COVER SHEET

SEC Registration Number

A S 0 9 3 - 7 9 4 6

COMPANY NAME

ALLIANCE GLOBAL GROUP, INC.

AND SUBSIDIARIES

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

7TH FLOOR, 1880 EASTWOOD

AVENUE, EASTWOOD CITY

CYBERPARK,

188 E. RODRIGUEZ JR. AVENUE,

BAGUMBAYAN, QUEZON CITY

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

(For December 31, 2019)

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
dinainting@allianceglobal.com.ph	8709-2038 to 41	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
1,007	3rd Thursday of June	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	dinainting@allianceglobal.com.ph	8709-2038 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, 2019**

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

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

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

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

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

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

8. **(632) 87092038 to 41**
   Registrant's telephone number, including area code

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

Title of Each Class	*Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding* ***As of December 31, 2019***
Common	**10,269,827,979**
Treasury shares	**446,500,000**
Outstanding	**9,823,327,979**

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

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

12. *The aggregate market value of the voting stock held by non-affiliates of AGI as of December 31, 2019, based on the closing price of its common stock of Seven Pesos and Fourty Centavos (P7.40) on the Philippine Stock Exchange on April 15,2020, is P27,072,501,192.*

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PART I - BUSINESS AND GENERAL INFORMATION

1. BUSINESS

a. Organization And Business Development In The Past Three Years

a.1. The Company

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

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

The Tan family beneficially owns a majority interest in AGI.

a.2. Subsidiaries

Emperador Inc.

EMPERADOR INC. ("**EMP**" or "**Emperador**") is a publicly-listed domestic holding company which operates an integrated business of manufacturing, bottling and distributing distilled spirits and other alcoholic beverages from the Philippines, United Kingdom, Spain, and Mexico, through its wholly-owned subsidiaries. At present, EMP and its subsidiaries (collectively referred to as "**EMP Group**") has a wide range of products in its portfolio – from value to super premium – and an international reach to at least 102 countries. EMP Group has acclaimed renown as the world's largest brandy producer, leading the brandy segment in the Philippines and Spain, and the world's fifth largest Scotch whisky producer.

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

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

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, 16.2 billion shares of which are issued and 15.76 billion shares outstanding (net of treasury shares) as of December 31, 2019. Its consolidated total assets amounted to P126.0 billion as at December 31, 2019.

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 its 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' under license from Diageo North America, Inc.; and distributes Ernest & Julio Gallo wines, the Scotch whisky and Brandy de Jerez products that the Group own, and Pik-Nik shoestring-shaped potato snacks in the Philippines. EDI has established distribution footprint to 55 countries as of end-2019 and it plans to open up markets in at least 6 countries for 2020.

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 shares, of which 12.5 billion shares are outstanding and held by EMP as of to-date.

EDI operates two manufacturing plants in Laguna. The main plant is being leased from its wholly-owned subsidiary ***Tradewind Estates, Inc.*** ("**TEI**") while the annex plant was acquired 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 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 EMP Group'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. It is an investment and holding company which is the parent company of the Group's offshore subsidiaries. Its group is primarily responsible for the offshore investments and properties in Spain and United Kingdom. At present, EIL is 84% and 16% directly owned by EMP and EDI, respectively. Thus, it is 100% beneficially owned by EMP.

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 Toledo, called Daramezas and Bergonza, and in Madrid, called Monte Batres, in 2013-2014. And from hereon, the Spain group started growing. In 2014, GES invested in ***Bodega Las Copas*** ("**BLC**"), a 50%-50% joint venture with Gonzalez Byass. BLC is a company that converts and produces alcohol and spirits. BLC's main industrial facilities are located at Jerez de la Frontera in Cadiz and Tomelloso in Ciudad Real.

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

Complejo Bodeguero San Patricio, S.L.U. ("**CBSP**"), a wholly-owned subsidiary of GES, incorporated on October 11, 2016, acquired the Grupo Garvey brands and associated inventories and casks and real estate properties on January 19, 2017. Bodegas Garvey, founded in 1780 by the Irish aristocrat William Garvey and based in Jerez de la Frontera, is one of the ancient brandy and sherry companies in Spain

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.

Domecq BLC is a subsidiary of GES incorporated on December 20, 2017, with 50% equity owned by GBS. It holds the spun-off Domecq brandy and wine portfolio and related assets. Its wholly-owned subsidiaries in Mexico, ***Pedro Domecq SA de CV*** and ***Bodega Domecq SA de CV*** were incorporated on March 15, 2017 while ***Domecq Distribucion de Bebidas SA de CV*** *(corporate name changed from Gonzales Byass de Mexico SA de CV in 2018)* 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 into the distribution and sale of foods and beverages, which currently is mainly for the former two subsidiaries. In 2019, Pedro Domecq S.A. de C.V. absorbed Bodega Domecq S.A. de C.V. due to synergies of merging both companies.

