cause significant adjustments to the Group's inventories and real estate properties within the next financial reporting period.

The amounts of allowance for inventory obsolescence provided by management are based on, among others, age and status of inventories and the Group's past experience. The net realizable value of inventories and an analysis of allowance for inventory write-down are presented in Note 8.

Considering the Group's pricing policy, the net realizable values of certain real estate properties are higher than their related costs.

(d) *Fair Valuation of Financial Assets Other than Trade and Other Receivables*

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement are determined using verifiable objective evidence such as foreign exchange rates, interest rates and volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and other comprehensive income.

Management estimates the fair value of financial instruments where active market quotes are not available based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. (See Note 2.4)

The carrying amounts of financial assets at FVTPL and AFS financial assets are disclosed in Notes 7 and 11, respectively. [See Notes 2.4(a)(i)(iii) and 2.4(b)(ii)(iii)]

(e) *Fair Valuation 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.

(f) *Fair Valuation of Share Options*

The fair value of the Options recognized as part of Salaries and employee benefits is shown under Other Operating Expenses account in the consolidated statement of comprehensive income (see Note 25). A corresponding credit to Share Options Outstanding for options related to the Group is presented in the equity portion of the consolidated statement of financial position (see Note 21.6).

The Group estimates the fair value of the Executive Share Option (the Options) by applying an option valuation model, considering the terms and conditions on which the executive share option was granted. The estimates and assumptions used are presented in Note 21.6 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 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 Valuation of 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) Estimating Useful Lives of Property, Plant and Equipment, Investment Property and Intangible Assets

The Group estimates the useful lives of property, plant and equipment (see Note 2.9), investment property (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 property and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Specific trademarks mentioned in Note 15 were assessed to have an indefinite useful lives considering that there is no foreseeable limit to the period over which such trademarks are expected to generate cash inflows for the Group (i.e., trademarks for The Dalmore and Jura have been in existence for more than 100 years). Moreover, there are no legal or similar limits imposed on the period over which the Group has control or can use the said trademarks.

The carrying amounts of property, plant and equipment, investment property and intangible assets are analyzed in Notes 13, 14 and 15, respectively. Actual results, however, may vary due to changes in factors mentioned above.

Based on management assessment, no change in the estimated useful lives of property, plant and equipment, investment property and intangible assets is necessary in 2017 and 2016.

(i) Impairment of Non-Financial Assets

Goodwill and specific intangible assets with indefinite life are reviewed annually for impairment. An impairment review on all other non-financial assets is performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.20. 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 loss recognized on Property, Plant and Equipment is discussed in Note 13. There is no impairment loss recognized on the Group's investment properties, goodwill, trademarks and other intangible assets and other non-financial assets based on management's evaluation for the years ended December 31, 2017, 2016 and 2015.

(j) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. An analysis of the realized and unrealized deferred tax assets is presented in Note 28.1.

(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 27.2.

(l) Determining Fair Value of Gaming Points and Estimation of Liability for Unredeemed Gaming Points

The Group provides gaming points to its patrons based on gaming activity. Gaming points are redeemable in a wide selection of redemption categories. The Group recognizes the fair values of gaming points, based on redemption terms, historical redemption pattern of patrons and fair value of promotional activities per source (i.e., hotel, food and beverage, and others). The Group reassesses the measurement basis used for calculating the fair value of gaming points on a regular basis. The carrying value of the gaming points accrued by the Group is presented as Unredeemed gaming points under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

(m) Recognizing Financial Liability and Equity Components of Compound Financial instruments

The ELS instrument (see Note 20) contains both a financial liability and an equity component as this instrument creates a financial liability and grants an option to the holder to convert it into an equity instrument of the issuer. The equity component is assigned the residual value after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. 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.

Initially, the Group determined the fair value of the financial liability as equivalent to the issue price, so no value was assigned to the equity component, and the financial liability was subsequently measured at amortized cost. The total carrying amount of the ELS was presented as part of Other Non-current Liabilities account in the 2016 consolidated statement of financial position (see Note 20).

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 20) and as part of Non-controlling Interest account under Equity section, respectively, in the 2017 consolidated statement of financial position.

(n) Provision for Restoration of Leased Property

Property, plant and equipment includes the estimated cost of dismantling and restoring leased properties (building and leasehold improvements) to their original condition for which the Group is liable (see Note 2.9). The estimated cost was initially based on a recent cost to dismantle facilities. This was adjusted to consider estimated incremental annual cost up to the end of the lease term. The estimated dismantling cost was discounted using the prevailing market rate at the inception of the lease for an instrument with maturity similar to the term of the lease.

The carrying amount of ARO and provision for dilapidation are presented as part of Other Non-Current Liabilities account in the consolidated statement of financial position (see Note 20).

(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 sublet income expectations. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost and sublet assumptions would result in a significant change in the amount of provision recognized with a corresponding effect on profit or loss.

The carrying amount of provision for onerous lease is presented as part of Other Non-Current Liabilities account in the consolidated statement of financial position (see Note 20).

(p) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in consolidated profit or loss in the subsequent period. (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 2.24). 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.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment, intangible assets and investment properties. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and bonds payable.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information can be analyzed as follows for the years ended December 31, 2017, 2016 and 2015:

	2017				
	Megaworld	**Travellers**	**GADC**	**Emperador**	**Total**
REVENUES					
Sales to external customers	P 48,633,280,868	P 21,118,881,775	P 25,539,935,441	P 42,257,796,854	P 137,549,894,938
Intersegment sales	173,133,657	50,277,686	-	-	223,411,343
Finance and other revenues	1,600,392,938	172,363,323	366,821,027	397,730,690	2,537,307,978
Segment revenues	50,406,807,463	21,341,522,784	25,906,756,468	42,655,527,544	140,310,614,259
Cost of sales and expenses excluding depreciation and amortization	(28,189,136,661)	(17,637,976,799)	(22,079,908,123)	(32,562,510,354)	(100,469,531,937)
	22,217,670,802	3,703,545,985	3,826,848,345	10,093,017,190	39,841,082,322
Depreciation and amortization	(1,830,763,458)	(1,931,946,081)	(1,160,186,016)	(802,101,313)	(5,724,996,868)
Finance cost and other charges	(1,733,622,248)	(1,274,812,002)	(172,099,662)	(1,424,757,176)	(4,605,291,088)
Profit before tax	18,653,285,096	496,787,902	2,494,562,667	7,866,158,701	29,510,794,366
Tax expense	(3,792,600,176)	(218,395,439)	(754,517,341)	(1,503,052,461)	(6,268,565,417)
SEGMENT PROFIT	**P 14,860,684,920**	**P 278,392,463**	**P 1,740,045,326**	**P 6,363,106,240**	**P 23,242,228,949**
SEGMENT ASSETS AND LIABILITIES					
Segment assets	**P 313,882,958,265**	**P 84,365,114,201**	**P 17,013,429,201**	**P 110,654,016,965**	**P 525,915,518,632**
Segment liabilities	**137,948,130,312**	**42,186,793,445**	**10,242,056,765**	**51,114,592,291**	**241,491,572,813**

	2016				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 45,159,209,745	P 27,490,917,963	P 22,629,168,991	P 40,470,950,595	P 135,750,247,294
Intersegment sales	129,197,283	58,136,406	-	22,485,362	209,819,051
Finance and other revenues	1,529,137,444	85,896,223	182,258,141	444,501,068	2,241,792,876
Segment revenues	46,817,544,472	27,634,950,592	22,811,427,132	40,937,937,025	138,201,859,221
Cost of sales and expenses excluding depreciation and amortization	(27,260,830,172)	(21,036,434,023)	(19,714,018,727)	(30,053,548,917)	(98,064,831,839)
	19,556,714,300	6,598,516,569	3,097,408,405	10,884,388,108	40,137,027,382
Depreciation and amortization	(1,486,971,728)	(1,643,106,203)	(1,102,983,228)	(708,238,131)	(4,941,299,290)
Finance cost and other charges	(2,867,726,950)	(1,458,618,238)	(231,718,113)	(713,874,962)	(5,271,938,263)
Profit before tax	15,202,015,622	3,496,792,128	1,762,707,064	9,462,275,015	29,923,789,829
Tax expense	(3,489,339,020)	(64,314,408)	(529,208,455)	(1,742,331,316)	(5,825,193,199)
SEGMENT PROFIT	P 11,712,676,602	P 3,432,477,720	P 1,233,498,609	P 7,719,943,699	P 24,098,596,630
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 282,832,774,666	P 73,934,705,268	P 15,617,095,043	P 93,657,270,308	P 466,041,845,285
Segment liabilities	119,545,632,116	31,683,728,199	10,220,260,865	40,626,020,465	202,075,641,645

	2015				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 43,106,965,673	P 27,719,688,907	P 20,339,823,705	P 43,309,839,802	P 134,476,318,087
Intersegment sales	93,909,127	(32,929,706)	-	-	60,979,421
Finance and other revenues	1,791,188,160	116,287,960	81,529,137	350,349,040	2,339,354,297
Segment revenues	44,992,062,960	27,803,047,161	20,421,352,842	43,660,188,842	136,876,651,805
Cost of sales and expenses excluding depreciation and amortization	(27,039,717,335)	(21,557,822,114)	(18,064,249,651)	(34,027,719,502)	(100,689,508,602)
	17,952,345,625	6,245,225,047	2,357,103,191	9,632,469,340	36,187,143,203
Depreciation and amortization	(1,348,751,764)	(1,402,874,562)	(1,046,140,030)	(639,514,403)	(4,437,280,759)
Finance cost and other charges	(2,722,669,407)	(775,371,564)	(184,499,714)	(543,116,587)	(4,225,657,272)
Profit before tax	13,880,924,454	4,066,978,921	1,126,463,447	8,449,838,350	27,524,205,172
Tax expense	(3,284,678,495)	(49,370,190)	(365,972,332)	(1,489,782,064)	(5,189,803,081)
SEGMENT PROFIT	P 10,596,245,959	P 4,017,608,731	P 760,491,115	P 6,960,056,286	P 22,334,402,091
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 252,105,958,522	P 68,119,691,610	P 13,829,633,657	P 96,600,733,758	P 430,656,017,547
Segment liabilities	104,018,432,250	25,103,384,020	8,939,177,060	41,249,488,480	179,310,481,810

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.

	2017	2016	2015
Revenues			
Total segment revenues	**P 140,310,614,259**	P 138,201,859,221	P 136,876,651,805
Unallocated corporate revenue	**1,534,783,295**	1,748,842,604	2,282,187,154
Elimination of intersegment revenues	**(223,411,343)**	(209,819,051)	(60,979,421)
Revenues as reported in consolidated profit or loss	**P 141,621,986,211**	P 139,740,882,774	P 139,097,859,538
Profit or loss			
Segment operating profit	**P 23,242,228,949**	P 24,098,596,630	P 22,334,402,091
Unallocated corporate loss	**(1,192,248,065)**	(1,070,074,614)	(587,121,776)
Elimination of intersegment revenues	**(223,411,343)**	(209,819,051)	(60,979,421)
Profit as reported in consolidated profit or loss	**P 21,826,569,541**	P 22,818,702,965	P 21,686,300,894
Assets			
Segment assets	**P 525,915,518,632**	P 466,041,845,285	P 430,656,017,547
Unallocated corporate assets	**35,906,274,250**	25,255,117,630	18,068,736,840
Total assets reported in the consolidated statements of financial position	**P 561,821,792,882**	P 491,296,962,915	P 448,724,754,387
Liabilities			
Segment liabilities	**P 241,491,572,813**	P 202,075,641,645	P 179,310,481,810
Unallocated corporate liabilities	**48,488,172,278**	43,117,649,822	38,226,078,586
Total liabilities reported in the consolidated statements of financial position	**P 289,979,745,091**	P 245,193,291,467	P 217,536,560,396

Concentration of revenue is considered when at least 10% of total segment revenue is generated from a single customer. There is no concentration of the Group's revenue in a single customer as the 10% threshold has not been met in any of the years presented.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	Note	2017	2016
Cash on hand and in banks		**P 22,324,226,840**	P 23,131,024,687
Short-term placements	30.3(a)	**33,348,733,706**	25,541,913,330
		P 55,672,960,546	P 48,672,938,017

Cash in banks generally earn interest at rates based on daily bank deposit rates [see Notes 26 and 31.1(b)].

Short-term placements are made for varying periods up to 90 days and earn effective interest per annum ranging from 0.5% to 3.5% in 2017, 0.6% to 2.5% in 2016, and 1.2% to 2.8% in 2015. Placements amounting to P117.1 million and P115.7 million as at December 31, 2017 and 2016, respectively, which earn effective interest of 1.5% in 2017, 1.4% in 2016 and 1.3% in 2015, and have a term of 360 days for those years, are shown under Other Current Assets account in the consolidated statements of financial position (see Note 9).

Interest income from Cash and Cash Equivalents for the years ended December 31, 2017, 2016 and 2015 is presented under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 26).

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of:

	Notes	**2017**	2016
Current:			
Trade receivables	17(j, m) 29.2	**P 52,965,762,130**	P 43,580,278,243
Advances to contractors and suppliers		**17,608,891,136**	12,457,276,299
Claims receivables	30.7	**762,551,480**	-
Due from related parties	29.5	**249,464,102**	812,050,310
Accrued interest receivable		**55,284,785**	181,572,152
Others	30.4	**3,054,921,065**	1,320,509,088
		74,696,874,698	58,351,686,092
Allowance for impairment	3.2(b)	**(884,705,546)**	(750,729,952)
		73,812,169,152	57,600,956,140
Non-current:			
Trade receivables	29.2	**34,560,033,758**	35,682,910,226
Loans receivable		**145,289,857**	-
Others		**82,326,077**	7,629,034
		34,787,649,692	35,690,539,260
Allowance for impairment	3.2(b)	**(12,224,936)**	(12,224,936)
		34,775,424,756	35,678,314,324
		P108,587,593,908	P 93,279,270,464

Most receivables from trade customers, particularly those relating to real estate sales, are covered by postdated checks. As at December 31, 2017 and 2016, the Group has outstanding receivables assigned to local banks amounting to P1,044.8 million and P1,089.4 million, respectively [see Note 17(j and m)].

The installment period of real estate sales contracts averages from one to five years. These trade receivables are noninterest-bearing and are remeasured at amortized cost using the effective interest rate of similar financial instruments. Interest income from amortization amounted to P1,746.9 million, P1,700.9 million and P1,677.6 million for the years ended December 31, 2017, 2016 and 2015, respectively. These amounts are presented as Interest income on real estate sales under Revenues from Sale of Goods account in the consolidated statements of comprehensive income (see Note 23).

Advances to contractors and suppliers pertain to noninterest-bearing and unsecured advances to the Group's contractors and suppliers as initial payment or mobilization funds for services to be rendered and goods to be delivered to the Group. These are reduced proportionately upon receipt of progress billings from said suppliers.

Claims receivables pertain to expected minimum insurance and recoveries from losses arising from property damages and other casualty losses [see Notes 3.1(j) and 30.7].

Due from employees and related parties pertain to noninterest-bearing, unsecured and immediately demandable advances, settlement of which is generally made in cash, or through deduction from employees' salary or employees' liquidation of business related expenses (see Note 29.5).

Other current receivables include receivable from sale of land and loan receivable.

All of the Group's trade and other receivables have been reviewed for indications of impairment [see Note 2.4(b)(i)]. Certain receivables were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer as the titles to the real estate properties remain with the Group until the receivables are fully collected (see Note 31.2).

A reconciliation of the allowance for impairment at the beginning and end of the reporting periods is shown below.

	Notes	**2017**	2016
Balance at beginning of year		**P 762,954,888**	P 726,238,514
Impairment losses during the year	25	**145,518,483**	40,591,819
Reversal of impairment previously recognized	26	**(7,553,903)**	(3,875,445)
Write-off of trade receivables previously provided with allowance		**(3,988,986)**	-
Balance at end of year		**P 896,930,482**	P 762,954,888

Impairment losses are presented as part of Other Operating Expenses account (see Note 25), while the gain on reversal is presented as part of Miscellaneous under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 26).

All trade receivables are subject to credit risk exposure (see Note 31.2). 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:

	2017	2016
Marketable debt securities	**P 11,864,245,566**	P 9,242,483,204
Quoted equity securities	**1,632,656,186**	1,222,783,400
Derivative financial assets	**19,572,259**	-
	P 13,516,474,011	P 10,465,266,604

Marketable debt securities, which bear interest ranging from 4.3% to 8.3%, 2.8% to 8.4% and 2.5% to 10.6% per annum as at December 31, 2017, 2016 and 2015, 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 either as part of Fair value gains under Finance and Other Income account or Fair value losses under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26). Interest income amounting to P88.8 million, P285.5 million and P569.1 million for 2017, 2016 and 2015, respectively, is shown as part of Finance and Other Income account in the consolidated statements of comprehensive income (see Note 26).

A portion of marketable debt securities placed with certain foreign banks is covered by a set-off provision. The loans set-off against marketable debt securities amounted to U.S.$45.1 million (P2,248.8 million) as at December 31, 2016. The loans were settled in 2017. No instruments were set-off as at December 31, 2017.

Derivative financial assets arise from foreign exchange margins trading spot and forward contracts 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 investments are taken up in profit or loss and are recorded either as part of Fair value gains under Finance and Other Income account or Fair value losses under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26).

8. INVENTORIES

The details of inventories are shown below [see Notes 2.6, 3.1(d) and 3.2(c)].

	Notes	**2017**	2016
At cost –			
Real estate for sale	17(j)	**P 62,117,798,015**	P 60,091,240,355
At net realizable value:			
Work-in-process goods		**17,786,098,444**	13,532,427,366
Finished goods		**3,608,924,741**	3,244,991,251
Raw materials		**3,249,324,608**	3,100,031,589
Golf and resort shares for sale		**2,816,204,114**	2,669,705,396
Food, supplies and other consumables		**2,318,195,098**	2,548,122,730
		29,778,747,005	25,095,278,332
Allowance for inventory write-down	2.6	**(317,410,880)**	(258,399,045)
		29,461,336,125	24,836,879,287
		P 91,579,134,140	P 84,928,119,642

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 P1,804.7 million, P1,540.4 million and P642.3 million in 2017, 2016, and 2015, respectively, forming part of the Inventories and Property Development Costs accounts (see Notes 17 and 18). The amount capitalized was determined using a capitalization rate of 4.55%, 4.32% and 5.53% in 2017, 2016 and 2015, respectively. Certain real estate for sale are subject to negative pledge on certain loans obtained by the Group [see Note 17(j)].

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 P13,501.2 million and P11,030.3 million as of December 31, 2017 and 2016, respectively.

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 per share.

Food, supplies and other consumables, on the other hand, include paper and packaging, promotional materials, membership program items, operating supplies, spare parts, fuel and lubricants.

A reconciliation of the allowance for inventory write-down at the beginning and end of the reporting periods is shown below.

	Notes	2017	2016
Balance at beginning of year		**P 258,399,045**	P 295,493,317
Additional losses during the year	25	**73,266,813**	38,718,861
Reversals of write-down	26	**(14,254,978)**	(75,813,133)
Balance at end of year		**P 317,410,880**	P 258,399,045

The additional losses on inventories were recognized to reduce the carrying values of cased stocks, dry goods and golf and resort shares in 2017 and 2016. The additional losses are shown as Write-down of inventories under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25). 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 26).

9. OTHER ASSETS

The composition of this account is shown below.

	Notes	2017	2016
Current:	2.8		
Input VAT		**P 6,616,129,225**	P 5,510,958,384
Prepayments		**1,793,267,124**	1,316,988,835
Creditable withholding taxes		**679,983,433**	609,162,285
Refundable deposits		**448,470,573**	218,393,171
Time deposits	5	**117,126,031**	115,737,185
Office supplies		**85,326,709**	63,455,803
Deferred commission		**59,240,537**	59,089,057
Guarantee deposits		**-**	36,310,054
Others		**414,053,043**	305,217,647
		10,213,596,675	8,235,312,421
Non-current:	2.8		
Advances for future investment	30.3(a)	**1,556,429,882**	968,194,588
Refundable deposits		**1,455,506,668**	1,632,348,277
Property mortgage receivable		**654,595,116**	597,604,251
Advance payments for assets acquisition		**385,962,965**	866,362,114
Deferred input VAT		**192,499,656**	270,699,487
Accumulated jackpot seed money		**169,300,000**	170,676,888
Claims for tax refund		**112,282,175**	112,282,175
Rental receivable		**27,045,025**	26,888,817
Others		**566,737,009**	324,348,271
		5,120,358,496	4,969,404,868
		P 15,333,955,171	P 13,204,717,289

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 PAGCOR starting 2014 in connection with the development of Site A [see Note 30.3(a)]. In 2017 and 2016, the Group made additional payments to PAGCOR amounting to P0.6 billion in each year to fulfill the future investment.

In 2016, EMP purchased from one of its property lessors an outstanding mortgage debt on one of the Group's leased properties. The purchased mortgage asset entitles the Group to full security over the leased property and to monthly interest payments from the property lessor. However, the Group remains as lessee over the property; hence, it is still required to make monthly lease payments to the property lessor.

In 2016, the Group made a deposit for a certain acquisition amounting to P449.3 million presented as part of Advanced payment for asset acquisition which remains outstanding as of December 31, 2016. The deposit was applied in full against the total consideration paid in 2017 (see Note 1.2).

Current others include payroll funds and food and beverage inventories while non-current others include prepaid rentals and non-financial deposits or advances to suppliers.

10. ADVANCES TO/FROM LANDOWNERS AND JOINT VENTURES

10.1 Advances to Landowners and Joint Ventures

The Group enters into numerous joint operation agreements for the joint development of various real estate projects. The joint operation agreements stipulate that the Group's joint operator shall contribute parcels of land and the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of residential and condominium units to be constructed on the properties. Costs incurred for these projects are recorded under the Real estate for sale under Inventories account or Property Development Costs account in the consolidated statements of financial position (see Note 2.7).

The Group also grants noninterest-bearing, secured cash advances to a number of landowners and joint operators under the joint operation agreements they entered into with landowners covering the development of certain parcels of land. Under the terms of the joint operation agreements, the Group, in addition to providing specified portion of total project development costs, also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

As at December 31, 2017 and 2016, the Group's management has assessed that the advances to joint ventures are fully recoverable. Accordingly, no impairment loss was recognized in those years.