For its part, BLC keeps its main activities - planting, cultivation and exploitation of vineyards in order to produce grapes for distillation, and manufacture, storage, distribution, sale of wine spirits, liquors, spirits and similar products– 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.

Grupo Emperador Gestion, S.L.U., a wholly-owned subsidiary of GES, was incorporated on October11, 2016, with a share capital of €3,000.

Stillman Spirits, S.L.U., a wholly-owned subsidiary of GES, was incorporated on March 20, 2019, with a share capital of €3,000. It will carry the business of GES in UK, following UK's exit from the European Union.

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

Emperador Holdings (GB) Limited ("**EHGB**" or "**EGB**"), the ultimate UK parent undertaking and controlling entity, is a wholly-owned subsidiary of EIL. EGB is a private company incorporated under the laws of England and Wales on June 19, 2014. It operates as an investment and holding company and wholly owns EUK. As of December 31, 2019, its authorized called-up share capital totaled 1 thousand shares at £1 per share, all of which were allotted and fully paid up by EIL.

EUK, a subsidiary of EGB, is a private limited company incorporated in Scotland on May 6, 2014. It is the immediate parent of WMG. As of December 31, 2019, it has authorized called up share capital of 1,250 shares at £1 per share, all of which were allotted and fully paid up by EGB and EES.

Whyte and Mackay Group Limited ("**WMG**" or "**Whyte and Mackay**") is the smallest consolidating group under EGB. WMG was incorporated on August 7, 2001, in Scotland. On October 31, 2014, WMG and subsidiaries were folded into the EMP 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 luxurious 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. Some of these products are now being distributed in the Philippines by EDI. WMG wholly owns ***Whyte and Mackay Global Limited*** ("**WM Global**") which was incorporated on December 4, 2018 in Scotland. The main trading entity is WM Global's wholly-owned subsidiary, ***Whyte and Mackay Limited*** ("**WML**"), which was incorporated on January 20, 1927 in Scotland, whose principal activity is the production, marketing and distribution of distilled potable alcoholic drinks which include Scotch whisky, vodka, liqueurs and other alcoholic drinks. 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-two dormant companies within WMG Group that have been retained for branding purposes. Whyte and Mackay is headquartered in Glasgow and has significant malt and grain production capability from its four malt distilleries and one large grain distillery. It also has a leased bottling facility.

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

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 integrated 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 as a special economic zone by the Philippine Economic Zone Authority ("**PEZA**"). It has since then grown and diversified its roster of townships to twenty-six: four in Fort Bonifacio, six in Metro Manila, nine in Luzon, six in Visayas, and one in Mindanao.

Megaworld and its subsidiaries ("**Megaworld Group**") have real estate portfolio that includes residential condominium units, subdivision lots and townhouses as well as office and retail developments. It has the following three primary business segments: (i) real estate sales of residential developments, (ii) leasing of office and retail space and (iii) management and operation of hotels. As of December 31, 2019, Megaworld owns or has development rights to over 4,300 hectares of land located throughout the Philippines. Since its incorporation, Megaworld and its affiliates have launched more than 722 residential buildings, 70 premier offices, 24 lifestyle malls and commercial centers and 11 hotel brands including condotels.

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. In 2018, MEG received a total of 100 awards including over 40 awards from prestigious award-giving organizations.

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

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 located in Ortigas Center 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-2019. Its consolidated total assets amounted to P349.6 billion as at December 31, 2019.

From 46% effective ownership interest in MEG in 2007, the Group increased its effective ownership interest in MEG which is now at 67% by end-2019 through purchases in the market, exercise of stock rights and warrants, and subscription to new shares.

Global Estate-Resorts, Inc. ("**GERI**"), a publicly listed domestic company incorporated on May 18, 1994, is likewise one of the leading property developers in the country and is engaged primarily in the development of integrated tourism and urban townships with residential, office, retail, hotel and/or golf components. It has a vast land bank where key developments include Boracay Newcoast in Malay, Aklan; Twin Lakes in Laurel, Batangas; Sta. Barbara Heights in Iloilo; Southwoods City in Laguna and Cavite; Alabang West in Las Piñas, Metro Manila; Eastland Heights in Antipolo, Rizal; 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, 2019. Total assets reported as at end-2019 amounted to P49.8 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-2019, 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-2019 amounted to P44.8 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**") 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, five hotels – Maxims Hotel, an all-suite luxury hotel; the Marriott Hotel Manila, the Hilton Manila and Sheraton Manila Hotel, five-star international branded hotels catering to international business and leisure travelers; 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.

The 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 (rebranded to Holiday Inn Express Newport City in February 2018) opened in November 2011.. The Marriott Grand Ballroom, a world-class events and convention center, formally opened its doors to the public in March 2015. In 2018, RWM opened a portion of its Phase 3 development project dedicated to gaming activities which is called the Grand Wing. Furthermore, the Hilton brand marked its return in the Philippines with the official opening of Hilton Manila in October 2018 with 357 rooms. Also in 2018, Travellers ventured outside Metro Manila and opened the first international hotel in Iloilo City- the Courtyard by Marriott Iloilo (Courtyard) with 326 rooms. And in January 2019, Sheraton Manila Hotel officially opened its doors to the public, adding 390 rooms.

Travellers is AGI's first integrated tourism vehicle in Metro Manila through a partnership deal in August 2008 with Malaysia-based Genting Group through **Genting Hong Kong Limited** ("**GHK**"), a company with shares listed on The Stock Exchange of Hong Kong Limited and traded on the GlobalQuote of Singapore Exchange Securities Trading Limited. The partnership combines AGI's expertise in the Philippine mixed-use township development, food and beverage ("F&B") and quick service restaurants, and GHK's international experience as an owner and operator of casino and gaming businesses, operator of passenger cruise ships and provider of cruise-related leisure, entertainment and hospitality services. GHK is affiliated with Genting Berhad and its subsidiaries and associates (the "Genting Group"). Travellers had its common shares listed in thePSE from November 5, 2013 until October 21, 2019,

Travellers has P10 billion authorized capital stock (common and preferred shares), of which P1.68 billion is outstanding as at end-2019. AGI's ownership interest is accounted through direct holding of 27.51% and indirect holdings through its subsidiaries Megaworld, First Centro, Inc. and Adams Properties, Inc. ("Adams") which hold 3.33%, 4.90% and 24.52%, respectively, of Travellers' outstanding common shares. Adams holds 83.3% of outstanding preferred shares. Travellers has consolidated total assets of P119.0 billion as at end-2019.

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 P34.2 billion at end-2019.

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

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

Infracorp Development, Inc.

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

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

The Company forms part of the NAIA consortium together with six more of the largest conglomerates in the country. On February 12, 2018, they submitted an unsolicited proposal to the government for a P102 billion- project, which aims to rehabilitate, upgrade, expand, operate and maintain the Ninoy Aquino International Airport. The project aspires to transform NAIA into a world-class facility and a regional transport hub and ensure that NAIA would have the capacity to meet the continued growth in passenger traffic. Upon full operations, NAIA is expected to accommodate as many as 65 million

passengers per annum. The government has granted this consortium Original Proponent Status on September 10, 2018.

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

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

b. Business Description

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

b.1.Principal Products or Services and their Markets

EMP

'**Emperador Brandy**', the first brandy label, was launched in 1990 in the Philippines and is currently the leading local brandy in the country. In 2010, '**Emperador Light**' was introduced in response to a growing market for alcoholic beverages with lower alcohol content and targeted at younger alcoholic beverage consumers. In March 2013, EDI introduced '**Emperador Deluxe Spanish Edition**', a premium brandy imported from Spain that is created specifically to appeal to the Philippine palate. The sin tax regime on liquor, which started on January 1, 2013, leveled the playing field for imported liquors and provided a prime opportunity to introduce 'Emperador Deluxe' to the Philippine market. In July 2017, a game-changing '**Emperador Hotshot®'**, a brandy shooter spiced up in a fiery delicious cinnamon flavor delivering a smooth, sweet & spicy kick to start every party hot, was launched targeting the young and daring drinkers. Another innovative product was launched in October 2017, '**Emperador Red®**' which has the rich robust taste and smoothness of Emperador Light 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*! In June 2019, a lighter variant was introduced, the '**Emperador Double Light'** for that '*dobleng saya, dobleng tagumpay*' feeling. This lower alcohol, lower calories smooth fruity drink

targets the younger generation of drinkers who are growing more mindful about health and wellness trends.

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

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

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

'**The BaR'**, 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 Company targets the sales of 'The Bar' products to a younger demographic, specifically, the 18 to 35 year old age bracket.

Another gin line was launched in 2018, '**The BaR Premium Gin'**, infused with botanicals from Spain that gives it a delicious burst of flavor not found in local gin products. This world-class premium gin line comes in three variants: **Pink** with flavors of mixed berries, **Green** infused with lime flavors, and **Premium Dry** infused with imported botanicals. The Bar Premium Gin is not only far better but also different. It is dubbed as 'the gin for the new generation'.

'**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 (IWSC), Gold Award in the 2017 Monde Selection, and Silver recognition in the International Spirits Challenge 2017.

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

EDI also distributes '**Pik-Nik'** brand shoestring potato snacks and **Ernest and Julio Gallo wines**. The 'Pik-Nik' brand is owned by AGI Group.

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

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

'Fundador Light' is currently the best-selling 'Fundador' in the Philippines, having a balanced and clean aroma with a fragrance of wood seasoned sherry and a smooth light taste of brandy from our cellars in Jerez.

'Fundador Double Light' is an exceptional spirit from sherry casks in our cellars in Jerez, Spain. It guarantees double smoothness and double satisfaction in every bottle. It is the ultimate expression of Fundador Light with a different concept. It has a double ageing profile and character that is an effect of the double casks.

Fundador Double Wood is a Brandy de Jerez Solera Reserve, inspired by the brandies originally crafted in the 19th century, where the prolonged aging makes the holandas acquire the most important and unique characteristics of wood.