As at December 31, 2017 and 2016, there has been no outstanding commitment for cash advances under the joint arrangements. The net commitment for construction expenditures amounts to:

	2017	2016
Total commitment for construction expenditures	**P25,920,193,838**	P25,275,787,747
Total expenditures incurred	**(18,730,950,238)**	(18,965,104,576)
Net commitment	**P 7,189,243,600**	P 6,310,683,171

The Group's interests in joint operations and projects, ranging from 50% to 95% in 2017 and 2016, are as follows:

Megaworld:
- McKinley Hill
- McKinley West
- Newport City
- Manhattan Garden City
- Noble Place
- Uptown Bonifacio
- Northill Gateway

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
- Gentri Heights
- Fountain Grove
- Palm City
- The Mist Residence

EELHI:
- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon Projects

The aggregate amounts of the current assets, long-term assets, current liabilities and long-term liabilities as at December 31, 2017 and 2016, and income and expenses for each of the three years in the period ended December 31, 2017 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, 2017 and 2016, the Group has assessed that the probability of loss that may arise from contingent liabilities is remote and there are no other contingent liabilities with regard to these joint operations.

10.2 Advances from Joint Ventures

This account represents the share of joint venture partners in the proceeds from the sale of certain projects in accordance with various joint venture agreements entered into by the Group. The total outstanding balance is presented as part of Advances from Related Parties account in the consolidated statements of financial position (see Note 29.6).

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

AFS financial assets [see Notes 2.4(a) and (b)] are reflected in the consolidated statements of financial position as follows:

	2017	2016
Current	**P -**	P 66,501,898
Non-current	**431,645,289**	606,613,388
	P 431,645,289	P 673,115,286

This account comprises the following:

	2017	2016
Quoted marketable debt securities	**P -**	P 260,449,586
Equity securities:		
Quoted	**136,872,015**	129,142,426
Unquoted	**298,031,214**	286,781,214
Allowance for impairment	**(3,257,940)**	(3,257,940)
	294,773,274	283,523,274
	431,645,289	412,665,700
	P 431,645,289	P 673,115,286

The securities can be further analyzed as follows:

	2017	2016
Local	**P 434,903,229**	P 609,871,328
Allowance for impairment	**(3,257,940)**	(3,257,940)
	431,645,289	606,613,388
Foreign	**-**	66,501,898
	P 431,645,289	P 673,115,286

The reconciliation of the carrying amounts of AFS financial assets are as follows:

	2017	2016
Balance at beginning of year	**P 673,115,286**	P 2,188,729,177
Additions	**15,857,795**	102,680,652
Disposals	**(284,202,906)**	(1,607,445,850)
Fair value gains (losses)	**26,875,114**	(10,848,693)
Balance at end of year	**P 431,645,289**	P 673,115,286

Marketable debt securities bear interests ranging from 5.4% to 10.6% per annum in 2016 and 2.3% to 10.6% per annum in 2015. Certain debt securities amounting to P66.5 million which matured in 2017 were classified under current assets in the 2016 consolidated statement of financial position. There are no marketable debt securities as of December 31, 2017.

In 2017, 2016 and 2015, there were no permanent decline in value on these securities; therefore, no losses are transferred from equity to profit or loss.

Equity securities consist of local shares of stock and various proprietary club shares which are denominated in Philippine pesos. Golf club shares are proprietary membership shares of Travellers from certain golf clubs.

The fair values of quoted AFS financial assets have been determined by reference to published prices in an active market. The changes in the fair value arising from these AFS financial assets amounted to P26.9 million gain in 2017, P10.8 million loss in 2016 and P1,078.0 million loss in 2015 and are presented as part of Net Unrealized Fair Value Gains (Losses) on AFS Financial Assets in the consolidated statements of comprehensive income.

Upon disposal of various AFS financial assets, the Group's realized gains amounting to P22.2 million in 2017 and P11.9 million in 2016, and realized loss amounting to P34.6 million in 2015. These are included under Finance and Other Income account or Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26). As a result of the disposal, the fair value gains and losses accumulated in OCI pertaining to the AFS financial assets sold amounting to P28.4 million gain in 2017, P11.9 million loss in 2016 and P38.2 million gain in 2015 were recycled to profit or loss and are included in the amount of realized gain from disposal of AFS financial assets.

12. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND OTHER RELATED PARTIES

12.1 Breakdown of Carrying Values

The details of investments in and advances to associates and other related parties and interest in joint ventures, which are carried at equity method, are presented in the succeeding pages.

	Notes	2017	2016
Investments of Megaworld in Associates:			
Acquisition costs:			
SHDI	12.2	**P 1,089,666,735**	P 875,445,000
PCMCI		**877,776,746**	877,776,746
NPI		**734,396,528**	734,396,528
BWDC		**199,212,026**	199,212,026
BNHGI	12.3	**109,216,973**	293,602,421
PTHDC		**64,665,000**	64,665,000
FERC		**28,000,000**	28,000,000
FENI		**10,000,003**	10,000,003
FESI		**7,808,360**	7,808,360
FERSAI		**4,000,000**	4,000,000
		3,124,742,371	3,094,906,084
Accumulated share in net losses:			
Balance at beginning of year		**(424,655,817)**	(561,522,560)
Share in net profits for the year		**118,829,303**	136,866,743
Balance at end of year		**(305,826,514)**	(424,655,817)
Accumulated equity in other comprehensive income:			
Balance at beginning of year		**10,768,669**	38,744,144
Share in other comprehensive income (loss) of associate		**33,916,495**	(27,975,475)
Balance at end of year		**44,685,164**	10,768,669
		2,863,601,021	2,681,018,936
Investment of EMP in BLC, a joint venture – acquisition cost	12.4	**3,703,721,965**	3,703,721,965
Withdrawal		**(858,354,900)**	-
Accumulated share in net profits (losses):			
Balance at beginning of year		**295,428,091**	169,542,466
Share in net profits for the year		**154,101,850**	219,276,919
Dividend received during the year		**(60,952,241)**	(93,391,294)
Balance at end of year		**388,577,700**	295,428,091
		3,233,944,765	3,999,150,056
Investment of Travellers in FRTMI, a joint venture – acquisition cost		**10,000,000**	10,000,000
Accumulated share in net losses:			
Balance at beginning of year		**(538,345)**	-
Share in net losses for the year		**(232,813)**	(538,345)
Balance at end of year		**(771,158)**	(538,345)
		9,228,842	9,461,655
Balance carried forward		**P 6,106,774,628**	P 6,689,630,647

	Note	2017	2016
Balance brought forward		**P 6,106,774,628**	P 6,689,630,647
Investment of FCI in FPARI, an associate – acquisition cost		**14,700,000**	14,700,000
		6,121,474,628	6,704,330,647
Advances to Associates and Other Related Parties	29.4	**2,544,141,192**	2,520,255,783
		P 8,665,615,820	P 9,224,586,430

The total share in net profits amounts to P272.7 million, P355.6 million and P268.6 million for the years ended December 31, 2017, 2016 and 2015 respectively. These amounts are shown as Share in Net Profits of Associates and Joint Ventures – Net account in the consolidated statements of comprehensive income.

The carrying costs of Investments in Associates are lower than the book values of such investments in the investees' books; hence, management has assessed that recognition of impairment losses in 2017, 2016 and 2015 is not necessary.

12.2 SHDI

The shares of stock of SHDI are listed in the PSE. In 2017, TDI acquired 235.0 million SHDI shares amounting to P235.0 million representing 10.44% ownership interest. Megaworld's effective ownership over SHDI increased to 45.67% as a result of TDI's acquisition of shares. The total quoted or market value of investment in this associate amounted to P1.0 billion and P0.9 billion as at December 31, 2017 and 2016, respectively.

12.3 BNHGI

In 2017 and 2016, FEPI sold portions of its ownership interest each year, reducing the Group's effective ownership over BNHGI to 8% and 17%, respectively. Gain on sale of investment in an associate amounting to P113.1 million, P82.5 million and P181.3 million was recognized in 2017, 2016 and 2015, respectively and presented under Finance and Other Income in the consolidated statements of comprehensive income (see Note 26).

12.4 BLC

In 2017, the Group partially withdrew its investment in BLC. The amount withdrawn was used by the Group for its investment, representing 50% of the capital stock of DBLC (see Note 1.1).

12.5 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net profit (loss) of the associates and joint ventures are as follows as at and for the years ended December 31, 2017 and 2016 (in thousands):

	2017			
	Assets	Liabilities	Revenues	Net Profit (Loss)
NPI	P 5,673,410	P 1,317,006	P 10	(P 97)
BLC	4,460,318	1,253,479	2,686,510	308,204
BWDC	2,614,723	1,283,079	299,821	209,926
PCMCI	2,442,354	8,522	-	(9,589)
BNHGI	1,800,333	169,478	-	(136)
PTHDC	1,136,407	1,009,162	5	(1,589)
SHDI	698,583	235,959	581,166	101,875
FERC	277,875	209,509	-	-
FERSAI	157,909	173,014	-	-
FENI	98,511	93,113	-	-
FESI	61,571	16,234	-	-
FRTMI	3,459	638	17	(466)
	P 19,425,453	**P 5,769,193**	**P 3,567,529**	**P 608,128**

	2016			
	Assets	Liabilities	Revenues	Net Profit (Loss)
NPI	P 5,675,416	P 1,317,006	P 18	(P 123)
BLC	5,132,925	1,056,563	4,140,938	438,554
BWDC	2,759,329	2,749,338	443,284	280,292
PCMCI	2,451,853	8,433	-	(6,422)
BNHGI	1,800,435	196,475	-	(108)
PTHDC	1,136,165	1,007,332	5	(766)
SHDI	684,683	402,542	417,351	47,758
FERC	277,875	209,509	-	-
FERSAI	157,909	173,014	-	-
FESI	61,571	16,234	1,521	(2,415)
FENI	98,511	93,113	-	-
FRTMI	4,538	638	90	(1,077)
	P 20,241,210	P 7,230,197	P 5,003,207	P 755,693

13. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment at the beginning and end of the reporting periods are shown below. [See Notes 2.9, 3.1(c) and 3.2(h)]

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
December 31, 2017							
Cost	P 13,258,156,917	P 48,777,083,571	P 23,173,692,253	P 1,255,342,539	P 11,721,288,150	P 28,345,712,887	P 126,531,276,317
Accumulated depreciation, amortization and impairment	(210,347,851)	(10,172,440,363)	(11,938,706,307)	(696,565,906)	(5,486,731,263)	-	(28,504,791,690)
Net carrying amount	**P 13,047,809,066**	**P 38,604,643,208**	**P 11,234,985,946**	**P 558,776,633**	**P 6,234,556,887**	**P 28,345,712,887**	**P 98,026,484,627**
December 31, 2016							
Cost	P 12,582,510,927	P 44,152,563,556	P 19,843,643,000	P 1,015,546,308	P 9,554,335,481	P 20,668,602,178	P 107,817,201,450
Accumulated depreciation, amortization and impairment	(183,255,383)	(8,479,481,389)	(10,645,276,674)	(594,039,740)	(4,921,477,189)	-	(24,823,530,375)
Net carrying amount	P 12,399,255,544	P 35,673,082,167	P 9,198,366,326	P 421,506,568	P 4,632,858,292	P 20,668,602,178	P 82,993,671,075
January 1, 2016							
Cost	P 11,056,902,519	P 36,558,047,118	P 18,876,650,033	P 889,003,599	P 8,564,373,419	P 13,006,191,319	P 88,951,168,007
Accumulated depreciation, amortization and impairment	(160,463,480)	(7,382,843,468)	(10,079,353,913)	(486,249,489)	(4,568,029,117)	-	(22,676,939,467)
Net carrying amount	P 10,896,439,039	P 29,175,203,650	P 8,797,296,120	P 402,754,110	P 3,996,344,302	P 13,006,191,319	P 66,274,228,540

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

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
Balance at January 1, 2017, net of accumulated depreciation amortization and impairment	P 12,399,255,544	P 35,673,082,167	P 9,198,366,326	P 421,506,568	P 4,632,858,292	P 20,668,602,178	P 82,993,671,075
Transfer from investment property	-	-	-	-	1,619,168,429	-	1,619,168,429
Transfer to investment property	-	-	-	-	(85,581,344)	-	(85,581,344)
Additions	1,084,373,837	3,773,769,094	3,737,159,737	300,417,618	856,448,913	10,694,765,474	20,446,934,673
Additions due to acquired subsidiaries	-	-	-	-	5,255,192	-	5,255,192
Disposals – net	(408,727,847)	(63,982,758)	(76,905,182)	(10,806,243)	(11,451,516)	(1,297,223,420)	(1,869,096,966)
Write-off of damaged assets	-	(377,467,784)	(260,327,124)	-	(14,809,416)	-	(652,604,324)
Reclassifications – net	-	1,473,839,585	240,855,237		5,736,523	(1,720,431,345)	-
Reversal of impairment loss	-	60,504,846	-	-	-	-	60,504,846
Depreciation and amortization charges for the year	(27,092,468)	(1,935,101,942)	(1,604,163,048)	(152,341,310)	(773,068,186)	-	(4,491,766,954)
Balance at December 31, 2017, net of accumulated depreciation, amortization and impairment	**P 13,047,809,066**	**P 38,604,643,208**	**P 11,234,985,946**	**P 558,776,633**	**P 6,234,556,887**	**P 28,345,712,887**	**P 98,026,484,627**
Balance at January 1, 2016, net of accumulated depreciation amortization and impairment	P 10,896,439,039	P 29,175,203,650	P 8,797,296,120	P 402,754,110	P 3,996,344,302	P 13,006,191,319	P 66,274,228,540
Transfer from investment property	-	-	-	-	457,721,767	-	457,721,767
Additions	26,086,122	3,109,764,343	1,309,997,571	148,988,825	980,817,163	10,962,996,747	16,538,650,771
Additions due to acquired subsidiaries and business unit	1,641,237,414	1,946,144,699	525,133,832	463,738	10,056,278	14,424,834	4,137,460,795
Disposals – net	(141,715,128)	(30,720,024)	(54,151,140)	(3,867,648)	(16,083,847)	(178,791)	(246,716,578)
Disposals due to deconsolidation of subsidiaries	-	-	-	-	(87,509,567)	-	(87,509,567)
Reclassifications – net	-	3,223,295,679	89,070,368	-	5,128,330	(3,314,831,931)	2,662,446
Impairment loss	-	(164,871,580)	(1,626,076)	-	-	-	(166,497,656)
Depreciation and amortization charges for the year	(22,791,903)	(1,585,734,600)	(1,467,354,349)	(126,832,457)	(713,616,134)	-	(3,916,329,443)
Balance at December 31, 2016, net of accumulated depreciation, amortization and impairment	P 12,399,255,544	P 35,673,082,167	P 9,198,366,326	P 421,506,568	P 4,632,858,292	P 20,668,602,178	P 82,993,671,075

Construction in progress includes accumulated costs incurred on the casino and hotel sites being constructed as part of Travellers' investment commitment in accordance with its Provisional License Agreement with PAGCOR [see Note 30.3(a)]. In 2017, the construction of RunWay Manila, a pedestrian link bridge that connects Ninoy Aquino International Airport Terminal (NAIA) 3 and Newport City, was completed (see Note 30.7). In 2016, the construction of Marriott West Wing, which is a 10-storey annex to the existing Marriott Hotel and with additional 228 rooms, was completed. Accordingly, the respective accumulated costs incurred for these facilities were reclassified from Construction in progress to Buildings and leasehold improvements in 2017 and 2016.

In 2017 and 2015, GADC recognized gain on reversal of impairment losses amounting to P60.5 million and P1.9 million, respectively. In 2016, GADC recognized impairment losses of P166.5 million to write down to recoverable amount certain stores' property and equipment. Impairment losses are presented as Impairment of property, plant and equipment under Other Operating Expenses account in the 2016 consolidated statement of comprehensive income (see Note 25), while the gain on reversal of impairment losses are presented as part of Miscellaneous – Net under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 26). The value in use was computed using GADC's weighted average cost of capital of 12.2%, 15.5% and 16.0% in 2017, 2016 and 2015, respectively.

The Group recognized net gains on disposal of various property, plant and equipment totaling P115.1 million and P1.8 million in 2017 and 2015, respectively, which are presented as part of Gain on disposal of PPE, investment properties and intangible assets – net under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 26). In 2016, the Group recognized net losses on disposal of various property, plant and equipment amounting to P35.8 million, which is presented as part of Loss on disposal of PPE, investment properties and intangible assets – net under Finance Costs and Other Charges account in the 2016 consolidated statement of comprehensive income (see Note 26).

In 2017, the Group wrote-off certain property and equipment with carrying value of P652.6 million (see Note 30.7). This is presented as part of Losses from casualty, net of insurance claims under Finance Costs and Other Charges account in the 2017 consolidated statement of comprehensive income (see Note 26).

The amount of depreciation is presented as part of Depreciation and amortization which is presented under Cost of Goods Sold, Cost of Services and Other Operating Expenses accounts (see Notes 24 and 25). In 2017, 2016 and 2015, depreciation expense amounting to P272.9 million, P218.7 million and P198.6 million, respectively, was capitalized to form part of the work-in-process inventory. Such capitalized amount represents depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held.

Certain land and building are held as collateral by a local bank for a loan obtained by GADC. As at December 31, 2017 and 2016, the carrying values of the land and building amounted to P112.1 million and P24.7 million, respectively [see Note 17(dd)].

As at December 31, 2017 and 2016, total cost of fully depreciated assets that are still being used in operations amounted to P6.4 billion and P3.9 billion, respectively.

14. INVESTMENT PROPERTY

The Group's investment property includes several parcels of land, buildings and improvements which are held for investment purposes only, either to earn rental income or for capital appreciation or both. The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of the reporting periods are shown below. [See Notes 2.10, 3.1(c)(d) and 3.2(e)(h)]

	Land and Land Improvements	Buildings and Improvements	Total
December 31, 2017			
Cost	P 9,946,455,829	P 72,023,251,889	P 81,969,707,718
Accumulated depreciation	-	(8,970,240,657)	(8,970,240,657)
Net carrying amount	**P 9,946,455,829**	**P 63,053,011,232**	**P 72,999,467,061**
December 31, 2016			
Cost	P 10,044,499,117	P 59,686,451,713	P 69,730,950,830
Accumulated depreciation	-	(7,424,181,679)	(7,424,181,679)
Net carrying amount	P 10,044,499,117	P 52,262,270,034	P 62,306,769,151
January 1, 2016			
Cost	P 9,823,058,912	P 44,538,546,995	P 54,361,605,907
Accumulated depreciation	-	(6,190,659,719)	(6,190,659,719)
Net carrying amount	P 9,823,058,912	P 38,347,887,276	P 48,170,946,188

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

	Land and Land Improvements	Buildings and Improvements	Total
Balance at January 1, 2017, net of accumulated depreciation	P 10,044,499,117	P 52,262,270,034	P 62,306,769,151
Transfer to property and equipment	-	(1,619,168,429)	(1,619,168,429)
Transfer from property, plant and equipment	-	85,581,344	85,581,344
Additions	71,202,275	13,870,387,261	13,941,589,536
Disposals	(169,245,563)	-	(169,245,563)
Depreciation charges for the year	-	(1,546,058,978)	(1,546,058,978)
Balance at December 31, 2017, net of accumulated depreciation	**P 9,946,455,829**	**P 63,053,011,232**	**P 72,999,467,061**
Balance at January 1, 2016, net of accumulated depreciation	P 9,823,058,912	P 38,347,887,276	P 48,170,946,188
Transfer to property and equipment	-	(457,721,767)	(457,721,767)
Additions	163,153,826	12,816,037,786	12,979,191,612
Additions due to acquired subsidiaries and business unit	22,276,500	-	22,276,500
Disposals	-	(766,776)	(766,776)
Reclassifications – net	36,009,879	2,796,263,277	2,832,273,156
Depreciation charges for the year	-	(1,239,429,762)	(1,239,429,762)
Balance at December 31, 2016, net of accumulated depreciation	P 10,044,499,117	P 52,262,270,034	P 62,306,769,151

Rental income earned from the investment property amounted to P12.4 billion, P10.5 billion and P9.2 billion for the years ended December 31, 2017, 2016 and 2015, respectively, and shown as Rental income under Rendering of Services account in the consolidated statements of comprehensive income (see Note 23). The direct operating costs, exclusive of depreciation, incurred by the Group relating to the investment property that generates income amounted to P568.0 million, P563.0 million and P468.4 million in 2017, 2016 and 2015, respectively, are presented as part of Cost of Services account in the consolidated statements of comprehensive income (see Note 24). The operating lease commitments of the Group as a lessor are fully disclosed in Note 30.1.

In 2017 and 2016, the Group changed its intention on the use of certain properties from being held for lease to being used for administrative purpose. The Group occupied the properties in those years and the carrying amounts of P1.6 billion and P0.5 billion, respectively, were reclassified from Investment Properties account to Property, Plant and Equipment account.

In 2017, GADC sold parcels of land to a related party with a total carrying amount of P148.7 million for P149.4 million (see Note 29). Gain from sale of land amounted to P0.7 million and is presented as part of Gain on disposal of PPE, investment properties and intangible assets – net under Finance and Other Income account in the 2017 consolidated statement of comprehensive income (see Note 26).

In 2016, certain projects under property development costs were reclassified to investment properties due to change in management's intention. At the date of reclassification, the properties were fully constructed and started earning rental income.

Depreciation charges are presented as part of Depreciation and amortization under Cost of Services account in the consolidated statements of comprehensive income (see Note 24).

As at December 31, 2017 and 2016, none of the Group's investment properties were held as collateral.

The fair market values of these properties amounted to P310.1 billion and P260.8 billion as at December 31, 2017 and 2016, 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 33.4).

There were no idle investment properties in 2017, 2016 and 2015.

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 and in the succeeding page (see Note 2.12 and 2.19).

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Franchise Fee	Total
December 31, 2017						
Cost	P 19,848,347,372	P20,889,925,571	P 1,193,783,886	P 48,075,687	P 55,649,677	P42,035,782,193
Translation adjustment	241,819,514	646,181,370	-	-	-	888,000,884
Accumulated amortization	-	(1,019,486,261)	(234,990,795)	(29,564,926)	(2,081,824)	(1,286,123,806)
Net carrying amount	**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**

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Franchise Fee	Total
December 31, 2016						
Cost	P 19,848,347,372	P17,663,845,521	P 1,194,058,929	P 29,758,358	P -	P38,736,010,180
Accumulated amortization	-	(1,008,286,323)	(176,008,250)	(27,501,378)	-	(1,211,795,951)
Net carrying amount	P 19,848,347,372	P16,655,559,198	P 1,018,050,679	P 2,256,980	P -	P37,524,214,229
January 1, 2016						
Cost	P 18,385,690,018	P11,000,870,823	P 1,155,954,708	P 29,758,358	P -	P30,572,273,907
Accumulated amortization	-	(905,413,655)	(78,562,744)	(26,099,739)	-	(1,010,076,138)
Net carrying amount	P 18,385,690,018	P10,095,457,168	P 1,077,391,964	P 3,658,619	P -	P29,562,197,769

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

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Franchise Fee	Total
Balance at January 1, 2017, net of accumulated amortization	P 19,848,347,372	P16,655,559,198	P 1,018,050,679	P 2,256,980	P -	P37,524,214,229
Additions	-	3,226,080,050	-	18,317,329	55,649,677	3,300,047,056
Translation adjustment	241,819,514	646,181,370	-	-	-	888,000,884
Amortization for the year	-	(11,199,938)	(59,257,588)	(2,063,548)	(2,081,824)	(74,602,898)
Balance at December 31, 2017, net of accumulated amortization	**P 20,090,166,886**	**P 20,516,620,680**	**P 958,793,091**	**P 18,510,761**	**P 53,567,853**	**P41,637,659,271**
Balance at January 1, 2016, net of accumulated amortization	P 18,385,690,018	P10,095,457,168	P 1,077,391,964	P 3,658,619	P -	P29,562,197,769
Additions due to consolidation of subsidiaries and business unit	1,462,657,354	6,662,974,698	-	-	-	8,125,632,052
Amortization for the year	-	(102,872,668)	(59,341,285)	(1,401,639)	-	(163,615,592)
Balance at December 31, 2016, net of accumulated amortization	P 19,848,347,372	P16,655,559,198	P 1,018,050,679	P 2,256,980	P -	P37,524,214,229

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 include brand names "Emperador Brandy", "Generoso Brandy" and "The BaR" which were acquired up to 2008. In 2013, the Group registered another trademark under the new brand name "Emperador Deluxe."

In 2014, from the Group's acquisition of WMG Group, the trademarks "Jura" and "The Dalmore" were also recorded. In 2016, the Group's acquisition of Bodegas Fundador in Jerez resulted in the recognition of four new trademarks, which amounted to P6.7 billion, to the Group's brand portfolio, namely "Fundador Brandy", "Terry Centenario Brandy", "Tres Cepas Brandy", and "Harveys" sherry wine [see Note 1.2(b)]. In 2017, the Group acquired various trademarks amounting to P3.2 billion which included "Domecq" brands of Mexican and Spanish brandies, "Garvey Brandy", "Fino San Patricio", and other well-known sherries and liquors brands [see Note 1.2(a)]. These trademarks have indefinite useful lives; hence, no amortization was recognized for these brands for the periods presented.

The Group monitors goodwill and trademarks with infinite 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):

	2017				2016			
	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 9.05**	**P 220.35**	**1.00%**	**9.87%**	P 9.05	P 203.11	1.00%	9.95%
GADC	**1.25**	**19.12**	**1.00%**	**9.41%**	1.25	17.98	1.00%	9.16%
WMG[2]	**7.70**	**12.24**	**3.00%**	**12.30%**	7.67	12.56	3.00%	12.73%
GES[2]	**1.68**	**4.46**	**1.60%**	**7.51%**	1.46	2.35	1.60%	7.51%
Trademarks with indefinite lives:								
WMG brands[2]	**9.64**	**22.5**	**3.00%**	**12.30%**	9.97	14.63	3.00%	12.73%
Fundador and other brands[1,2]	**7.64**	**17.76**	**1.60%**	**8.14%**	6.66	-	-	-
Domecq brands[1,2]	**2.85**	**-**	**-**	**-**	-	-	-	-
Grupo Garvey brands[1,2]	**0.37**	**-**	**-**	**-**	-	-	-	-

[1] *Management believes that the carrying values of Domecq and Grupo Garvey brands as of December 31, 2017 and Fundador brands as of December 31, 2016 approximate their value-in-use as of that date since these were only acquired in 2017 and 2016, respectively.*

[2] *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.*

The value-in-use of each group of cash generating unit was determined using cash flow projections ranging from 3 to 5 years and extrapolating cash flows beyond the projection period using a steady 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. Based on management's analysis, no impairment is required to be recognized on goodwill and trademarks with indefinite useful lives. Management has also determined that a reasonably possible change in the key assumptions used would not cause the carrying value of the cash generating units to exceed their respective value-in-use.

The amortization of trademarks with finite useful lives amounted to P11.2 million in 2017 and P102.9 million in both 2016 and 2015, and are shown as part of Depreciation and amortization under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25).

The remaining useful lives, as at December 31, of the trademarks with finite useful lives are as follows: [See Note 3.2(h)]

	2017	2016
The BaR	**6 months**	1.5 years
Emperador Deluxe	**5.5 years**	6.5 years
Emperador Brandy	**-**	1 month
Generoso Brandy	**-**	1 month

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 both 2017 and 2016, and P66.7 million in 2015, which is presented as part of Depreciation and amortization under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25).

Based on the Group's assessment, no impairment loss is required to be recognized on the carrying value of the Group's trademarks as the products that carry such brands are fast moving consumer products. Further, no impairment loss is required to be recognized on the carrying value of the other intangible assets (goodwill, leasehold rights, computer software and franchise fee) in 2017, 2016 and 2015.

As at December 31, 2017 and 2016, the Group has no contractual commitments for the acquisition of any additional trademarks, leasehold rights, computer software and franchise fee.

16. TRADE AND OTHER PAYABLES

The breakdown of this account follows: (See Note 2.13)

	Notes	**2017**	2016
Trade payables	29.1	**P 25,289,898,793**	P 21,398,846,869
Accrued expenses	29.3, 30.5(a)	**9,241,712,116**	8,664,793,944
Retention payable		**5,845,317,999**	3,954,252,112
Accrued interest	17, 18	**1,052,531,632**	1,316,215,677
Due to related parties	29.5	**487,878,940**	643,933,434
Output VAT payable		**616,174,653**	553,834,979
Gaming license fees payable	28.3	**331,622,805**	455,765,634
Unredeemed gaming points		**274,628,860**	345,075,419
Withholding tax payable		**301,688,160**	185,843,917
Others		**2,207,253,699**	1,448,541,222
		P 45,648,707,657	P 38,967,103,207

Trade payables significantly comprise of obligations to subcontractors and suppliers of construction materials for the Group's projects and suppliers of raw materials. These also include unredeemed gaming chips determined as the difference between total gaming chips placed in service and the actual inventory of gaming chips under control or in custody, casino deposit certificates from patrons and other gaming-related liabilities.

Accrued expenses include accruals for salaries and other benefits, utilities, local and overseas travel, training and recruitment, due and subscription, advertising, rentals, marketing and other operating expenses of the Group.

Retention payable pertains to amount withheld from payments made to contractors for construction work performed to ensure compliance and completion of contracted projects. Upon completion of the contracted projects, the retained amounts are returned to the contractors.

The unredeemed gaming points liability represents the estimated costs of unredeemed casino gaming points issued, which are redeemable for complimentary goods or services of the Group [see Notes 2.16 and 3.2(l)].

Others include unearned rental, payables to government and other regulatory agencies, and various unreleased checks which are reverted to liability.

17. INTEREST-BEARING LOANS

The composition of the Group's outstanding bank loans is shown below.

	2017	2016
Current:		
Local	P 29,039,149,317	P 18,420,889,667
Foreign	3,661,326,840	2,674,767,650
	32,700,476,157	21,095,657,317
Non-current:		
Local	46,168,893,532	36,075,216,708
Foreign	62,104,193,498	19,425,000,000
	108,273,087,030	55,500,216,708
	P 140,973,563,187	P 76,595,874,025

The summarized terms and conditions of each availed loan as at December 31, 2017 and 2016 as follows:

Outstanding Principal Balance 2017	Outstanding Principal Balance 2016	Explanatory Notes	Interest Rate	Security	Maturity date
Megaworld					
P 7,083,333,333	P 8,750,000,000	(a)	Fixed at 5.6286%	Unsecured	2022
5,000,000,000	5,000,000,000	(b)	Fixed at 6.4274%	Unsecured	2021
4,936,029,267	-	(c)	Floating rate on a 3-month LIBOR plus a certain spread	Unsecured	2022
3,846,153,846	4,615,384,615	(d)	Fixed at 5.25%	Unsecured	2022
3,750,000,000	5,000,000,000	(e)	Fixed at 5.035%	Unsecured	2020
3,076,923,077	3,846,153,846	(f)	Fixed at 5.3812%	Unsecured	2021
2,000,000,000	2,000,000,000	(g)	Fixed at 5.2632%	Unsecured	2021
P 29,692,439,523	P 29,211,538,461				
EELHI					
P 1,583,333,333	P 1,916,666,667	(h)	Floating from 3.2% to 5.4%	Unsecured	2022-2023
400,000,000	-	(i)	Floating rate of 4.5% subject to repricing	Unsecured	2018
18,079,643	41,882,809	(j)	Fixed at range of 7.0% and 9.0%	Secured	Upon collection of assigned receivables
P 2,001,412,976	P 1,958,549,476				
LFI					
P 375,000,000	P 500,000,000	(k)	Fixed at 5.0% subject to repricing	Unsecured	2020
Balance carried forward					
P 32,068,852,499	P 31,670,087,937				

Outstanding Principal Balance 2017	2016	Explanatory Notes	Interest Rate	Security	Maturity date
Balance brought forward					
P 32,068,852,499	P 31,670,087,937				
SPI					
P 1,375,000,000	P 1,500,000,000	(l)	3.15% to 5.15% subject to repricing	Unsecured	2020
934,037,523	1,047,551,066	(m)	Variable prevailing market rate 5.5% to 15.0%	Secured	Upon collection of related assigned receivables
900,000,000	400,000,000	(n)	3.50% subject to repricing	Unsecured	2021-2022
169,230,769	200,000,000	(o)	5.25% subject to repricing	Unsecured	2020
33,750,000	45,000,000	(p)	Fixed at range of 5.50% to 5.75%	Unsecured	2018
P 3,412,018,292	P 3,192,551,066				
GERI					
P 2,000,000,000	P -	(q)	Floating rate plus a spread of 2.5%	Unsecured	2022
1,750,000,000	2,000,000,000	(r)	Fixed based on 5-year PDST-R2 plus 1.3% spread at 3% floor	Unsecured	2021
1,153,846,154	1,500,000,000	(s)	Fixed based on 5-year PDST-R2 fixed based on plus 1.3% spread at 5% floor	Unsecured	2020
P 4,903,846,154	P 3,500,000,000				
RHGI					
P -	P 63,050,705	(t)	Fixed at 0.82%	Unsecured	2017
OFPI					
P 152,083,333	P 427,083,333	(u)	Fixed at 5.035%	Unsecured	2020
EIL					
P 22,055,700,000	P 19,425,000,000	(v)	Margin of 1.55% plus EURIBOR	Unsecured	2021
EDI					
P 750,000,000	P 750,000,000	(w)	Fixed at 5.245%	Unsecured	2021
750,000,000	750,000,000	(w)	Fixed at 5.113%	Unsecured	2021
500,000,000	500,000,000	(w)	Fixed at 5%	Unsecured	2021
P 2,000,000,000	P 2,000,000,000				
WMG					
P 3,580,796,290	P 2,674,767,650	(x)	0.75% over LIBOR	Secured	2019
DBLC					
P 2,980,500,000	P -	(y)	Fixed at 1.6%	Unsecured	2022
GES					
P 2,305,424,600	P -	(z)	Fixed at 1.55%	Unsecured	2027
GADC					
P 380,952,380	P 571,428,572	(aa)	3.85% to 5.15%	Unsecured	2019-2020
592,857,144	750,952,381	(bb)	Fixed at 4.18% and 5.17%	Unsecured	2021
185,714,287	235,238,095	(cc)	Fixed at 4.71%	Unsecured	2021
68,571,428	85,714,286	(dd)	Fixed at 5%	Secured	2021
P 1,228,095,239	P 1,643,333,334				
Balance carried forward					
P 74,687,316,407	P 64,595,874,025				

Outstanding Principal Balance 2017	2016	Explanatory Notes	Interest Rate	Security	Maturity date
Balance carried forward					
P 74,687,316,407	P 64,595,874,025				
Travellers					
P 13,000,000,000	P -	(ee)	Fixed at 4.0%	Unsecured	2018
6,967,063,347	-	(ff)	Floating rate subject to repricing	Unsecured	2024
4,976,083,985	-	(ff)	Floating rate subject to repricing plus 1.15% spread	Unsecured	2024
2,000,000,000	-	(gg)	Fixed at 3.8%	Unsecured	2018
1,500,000,000	-	(hh)	Fixed at 4.0%	Unsecured	2018
3,000,000,000	-	(ii)	Fixed at 3.9% - 4.0%	Unsecured	2018
-	3,500,000,000	(jj)	Fixed at 3.6%	Unsecured	2017
-	2,000,000,000	(jj)	Fixed at 4.0%	Unsecured	2017
-	1,500,000,000	(kk)	Fixed at 3.7%	Unsecured	2017
P 31,443,147,332	P 7,000,000,000				
AGI Parent					
P -	P 5,000,000,000	(ll)	Fixed at 3.0%	Unsecured	2017
AG Cayman					
P 24,894,147,905	P -	(mm)	Fixed at 4.1456%	Unsecured	2022
4,978,836,085	-	(mm)	Fixed at 3.9%	Unsecured	2022
4,970,115,458	-	(mm)	Fixed at 3.8330%	Unsecured	2022
P 34,843,099,448	P -				
P140,973,563,187	P 76,595,874,025				

Explanatory Notes:

(a) Loan obtained by Megaworld from a local bank in two tranches in March and June 2015 to fund various real estate projects and retire currently maturing obligations. Principal repayment on this seven-year loan commenced in June 2016 and interest is paid quarterly.

(b) Loan obtained by Megaworld from a local bank in November 2016 for a five-year term. The principal repayments shall commence in February 2018 and interest is paid quarterly.

(c) Loan obtained by Megaworld from a local bank amounting to U.S. $98.87 million payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2019 and a floating interest is paid quarterly. Megaworld entered into a cross-currency swap transaction to hedge the U.S. dollar exposure of the loans (see Note 20).

(d) Loan obtained by Megaworld from a local bank in November 2015. The principal repayments on this seven-year loan commenced in November 2016 and interest is payable semi-annually.

(e) Loan obtained by Megaworld from a local bank in December 2015 for a five-year term. The principal repayments commenced in March 2017 and interest is paid quarterly.

(f) Loan obtained by Megaworld from a local bank in 2014. The principal repayments on this seven-year loan commenced in August 2015 while interest is paid semi-annually.

(g) Loan obtained by Megaworld in August 2016 from a local bank payable for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in November 2018 and interest is paid quarterly.

(h) Loan obtained by EELHI from a local bank released in three tranches.

(i) Loan obtained by EELHI in 2017 from a local bank used to fund the development of various real estate projects. Principal is payable upon maturity and interest is payable monthly in arrears.

(j) Loans obtained by EELHI through assignment of receivables (see Note 6). Certain residential and condominium units for sale with carrying value of P110.7 million and P188.4 million as of December 31, 2017 and 2016, respectively, were used as collateral for the loans (see Note 8).

(k) Five-year loan obtained by LFI from a local bank in December 2015. Quarterly installments began in March 2017, plus interest.

(l) Five-year loan obtained by SPI from a local bank in 2015, payable in monthly installments after two years from draw down.

(m) Loans obtained by SPI from a local bank in 2015 through assignment of trade receivables (see Note 6).

(n) 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.

(o) Five-year loan obtained by SPI from a local bank. Quarterly repayment of the loan began in 2017.

(p) Outstanding balance of short-term loans availed by SPI from local banks in 2017 and 2016.

(q) Loan availed by GERI in 2017 from a local bank payable quarterly for a term of five years commencing on the beginning of the fifth quarter from the initial drawdown date.

(r) 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.

(s) Five-year loan obtained by GERI from a local bank in 2015. The loan is payable quarterly commencing on the 9th quarter from the date of initial drawdown.

(t) Euro-denominated short-term loan availed by RHGI from a foreign commercial bank. In June 2016, RHGI renewed the loan for another year. The loan was fully settled in 2017.

(u) Five-year loan obtained by OFPI from a local bank in 2015.

(v) Loans denominated in foreign currency obtained by EIL from international financial institutions.

(w) Loans availed by EDI from a local bank for a term of five years payable over 12 quarterly payments.

(x) Loan denominated in foreign currency obtained by WMG from a foreign bank. The loan is secured by way of floating charge against WMG's inventories.

(y) Foreign-currency-denominated loans of DBLC totaling P3.0 billion used in relation to asset acquisition.

(z) In 2017, GES obtained an unsecured five-year foreign-currency-denominated loan from certain financial institution for asset acquisitions.

(aa) Loans drawn by GADC from a P1.0 billion credit facility granted by a local bank. Principal is payable in quarterly installments.

(bb) Loans obtained by GADC from local banks. Quarterly principal payments commenced in September 2016.

(cc) Loan obtained by GADC from a local bank in June 2015 in relation to the P500.0 million loan facility. Principal repayments began in June 2016 and every quarter thereafter.

(dd) Balance from loan granted to GADC in December 2011 by a local bank for the purchase of land and building from the latter, payable monthly starting on the third year of the loan. The acquired land and building served as collateral on the loan (see Note 13).

(ee) Short-term loan obtained by Travellers in 2017 from the credit line of P21.0 billion from a local bank, which is payable within 60 days and bears interest which is payable monthly.

(ff) Seven-year loans obtained by Travellers in 2017 from the credit line agreements with certain local banks for the support of its expansion projects. Principal payments shall be made in lump sum upon maturity and interest is payable quarterly.

(gg) Short-term loan availed by Travellers from a local bank payable upon maturity of 180 days and with interest payable monthly.

(hh) Omnibus line credit facility obtained by Travellers with the term of up to 90 days, payable upon maturity and with interest payable monthly.

(ii) Short-term loans availed by Travellers from a certain local bank with terms of up to 360 days, payable upon maturity and with interest payable monthly.

(jj) Loans obtained by Travellers from a local bank for working capital requirements. Both principal and interest were fully settled in 2017.

(kk) Loan obtained by Travellers from a P10.0 billion loan facility from a local bank. Both principal and interest were fully settled in 2017.

(ll) Loan obtained by AGI from a local bank for general corporate purposes. Principal and interest were fully settled in 2017.

(mm) 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, 2017 and 2016, the Group has complied with related loan covenants, including maintaining certain financial ratios, at the reporting dates.

Total interest expense attributable to these loans, including amortization of capitalized transaction costs, amounted to P2,065.1 million, P778.3 million and P497.4 million for the years ended December 31, 2017, 2016 and 2015, respectively, and are presented as part of Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26). Interest charges capitalized for the years ended December 31, 2017, 2016 and 2015 are included as part of additions to Construction in progress under Property, Plant and Equipment account (see Note 13), Real estate for sale under Inventories account (see Note 8) and Property Development Costs account (see Note 2.7). The amounts of outstanding accrued interest as at December 31, 2017 and 2016 are presented as part of Accrued interest under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

18. BONDS PAYABLE

This account consists of bonds payable of the Company's subsidiaries as follows:

	2017	2016
Current:		
Megaworld	**P 9,976,270,876**	P -
AG Cayman	**-**	24,855,927,368
Travellers	**-**	14,879,062,940
	9,976,270,876	39,734,990,308
Non-current –		
Megaworld	**24,388,714,176**	22,330,589,969
	P 34,364,985,052	P 62,065,580,277

The significant terms of the bonds are discussed below and in the succeeding page.

Face Amount	Outstanding Principal Balance **2017**	Outstanding Principal Balance 2016	Explanatory Notes	Interest Rate	Nature	Maturity
$250.0 million	**P 12.4 billion**	P 12.4 billion	(a)	Fixed at 4.25%	Unsecured	2023
P 12.0 billion	**11.9 billion**	-	(b)	Fixed at 5.3535%	Unsecured	2024
$200.0 million	**10.1 billion**	9.9 billion	(c)	Fixed at 6.75%	Unsecured	2018
$500.0 million	**-**	24.9 billion	(d)	Fixed at 6.50%	Unsecured	2017
$300.0 million	**-**	14.9 billion	(e)	Fixed at 6.90%	Unsecured	2017
	P 34.4 billion	P 62.1 billion				

(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.

(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 bonds shall mature on March 28, 2024.

(c) On April 15, 2011, Megaworld issued seven-year term bonds with accrued interest semi-annually in arrears every April 15 and October 15 each year. The proceeds received from these bonds are being used by Megaworld to finance its capital expenditures for its real estate projects.

(d) On August 18, 2010, AG Cayman issued seven-year bonds with accrued interest semi-annually in arrears on February 18 and August 18 of every year. The bonds were listed in the Singapore Exchange Securities Trading Limited. The net proceeds of the bonds were used to finance capital and project expenditures, refinance certain existing indebtedness of certain subsidiaries, and for general corporate purposes. The bonds were unconditionally and irrevocably guaranteed by AGI which, together with certain subsidiaries, were required to comply with certain covenants. In 2017, the bonds were fully settled at maturity date.

(e) On November 3, 2010, Travellers issued seven-year bonds with accrued interest semi-annually in arrears every May 3 and November 3 of each year. The bonds were listed in the Singapore Exchange Securities Trading Limited. The net proceeds of the bonds were used to finance capital and project expenditures, to refinance certain existing indebtedness, and for general corporate purposes of Travellers. On November 3, 2017, the bonds were fully settled.