Fundador Triple Wood is a Brandy de Jerez Solera Gran Reserve obtained through a very long ageing process that triples the standards of brandy production. A unique expression that reveals the depth of the elements contributed by the wood to a powerful bouquet from the long periods of aging.

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

'Terry 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, this disruptive concept was launched to a fashionable position for a spirit drink for a future halo of Brandy de Jerez.

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

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

'Harveys Bristol Cream®' is a proprietary blend of three sherry types: Fino, Amontillado and Oloroso, all created from the Palomino grape. It is clean and fresh, with spicy overtones. Crisp and elegant with fruity grape flavors, it is loaded with woody and nutty flavors, but remains mellow with velvety smoothness. "Everyday's A Holiday" with Harveys Bristol Cream®, taken alone or with fruit or used as ingredient to desserts and baking.

'Harveys Very Old Amontillado 30-Year Old V.O.R.S' was awarded the "The Best Wine in the World" by the International Wine Challenge (IWC), by bagging the Champion of Champions' Trophy 2016, while '**Harveys V.O.R.S. Palo Cortado'** was awarded in 2015 by the IWC as the "Best Sherry". Also in

2016, the IWSC awarded gold medals to '**Harveys Pedro Ximenez 30 Year Old V.O.R.S.**' and '**Harveys Rich Old Oloroso Sherry 30 Year Old V.O.R.S**.'

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

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

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

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

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

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

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

Jura 12 Years is an Asian exclusive. A modern classic aged 12 years. Reassuringly rich with smoky sherry sweetness. Matured in American white oak ex-bourbon barrels for 12 years and finished in Oloroso Sherry casks from Jerez, Spain. This 12-year old has refined succulent tropical aromas of chocolate, walnut, and citrus fruit. The exquisite taste is a medley of coffee, liquorice, salted bananas and brown sugar with a whisper of smoke in the finish.

'**Tamnavulin Single Malt Scotch whisky**' was launched in 2016, initially in the UK. The Tamnavulin Distillery was built in 1966 and was acquired by WMG in 1993. 'Tamnavulin' is the epitome of a Speyside malt; rich, smooth, elegant and refreshing. Tamnavulin is the Gaelic translation for 'Mill on the Hill,' named in part after the 16th century woollen mill which sits on the site of the distillery. This Speyside is double cask. Matured in American Oak Barrels and finished in Amoroso Oloroso Sherry

casks for a rich, full-bodied, sweet and mellow taste. EDI started distributing this product in the Philippines in 2018.

'**Tamnavulin Single Malt Scotch Whisky Vintage Collection** rare range with expressions from the years 2000, 1979, 1973 and 1970, together with a new Tempranillo finish was launched in 2018 for Global Travel Retail.

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

Fettercairn Single Malt was relaunched in 2018 with a new packaging with the lead expression 12year old supported by a 28year old, a 40year old, and a 50year old, all four showcasing the iconic unicorn symbol.

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

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

'**Shackleton**' is 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. It has hints of vanilla, ginger and licorice on the nose, with a taste of demirara sugar, manuka honey and dried pineapples, and a whisper of bonfire smoke in the finish.

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

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

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

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

MEG

Megaworld's pioneering "live-work-play-learn" concept for integrated mixed-use communities, or commonly known as townships in the Philippines, has enabled it to launch more than 722 residential buildings, 70 premier offices, 24 lifestyle malls and 11 hotel brands. "Townships" integrate lifestyle convenience of having high quality residences in close proximity to office, commercial, educational, and

leisure and entertainment facilities. The strategy is to lease all commercial and retail properties and sell all residential units.

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

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

connected to another Fort Bonifacio Landmark, Burgos Circle, a leisure spot with residential, condominiums and a small park.

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

4. **Newport City** is a township located on 25 hectares of land at the Villamor Air Base, Pasay City, Metro Manila, across the NAIA Terminal 3 and adjacent to the Villamor golf course. It will be targeted towards tenants and buyers who consider proximity to the NAIA Terminal 3 an advantage. The residential zone consists of eight to nine-storey medium-rise buildings. The corporate zone comprised of office buildings. The leisure and entertainment zone consist of bars, restaurants, retail and tourist oriented shops, which are designed to complement the office and residential buildings in the community township. Newport City is home to **Resorts World Manila** which is a leisure and entertainment complex comprising gaming facilities, restaurants, hotels and shopping outlets. The hotel zone comprises the Marriott Hotel, 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 have three additional 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. Modeled after the most progressive cities around the world- Paris, London, Milan, New York and Tokyo, Uptown Bonifacio is comprised of a residential portion in the northern part of Fort Bonifacio, and a portion for mixed-use, comprising office and retail space. Set in the heart of Fort Bonifacio, the township will be close to several of the new CBD's popular landmarks such as Forbes Town Center, Burgos Circle, the Mind Museum, Bonifacio High Street, and The Fort Strip. It is also within close proximity to St. Luke's Medical Center and the institutional zone. The township is easily accessible via Kalayaan Avenue, C-5 Road and EDSA. It has its own high-end commercial center, Uptown Place Mall.