Interest expense on the bonds payable, including amortization of capitalized transaction costs, amounted to P2.8 billion in 2017, P3.4 billion in 2016 and P2.8 billion in 2015. These amounts are presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26). Interest charges capitalized for the years ended December 31, 2017, 2016 and 2015 are included as part of additions to Construction in progress under Property, Plant and Equipment account (see Note 13), Investment Property account (see Note 14), Real estate for sale under Inventories account (see Note 8) and Property Development Costs account (see Note 2.7). The amounts of outstanding accrued interest as at December 31, 2017 and 2016 are presented as part of Accrued interest under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

19. REDEEMABLE PREFERRED SHARES

The Group's redeemable preferred shares pertain to preferred shares issued by GADC and TLC as presented below and in the succeeding page. The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance and are classified in the consolidated statements of financial position as follows:

	Notes	2017	2016
Current –			
TLC	19.2	**P 251,597,580**	P -
Non-current:			
GADC	19.1	**850,632,483**	755,707,392
TLC	19.2	**1,006,390,320**	1,257,987,900
		1,857,022,803	2,013,695,292
		P 2,108,620,383	P 2,013,695,292

19.1 GADC's Redeemable Preferred Shares

The shares were issued in March 2005 to McDonald's Restaurant Operations (MRO), a company incorporated in the U.S.A. and is a subsidiary of McDonald's Corporation. The features of these preferred shares with par value per share of P61,066 each are presented below (in exact amounts).

Class	Voting	No. of Shares Authorized and Issued	Total Par Value (Undiscounted)	Additional Payment in the Event of GADC's Liquidation
A	No	778	P 47,509,348	U.S.$1,086 per share or the total peso equivalent of U.S.$845,061
B	Yes	25,000	1,526,650,000	U.S.$1,086 per share or the total peso equivalent of U.S.$27,154,927

Additional features of the preferred shares are as follows:

(a) Redeemable at the option of the holder after the beginning of the 19th year from the date of issuance (March 2005) for a total redemption price equivalent to the peso value on the date that the shares were issued;

(b) Has preference as to dividends declared by the BOD, but in no event shall the dividends exceed P1 per share; and,

(c) Further, the holder of preferred shares is entitled to be paid a certain amount of peso equivalent for each class of preferred shares, together with any unpaid dividends, in the event of liquidation, dissolution, receivership, bankruptcy or winding up of GADC.

The redeemable preferred shares are recognized at fair values on the date of issuance which were determined as the sum of all future cash payments, discounted using the prevailing market rates of interest as of the transaction date for similar instruments with similar term of 18 years.

The accretion of GADC's redeemable preferred shares in 2017, 2016 and 2015 amounted to P94.9 million, P84.3 million and P74.9 million, respectively, and is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26). As at December 31, 2017 and 2016, the carrying value of the GADC redeemable preferred shares amounted to P850.6 million and P755.7 million, respectively, shown as part of Redeemable Preferred Shares account in the consolidated statements of financial position. As at December 31, 2017 and 2016, the fair value of these shares amounted to P1,109.9 million and P1,036.9 million, respectively, as determined by discounting the sum of all future cash flows using prevailing market rates of interest for instrument with similar maturities at a discount rate of 6.82% and 6.83%, respectively.

19.2 TLC's Redeemable Preferred Shares

These were issued by TLC in September 2012 consisting of 1,258.0 million shares which are nonvoting, earns dividend at a fixed annual rate of 2.50% and subject to the existence of TLC's unrestricted retained earnings. These were issued in exchange for certain parcels of land with total fair value of P1,338.2 million. The issuance through the exchange of land was approved by the SEC on April 17, 2013.

The preferred shares have a maturity of 10 years and shall be redeemed every anniversary date beginning on the sixth anniversary date until expiration of the 10-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

The accrued dividends on these preferred shares amounting to P2.4 million and P118.1 million as at December 31, 2017 and 2016, respectively, are presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 20). The related interest expense recognized for the years ended December 31, 2017, 2016 and 2015 amounting to P28.9 million each year is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26). As at December 31, 2017 and 2016, the fair values of the redeemable preferred shares on the date of issuance approximate their par values.

20. OTHER LIABILITIES

The composition of this account is shown below.

	Notes	2017	2016
Current:			
Customers' deposits	2.16(b)	**P 7,864,554,137**	P 6,145,027,638
Reserve for property development	2.7	**6,381,894,196**	7,460,325,834
Deferred income on real estate sales	2.16(b)	**4,512,313,292**	5,561,346,611
Unearned revenues		**1,930,574,361**	1,672,152,962
Deferred rental income	2.16(j)	**584,617,272**	197,890,667
Derivative liability	2.13	**132,764,451**	356,819,015
Others		**771,559,859**	757,818,293
		22,178,277,568	22,151,381,020
Non-current:			
Reserve for property development	2.7	**10,101,060,168**	8,846,206,033
Deferred income on real estate sales	2.16(b)	**5,548,431,901**	5,119,282,510
Equity-linked debt securities	3.2(m)	**5,227,114,518**	5,262,906,379
Deferred rental income	2.16(j)	**4,766,032,890**	4,334,195,802
Customers' deposit	2.16(b)	**475,548,222**	1,092,454,082
Guaranty deposits		**311,203,121**	294,114,566
Provision for dilapidations	3.2(n)	**295,593,594**	134,475,781
Provision for onerous lease	3.2(o)	**147,651,851**	346,041,898
Accrued rent		**117,832,141**	129,346,664
Asset retirement obligation	2.9	**70,485,017**	61,269,090
Accrued interest		**-**	562,730,466
Others	19.2	**295,763,259**	293,887,597
		27,356,716,682	26,476,910,868
		P 49,534,994,250	P 48,628,291,888

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 recognized in 2017 includes the P109.9 million loss in fair value of a hedging instrument designated as a cash flow hedge entered into by Megaworld with a local bank (see Note 2.5). Under this cross currency swap agreement, Megaworld will receive a total of $98.87 million to be paid on a quarterly basis beginning March 2019 up to December 2022 plus interest based on 3-month LIBOR plus a certain spread. In exchange, Megaworld shall make fixed quarterly payments in Philippine pesos plus a fixed interest of 4.91%. The Group 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 17). The Group recognized a total of P45.9 million fair value changes on cash flow hedge in 2017 presented as part of other comprehensive income in the 2017 consolidated statement of comprehensive income. There was no amount of fair value changes recognized in profit or loss in 2017.

As of December 31, 2017, the Group has assessed that the cross currency swap designated as a cash flow hedge will continue to be highly effective over the term of the agreement as the significant terms of the hedging instrument and the hedged loan (e.g. principal amounts, repricing dates and payment dates) are similar and with offsetting effect; hence, the Group expects to continuously use hedge accounting on the hedging relationship of its cross currency swap and on its interest-bearing loan. There was no similar transaction in 2016.

On the other hand, the derivative liability recognized in 2016 consists of the fair market value of the interest rate swap entered into by Travellers with a certain foreign bank at a notional amount of U.S.$250.0 million. Changes in the fair value of the interest swap agreement are presented under Unrealized loss on interest rate swap under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26).

Equity-linked debt securities (ELS) instrument arises from the subscription agreement between EMP and Arran Investment Private Limited for the issuance of additional common shares of EMP. The ELS may be converted into a fixed number of common shares (conversion shares) of EMP. The ELS bears a fixed annual interest rate (5.0% initially; 0% as amended) 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 for the mandatory conversion at any time during the period beginning on Redemption Date and ending on the Extended Redemption Date to greater than P7.25 per share.

The ELS was reported wholly as a non-current liability at amortized cost in the 2016 consolidated statement of financial position. Consequent to the amendments in 2017 as mentioned in the preceding paragraph, the ELS instrument was reassessed which resulted in the financial liability component being revalued at P5.1 billion and the equity component being recognized and valued at P136.2 million [see Note 3.2(m)]. The carrying amounts of the components are presented separately in the 2017 consolidated statement of financial position while the amortization of the revalued financial liability component amounting to P83.3 million in 2017 is presented as part of Interest expense under Finance Cost and Other Charges account in the 2017 consolidated statement of comprehensive income (see Note 26).

Interest expense amounted to P376.1 million, P364.0 million and P341.2 million in 2017, 2016 and 2015, respectively, and is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26).

Provision for onerous lease pertains to WML's existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or subleased at a discount. The provision takes into account the current market conditions, expected future vacant periods, and expected future sublet benefits.

Provision for dilapidations is recognized for the present value of the costs to be incurred by WML for the restoration of the leased properties to a specified condition at the end of the lease term in 2029 as provided in the tenant repairing clauses of lease agreements.

Others, which are currently due, include liabilities on stocks purchases and due to condo-unit holders arising from condo hotel operations while Others, which are not currently due, include accrued dividends on redeemable preferred shares (see Note 19.2) and security and miscellaneous deposits.

21. EQUITY

21.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2017	2016	2015	**2017**	2016	2015
Common shares – P1 par value						
Authorized	**12,950,000,000**	12,950,000,000	12,950,000,000	**P12,950,000,000**	P 12,950,000,000	P12,950,000,000
Issued:	**10,269,827,979**	10,269,827,979	10,269,827,979	**P10,269,827,979**	P 10,269,827,979	P10,269,827,979
Treasury stock – at cost	**(162,774,700)**	(122,964,200)	(122,964,200)	**(1,566,146,040)**	(936,157,074)	(936,157,074)
Total outstanding	**10,107,053,279**	10,146,863,779	10,146,863,779	**P 8,703,681,939**	P 9,333,670,905	P 9,333,670,905

On March 12, 1999, the SEC approved the initial public offering of the Company's 336.1 million shares (248.1 million then outstanding and 88.0 million new issues) at P1.27 per share. The shares were initially listed in the PSE on April 19, 1999.

A 10% stock dividend was approved by the SEC and listed in September 1999. Three private placements ensued up to January 2011, of which 1.5 billion shares were listed in 2006. Then, a 10% rights offering of 200.47 million shares and 1:1 stock rights of 2.2 billion shares were approved and listed in 2005 and 2007, respectively. In 2007, there were also a share-swap transaction and a follow-on international offering wherein 4.1 billion and 1.8 billion shares, respectively, were issued and listed.

As at December 31, 2017 and 2016, the quoted closing price per share was P16.00 and P12.78, respectively. There are 864 holders, which include nominees, of the Company's total issued and outstanding shares as at December 31, 2017. The percentage of the Company's shares of stocks owned by the public is 31.49% and 42.02% as at December 31, 2017 and 2016, respectively.

21.2 Additional Paid-in Capital

APIC consists mainly of P21.9 billion from the stock rights offering, share swap transaction and international offering in 2007. In 2014, the Group reissued treasury shares, resulting to an increase in APIC by P783.5 million. There was no similar transaction in 2017, 2016 and 2015.

21.3 Treasury Shares

On September 19, 2017, the BOD approved a two-year repurchase program of up to P5.0 billion worth of common shares in the open market, to enhance shareholder value. As at December 31, 2017, the Company has repurchased 39,810,500 shares for P629.99 million under this program.

Under the 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.

There are 122.96 million shares held by subsidiaries at a total cost of P936.16 million that were reported as part of treasury shares in the consolidated statements of changes in equity (see Note 2.15).

21.4 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.

21.5 Dividends

On August 19, 2016 and August 12, 2015, the BOD approved the declaration of cash dividends of P0.31 per share for both periods. Total dividends amounting to P3,183.65 million in 2016 and 2015 were payable to stockholders of record as at September 5, 2016 and September 1, 2015, respectively. The said dividends were fully paid on September 19, 2016 and September 14, 2015, respectively. The amounts presented in the consolidated statements of changes in equity are net of dividends paid to subsidiaries. The Parent Company did not declare any dividends in 2017. (See Note 21.3)

21.6 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.

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, 2017 and 2016, all of the said options vested but none have been exercised.

On March 14, 2013, the Company granted additional 59.1 million share options to certain key executives at an exercise price of P12.9997. As at December 31, 2017 and 2016, all of the said additional 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:

		March 2013 Grant		December 2011 Grant
Option life		7 years		7 years
Share price at grant date	P	21.65	P	10.28
Exercise price at grant date	P	12.9997	P	9.175
Average fair value at grant date	P	9.18	P	2.70
Average standard deviation of share price returns		35.29%		37.75%
Average dividend yield		2.10%		1.70%
Average risk-free investment rate		2.92%		2.87%

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time within the life of the option.

(b) *Of Megaworld*

On April 26, 2012, Megaworld's BOD approved an ESOP for its key executive officers, and on June 15, 2012, the stockholders adopted it.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from Megaworld. The exercise price shall be at a 15% discount from the volume weighted average closing price of Megaworld's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, Megaworld granted share options to certain key executives to subscribe to 235.0 million of its common shares, at an exercise price of P1.77 per share.

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. Additional 40.0 million share options were granted in 2014 at an average exercise price of P3.00 per share.

There were no additional share options granted in 2017, 2016 and 2015.

In 2017 and 2016, 25.0 million and 5.0 million options, respectively, were forfeited due to resignation of key executive officers. A total of 20.0 million options have vested in 2017 (nil in 2016 and 2015).

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Option life	6.08 to 30.17 years
Share price at grant date	P 2.54 to P 4.52
Exercise price at grant date	P 1.7731 to P 3.2299
Fair value at grant date	P 0.98 to P 2.15
Average standard deviation of share price return	10.98 %
Average dividend yield	0.76 %
Average risk-free investment rate	3.64 %

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, the 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. GERI shall receive cash for the share options.

As of December 31, 2017, 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. A total of 350.0 million and 283.3 million options have vested as at December 31, 2017 and 2016, respectively, 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	P	8.90
Average exercise price at grant date	P	7.00
Average fair value at grant date	P	4.09
Average standard deviation of share price returns		10.24%
Average dividend yield		1.08%
Average risk-free investment rate		4.89%

The underlying expected volatility was determined by reference to historical prices of EMP's shares over a period of one year.

(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, or 6% of the outstanding capital stock of Travellers listed with the PSE, 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 is being administered by the Remuneration and Compensation Committee of Travellers' BOD. As of December 31, 2017, Travellers has not granted any option to its eligible optionees.

The Group recognized a total of P49.5 million, P136.3 million and P300.4 million Share-option benefit expense in 2017, 2016 and 2015, 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 through Stock Options account for the portion incurred by the Parent Company and through Non-controlling Interest account for the portion incurred by the subsidiaries (see Notes 25 and 27.3).

21.7 Appropriated Retained Earnings

In 2017, GADC's BOD approved the appropriation of P4.6 billion 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 new stores are projected to be completed within a period of three to four months and spread throughout 2018. In 2016, GADC's BOD appropriated P4.1 billion for the continuing business expansion which was fully utilized in 2017 and the appropriation reversed in 2017.

In 2015, AWGI's BOD approved the appropriation of P550.0 million for the rehabilitation of the glass manufacturing plant, which was approved to be extended until 2017 in 2016. In 2017, the said appropriation was reversed. Also, in 2017, AWGI appropriated portion of its retained earnings amounting to P600.0 million for capital expenditures for the plant.

21.8 Subsidiaries with Material Non-controlling Interest

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

Name	Proportion of Ownership Interest and Voting Rights Held by NCI 2017	2016	Subsidiary's Consolidated Profit Allocated to NCI 2017	2016	Accumulated Equity of NCI December 31, 2017	December 31, 2016
Megaworld	**33%**	33%	**P 4,689,931**	P 4,015,151	**P 68,348,442**	P 60,341,343
Travellers	**53%**	53%	**128,328**	1,890,365	**23,726,549**	23,938,698
GADC	**51%**	51%	**853,656**	635,693	**1,366,080**	960,926
Emperador	**18%**	18%	**1,166,158**	1,464,529	**11,536,626**	10,340,267

Dividends paid to NCI amounted to P1.7 billion in both 2017 and 2016, and P1.9 billion in 2015.

The summarized financial information of the subsidiaries, before intragroup elimination, is shown below and in the succeeding page (in thousands).

	December 31, 2017 Megaworld	Travellers	GADC	Emperador
Non-current assets	P 155,046,173	P 66,805,146	P 8,080,899	P 60,287,680
Current assets	155,486,632	19,615,306	9,575,141	51,248,102
Total assets	**P 310,532,805**	**P 86,420,452**	**P 17,656,040**	**P 111,535,782**
Non-current liabilities	P 92,210,197	P 12,477,076	P 2,642,356	P 36,344,852
Current liabilities	57,018,406	29,739,717	7,622,781	16,837,376
Total liabilities	**P 149,228,603**	**P 42,216,793**	**P 10,265,137**	**P 53,182,228**
Revenues	**P 50,408,310**	**P 19,258,927**	**P 25,539,935**	**P 42,655,528**
Profit for the year attributable to:				
Owners of Parent	P 12,772,158	P 251,151	P 1,627,810	P 6,321,784
NCI	507,049	(9,453)	23,473	10,536
Profit for the year	13,279,207	241,698	1,651,283	6,332,320
Other comprehensive income (loss) attributable to:				
Owners of Parent	2,235,176	(2,867)	100,908	1,510,520
NCI	77,112	-	-	(226,636)
Other comprehensive income (loss) for the year	2,312,288	(2,867)	100,908	1,283,884
Total comprehensive income for the year	**P 15,591,495**	**P 238,831**	**P 1,752,191**	**P 7,616,204**
Net cash from (used in)				
Operating activities	P 5,844,744	P 1,452,851	P 3,016,404	P 2,463,076
Investing activities	(15,050,907)	(11,235,538)	(300,849)	(8,214,883)
Financing activities	8,264,036	6,891,105	(995,240)	5,740,313
Net cash inflow (outflow)	**(P 942,127)**	**(P 2,891,582)**	**P 1,720,315**	**(P 11,494)**

	December 31, 2016			
	Megaworld	Travellers	GADC	Emperador
Non-current assets	P 138,052,700	P 56,933,340	P 9,400,729	P 52,012,431
Current assets	140,689,818	19,375,450	6,966,339	42,289,970
Total assets	P 278,742,518	P 76,308,790	P 16,367,068	P 94,302,401
Non-current liabilities	P 94,234,642	P 334,438	P 2,944,336	P 30,164,796
Current liabilities	40,889,535	31,349,290	7,275,925	11,913,117
Total liabilities	P 135,124,177	P 31,683,728	P 10,220,261	P 42,077,913
Revenues	P 46,817,544	P 25,094,629	P 22,629,169	P 41,018,101
Profit for the year attributable to:				
Owners of Parent	P 11,331,824	P 3,402,125	P 1,220,012	P 7,693,367
NCI	377,537	(3,598)	13,487	-
Profit for the year	11,709,361	3,398,527	1,233,499	7,693,367
Other comprehensive loss attributable to:				
Owners of Parent	(968,850)	(6,073)	(31,718)	(2,857,728)
NCI	(67,978)	-	-	-
Other comprehensive loss for the year	(1,036,828)	(6,073)	(31,718)	(2,857,728)
Total comprehensive income for the year	P 10,672,533	P 3,392,454	P 1,201,781	P 4,835,639
Net cash from (used in)				
Operating activities	P 3,918,234	P 7,722,489	P 3,735,337	(P 792,136)
Investing activities	(12,997,729)	(11,224,221)	(1,700,277)	(15,190,437)
Financing activities	2,710,193	(4,252,075)	(829,241)	(3,021,061)
Net cash inflow (outflow)	(P 6,369,302)	(P 7,753,807)	P 1,205,819	(P 19,003,634)

22. EARNINGS PER SHARE

Earnings per share is computed as follows:

	2017	2016	2015
Basic:			
Net profit attributable to owners of the parent company	**P 14,931,132,276**	P 14,801,009,539	P 13,964,765,317
Divided by the weighted average number of outstanding common shares	**10,107,053,279**	10,146,863,779	10,146,863,779
	P 1.4773	P 1.4587	P 1.3763
Diluted:			
Net profit attributable to owners of the parent company	**P 14,931,132,276**	P 14,801,009,539	P 13,964,765,317
Divided by the weighted average number of outstanding common shares and potentially dilutive shares	**10,129,383,609**	10,252,463,779	10,181,954,022
	P 1.4740	P 1.4437	P 1.3715

The actual number of outstanding common shares approximates the weighted average for each year. There are 105.6 million potentially dilutive shares as at December 31, 2017 and 2016, and 35.1 million potentially dilutive shares as at December 31, 2015 from the Company's ESOP (see Note 21.6). 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 2017, 2016 and 2015 diluted EPS.

23. REVENUES

The breakdown of revenues from sale of goods and rendering of services is presented below.

	Notes	2017	2016	2015
Sale of Goods:				
Revenues from RE sales:				
RE sales	2.16(b, d)	**P 28,901,544,217**	P 27,450,993,911	P 27,262,297,450
Realized gross profit on RE sales	2.16(b)	**3,974,509,451**	3,978,988,971	3,786,994,581
Interest income on RE sales	2.16(c), 6	**1,746,941,624**	1,700,850,559	1,677,596,838
		34,622,995,292	33,130,833,441	32,726,888,869
Sales of consumer goods	2.16(a)	**43,236,971,687**	41,608,345,308	44,465,049,936
		P 77,859,966,979	P 74,739,178,749	P 77,191,938,805
Rendering of Services:				
Sales by company-operated quick-service restaurants	2.16(h)	**P 23,069,644,779**	P 20,540,105,188	P 18,475,579,809
Gaming	2.16(f)	**17,115,322,152**	23,648,754,406	24,216,681,861
Rental income	2.16(j), 14	**12,346,007,891**	10,485,484,341	9,184,772,674
Hotel operations	2.16(g)	**4,186,654,787**	3,789,710,840	3,264,933,286
Franchise revenues	2.16(i)	**2,470,290,662**	2,089,063,803	1,864,243,896
Others		**1,532,695,852**	1,619,313,567	1,475,299,647
		P 60,720,616,123	P 62,172,432,145	P 58,481,511,173

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.

Others include income from commissions, construction, cinema operations, property management operations, parking, laundry, arcade, bingo and production shows.

24. COST OF GOODS SOLD AND SERVICES

The components of cost of goods sold and services are as follows:

	Notes	2017	2016	2015
Cost of Goods Sold:	2.16			
Cost of consumer goods sold:				
Direct materials used		**P 24,855,133,191**	P 21,158,868,946	P 27,351,007,298
Change in work in process and finished goods		**(690,800,019)**	1,957,971,123	574,114,567
Salaries and employee benefits	27.1	**1,629,500,129**	1,032,839,073	758,345,142
Depreciation and amortization	13	**707,755,935**	646,844,347	520,867,517
Outside services		**266,253,636**	224,995,771	243,896,811
Utilities		**265,495,168**	205,292,917	199,722,841
Repairs and maintenance		**227,177,596**	199,587,113	118,267,079
Indirect materials and other consumables		**191,137,843**	265,936,525	285,586,448
Taxes and licenses		**130,643,743**	82,846,890	45,430,774
Supplies		**103,698,826**	80,688,274	90,219,850
Other direct and overhead costs		**637,903,590**	451,155,189	305,065,644
		28,323,899,638	26,307,026,168	30,492,523,971
Cost of RE sales:	2.16			
Actual costs		**11,132,288,495**	10,822,973,859	9,520,350,982
Estimated costs to complete	2.7	**5,172,554,836**	4,691,677,819	5,914,591,370
		16,304,843,331	15,514,651,678	15,434,942,352
Deferred gross profit on RE sales	2.7	**3,354,104,833**	4,197,865,236	4,515,385,332
		P 47,982,847,802	P 46,019,543,082	P 50,442,851,655
Cost of Services:	2.16			
Food, supplies and other consumables		**P 10,610,845,688**	P 9,682,901,580	P 9,232,150,550
Salaries and employee benefits	27.1	**5,887,768,691**	5,500,010,460	5,284,971,588
Gaming license fees	28.3	**3,862,964,722**	5,212,622,104	5,308,814,127
Rental		**3,790,678,826**	3,441,030,356	3,216,207,324
Promotional allowance	2.16	**1,874,089,153**	2,396,289,323	3,117,567,390
Depreciation and amortization	13, 14	**1,453,838,831**	1,407,397,031	1,365,736,393
Hotel operations		**755,756,983**	658,379,578	446,246,404
Casino operating expense		**603,009,206**	573,649,310	268,339,360
Outside services		**584,135,049**	523,816,634	409,244,645
Flight operations		**108,444,291**	338,691,065	373,707,628
Entertainment, amusement and recreation		**36,206,352**	30,287,816	63,601,073
Other direct and overhead costs		**1,500,871,563**	1,105,256,638	1,076,912,571
		P 31,068,609,355	P 30,870,331,895	P 30,163,499,053

Total cost of RE sales pertains to actual and estimated construction costs. A further analysis of these costs follows:

	Note	2017	2016	2015
Contracted services		**P 14,111,686,268**	P 13,467,972,535	P 12,851,666,636
Land cost		**1,618,580,198**	1,764,172,819	2,058,899,931
Borrowing costs	2.17	**408,343,707**	230,608,589	331,643,102
Other development costs		**166,233,158**	51,897,735	192,732,683
		P 16,304,843,331	P 15,514,651,678	P 15,434,942,352

Deferred gross profit on real estate sales pertains to the unrealized portion of gross profit on a year's real estate sales.

Other direct and overhead costs include, among others, costs incurred for insurance, waste disposal, and meals.

25. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2017	2016	2015
Advertising and promotions	29.2	**P 6,920,010,425**	P 7,744,771,626	P 7,215,923,519
Salaries and employee benefits	21.6, 27.1	**5,768,717,146**	5,184,938,181	4,722,463,895
Depreciation and amortization	13, 15	**3,677,958,014**	3,046,470,352	2,599,551,395
Commissions		**1,427,926,220**	1,266,390,961	1,182,614,368
Taxes and licenses		**1,182,031,021**	852,537,538	842,717,343
Utilities		**1,152,073,093**	1,137,852,660	1,150,875,287
Royalty	29.5, 30.6	**1,132,577,168**	1,059,923,224	923,028,088
Rental		**930,150,631**	1,009,152,130	1,077,411,329
Professional fees and outside services		**870,465,583**	1,388,911,334	1,093,324,654
Transportation and travel		**798,415,372**	665,878,858	626,245,120
Repairs and maintenance		**460,063,891**	376,106,316	405,619,385
Freight and handling		**417,206,996**	437,708,284	888,372,559
Management fees	29.3, 30.5(a)	**304,779,371**	442,592,805	471,697,945
Representation and entertainment		**231,226,865**	171,311,998	152,860,046
Impairment of receivables	6	**145,518,483**	40,591,819	35,555,627
Write-down of inventories	8	**73,266,813**	38,718,861	15,631,536
Communication and office expenses		**52,071,893**	48,782,212	42,312,207
Insurance		**13,472,816**	7,044,281	7,339,131
Impairment of property, plant, and equipment	13	**-**	166,497,656	-
Miscellaneous		**2,507,460,986**	2,132,479,453	2,258,513,285
		P 28,065,392,787	P 27,218,660,549	P 25,712,056,719

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:

	2017	2016	2015
General and administrative expenses	**P 18,217,525,783**	P 16,735,925,815	P 15,492,506,948
Selling and marketing expenses	**9,847,867,004**	10,482,734,734	10,219,549,771
	P 28,065,392,787	P 27,218,660,549	P 25,712,056,719

26. OTHER INCOME AND CHARGES

Other income and charges provide details of Finance and Other Income account and Finance Costs and Other Charges account as presented in the consolidated statements of comprehensive income.

	Notes	2017	2016	2015
Finance and other income:				
Interest income	2.16(k), 5, 7	**P 2,093,123,324**	P 1,818,829,674	P 2,477,581,190
Gain on disposal of PPE and investment properties – net	13, 14	**115,773,777**	-	1,779,421
Gain on sale of investments in an associate	12.3	**113,069,227**	82,459,513	181,347,731
Gain on sale of investment in AFS financial assets – net	11	**22,230,010**	11,942,807	-
Dividend income	2.16(l)	**12,423,602**	6,312,863	15,376,038
Gain on sale of financial assets at FVTPL		**4,799,290**	-	-
Reversal of preacquisition loss		**2,715,950**	-	291,847
Fair value gains – net	7	**-**	159,134,466	257,633,748
Gain on acquisitions and deconsolidation of subsidiaries		**-**	53,333,760	3,758,167
Gain on reversal of liabilities		**-**	-	6,000,000
Miscellaneous – net	6, 8, 13	**404,569,589**	341,653,480	212,019,558
		P 2,768,704,769	P 2,473,666,563	P 3,155,787,700

	Notes	2017	2016	2015
Finance costs and other charges:				
Interest expense	2.16, 17, 18 19, 20, 28	**P 5,554,066,867**	P 4,856,184,716	P 4,030,183,353
Losses from casualty, net of insurance claims	13, 30.7	**430,354,462**	-	-
Foreign currency losses – net		**238,147,779**	1,789,065,678	1,551,620,605
Unrealized loss on interest rate swap	20	**27,235,637**	31,769,386	30,186,511
Fair value losses – net	7	**9,126,926**	-	-
Loss on disposal of PPE – net	13	**-**	35,820,601	-
Loss on sale of investment in AFS financial assets – net	11	**-**	-	34,615,950
Reversal of preacquisition income		**-**	3,314,788	-
Miscellaneous		**123,862,620**	216,509,404	205,890,592
		P 6,382,794,291	P 6,932,664,573	P 5,852,497,011

The recognized gain on sale of investment in an associate represents the difference between the proceeds from sale over the carrying amount of the Group's investment in BNHGI, partially sold in 2017, 2016 and 2015 (see Note 12.3).

Miscellaneous income includes gain on sale of non-current assets, marketing fees, reversal of impairment losses on receivables and others.

Miscellaneous expenses pertain to amortization of discounts on security deposits, bank charges and other related fees.

27. SALARIES AND EMPLOYEE BENEFITS

27.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2017	2016	2015
Short-term employee benefits		**P 12,585,532,010**	P 11,167,948,376	P 9,990,150,534
Post-employment defined benefit	2.21(a), 21.6, 27.2	**650,996,947**	413,557,705	475,185,920
Share option benefit expense	2.21(d) 27.3, 29.7	**49,457,009**	136,281,633	300,444,171
		P 13,285,985,966	P 11,717,787,714	P 10,765,780,625

These are classified in the consolidated statements of comprehensive income as follows:

	Notes	2017	2016	2015
Cost of goods sold	24	**P 1,629,500,129**	P 1,032,839,073	P 758,345,142
Cost of services	24	**5,887,768,691**	5,500,010,460	5,284,971,588
Other operating expenses	25	**5,768,717,146**	5,184,938,181	4,722,463,895
		P 13,285,985,966	P 11,717,787,714	P 10,765,780,625

27.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

Megaworld group, EDI, ELI, GADC and WML maintain funded, tax-qualified, noncontributory post-employment benefit plans, except that ELI 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. In 2017, Travellers established a partially-funded, noncontributory, multi-employer post-employment benefit plan which is being administered by a trustee bank that is legally separated from the Group. 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 Republic Act (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 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 2017 and 2016.

The amounts of retirement benefit obligation as of the end of the reporting periods, presented as non-current liability in the consolidated statements of financial position, are determined as follows:

	2017	2016
Present value of the obligation	**P15,565,665,635**	P 14,156,797,542
Fair value of plan assets	**(13,622,212,348)**	(11,552,491,075)
	P 1,943,453,287	P 2,604,306,467

The movements in the present value of retirement benefit obligation are as follows:

	2017	2016
Balance at beginning of year	**P 14,156,797,542**	P 12,896,319,852
Effects of foreign currency adjustment	**1,181,203,320**	(443,156,000)
Current service and interest costs	**818,183,504**	718,528,665
Past service cost	**141,787,489**	-
Remeasurement losses (gains)	**(139,045,469)**	2,421,552,675
Availment of sabbatical leave	**(3,989,427)**	(1,882,829)
Additions due to consolidation of new subsidiary	**-**	7,964,658
Benefits paid	**(589,271,324)**	(1,442,529,479)
Balance at end of year	**P 15,565,665,635**	P 14,156,797,542

The movements in the fair value of plan assets of funded retirement plans of the Group are presented below.

	2017	2016
Balance at beginning of year	**P 11,552,491,075**	P 11,038,183,769
Effects of foreign exchange adjustment	**1,101,654,000**	(1,298,771,500)
Actuarial gain	**809,565,124**	1,502,635,070
Contributions paid into the plan	**387,692,843**	334,241,600
Actual return on plan assets	**358,102,307**	398,530,707
Benefits paid	**(587,293,001)**	(422,328,571)
Balance at end of year	**P 13,622,212,348**	P 11,552,491,075

The plan assets of MEG, EMP, GADC and Travellers as at December 31 consist of the following:

	2017	2016
Investments in:		
Other securities and debt instruments	**68.15%**	68.27%
Long-term equity investments	**24.41%**	25.13%
Unit investment trust fund	**1.50%**	1.46%
Cash and cash equivalents	**1.60%**	0.87%
Property	**4.26%**	4.25%
Loans and receivables	**0.08%**	0.02%
	100.00%	100.00%

Actual returns in 2017 and 2016 amounted to P358.1 million and P398.5 million, respectively.

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for loans and receivables and property which are at Level 3 (see Note 33).

The amounts of post-employment benefits expense recognized as part of Salaries and employee benefits in profit or loss (see Note 27.1) and other comprehensive income are as follows:

	2017	2016	2015
Reported in consolidated profit or loss –			
Current service cost	**P 509,209,458**	P 413,557,705	P 475,185,920
Past service cost	**141,787,489**	-	-
	P 650,996,947	P 413,557,705	P 475,185,920
Reported in consolidated other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**(P 176,408,792)**	(P2,536,455,322)	P 852,331,941
Demographic assumptions	**467,425,221**	186,326,140	9,325,795
Experience adjustments	**(150,077,980)**	1,539,642,898	29,485,586
Return on plan assets (excluding amounts in net interest expense)	**809,565,124**	2,789,394	(3,824,909)
	950,503,573	(807,696,890)	887,318,413
Tax income (expense)	**(189,305,616)**	130,194,376	(206,483,118)
	P 761,197,957	(P 677,502,514)	P 680,835,295

In 2017, 2016 and 2015, post-employment benefits expense amounting to P158.3 million, P154.3 million and P179.0 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 25).

In determining the post-employment benefit obligation, the following actuarial assumptions were used:

	2017	2016
Discount rates	**2.64% - 5.83%**	4.49% - 6.80%
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 Risks

Discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plans have relatively balanced investment in cash and cash equivalents, equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity 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 and in the succeeding page.

		Impact on Post-employment Obligation	
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2017			
Discount rate	**+/-0.25% to +/-1.00%**	**(P 807,161,010)**	**P 921,120,610**
Salary increase rate	**+/-1.0%**	**498,856,843**	**(384,636,791)**
December 31, 2016			
Discount rate	+/-0.5% to +/-5.38%	(P 153,051,334)	P 156,509,283
Salary increase rate	+/-1.0% to +/-4.0%	227,152,534	(123,061,377)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

The Group, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing in equities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P1.9 billion based on the Group's latest actuarial valuation. While there is no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 22 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan as at December 31 are as follows:

	2017	2016
Within one year	**P 430,050,494**	P 382,108,071
More than one year to five years	**1,489,477,837**	1,248,125,084
More than five years to ten years	**1,617,308,541**	1,311,752,719
More than ten years to 15 years	**784,349,883**	778,683,224
More than 15 years to 20 years	**1,498,198,965**	1,472,193,362
More than 20 years	**11,860,924,351**	35,469,691,751
	P 17,680,310,071	P 40,662,554,211

The Group expects to contribute in 2018, P27.0 million and P20.0 million to the retirement plan maintained for Megaworld and GADC, respectively. GERI and EMP have yet to decide the amount of future contributions to their existing retirement plans.

27.3 Share Option Benefits

The Group's share option benefit expense includes the amounts recognized by the Company, Megaworld, GERI and EMP over the vesting period of the options granted by them (Travellers has not yet granted any share options to its eligible optionees) (see Note 21.6). Options for 520.6 million shares and 388.9 million shares have vested as at December 31, 2017 and 2016, respectively. Share option benefits expense, included as part of Salaries and employee benefits amounted to P49.5 million in 2017, P136.3 million in 2016 and P300.4 million in 2015 (see Note 27.1).

28. TAXES

28.1 Current and Deferred Taxes

The tax expense (income) reported in the consolidated statements of comprehensive income for the years ended December 31 are as follows:

	2017	2016	2015
Reported in consolidated profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 4,760,326,805**	P4,888,671,510	P 3,917,658,855
Final tax at 20% and 7.5%	**97,022,486**	94,301,242	103,732,980
Preferential tax rate at 5%	**63,858,452**	43,955,624	19,247,898
Minimum corporate income tax (MCIT) at 2%	**54,410,799**	30,142,769	23,850,865
Others	**15,630,199**	52,836,625	41,356,179
	4,991,248,741	5,109,907,770	4,105,846,777
Deferred tax expense relating to origination and reversal of temporary differences	**1,304,523,694**	771,071,940	1,134,807,429
	P 6,295,772,435	P5,880,979,710	P 5,240,654,206
Reported in consolidated other comprehensive income –			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 189,714,791**	(P 117,125,824)	P 227,444,114

ECOC, SEDI and Travellers are Philippine Economic Zone Authority – registered entities which are entitled to 5% preferential tax rate on gross income from registered activities in lieu of all local and national taxes and to other tax privileges.

In 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.

The reconciliation of tax on consolidated pretax income computed at the applicable statutory rates to consolidated tax expense is as follows:

	2017	2016	2015
Tax on consolidated pretax income at 30%	**P 8,436,702,593**	P 8,609,904,803	P 8,078,086,530
Adjustment for income subjected to different tax rates	**(574,899,602)**	(348,542,968)	(329,600,325)
Tax effects of:			
Income not subject to RCIT	**(7,865,868,054)**	(8,637,611,499)	(8,254,918,534)
Nondeductible expenses	**5,865,696,299**	6,264,672,750	5,871,926,109
Tax benefit arising from unrecognized deferred tax asset	**617,264,763**	494,620,447	355,488,785
Additional deduction with the use of Optional Standard Deduction (OSD)	**(94,299,139)**	(405,692,407)	(558,234,820)
Changes in tax rates	**-**	(100,089,472)	-
Adjustment to current tax from prior years	**(27,237,835)**	27,256,320	-
Others	**(61,586,590)**	(23,538,264)	77,906,461
Tax expense reported in consolidated profit or loss	**P 6,295,772,435**	P 5,880,979,710	P 5,240,654,206

The deferred tax assets and liabilities as at December 31 presented in the consolidated statements of financial position relate to the following:

	2017	2016	2015
Deferred tax assets:			
Retirement benefit obligation	**P 583,234,571**	P 567,259,624	P 356,887,221
Allowance for impairment losses	**161,011,108**	112,376,019	122,298,594
Net operating loss carry-over (NOLCO)	**9,463,930**	20,849,612	16,281,073
Allowance for inventory write-down	**7,126,361**	11,396,504	18,484,887
MCIT	**4,423,918**	150,326,920	150,733,088
Accrued rent	**-**	28,662,399	32,995,141
Unrealized income – net	**-**	3,078,688	13,771,175
Others	**35,669,064**	86,806,482	40,106,946
	P 800,928,952	P 980,756,248	P 751,558,125
Deferred tax liabilities – net:			
Uncollected gross profit	**P 9,186,993,579**	P 9,661,687,872	P 8,884,257,510
Capitalized interest	**2,324,992,946**	1,803,280,040	1,431,498,138
Brand valuation	**1,639,406,000**	1,489,925,000	1,797,409,000
Unrealized foreign currency loss – net	**(1,038,041,801)**	(1,220,035,435)	(667,367,207)
Retirement benefit obligation	**(316,478,769)**	(295,187,069)	(245,597,333)
Difference between the tax reporting base and financial reporting base of property, plant and equipment	**(170,801,276)**	287,572,150	258,790,669
Fair value adjustment	**120,883,120**	101,765,080	363,554,500
Translation adjustments	**(110,210,396)**	(109,801,221)	(96,732,669)
Uncollected rental income	**53,538,885**	52,328,557	7,882,177
Others	**426,105,158**	(316,848,264)	(145,957,617)
	P 12,116,387,446	P 11,454,686,710	P 11,587,737,168

The deferred tax expense reported in the consolidated statements of comprehensive income is shown below.

	Consolidated Profit or Loss			Consolidated Other Comprehensive Income		
	2017	2016	2015	**2017**	2016	2015
Deferred tax expense (income):						
Capitalized interest	**P 521,712,906**	P 371,781,902	P 433,152,800	**P -**	P -	P -
Fair value adjustments on AFS	**(396,834,640)**	(261,789,420)	(62,821,668)	**-**	-	-
Difference between the tax reporting base and financial reporting base of property, plant and equipment	**(304,991,125)**	28,781,481	24,613,876	**-**	-	-
Uncollected gross profit	**242,109,769**	1,679,877,371	1,266,941,802	**-**	-	-
Retirement benefit obligation	**216,716,315**	(210,775,818)	46,871,085	**189,305,616**	(130,194,376)	206,483,118
Unrealized foreign currency loss (gains) - net	**183,905,853**	(556,157,823)	(344,249,025)	**-**	-	-
Brand valuation	**149,481,000**	(307,484,000)	(197,019,801)	**-**	-	-
MCIT	**143,325,455**	1,144,098	(4,460,594)	**-**	-	-
Allowance for impairment losses	**12,432,142**	10,710,914	11,545,407	**-**	-	-
NOLCO	**11,385,882**	(4,568,539)	(6,406,446)	**-**	-	-
Accrued rent	**7,394,970**	-	3,218,349	**-**	-	-
Uncollected rental income	**1,210,328**	44,446,380	(21,544,891)	**-**	-	-
Translation adjustments	**-**	(13,068,552)	-	**409,175**	13,068,552	20,960,996
Others	**516,674,839**	(11,826,054)	(15,033,465)	**-**	-	-
Deferred tax expense (income)	**P1,304,523,694**	P 771,071,940	P1,134,807,429	**P189,714,791**	(P117,125,824)	P 227,444,114

The details of NOLCO, which can be claimed as deduction from the respective subsidiaries' future taxable income within three years from the year the loss was incurred, are shown below.

Year	Original Amount	Applied	Expired Balance	Remaining Balance	Valid Until
2017	P 1,725,012,533	P -	P -	P 1,725,012,533	2020
2016	782,970,747	(50,246,229)	-	732,724,518	2019
2015	747,208,084	(21,165,822)	-	726,042,262	2018
2014	1,568,565,938	(47,521,961)	(1,521,043,977)	-	
	P 4,823,757,302	**(P 118,934,012)**	**(P 1,521,043,977)**	**P 3,183,779,313**	

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
2017	P 36,587,520	P -	P -	P 36,587,520	2020
2016	31,074,473	(570,567)	-	30,503,906	2019
2015	21,551,668	(45,256)	(500)	21,505,912	2018
2014	162,705,396	-	(162,705,396)	-	
	P 251,919,057	**(P 615,823)**	**(P 162,705,896)**	**P 88,597,338**	

The following summarizes the amount of NOLCO and other deductible temporary differences as at the end of 2017, 2016 and 2015 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:

	2017		2016		2015	
	Amount	**Tax Effect**	Amount	Tax Effect	Amount	Tax Effect
NOLCO	**P 3,152,232,880**	**P 945,669,864**	P 3,020,075,070	P 906,022,521	P 4,371,152,888	P 1,311,345,866
Share-based compensation	**647,239,210**	**194,171,763**	175,780,739	52,734,222	175,780,739	52,734,222
Retirement benefit obligation	**201,818,650**	**60,545,595**	73,391,230	22,017,369	73,391,230	22,017,369
MCIT	**84,173,420**	**84,173,420**	55,435,303	55,435,303	55,087,856	55,087,856
Unrealized foreign currency losses – net	**(18,684,900)**	**(5,605,470)**	547,769,984	164,330,995	547,769,984	164,330,995
Allowance for inventory write-down	**112,927**	**33,878**	496,529	148,959	496,529	148,959
Allowance for impairment	**13,667**	**4,100**	28,167	8,450	28,167	8,450
Unrealized loss on interest rate swap	**-**	**-**	561,969,185	168,590,756	561,969,185	168,590,756
ARO	**1,123,830**	**337,149**	300,867	90,260	300,867	90,260
	P 4,068,029,684	**P 1,279,330,299**	P 4,435,247,074	P 1,369,378,835	P 5,785,977,445	P 1,774,354,733

The total amount of NOLCO and MCIT for which no deferred tax assets have been recognized as of December 31, 2017 and 2016, would expire in full at the end of 2020 and 2019, respectively. All other unrecognized deferred tax assets do not expire.