6. **McKinley West** is 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 chic commercial centre. These will all be complemented by open spaces and lush greenery. Ingress and egress points of the estate are conveniently located along Lawton Avenue which connects Fort Bonifacio to Pasay City and Makati City.

7. **The Mactan Newtown** 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, making the township ideal for residence, business or leisure. The first phase of the project is expected, on completion, to comprise high-tech BPO offices, and retail centres, luxury condominiums, leisure facilities and beach resort frontage. The Mactan Newtown is approximately 10 minutes away from the Mactan-Cebu International Airport, the Philippines' second largest airport. The Mactan Newtown will also have five hotels, two of which are at the beachfronts.

8. **Iloilo Business Park** is a mixed-planned community in a 72-hectare property in Mandurriao, Iloilo. Upon completion, it will be a mixed-use business, tourism, commercial and residential hub with a residential community, BPO office buildings, hotels, a convention centre, retail centres and a lifestyle centre. The entire Iloilo Business Park development was registered as a special economic zone with the Government, which allows it to benefit from a tax holiday period as well as other incentives for investors. It also features The Street of Festive Walk, a 1.1-kilometre retail strip inspired by outlet shops in America and envisioned to be one of the longest shop-and-dine streets outside of Metro Manila. Iloilo Business Park has launched 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. The main "green" feature of the township is the approximately 1,000 trees that will be planted around the development. This greening feature will help provide an outdoor thermal comfort for the future residents, workers, tenants and visitors of the township. Sustainable buildings registered under Leadership in Energy and Environmental Design (LEED) are the standard of office developments in this township, with the first two to rise designed by world-renowned architectural firm Skidmore, Owings & Merrill. Other green features of ArcoVia City include a rainwater catchment facility, a network of bicycle lanes, and wide tree-lined sidewalks. Aside from office towers, the township will have residential condominiums, a lifestyle mall, retail and commercial strips, and open parks.

10. **Davao Park District** is the first township development in Mindanao. It is situated on an 11-hectare property along S.P. Dakudao Loop, Barangay San Antonio, Agdao District, Davao City, which used to be the Lanang Golf and Country Club. The township is envisioned to be Mindanao's new central business district by being a center for BPO and other corporate entities over the next seven years. Also in Davao Park District are the themed residential condominiums that will be built by Suntrust Properties, a wholly-owned subsidiary of Megaworld. The township will also have a lifestyle mall, commercial and retail strips, open parks, a lagoon, and a school. The first office tower to rise is the iconic 15-storey Davao Finance Center. The first tower in One Lakeshore Drive, a 4-tower condominium cluster, started selling in 2014. Two Lakeshore Drive started selling in 2017.

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

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

13. **Twin Lakes**, an ongoing project under GERI, is a 1,200-hectare mixed-use leisure and resort community in Tagaytay. The tourism estate will feature the best of Europe at the first residential cluster called The Vineyard Residences, which is comprised of three-mid-rise condominium towers: Shiraz, Merlot, and Chardonnay. Twin Lakes also has a unique mixed-use community development called The Vineyard, which spans 177-hectares of natural landscape that offers the perfect view of the famous Taal Volcano and the man-made lake within the estate. The Vineyard will have its own sports club and spa, wedding venue, and the 10-hectare vineyard that will produce real grapes that

can be processed, stored, and aged in its very own chateau. The township will also have commercial and retail hubs (The Village and Lakeshore Town Center), a university park, as well a nature park. Other developments in Twin Lakes include a retirement community, wellness centre, hotel and chateau, among others.

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

15. **Alabang West** is a 62-hectare township located at the heart of Alabang's leisure, business and commercial district. It is easily accessible to and from Metro Manila via the South Luzon Expressway and the Daang Hari Exit. Alabang West has a 1.3-kilometer commercial and retail row inspired by Hollywood's famous Rodeo Drive and an exclusive Alabang West Village that features over 700 residential lots. The village will have a clubhouse with badminton and basketball courts, function rooms, game room, a fitness centre, and an infinity pool.

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

17. **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 center' 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 master-planned community of GERI, is a 173-hectare mixed-use development with 34 hectares allocated for residential lots overlooking nearby natural lake and hills in Sta. Barbara Iloilo. The township is adjacent to the historic Santa Barbara Church and Convent and the Iloilo Golf Course and Country Club, the oldest golf course in Asia. Sta. Barbara Heights will have a direct access to the road leading to the Iloilo International Airport via the Iloilo International Avenue, a six-lane "spine" highway featuring rows of mixed-use and commercial buildings, retail shops, restaurants, boutique hotels and institutional facilities. Half of the development is allocated for the Sta. Barbara Heights Residential Estates, a residential village with three phases offering around 1,000 lots. The village will feature a five-hectare Village Center with amenities that include a 260-meter swimming pool, tennis and basketball courts, children's park and picnic ground overlooking a lake beside the Iloilo Golf and Country Club.