28.2 Optional Standard Deduction

Philippine corporate taxpayers have an option to claim itemized deductions or OSD equivalent to 40% of gross sales. Once the option to use OSD is made at the beginning of the year, it shall be irrevocable for that particular taxable year.

In 2017, 2016 and 2015, the Philippine companies within the Group opted to continue claiming itemized deductions in computing for its income tax due, except for EDI, AWGI and MDC, which opted to claim OSD during the same taxable years.

28.3 Taxation of Casino Operations

Under the Provisional License Agreement with PAGCOR, Travellers is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues. The license fees are directly remitted by Travellers to PAGCOR as required under the Provisional License Agreement.

In April 2013, the Bureau of Internal Revenue (BIR) issued 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. Effective April 1, 2014, PAGCOR issued Guidelines for a 10% Income Tax Allocation (ITA) measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively, inasmuch as 10% of the license fees was allocated for income tax on gaming, subject to quarterly and annual true-up mechanisms obliging the licensees to remit to PAGCOR any savings from the excess ITA over the actual tax paid on the gaming revenues. In 2016, the ITA ceased to be effective as a result of the SC Decision in the succeeding page.

In August 2016, the Philippine Supreme Court (SC), in *Bloomberry Resorts and Hotels, Inc. vs. BIR*, (the SC Decision) confirmed that "all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos." The SC Decision has been affirmed with finality by SC in a resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR.

Total license fees recognized amounted to P3.9 billion, P5.2 billion and P5.3 billion in 2017, 2016 and 2015, respectively, and are presented as Gaming license fees as part of Cost of Services account in the consolidated statements of comprehensive income (see Note 24). The outstanding liabilities are presented as Gaming license fees payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

29. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, jointly controlled entities, the Group's key management personnel and retirement fund, and others (see Note 2.25). The summary of the Group's transactions and balances with its related parties as of and for the years ended December 31, 2017, 2016 and 2015 are as follows:

Related Party Category	Notes	Amount of Transaction 2017	2016	2015	Outstanding Balance Receivable (Payable) 2017	2016
Parent Company and subsidiaries' stockholders:						
Casino transactions	29.2	**P 278,977,739**	P 343,690,659	P 2,878,377,127	**P 6,441,882**	(P 16,989,712)
Management fees	29.3	**201,402,916**	379,568,801	376,529,493	**(12,806,175)**	(65,125,989)
Accounts payable	29.5	**(33,000,002)**	2,500,000	9,000,000	**(347,670,510)**	(380,670,512)
Incidental rebate charges	29.2	**-**	-	155,568,762	**-**	-
Related party under common ownership:						
Purchase of raw materials	29.1	**2,659,080,044**	3,368,144,240	3,014,462,087	**(388,836,242)**	(1,256,577,065)
Advances granted	29.4	**(119,707,370)**	(1,297,135,789)	1,553,845,244	**1,274,276,211**	1,393,983,581
Purchase of imported goods	29.1	**11,318,183**	10,684,018	4,686,357	**(205,786)**	(1,059,608)
Associates –						
Advances granted	29.4	**143,592,779**	(154,505,925)	2,996,218	**1,269,864,981**	1,126,272,202
Others:						
Advances from joint venture partners and others	29.6	**588,719,285**	250,094,875	588,008,586	**(2,329,974,989)**	(1,741,255,704)
Accounts receivable	29.5	**(562,586,208)**	538,920,305	(1,559,905,766)	**249,464,102**	812,050,310
Sales of investment property	14	**148,726,340**	-	-	**-**	-
Accounts payable	29.5	**(123,054,492)**	211,103,622	(173,165,011)	**(140,208,430)**	(263,262,922)

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.

29.1 Purchase of Goods

Emperador imports raw materials such as alcohol, flavorings and other items, and finished goods through Andresons Global, Inc. and Condis, related parties under common ownership. These transactions are payable within 30 days.

Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.A.U., a wholly owned subsidiary of BLC.

The outstanding liability related to these purchases is presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

29.2 Joint Co-operation Agreement with Genting Hongkong, Ltd. (GHL)

In 2014, the Travellers and GHL executed a joint co-operation agreement for certain services of GHL to Travellers whereby the consideration is a certain percentage of net turnover from casino operations. In 2015, the Travellers and GHL discontinued the joint co-operation agreement. Incidental charges arising from this transaction are presented as part of Advertising and promotions under the Other Operating Expenses account in the 2015 consolidated statement of comprehensive income (see Note 25). There are no outstanding balances arising from this agreement as of December 31, 2017 and 2016.

Travellers also recognized outstanding accounts to and from GHL representing show money received by GHL from foreign patrons which GHL will later remit to Travellers. The outstanding balances, which are unsecured, noninterest-bearing and payable in cash upon demand, are presented as part of Trade receivables under Trade and Other Receivables account in the 2017 consolidated statement of financial position and Trade payables under Trade and Other Payables account in the 2016 consolidated statement of financial position (see Notes 6 and 16).

29.3 Operations and Management Agreement with GHL

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. These transactions are presented as part of Management fees under the Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25). The outstanding liability, which is unsecured, noninterest-bearing and payable in cash upon demand, arising from this transaction is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

29.4 Advances to Associates and Other Related Parties

Entities within the Group grant advances to associates and other entities for working capital purposes. These advances to associates and other related parties are unsecured, noninterest-bearing and repayable upon demand. Settlement is generally made in cash or through offsetting arrangements. The outstanding balances of Advances to associates and other related parties, which are shown as part of Investments in and Advances to Associates and Other Related Parties account in the consolidated statements of financial position, are presented as follows (these mainly represent advances granted by Megaworld) [see Note 12.1]:

	2017	2016
Associates	**P 1,269,864,981**	P 1,126,272,202
Other related parties	**1,274,276,211**	1,393,983,581
	P 2,544,141,192	P 2,520,255,783

The movements in the Advances to Associates and Other Related Parties account are as follows:

	2017	2016
Balance at beginning of year	**P 2,520,255,783**	P 3,971,897,497
Cash advances granted	**308,966,472**	35,162,769
Collections	**(285,081,063)**	(386,790,457)
Advances eliminated through consolidation	**-**	(1,100,014,026)
Balance at end of year	**P 2,544,141,192**	P 2,520,255,783

As at December 31, 2017 and 2016, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired; hence, no impairment losses were recognized.

29.5 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 16) accounts, respectively, in the consolidated statements of financial position as follows:

	2017	2016
Due from Related Parties		
Officers and employees	**P 194,393,129**	P 222,313,986
Other related parties	**55,070,973**	589,736,324
	P 249,464,102	P 812,050,310

	2017	2016
Due to Related Parties		
Stockholder	**P 347,670,510**	P 380,670,512
Other related parties	**140,208,430**	263,262,922
	P 487,878,940	P 643,933,434

The details of the due from/to related parties are as follows:

	2017	2016
Due from Related Parties		
Balance at beginning of year	**P 812,050,310**	P 273,130,005
Additions	**74,687,948**	649,883,409
Collections	**(637,274,156)**	(110,963,104)
Balance at end of year	**P 249,464,102**	P 812,050,310
Due to Related Parties		
Balance at beginning of year	**P 643,933,434**	P 430,329,812
Additions	**107,725,172**	969,670,936
Repayments	**(263,779,666)**	(756,067,314)
Balance at end of year	**P 487,878,940**	P 643,933,434

As at December 31, 2017 and 2016, based on management's assessment, the outstanding balances of Due from officers and employees and related parties are not impaired; hence, no impairment losses were recognized.

29.6 Non-current Advances from Related Parties

Certain expenses of entities within the Group are paid for by other related parties. The advances are unsecured, noninterest-bearing, with no repayment terms, and generally payable in cash or through offsetting arrangements.

Advances from JV partners pertain to advances from golf share partners and lot owners which amounted to P396.4 million and P471.1 million in 2017 and 2016, respectively, net of deferred interest expense amounting to P11.3 million and P31.1 million, respectively (see Note 10.2).

The amortization of deferred interest amounting to P19.8 million in 2017, 2016 and 2015 is presented as part of Interest expense under the Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26).

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

	2017	2016
Advances from related parties	**P1,933,600,038**	P1,270,198,038
Advances from JV partners	**396,374,951**	471,057,666
	P2,329,974,989	P1,741,255,704

29.7 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows (see Note 27.1):

	2017	2016	2015
Short-term employee benefits	**P 855,629,967**	P 730,699,750	P 598,151,482
Share-option benefit expense	**17,507,035**	94,630,786	295,951,143
Retirement benefit expense	**87,428,665**	74,849,437	44,846,176
	P 960,565,667	P 900,179,973	P 938,948,801

29.8 Transactions with the Retirement Plans

The Group has a formal retirement plan established separately for each significant subsidiary, particularly Megaworld, GERI, ELI, 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. The fair value, carrying amount and the composition of the plan assets as at December 31, 2017 and 2016 are shown in Note 27.2.

30. COMMITMENTS AND CONTINGENCIES

30.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under non-cancellable operating lease agreements covering certain office and commercial spaces. The leases have terms ranging from 3 to 20 years, with renewal options, and include annual escalation rate of 5% to 10%.

Future minimum lease receivables under these leases as of December 31 are as follows:

	2017	2016	2015
Within one-year	**P 11,550,444,399**	P 10,862,959,288	P 8,249,672,567
After one year but not more than five years	**62,792,070,703**	56,270,960,545	44,341,754,362
More than five years	**19,363,948,200**	18,267,699,701	14,314,334,326
	P 93,706,463,302	P 85,401,619,534	P 66,905,761,255

30.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases covering condominium units for administrative use. The leases have terms ranging from 1 to 40 years, with renewal options, and include a 5% to 10% annual escalation rate.

The future minimum rental payables under these non-cancellable leases as of the end of the reporting periods are as follows:

	2017	2016	2015
Within one year	**P 299,466,940**	P 374,066,033	P 375,258,419
After one year but not more than five years	**676,697,887**	685,514,740	875,894,424
More than five years	**815,218,784**	591,096,671	1,316,633,971
	P 1,791,383,611	P 1,650,677,444	P 2,567,786,814

30.3 Provisional License Agreement of Travellers with PAGCOR

On June 2, 2008, PAGCOR issued a Provisional License (License) authorizing Travellers to participate in the integrated tourism development project in two sites and to establish and operate casinos, and engage in gaming activities in the two sites. The term of Travellers' License shall be co-terminus with PAGCOR's franchise which will expire on July 11, 2033, and shall be renewed subject to the terms of the PAGCOR Charter.

(a) Investment Commitments

Under the terms of the License, Travellers and WCRWI are required to complete its U.S.$1.3 billion (about P64.8 billion) investment commitment in phases, which amount is divided into Site A and Site B with the minimum investment of U.S.$1.1 billion (about P54.8 billion) and U.S.$216.0 million (about P10.8 billion), respectively (collectively, the Project).

Travellers and WCRWI are required to fully invest and utilize in the development of the Project at least 40% of the respective phases of the investment commitment for Site A and Site B within two years from Site Delivery.

As a requirement in developing the aforementioned Project, Travellers transferred U.S.$100.0 million (about P5.0 billion) to an escrow account with a local bank mutually agreed by PAGCOR and Travellers. At any given time, the escrow account shall have a maintaining balance of not lower than U.S.$50.0 million (about P2.5 billion) (see Note 5). For failure to comply with such maintaining balance requirement after a 15-day grace period, Travellers shall be charged by PAGCOR an amount equal to P2.5 million for every 15 calendar days until the noncompliance is corrected. All funds for the development of the Project shall pass through the escrow deposit and all drawdown therefrom must be applied to the Project.

As at December 31, 2017, Travellers has spent P74.2 billion for its casino projects pursuant to its investment commitment under the License. It has short-term placements amounting to U.S.$62.1 million (about P3.1 billion) and U.S.$62.4 million (about P3.1 billion) as at December 31, 2017 and 2016, respectively, to meet its requirements with PAGCOR in relation to these investment commitments (see Note 5).

(b) Requirement to Establish a Foundation

Travellers, in compliance with the requirement of PAGCOR to incorporate and register a foundation for the restoration of cultural heritage, incorporated Resorts World Philippines Cultural Heritage Foundation Inc. (or the Foundation), formerly Manila Bayshore Heritage Foundation, Inc., on September 7, 2011 primarily to engage in various activities for charitable, educational, cultural and artistic purposes, and to promote, perpetuate, preserve and encourage Filipino culture.

The Foundation shall be funded by Travellers by setting aside funds on a monthly basis. The funds set aside shall be remitted to the Foundation on or before the 10th day of the succeeding month. Travellers recognized accrual based on 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, 2017, the following are the completed and on-going projects of the Foundation:

- Construction of school buildings in partnership with the Philippine Department of Education (DepEd) whereby five school buildings in various public schools in Metro Manila and Luzon were completed and turned over to DepEd and the collegiate universities, while one more school building is currently being constructed;

- Computerization project with DepEd through providing a computer laboratory to various public schools in various parts of the country whereby all phases of the said project covering 27 schools have been completed;

- Funding of the construction of a cadet barracks at the Philippine Military Academy (PMA) in Baguio City in a joint effort with another PAGCOR licensee's foundation, which was completed and turned over to PMA;

- Agreements with various universities to provide scholarship opportunities to poor but deserving students enrolled in the field of performing arts whereby the related funds have been granted for the scholars in each school;

- Construction of treatment and rehabilitation centers in coordination with the Department of Health in Davao City and Taguig City; and,

- Donation of funds for medicines, medical supplies and equipment for Philippine National Police Camp Crame General Hospital and Paranaque City.

(c) Tax Contingencies of Casino Operations

The PAGCOR Charter grants PAGCOR an exemption from taxes, income or otherwise, as well as exemption from any form of charges, fees, or levies, except for the 5% franchise tax on gross revenue or earnings derived by PAGCOR on its casino operations. On February 29, 2012, the BIR issued a circular which affirmed the nonexemption from corporate income taxation of PAGCOR by virtue of the amendment of R.A. No. 9337 of Section 27(c) of the National Internal Revenue Code of 1997.

Under the Travellers' License with the PAGCOR, Travellers is subject to the 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. In May 2014, PAGCOR issued Guidelines for a 10% ITA measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively (see Note 28.3).

On December 10, 2014, the SC en banc issued a Decision in the case of PAGCOR v. BIR, *G.R. No. 215427*, confirming that income from gaming operations is subject only to 5% franchise tax, in lieu of all other taxes, under P.D. No. 1869, as amended. The BIR's Motion for Reconsideration of the foregoing pronouncement was denied with finality in a resolution issued by the SC dated March 10, 2015.

In August 2016, the SC confirmed that "all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos." The SC Decision has been affirmed with finality by the SC in a Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR.

30.4 Participation in the Incorporation of Entertainment City Estate Management, Inc. (ECEMI)

As a PAGCOR licensee, Travellers committed itself to take part in the incorporation of ECEMI in 2012, a non-stock, non-profit entity that shall be responsible for the general welfare, property, services and reputation of the Bagong Nayong Pilipino Entertainment City Manila. As at December 31, 2017 and 2016, contributions made to ECEMI booked in favor of Travellers amounted to P1.3 million and is presented as part of Others under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

30.5 Various Hotel Agreements Entered by Travellers

(a) Marriott Group

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 nonexclusive and nontransferable right and license within Metro Manila to use the Marriott Trademarks for hotel services and other related goods and services offered only in connection with Travellers' Marriott.

Payments to be made by Travellers shall be computed based on the provisions of the above agreements. Total amounts recognized from these transactions in 2017, 2016 and 2015 totaled P81.4 million, P62.8 million and P63.2 million, respectively, and are presented as part of Management fees under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25). The outstanding liabilities, which are unsecured, noninterest-bearing and payable in cash upon demand, as at December 31, 2017 and 2016 amounted to P7.5 million and P7.2 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 16).

(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, which started operating in January 2018.

As of December 31, 2017, there were no payments yet for the agreements with Holiday Inn.

(c) *Okura*

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 nonexclusive and nontransferable 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 2018.

As of December 31, 2017, there were no payments yet for the agreement with Okura.

(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. Sheraton Manila Hotel is expected to start its operations in 2018.

As of December 31, 2017, there were no payments yet for the agreement with Starwood.

(e) Hilton Manila Hotel

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 Hotel, including the monitoring of its compliance with Hilton's standards.

The MA includes design and decoration of the Hilton Manila Hotel, 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 Hotel. The Hilton Manila Hotel is expected to start its operations in 2018.

As of December 31, 2017, there were no payments yet for the agreement with Hilton.

30.6 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 P1,132.6 million, P1,059.9 million and P923.0 million for 2017, 2016 and 2015, respectively, which are presented under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25). The outstanding payable to MRO relating to royalty expenses amounted to P204.1 million and P197.9 million as at December 31, 2017 and 2016, respectively, and presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

30.7 Others

As at December 31, 2017 and 2016, the Group has unused lines of credit from banks and financial institutions totaling P23.7 billion and P19.1, billion respectively.

In 2016, Travellers was granted a right by the Philippine Government to construct RunWay Manila, a pedestrian link bridge that connects Ninoy Aquino International Airport Terminal 3 and Newport City, and which is accessible to the public, free of charge. RunWay Manila is fully financed by Travellers and was completed in April 2017.

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 properties [see Notes 3.1(j) and 13]. 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. As opined by Travellers' external counsel, based on the reports from the insurer's adjusters, and taking into consideration the reports of the pertinent government agencies, there is strong legal ground to believe that the insurance claims related to the June 2 incident will not be disallowed. Consequently, property damages and losses were recognized and presented as Losses from casualty, net of insurance claims under Finance and Other Charges account in the 2017 consolidated statement of comprehensive income (see Note 26). The related receivable representing the reimbursement from expected minimum insurance claims and recoveries from the third party insurance company is presented as Claims receivables under Trade and Other Receivables account in the 2017 consolidated statement of financial position (see Note 6).

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, AFS financial assets, interest-bearing loans, bonds payable, trade receivables and payables and derivative liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

31.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, Euros, UK pounds and US dollars, which are the functional currencies of the individual subsidiaries making the transactions. The currency exchange risk arises from transactions carried out in currencies other than the functional currency of the subsidiaries at each entity level.

Foreign currency denominated financial assets and liabilities, translated into Philippine pesos at period-end closing rate are as follows:

	2017		2016	
	U.S. Dollars	**HK Dollars**	U.S. Dollars	HK Dollars
Financial assets	**P 5,735,896,982**	**P 1,654,695,454**	P 2,668,826,850	P 1,875,066,204
Financial liabilities	**(28,240,870,131)**	**(508,438,210)**	(37,979,525,901)	(427,946,562)
	(P 22,504,973,149)	**P 1,146,257,244**	(P 35,310,699,051)	P 1,447,119,642

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and the U.S. dollar – Philippine peso exchange rate assumes +/- 8.65% and +/- 7.50% changes in exchange rate for the years ended December 31, 2017 and 2016, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 8.99% and +/- 9.10% changes for the year ended December 31, 2017 and 2016. 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 P1.9 billion for the year ended December 31, 2017 and increased by P2.6 billion for the year ended December 31, 2016. If in 2017 and 2016, the Philippine peso had strengthened against the HK dollar, with all other variables held constant, consolidated profit before tax would have decreased by P0.1 billion in both years.

However, if the Philippine peso had weakened against the U.S. dollar and the HK dollar by the same percentages; then consolidated profit before tax would have change 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.

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 borrowing and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to variable interest rates.

The sensitivity of the consolidated income before tax for the period to a reasonably possible change in interest rates of +/- 0.97 % for Philippine peso and +/- 1.14% and U.S. dollar in 2017 and +/- 0.30% for Philippine peso and +/- 1.24% for U.S. dollar in 2016 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, 2017 and 2016, with effect estimated from the beginning of the period. All other variables held constant, the consolidated income before tax would have increased by P1.0 billion and P0.3 billion for the years ended December 31, 2017 and 2016, respectively. Conversely, if the interest rates decreased by the same percentage, consolidated income before tax would have been lower by the same amount.

31.2 Credit Risk

Generally, the Group's credit risk is attributable to trade and other receivable arising mainly from transactions with approved franchisees, installment receivables, rental receivables and other financial assets. The carrying values of these financial assets subject to credit risk are disclosed in Note 32.

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

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

Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

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

	2017	2016
Not more than 30 days	**P 4,735,123,751**	P 4,384,989,691
31 to 60 days	**2,449,926,782**	1,081,873,257
Over 60 days	**1,861,518,762**	2,184,716,830
	P 9,046,569,295	P 7,651,579,778

31.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

As at December 31, 2017, the Group's financial liabilities have contractual maturities which are presented below.

	Current		**Non-current**	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**Later than 5 Years**
Trade and other payables	P 24,419,879,816	P 7,899,686,237	P -	P -
Interest-bearing loans	24,704,119,788	10,276,295,554	112,904,905,599	2,484,095,007
Bonds payable	10,533,444,945	548,844,945	4,691,407,500	25,709,595,938
ELS	-	-	5,525,331,862	-
Advances from related parties	-	-	2,329,974,989	-
Redeemable preferred shares	-	251,597,580	1,006,390,320	1,574,159,348
Guaranty deposits	-	-	129,185,721	256,772,125
Derivative liabilities	-	132,764,451	-	-
Other liabilities	-	-	175,863,371	-
	P 59,657,444,549	**P 19,109,188,767**	**P126,763,059,362**	**P 30,024,622,418**

As at December 31, 2016, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables	P 31,743,193,261	P 5,379,255,873	P -	P -
Interest-bearing loans	13,793,727,560	9,037,005,807	59,565,861,374	1,054,328,785
Bonds payable	1,116,433,863	40,744,406,381	12,945,153,375	12,717,881,563
ELS	-	-	-	6,738,766,650
Advances from related parties	-	-	-	2,424,926,309
Redeemable preferred shares	-	-	1,848,898,877	251,597,580
Guaranty deposits	-	-	241,114,566	-
Derivative liabilities	356,819,015	-	-	-
Other liabilities	233,357,843	-	-	-
	P 47,243,531,542	P 55,160,668,061	P 74,601,028,192	P 23,187,500,887

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

31.4 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value (financial assets classified as AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the equity as at December 31, 2017 and 2016 are summarized as follows:

	Observed Volatility Rates		Impact on Equity	
	Increase	**Decrease**	**Increase**	**Decrease**
2017 - Investment in equity securities	**+23.39%**	**-23.39%**	**P 32,014,364**	**(P 32,014,364)**
2016 - Investment in equity securities	+37.30%	-37.30%	153,909,820	(153,909,820)

The maximum additional estimated loss in 2017 and 2016 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 FVTPL which pertain to marketable debt securities, quoted equity 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.

32. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2017		2016	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	**P 55,672,960,546**	**P 55,672,960,546**	P 48,672,938,017	P 48,672,938,017
Trade and other receivables	6	**91,134,734,166**	**91,134,734,166**	80,832,484,761	80,832,484,761
Other financial assets	9	**4,940,470,057**	**4,870,141,094**	4,341,310,463	4,282,208,534
		P 151,748,164,769	**P 151,677,835,806**	P133,846,733,241	P 133,787,631,312
Financial assets at FVTPL:					
Marketable debt and equity securities	7	**P 13,496,901,752**	**13,496,901,752**	P 10,465,266,604	P 10,465,266,604
Derivative assets	7	**19,572,259**	**19,572,259**	-	-
		P 13,516,474,011	**P 13,516,474,011**	P 10,465,266,604	P 10,465,266,604
AFS financial assets:					
Debt securities	11	**P -**	**P -**	P 260,449,586	P 260,449,586
Equity securities	11	**431,645,289**	**431,645,289**	412,665,700	412,665,700
		P 431,645,289	**P 431,645,289**	P 673,115,286	P 673,115,286
Financial Liabilities					
Financial liabilities at FVTPL – Derivative liabilities	20	**P 132,764,451**	**P 132,764,451**	P 356,819,015	P 356,819,015
Financial liabilities at amortized cost:					
Current:					
Trade and other payables	16	**P 42,669,505,961**	**P 42,669,505,961**	P 36,907,266,143	P 36,907,266,143
Interest-bearing loans	17	**32,700,476,157**	**32,393,555,681**	21,095,657,317	20,841,333,554
Bonds payable	18	**9,976,270,876**	**9,041,946,581**	39,734,990,308	39,734,990,308
Redeemable preferred shares	19	**251,597,580**	**251,597,580**	-	-
Other current liabilities	20	**407,308,225**	**407,308,225**	999,524,921	999,524,921
		P 86,005,158,799	**P 84,763,914,028**	P 98,737,438,689	P 98,483,114,926
Non-current:					
Bonds payable	18	**P 24,388,714,176**	**P 22,104,597,349**	P 22,330,589,969	P 21,903,559,527
Interest-bearing loans	17	**108,273,087,029**	**107,186,186,697**	55,500,216,708	54,220,874,817
ELS	20	**5,227,114,518**	**5,227,114,518**	5,262,906,379	5,262,906,379
Redeemable preferred shares	19	**1,857,022,802**	**2,238,796,220**	2,013,695,292	2,294,930,163
Due to related parties	29	**2,329,974,989**	**2,329,974,989**	1,741,255,704	1,741,255,704
Security deposits	20	**311,203,121**	**267,734,123**	294,114,566	265,419,703
		P 142,387,116,635	**P 139,354,403,896**	P 87,142,778,618	P 85,688,946,293

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 31.

33. FAIR VALUE MEASUREMENT AND DISCLOSURES

33.1 Fair Value Hierarchy

The hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value of Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

33.2 Financial Instruments Measurements at Fair Value

The table below and in the succeeding page shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2017 and 2016.

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at FVTPL –				
Debt and equity securities	P 13,496,901,752	P -	P -	P 13,496,901,752
Derivative asset	-	19,572,259	-	19,572,259
AFS financial assets –				
Equity securities	136,872,015	78,200,000	216,573,274	431,645,289
	P 13,633,773,767	**P 97,772,259**	**P 216,573,274**	**P 13,948,119,300**
Financial liabilities:				
Financial liability at FVTPL –				
Derivative liabilities	**P -**	**P 132,764,451**	**P -**	**P 132,764,451**

	2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL –				
Debt and equity securities	P 10,465,266,604	P -	P -	P 10,465,266,604
AFS financial assets:				
Debt securities	260,449,586	-	-	260,449,586
Equity securities	66,501,898	69,900,000	276,263,802	412,665,700
	P 10,792,218,088	P 69,900,000	P 276,263,802	P 11,138,381,890

	2016			
	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Financial liability at FVTPL – Derivative liabilities	P -	P 356,819,015	P -	P 356,819,015

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, 2017 and 2016, instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL or AFS financial assets. These securities were valued based on their market prices quoted in various stock exchanges at the end of each reporting period.

Golf club shares classified as AFS financial assets are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity security held in a private company is included in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the entity.

(b) *Debt Securities*

The fair value of the Group's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market (i.e., Stock Exchange) at the end of the reporting period and is categorized within Level 1.

(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.

33.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below shows 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, 2017 and 2016.

	2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 55,672,960,546	P -	P -	P 55,672,960,546
Trade and other receivables	-	169,231,906	90,965,502,260	91,134,734,166
Other financial assets	-	352,142,852	4,517,998,242	4,870,141,094
	P 55,672,960,546	**P 521,374,758**	**P 95,483,500,502**	**P 151,677,835,806**
Financial liabilities:				
Current:				
Trade and other payables	P -	P -	P 42,669,505,961	P 42,669,505,961
Interest-bearing loans	-	387,203,538	32,006,352,143	32,393,555,681
Bonds payable	9,041,946,581	-	-	9,041,946,581
Redeemable preferred shares	-	-	251,597,580	251,597,580
Other current liabilities	-	-	407,308,225	407,308,225
Non-current:				
Bonds payable	22,104,597,349	-	-	22,104,597,349
Interest-bearing loans	-	757,977,570	106,428,209,127	107,186,186,697
ELS	-	-	5,227,114,518	5,227,114,518
Redeemable preferred shares	-	1,232,405,901	1,006,390,319	2,238,796,220
Due to related parties	-	-	2,329,974,989	2,329,974,989
Security deposits	-	267,734,123	-	267,734,123
	P 31,146,543,930	**P 2,645,321,132**	**P 190,326,452,862**	**P 224,118,317,924**

	2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 48,672,938,017	P -	P -	P 48,672,938,017
Trade and other receivables	-	4,602,144	80,827,882,617	80,832,484,761
Other financial assets	-	450,431,554	3,831,776,980	4,282,208,534
	P 48,672,938,017	P 455,033,698	P 84,659,659,597	133,787,631,312
Financial liabilities:				
Current:				
Trade and other payables	P -	P -	P 36,907,266,143	P 36,907,266,143
Interest-bearing loans	-	370,788,498	20,470,545,056	20,841,333,554
Bonds payable	39,734,990,308	-	-	39,734,990,308
Other current liabilities	-	-	999,524,921	999,524,921
Non-current:				
Bonds payable	21,903,559,527	-	-	21,903,559,527
Interest-bearing loans	-	1,096,632,498	53,124,242,319	54,220,874,817
ELS	-	-	5,262,906,379	5,262,906,379
Redeemable preferred shares	-	1,036,942,263	1,257,987,900	2,294,930,163
Due to related parties	-	-	1,741,255,704	1,741,255,704
Security deposits	-	265,419,703	-	265,419,703
	P 61,638,549,835	P 2,769,782,962	P 119,763,728,422	P 184,172,061,219

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

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

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

The fair value of the Group's investment property was determined by calculating the present value of the cash inflows anticipated until the life of the investment property using a discount rate that reflects the risks and uncertainty in cash flows. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Groups investment property is their current use.

As at December 31, 2017 and 2016, the fair value of the Group's investment property amounted to P310.1 billion and P260.8 billion, respectively (see Note 14) and is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment property was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2017 and 2016.

34. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

It monitors capital using the debt-to-equity ratio as shown below.

	2017	2016
Total liabilities	**P 289,979,745,091**	P 245,193,291,467
Total equity	**271,842,047,791**	246,103,671,448
Debt-to-equity ratio	**1.07:1**	1.00:1

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both periods.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities in 2017 is presented below. The details of net cash flows are presented in the consolidated statements of cash flows.

	Interest-bearing Loans and Borrowings	Bonds Payable	Derivative Liabilities	ELS	Redeemable Preferred Shares	Total
Balance as of January 1, 2017	P 76,595,874,025	P 62,065,580,277	P 356,819,015	P 5,262,906,379	P 2,013,695,292	P 146,294,874,988
Cash flows from financing activities:						
Borrowings availed	86,287,218,583	11,943,791,282	-	-	-	98,231,009,865
Payment of borrowings	(21,732,549,674)	(40,595,136,549)	(360,478,688)	-	-	(62,688,164,911)
Non-cash activities:						
Foreign currency adjustment	(253,138,621)	806,309,336	63,245,608	-	-	616,416,323
Amortization of direct cost	76,158,874	144,440,706	-	100,359,525		320,959,105
Recognition of conversion option	-	-	-	(136,151,386)	-	(136,151,386)
Unrealized loss on swaps	-	-	27,235,637	-	-	27,235,637
Unrealized loss on cash flow hedges	-	-	45,942,879	-	-	45,942,879
Accretion of redeemable preferred shares	-	-	-	-	94,925,091	94,925,091
Balance at December 31, 2017	P 140,973,563,187	P 34,364,985,052	P 132,764,451	P 5,227,114,518	P 2,108,620,383	P 182,807,047,591

36. SUBSEQUENT EVENTS

36.1 Consortium Agreement for Ninoy Aquino International Airport

In February 2018, AGI as a member of a consortium of seven (7) conglomerates, submitted a P350-billion unsolicited proposal to the Department of Transportation (DOTr) for the improvement, upgrade, enhancement, expansion, operation and maintenance, and management of the Ninoy Aquino International Airport. As of the date of approval of the consolidated financial statements, the consortium is awaiting the grant of the "Original Proponent Status" from the DOTr. No significant expenses have been incurred in relation to the proposal.

36.2 Megaworld Issuance of Perpetual Bonds

On April 5, 2018, Megaworld has priced its issuance of US$200.0 million of fixed-for-life senior perpetual notes to yield 5.375%. The notes are unrated and will be listed on Singapore Exchange Securities Trading Limited. The notes will not be registered with the Philippine Securities and Exchange Commission and any future sale or offer of the securities in the Philippines is subject to registration requirements unless such sale or offer qualifies as an exempt transaction under the Securities Regulations Code of the Philippines. Proceeds from the notes will be used for general corporate purposes and refinancing of existing indebtedness. The securities will be accounted for as equity instruments in the consolidated financial statements of the Group.

P&A
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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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Alliance Global Group, Inc. and Subsidiaries
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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, 2017, on which we have rendered our report dated April 6, 2018. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 6616014, January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-3 (until Nov. 29, 2019)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 6, 2018

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

Independent Auditors' Report on the SEC Supplementary Schedules Filed Separately from the Basic Financial Statements

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Alliance Global Group, Inc. and Subsidiaries
Schedule A - Financial Assets (Marketable Securities)
December 31, 2017

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	12,271,744,356	P	80,264,047
Bank of Singapore		585,784,610		8,562,913
Various quoted equity securities		639,372,786		-
Derivative financial assets		19,572,259		-
		13,516,474,011		88,826,960
Available-for-sale Securities				
Various unquoted equity instruments		216,573,274		205,272
Various quoted equity instruments		136,872,015		-
Various club shares		78,200,000		8,650,000
		431,645,289		8,855,272
Total Financial Assets	**P**	**13,948,119,300**	**P**	**97,682,232**

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, 2017

Name and Designation of Debtor		Balance at the Beginning of Period	Additions	Deductions: Amounts Collected	Deductions: Amounts Written off	Ending Balance: Current	Ending Balance: Non-current	Balance at the End of Period
Advances to Officers and Employees:								
Travellers	- Officers and employees	P 70,058,193	P -	P 365,821	P -	P 69,692,372	P -	P 69,692,372
	- Other related parties	54,696,362	2,573,699	2,199,088	-	55,070,973	-	55,070,973
Megaworld	- Officers and employees	1,125,069	7,772,600	2,992,181	-	5,905,488	-	5,905,488
	- Other related parties	535,039,962	-	535,039,962	-	-	-	-
Emperador	- Officers and employees	22,402,245	64,341,649	49,107,295	-	37,636,599	-	37,636,599
GADC	- Officers and employees	128,728,479	-	47,569,809	-	81,158,670	-	81,158,670
		P 812,050,310	**P 74,687,948**	**P 637,274,156**	**P -**	**P 249,464,102**	**P -**	**P 249,464,102**

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, 2017

			Deductions		*Ending Balance*		
Name and Designation of Debtor	***Balance at Beginning of Period***	***Additions***	***Amounts Collected***	***Amounts Written off***	***Current***	***Not current***	***Balance at End of Period***
Due from Related Parties							
New Town Land Partners, Inc.	P 3,024,403,740	P -	P -	P -	P 3,024,403,740	P -	P 3,024,403,740
Venezia Universal, Ltd.	953,547,757	731,750,199	-	-	1,685,297,956	-	1,685,297,956
Greenspring Investment Holdings Properties Ltd.	2,927,501,861	11,166,942	-	-	2,938,668,803	-	2,938,668,803
First Centro, Inc.	11,797,972	-	8,597,972	-	3,200,000	-	3,200,000
Alliance Global Brands, Inc.	626,572,744	-	-	-	626,572,744	-	626,572,744
Alliance Global Group Cayman Islands, Inc.	16,246,550	812,502,500	-	-	828,749,050	-	828,749,050
McKester Pik-nik International Limited	14,387,319,208	8,449,384,360	-	-	22,836,703,568	-	22,836,703,568
ProGreen AgriCorp, Inc.	-	250,000,000	-	-	250,000,000	-	250,000,000
Empire East Land Holdings Inc.	-	500,000,000	-	-	500,000,000	-	500,000,000

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2017

			Deduction			
Description	*Beginning Balance*	*Additions at Cost*	*Charged to Cost and Expenses*	*Charged to Other Accounts*	*Other Changes - Additions (Disposals)*	*Ending Balance*
Intangible Assets						
Goodwill	P 19,848,347,372	P -	P -	P -	P 241,819,514	P 20,090,166,886
Trademarks	16,655,559,198	3,226,080,050	(11,199,938)	-	646,181,370	20,516,620,680
Leasehold Rights	1,018,050,679	-	(59,257,588)	-	-	958,793,091
Computer Software	2,256,980	18,317,329	(2,063,548)	-	-	18,510,761
Franchise Fee	-	55,649,677	(2,081,824)	-	-	53,567,853
	P 37,524,214,229	**P 3,300,047,056**	**(P 74,602,898)**	**P -**	**P 888,000,884**	**P 41,637,659,271**

Alliance Global Group, Inc. and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2017

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	75,208,042,849	P	29,039,149,317	P	46,168,893,532	a, b, c, d, e, f, h, l, m
Foreign borrowings:							
AG Cayman	$	700,000,000		-		34,843,099,448	n
Emperador	€	370,000,000		-		22,055,700,000	g
Emperador	€	88,675,132		80,530,550		5,205,394,050	j, k
Emperador	£	53,349,170		3,580,796,290		-	i
				32,700,476,157		108,273,087,030	
Bonds Payable:							
Issuer:							
Megaworld	P	11,949,813,646		-		11,949,813,646	o
Megaworld	$	450,000,000		9,976,270,876		12,438,900,530	p
				9,976,270,876		24,388,714,176	
			P	**42,676,747,033**	**P**	**120,711,987,560**	

a *Interest-bearing loans include loans obtained by Megaworld pertaining to the following:*

1.) Loan obtained by Megaworld from a local bank in two tranches in March and June 2015 to fund various real estate projects and retire currently maturing obligations. Principal repayment on this seven-year loan commenced in June 2016 and interest is paid quarterly.

2.) Loan obtained by Megaworld from a local bank in November 2016 for a five-year term. The principal repayments shall commence in February 2018 and interest is paid quarterly.

3.) Loan obtained by Megaworld from a local bank amounting to US$98.87 million payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2019 and a floating interest is paid quarterly. Megaworld entered into a cross-currency swap transaction to hedge the U.S. dollar exposure of the loans.

4.) Loan obtained by Megaworld from a local bank in November 2015. The principal repayments on this seven-year loan commenced in November 2016 and interest is payable semi-annually.

5.) Loan obtained by Megaworld from a local bank in December 2015 for a five-year term. The principal repayments commenced in March 2017 and interest is paid quarterly.

6.) Loan obtained by Megaworld from a local bank in 2014. The principal repayments on this seven-year loan commenced in August 2015 while interest is paid semi-annually.

7.) Loan obtained by Megaworld in August 2016 from a local bank payable for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in November 2018 and interest is paid quarterly.

b *Interest-bearing loans include loans obtained by EELHI pertaining to the following:*

1.) Loan obtained by EELHI from a local bank released in three tranches.

2.) Loan obained by EELHI from a local bank in 2017 used to fund the development of various real estate projects. Principal is payable upon maturity and interest is payable monthly in arrears.

3.) Loans obtained by EELHI through assignment of receivables. Certain residential and condominium units for sale with carrying value of P110.7 million and P188.4 million as of December 31, 2017 and 2016, respectively, were used as collateral for the loans.

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.) Five-year loan obtained by SPI from a local bank in 2015, payable in monthly installments after two years from draw down.

2.) Loans obtained by SPI from a local bank in 2015 through assignment of trade receivables.

3.) 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.

4.) Five-year loan obtained by SPI from a local bank. Quarterly repayment of the loan began in 2017.

5.) Outstanding balance of short-term loans availed by SPI from local banks in 2017 and 2016.

e *Interest-bearing loans obtained by GERI include the following:*

1.) Loan availed by GERI from a local bank payable quarterly for a term of five years commencing on the beginning of the fifth quarter from the initial drawdown date.

2.) 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.

3.) Five-year loan obtained by GERI from a local bank in 2015. The loan is payable quarterly commencing on the 9th quarter from the date of initial drawdown.

f *Five-year loan obtained by OFPI from a local bank in 2015.*

g *Loans denominated in foreign currency obtained by EIL from international financial institutions.*

h *Loans availed by EDI from a local bank for a term of five years payable over 12 quarterly payments.*

i *Loan denominated in foreign currency obtained by WMG from a foreign bank. The loan is secured by way of floating charge against WMG's inventories.*

j *Foreign-currency-denominated loans of DBLC totaling P3.0 billion used in relation to asset acquisition.*

k *In 2017, GES obtained an unsecured five-year foreign-currency-denominated loan from certain financial institution for asset acquisitions.*

l *Interest-bearing loans obtained by GADC include the following:*

1.) Loans drawn by GADC from a P1.0 billion credit facility granted by a local bank. Principal is payable in quarterly installments.

2.) Loans obtained by GADC from local banks. Quarterly principal payments commenced in September 2016.

3.) Loan obtained by GADC from a local bank in June 2015 in relation to the P500.0 million loan facility. Principal repayments began in June 2016 and every quarter thereafter.

4.) Balance from loan granted to GADC in December 2011 by a local bank for the purchase of land and building from the latter, payable monthly starting on the third year of the loan. The acquired land and building served as collateral on the loan.

m *Interest-bearing loans also include loans obtained by Travellers which includes the following:*
1.) Short-term loan obtained by Travellers from the credit line of P21.0 billion from a local bank, which is payable within 60 days and bears interest which is payable monthly.

2.) Seven-year loans obtained by Travellers in 2017 from the credit line agreements with certain local banks for the support of its expansion projects. Principal payments shall be made in lump sum upon maturity and interest is payable quarterly.

3.) Short-term loan availed by Travellers from a local bank payable upon maturity of 180 days and with interest payable monthly.

4.) Omnibus line credit facility obtained by Travellers with the term of up to 90 days, payable upon maturity and with interest payable monthly.

5.) Short-term loans availed by Travellers from a certain local bank with terms of up to 360 days, payable upon maturity and with interest payable monthly.

n *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.*

o *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.*

p *Bonds payable denominated in foreign currency obtained by Megaworld which includes the following:*
1.) 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.

2.) On April 15, 2011, Megaworld issued seven-year term bonds with accrued interest semi-annually in arrears every April 15 and October 15 each year. The proceeds received from these bonds are being used by Megaworld to finance its capital expenditures for its real estate projects.

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.
EIL - Emperador International Ltd.
EDI - Emperador Distillers, Inc.
WMG - Whyte and Mackay Group Limited
GES - Grupo Emperador Spain, S.A.U.
CBSP - Complejo Bodeguero San Patricio, S.L.U.
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.

Alliance Global Group, Inc. and Subsidiaries
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2017

Title of issue and type of obligation	*Amount authorized by indenture*	*Balance at the beginning of year*	*Balance at the end*

-nothing to report-

Alliance Global Group, Inc. and Subsidiaries
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2017

Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is Filed	*Title of Issue of Each Class of Securities Guaranteed*	*Total Amount Guaranteed and Outstanding*	*Amount Owned by Person for which this Statement is Filed*	*Nature of Guarantee*
Alliance Global Group Cayman Islands, Inc. by Alliance Global Group, Inc.	US$ 700.0 million, 5-year loans, 3.8330% to 4.1456% interest	P 34,843,099,448	P 34,843,099,448	Guarantee of Principal and Interest

Alliance Global Group, Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2017

				Number of shares held by		
Title of Issue	***Number of shares authorized***	***Number of shares issued and outstanding as shown under the related balance sheet caption***	***Number of shares reserved for options, warrants, conversion and other rights***	***Related parties***	***Directors, officers and employees***	***Others***
Common shares - P1 par value	12,950,000,000	10,230,017,479	105,600,000	5,889,690,932	68,690,940	4,271,635,607

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

SCHEDULE I - Reconciliation of Parent Company Retained Earnings
Available for Dividend Declaration
For the Year Ended December 31, 2017

Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year	P	13,621,742,555
Net Profit Realized during the Year		
Net profit per audited financial statements		4,126,348,208
Retained Earnings Restricted for Treasury Shares*	(	629,988,966)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**17,118,101,797**

*In 2017, the Company entered into a two-year share repurchase program of up to P5.0 billion worth of common shares.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
SCHEDULE J - FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2017 and 2016

	12/31/17	12/31/16
Current ratio	2.40	1.87
Quick ratio	1.28	0.95
Liabilities-to-equity ratio	1.07	1.00
Interest-bearing debt to total equity	0.66	0.58
Asset-to-equity ratio	2.07	2.00
Interest rate coverage ratio	612%	688%
Net profit margin	15.41%	16.33%
Return on assets	3.88%	4.64%
Return on equity/investment	8.03%	9.27%
Return on investment of equity owners	9.18%	10.06%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.
Current ratio - computed as current assets divided by current liabilities
Quick ratio - computed as cash, marketable securities, accounts receivable divided by current liabilities.