19. **Capital Town** is a 35.6-hectare prime property beside the provincial capital of the City of San Fernando, Pampanga and is the fourth township launched by Megaworld in 2015. It is just 70 kilometers away from Metro Manila and accessible via the North Luzon Expressway and the Jose Abad Santos Avenue, also known as the Olongapo-Gapan Road. It is also around 20 kilometres away from Clark International Airport 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 most by any developer in the country. The township will also be home to upscale residential condominiums, a luxury mall as well as international hotel brands such as The Westin Hotel of the Starwood Asia Pacific Hotels & Resorts Group, Hotel Okura Manila of the Okura Hotels & Resorts, the Genting Grand and Crockfords Tower of the Genting Group and Kingsford Hotel. These hotels will have a total of around 1,500 rooms. Westside City is visioned to become the "Broadway of Asia" as the township highlights facilities for the performing arts and will be home to the Philippines' Grand Opera House that has a total capacity of 3,000.

21. **Maple Grove**, the Megaworld's 21st township, is a 140-hectare property in General Trias, Cavite. This property will be developed into another mixed-use development. The property is approximately 45 minutes away from Makati and other Metro Manila CBDs via Coastal Road and Cavitex, Maple Grove is at the entry point of the booming industrial and residential centre of the Cavite-Batangas corridor. Megaworld increased it's capital spending to P15 billion in the next 10 years to develop Maple Grove. The township will have an eclectic mix of residential, retail, office and institutional components.The first Megaworld Lifestyle Mall in Gen. Trias, Cavite started its construction this 2019, a two-level 'sustainable' mall with around 24,000 square meters of gross floor area. Inspired by the design of a 'greenhouse', the mall will be equipped with exceptional light- transmitting architectural systems that maximizes the use of natural sunlight while maintaining comfort cooling condition inside the building. Soon, it will also have a direct link to the Cavite-Laguna Expressway (CALAX).

22. **Eastland Heights**, an ongoing project under GERI, will be an 'integrated lifestyle community' in Antipolo, Rizal on a 640 hectares of land along Marcos Highway with some areas overlooking Metro Manila's panoramic skyline. The property has its own iconic 36-hole golf course and country club, which will occupy around 20% of the entire development. It is also known for its rolling terrains on the foot of the scenic Sierra Madre Mountain Range. GERI is spending P5 billion to develop Eastland Heights in the next five to seven years. Aside from the golf course, the community will have residential, commercial and retail, and institutional components such as a school.

23. **The Hamptons Caliraya**, the second 'integrated lifestyle community' under GERI, is located in Lumban-Cavinti, Laguna, surrounding Lake Caliraya. Through GERI, Megaworld has allocated P8 billion in this 300-hectare development in the next 10 years. The development will feature leisure and tourism developments including lakeside residential villages and villas, a town center, two 18-hole golf courses and clubhouse, and a Marina Club that offers a wide range of water sports activities such as boating, jet ski and kayaking, as well as a shophouse district and resort hotel district. The development will also be the site of The Hamptons Village, an 11-hectare lakeside residential village that will feature its own marina.

24. **Highland City** is MEG's first team up project with its subsidiary, mid-cost residential developer, ELI. To be built in a 24-hectare property in Cainta, Rizal, this development will cater to the booming demand for residential space close to Metro Manila's business hubs. The township will have 38 residential towers on the elevated portion, meant to "evoke a character of a city sitting on highlands". Highland Park will be the highlight of the estate which is an 8,000-square meter green and open park that will house a 500-seating church and some retail areas. 40-40-20 of the township would be devoted for open space, vertical residential development and retail, office and other formats.

25. **Arden Botanical Estate** is a 251-hectare property located at the boundary of Trece Martires and the municipality of Tanza in Cavite, is a joint project of MEG with its subsidiary, GERI. It will have several residential and leisure villages, commercial areas, sports and adventure parks, and a mixed-use district. The expansive development, which will be curated to engage and stimulate the senses, will be highlighted by flower garden and green parks.

26. **Lucky Chinatown** is located at the heart of Binondo, the world's oldest Chinatown and is strategically located near Manila's historic and cultural sites such as Intramuros, Manila City Hall, and the National Museum. This 5-hectare property will have residential condominium projects, lifestyle mall, hotel, and a museum that perfectly blends history and modernity.