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.
Liabilities-to-equity ratio - computed as total liabilities divided by stockholders' equity.
Interest-bearing debt to total equity ratio - computed as interest-bearing debt divided by total equity.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders' equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as profit before income tax and interest expense (EBIT) divided by interest.
In the computation, non-recurring gain is excluded from EBIT.

PROFITABILITY RATIOS
Net margin - computed as net profit divided by revenues
Return on assets - net profit divided by total assets
Return on investment - net profit divided by total stockholders' equity
Return on investment of equity owners - net profit attributable to owners of the parent divided by equity attributable to ownersof the parent company

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

SCHEDULE K - Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* *(effective January 1, 2018)*	✓		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation *(effective January 1, 2019)*			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts** *(effective January 1, 2018)*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			✓
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* *(effective January 1, 2019)*			✓

PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation *(effective January 1, 2019)*			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers* *(effective January 1, 2018)*			✓
PFRS 16	Leases* *(effective January 1, 2019)*			✓
PFRS 17	Insurance Contracts* *(effective January 1, 2021)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* *(effective January 1, 2019)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓

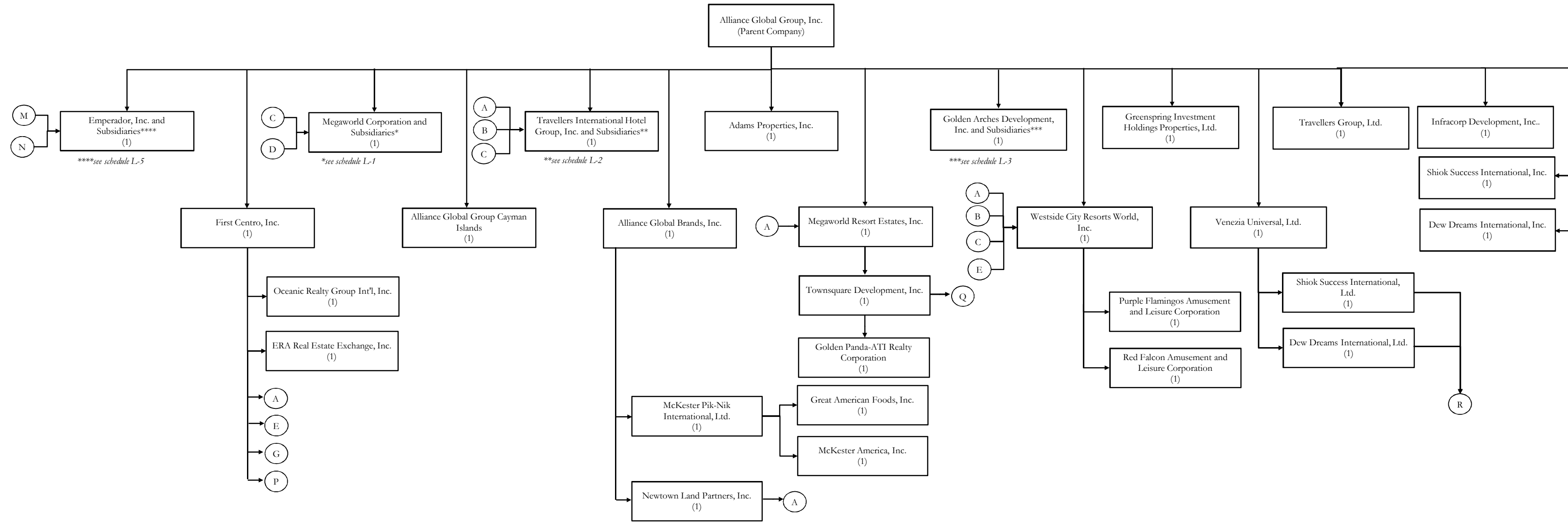
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss (*effective January 1, 2018)*			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture (*effective January 1, 2019*)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendments to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Reclassification to and from Investment Property (*effective January 1, 2018*)			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓

Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration (*effective January 1, 2018*)			✓
IFRIC 23	Uncertainty Over Income Tax Treatments (effective *January 1, 2019*)			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**			✓

* These standards will be effective for periods subsequent to 2017 and are not early adopted by the Group.

** These standards have been adopted in the preparation of consolidated financial statements but the Group has no significant transactions covered in both years presented.

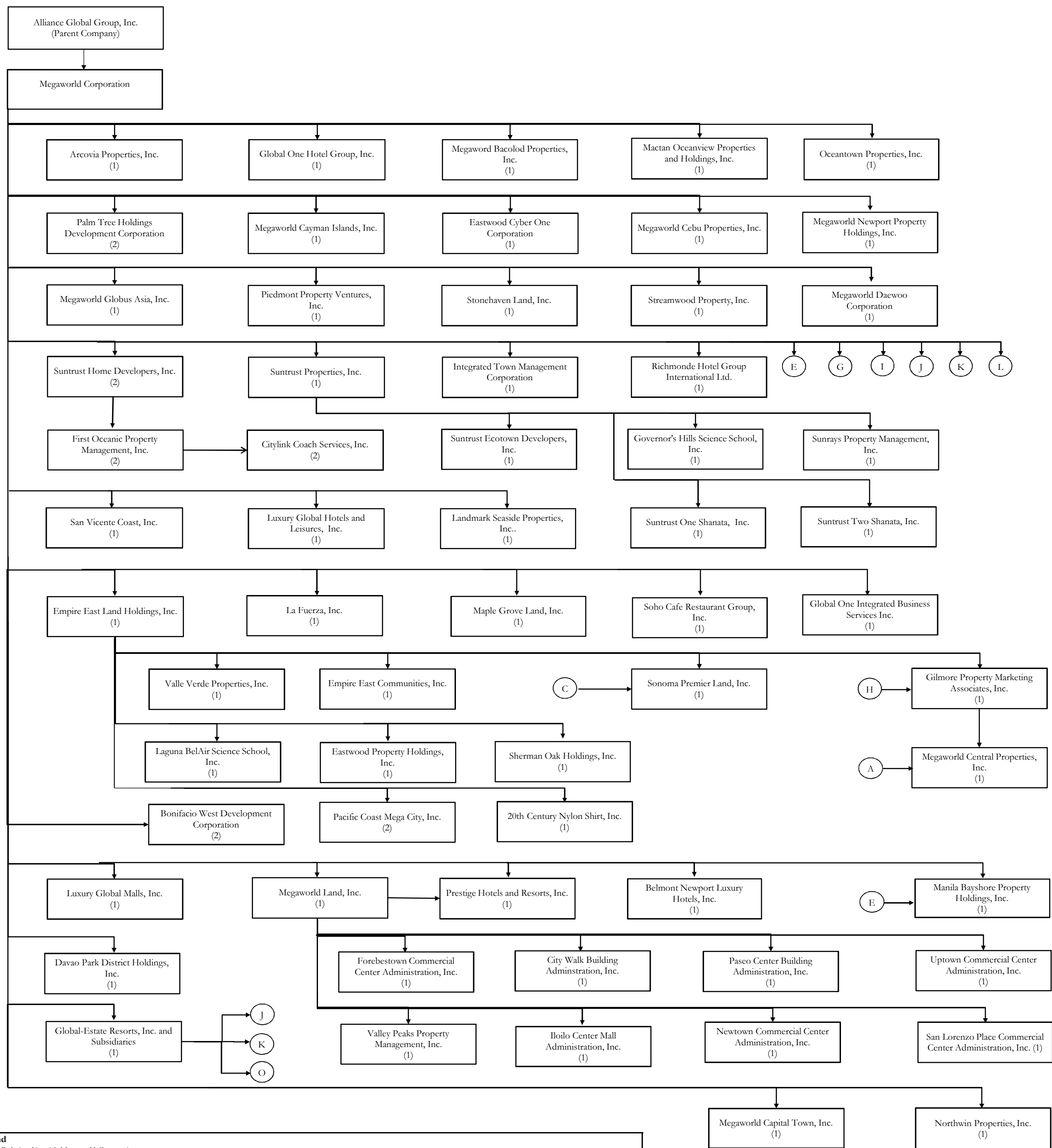
ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Schedule L – Map Showing the Relationship Between Alliance Global Group, Inc.
and its Related Parties
December 31, 2017



Legend

(1)	Subsidiary	A	Megaworld Corporation	F	Manila Bayshore Property Holdings, Inc.	K	Megaworld Global Estates, Inc.	P	Sonoma Premier Land, Inc.
(2)	Associate	B	Adams Properties, Inc.	G	Westside City Resorts World, Inc.	L	Megaworld Central Properties, Inc.	Q	Gilmore Property Marketing Associates, Inc.
(3)	Jointly Controlled Entity	C	First Centro, Inc.	H	Townsquare Development, Inc.	M	Shiok Success International, Ltd.	R	Emperador Inc.
		D	Newtown Land Partners, Inc.	I	Megaworld Resort Estates, Inc.	N	Dew Dreams International, Ltd.		
		E	Travellers International Hotel Group, Inc.	J	Twin Lakes Corporation	O	Fil-Estate Properties, Inc.		

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Schedule L-1 – Map Showing the Relationship Between Alliance Global Group, Inc.
and Megaworld Corporation Group
December 31, 2017

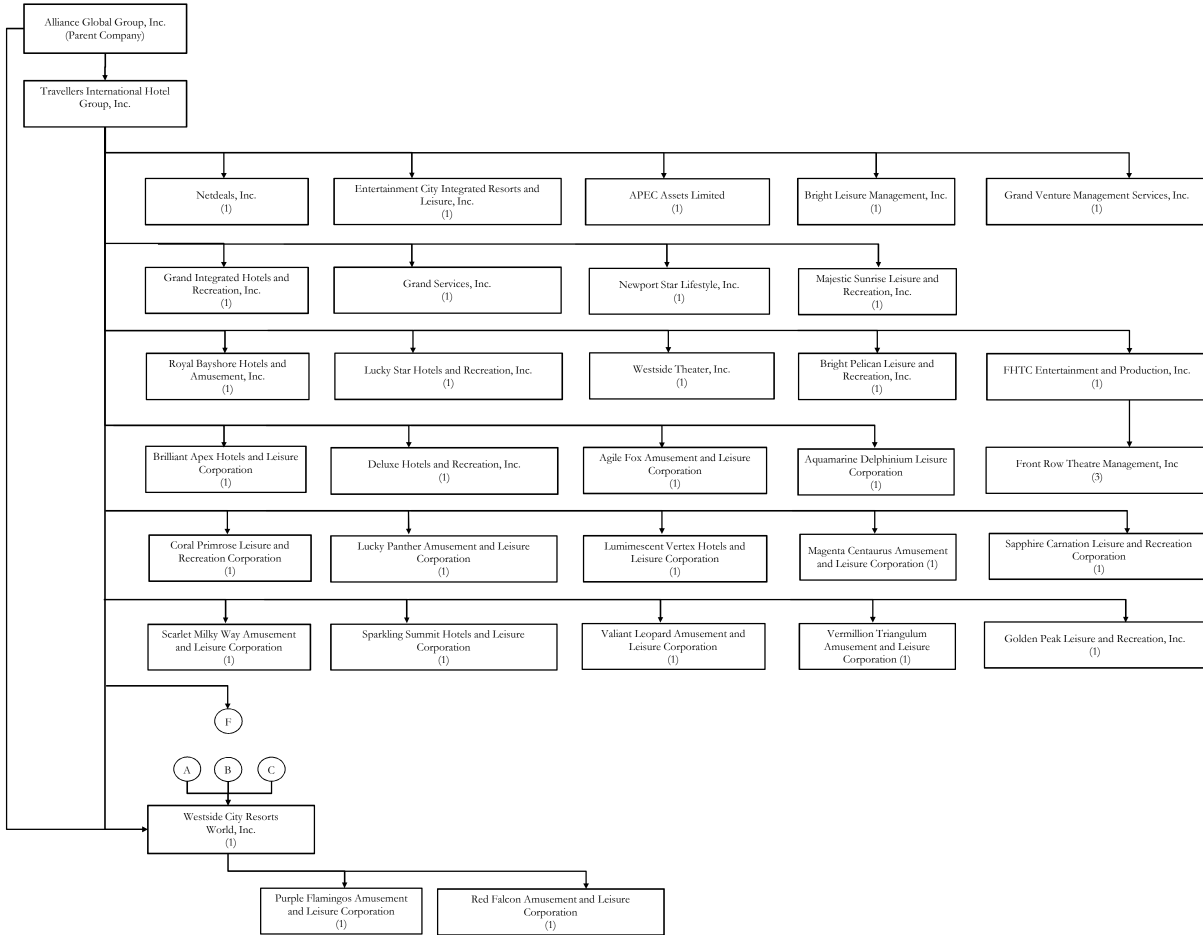


Legend
Relationship with Megaworld Corporation

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Fil-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Schedule L-2 – Map Showing the Relationship Between Alliance Global Group, Inc.
and Travellers Group
December 31, 2017



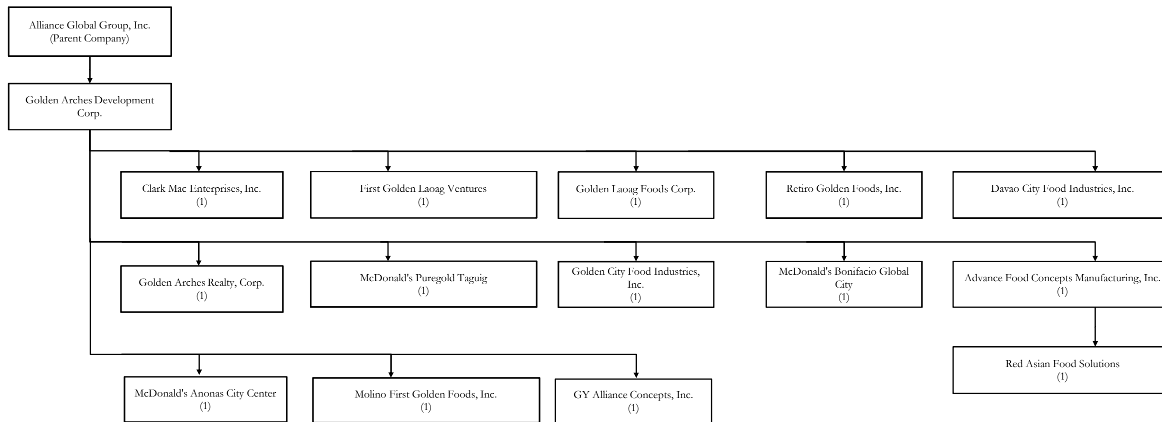
Legend

Relationship with Travellers International Hotel Group, Inc.

(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Schedule L-3 – Map Showing the Relationship Between Alliance Global Group, Inc.
and Golden Arches Development Corporation Group
December 31, 2017



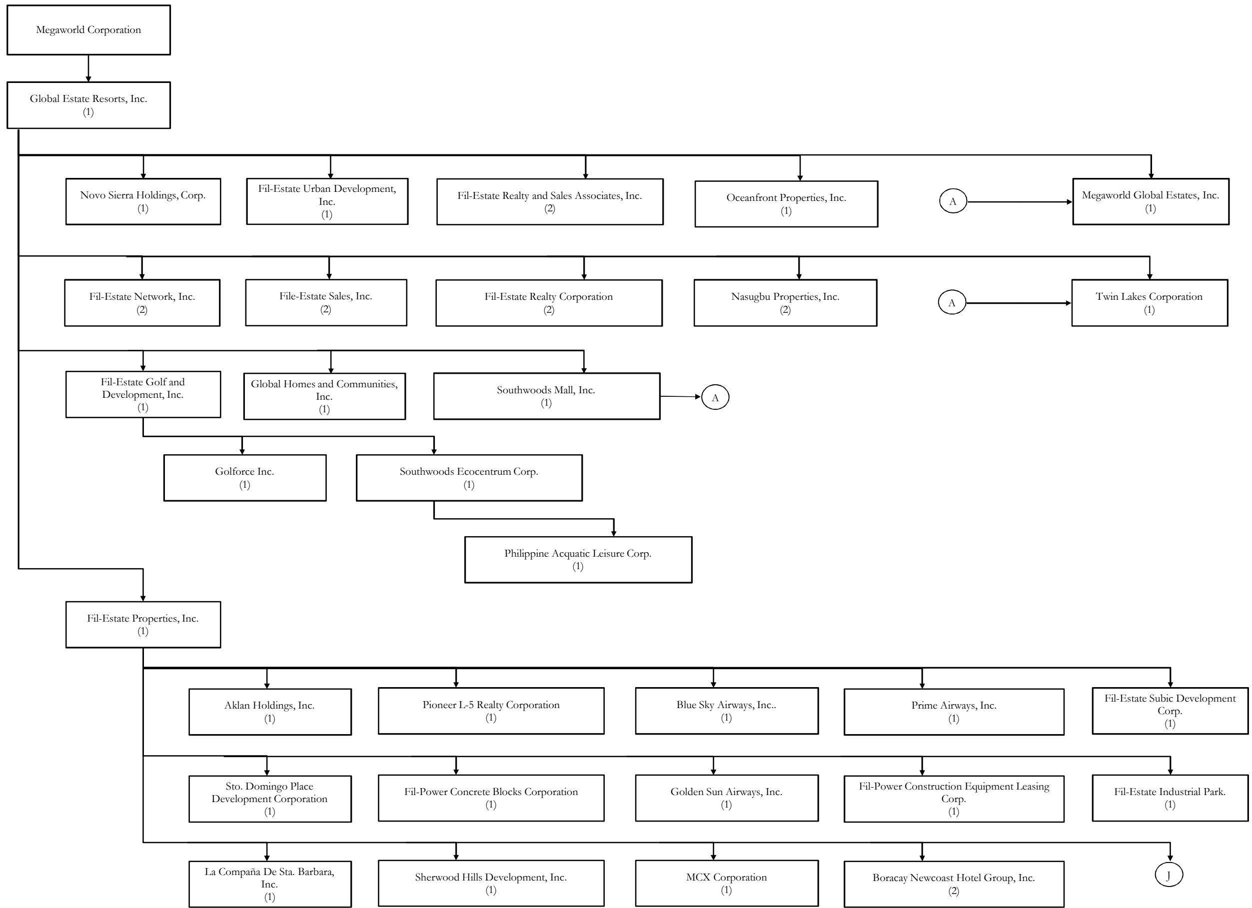
Legend

Relationship with Golden Arches Development Corporation

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Schedule L-4 – Map Showing the Relationship Between and
Among Megaworld and Global Estate Resorts Inc. Group
December 31, 2017

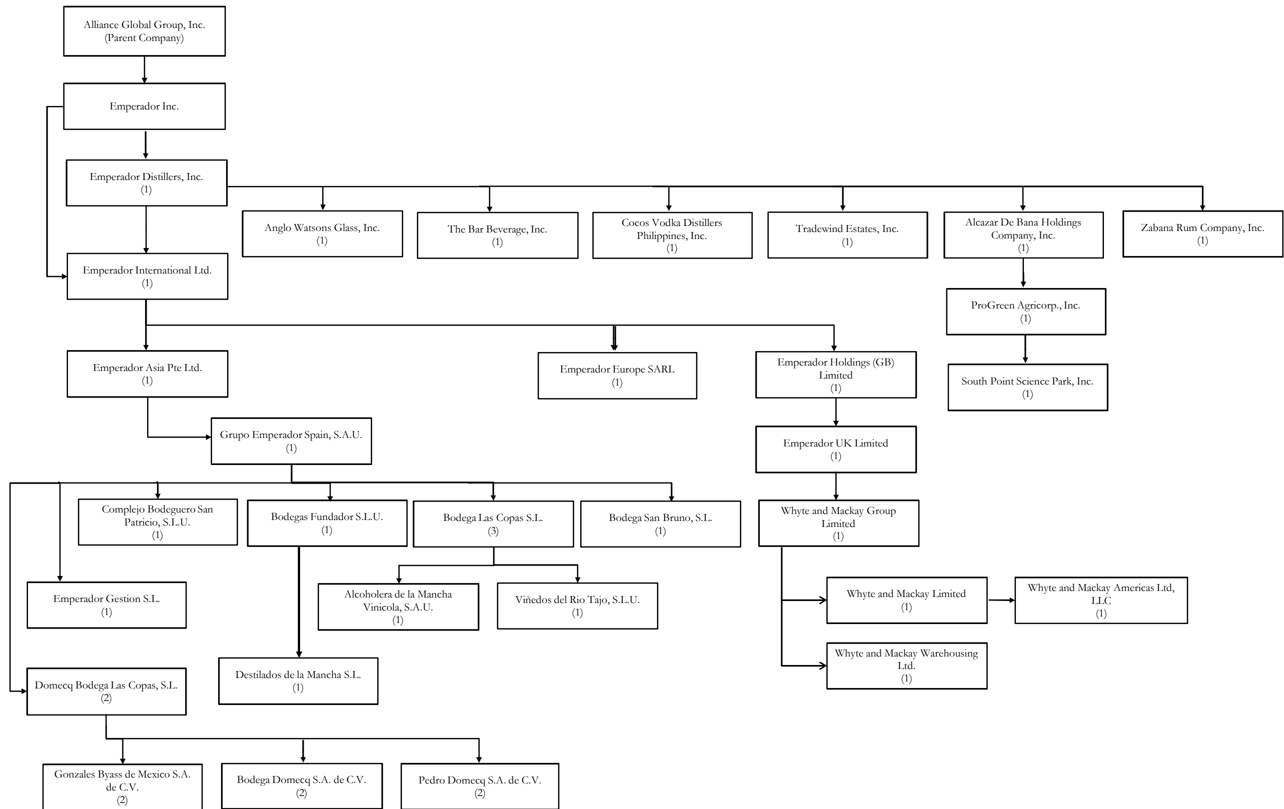


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Schedule L-5 – Map Showing the Relationship Between Alliance Global Group, Inc. and Emperador Group
December 31, 2017



Legend
Relationship with Emperador Inc.
(1) Subsidiary (100%)
(2) Subsidiary (50%)
(3) Jointly Controlled Entity