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

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

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 is nearing completion with few units left for sale. Selected towers have ground-level retail shops, providing basic needs of residents for consumer goods and wellness services. Several clusters of towers offer various unit layouts, ranging from loft-type units, studios, 2-bedroom units and combined units. The project is almost completed with very few units left unsold.
4. **The Rochester**, a tropical-inspired urban resort community at Elisco Road, San Joaquin, Pasig City, will have seven Asian Modern towers set to rise on a 3-hectare property. Because of its proximity to the C5 Road and Kalayaan Avenue intersection, it is highly accessible to the Bonifacio Global City. The low-rise Garden Villas 1 and 2 and the mid-rise Breeze Tower and Parklane Towers 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. The first six towers that offered one-to-three-bedroom suites have been completed and fully sold out, namely, Garden Villas 1 and 2, Breeze Tower, Parklane Tower, Palmridge Tower and Hillcrest Tower. The final tower, Bridgeview, is in full-swing construction.
5. **San Lorenzo Place** is a luxurious 4-tower high-rise development on a 1.33-hectare property along EDSA corner Chino Roces Avenue, Makati City standing on a podium with an upscale shopping mall directly linked to MRT-3 Magallanes station. The project offers an unparalleled luxurious city lifestyle in the Makati CBD with high-end amenities such as swimming pools, tennis court, fitness gym, jogging paths, gardens, function room, daycare center and clubhouse at the sixth level. All four towers have been completed and sold out.
6. **Pioneer Woodlands** is a prime 1.27-hectare development that offers a transit-oriented lifestyle to its residents as it is connected directly to MRT-3 Boni station. It is located along EDSA corner Pioneer Street in Mandaluyong City, close to Ortigas and Makati CBDs, making it a preferred address of end-users and investors. The project has 6 high-rise towers, recreational amenities at the 5th level, and a two-level retail arcade. Studios, 1-bedroom and 2-bedroom units at Towers 1 to 4 have been sold out and turned over. Meanwhile, Towers 5 and 6 are in full-swing construction with few remaining unsold units.
7. **Little Baguio Terraces** is a 4-tower TOD mid-rise condominium community on an 8,000-square meter property along Aurora Boulevard and N. Domingo Street, San Juan City. This TOD is between Gilmore and J. Ruiz station of LRT-2, offering a quick access to the University Belts in Manila and Quezon City. Amenities at the 3rd level such as lap pool, kiddie pool, jacuzzi, jogging path, playground, fitness gym, daycare center and function area can now all be enjoyed by its residents. Towers 1, 4, 3 and 2, in sequence of turnover, are now ready-for-occupancy with few units left. Homeowners can experience quality city living through recreational amenities at the podium level, featuring a swimming pool, kiddie pool, jacuzzi, jogging paths, playground, daycare center and pocket gardens.
8. **Kasara Urban Resort Residences** is located between Eagle Avenue and P. E. Antonio Street near C5 Road in Ugong, Pasig City, features six high-rise towers with world-class resort-type amenities including a lake-inspired pool, infinity pools, waterfalls, bubblers and koi ponds, clubhouse with function hall and bar area, multi-purpose court, fitness gym, playground, jogging paths, and greeneries which are all dedicated to almost 65% of its 1.8-hectare property. The project's proximity to Ortigas CBD, Eastwood City and Bonifacio Global City, makes it a top choice for both investors and end-users. Towers 1 and 2 have been turned over and are both sold out. With few units left for sale, Towers 3 and 5 are more than halfway completed while the construction of Towers 4 and 6 has started in 2019.
9. **Mango Tree Residences** is an exclusive two-tower high-rise community situated on a 3,000-square meter property along M. Paterno and J. Ledesma Streets in San Juan City. Natural mango trees, landscaped gardens, and hotel-type amenities will all be located at the spacious ground level as the podium parking will be standing on stilts, providing free flow of air and natural sunlight. With only 6 to 12 units per floor and a perfect mix of executive studio, 1-to-2 bedroom suites and penthouse units, residents are ensured of ultimate privacy and exclusivity. West Residences and East Residences are both in full-swing construction.
10. **Covent Garden** is two-tower development on a 5,000-square meter property located along Santol Street Extension in Santa Mesa, Manila walking distance to LRT-2 V. Mapa station, 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 expected to be completed in 2020 while the construction of North Residences started in 2019. Both towers have few units left unsold.

11. **The Paddington Place** is the Company's latest offering in its portfolio of transit-oriented developments. The four high-rise towers on a 8,700-square meter property with the first two levels becoming a lifestyle shopping mall and 7th level an amenity zone. Future residents can easily walk towards the MRT-3 Shaw Boulevard station and the Ortigas CBD across EDSA. The four towers standing up to 45 floors will be built on a podium structure that houses a two-level lifestyle mall dubbed as "The Pad" where daily conveniences such as restaurants, groceries and other retail establishments will be available. Amenities including swimming pools, garden decks, indoor playroom, function halls and fitness gyms can be enjoyed by the residents at 7th and 8th levels. The project's marketability is proven by brisk sales for Towers 1 and 2, with all studio units sold out and few 1-bedroom and 2-bedroom units left. New inventories were recently opened for pre-selling at Tower 3. Foundation works has commenced on this 9,000-square meter property.
12. **Empire East Highland City** is a 22.8-hectare mixed-use township development along Felix Avenue at the boundary of Pasig City and Cainta, Rizal, envisioned to be the "first elevated city" in the Philippines. It will be easily accessible to upcoming transportation hubs such as the LRT-2 Emerald Station along Marcos Highway and MRT-4 Cainta Junction Station along Ortigas Avenue Extension. The project boasts of four phases: Highland Park, Highland Mall, Highland Residences and The Chartered Club. At the frontage of the property welcomes the grandiose Highland Park, an 8,000-square meter open space elevated up to 6 meters from the street level, infused with gardens, walking paths, a 500-seater church, retail outlets and the grand Spanish Steps leading up to the Highland Mall.
13. **South Science Park** is a 58.4-hectare property in Gimalas, Balayan, Batangas that is intended for mixed-use development.

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

1. **Cybergreens** is a one-of-a-kind community in Cavite that offers a perfect balance of modern convenience and nature. It is a community with broadband-ready garden villa and where residents can go online outdoors via Wi-Fi access.
2. **Cyberville** is **l**ocated inside Sunrise Hills Subdivision in Brgy. Santiago General Trias, Cavite which is a modern community that is equipped with technology like Wi-Fi hotspots. It comes with amenities like flower, botanical and rock gardens, free playgrounds, court and a clubhouse where residents can celebrate their intimate family affairs.
3. **The GenTri Heights** blends Eastern serenity with western comfort and offers easy access to first-rate schools, retail hubs to top industrial zones in Cavite.
4. **Governor's Hills** is a Californian-Mediterranean-style homes with choices such as Jazmine, Sophia, Ysabella, Katrina and Casa Verona that also comes with beautiful amenities. Governor's Hills also offers good education for students through its very own Governor's Hills Science School.
5. **Rivabella** is a landscape community located in Sherwood Hills beside the golf clubhouse in Trece Martirez, Cavite that makes use of an Italian concept for its spacious, well-designed homes. Residents of Rivabella can enjoy the various shared amenities that the community has inside Sherwood Hills such as swimming pool, sporting goods, mini golf course, bar area, gazebo, parks and playgrounds.
6. **Suntrust Sentosa** is a two-phased residence in Laguna that is inspired by the popular island resort in Singapore. It boast not only one but two Merlion replicas in its community façade.
7. **Suntrust Verona** is located in Silang Sta. Rosa which is inspired by its namesake, the Italian City of Verona. It is a 63-hectare enclave that is made up of three residential phases and showcases a variety of single-detached duplex homes-all exquisitely designed and embraced by lush nature spaces.
8. **Sta. Rosa Heights** is composed of Spanish –themed homes that also comes with a 20,030-square meter leisure area that includes a clubhouse named Vista del Santa Rosa, Lagoon type pool, basketball court, jogging lanes and children's playground.
9. **The Mandara** is an Asian-inspired community near Tagaytay that transforms into a gateway leading to the best of Sta. Rosa, Laguna.
10. **Siena Hills** is an Italian-themed community that's peacefully nestled in P. Torres, Lipa City.
11. **The Fountain Grove** is a residential enclave located inside Megaworld's township development, Northhill Gateway. It is the perfect balance between contemporary design and lush nature.

12. **The Palm City** is located in Tagum that comes with meticulously designed amenities which includes a cabana, a clubhouse, a main entrance gate with a guard's house, resort type swimming pool layout and a wedding pavilion which can be used for any type of event.
13. **Suntrust Shanata** is a condominium project located in Novaliches, Quezon City.
14. **Suntrust Asmara** is a three-tower condominium community with a low-density design located along E. Rodriguez Avenue. It is also the future home of PBB Otso Big winners.
15. **Suntrust Amadea**'s location in the contry's former capital lets its residence enjoy matchless accessibility to the metro's business districts, prestigious schools and institutions.
16. **Suntrust Capitol Plaza**, a 33-storey project located in the heart of Diliman, Quezon City, is emerging as a landmark for it is considered as one of the city's tallest residential **s**tructures. It comes in two residential wings designed in the 1920s Palazzo style with a façade enlivened by cornices and corbelled arches and a lobby with a circular foyer with columns and a grand, sweeping staircase.
17. SPI also developed condominiums in Manila namely **Suntrust Adriatico Gardens**, **UN Gardens**, **Suntrust Parkview** which is a premier residential community in the heart of Manila that is close to business hubs, recreational areas, hospitals and academic institutions and **Suntrust Solana** which is a two-tower condominium that's modern contemporary inspired.
18. **Suntrust Treetop Villas** was developed in the low-dense community of Madaluyong City.
19. **Suntrust 88 Gibraltar** is situated in the heart of the country's Summer Capital. This Mediterranean inspired condo community offers its residents unrivaled accessibility to Baguio City's key destinations for business, education, recreation, and leisure. With Suntrust 88 Gibraltar is **The Mist Residence** gifted with multitude of charming and profound beauty with a scenic view.
20. **One Lakeshore Drive** is a Davao condominium that brings together the serenity of a lifestyle by the lake and the vitality of Mindanao's first-ever live-work-play-learn township.

Travellers

Resorts World Manila ("**RWM**"), Travellers' first integrated leisure and lifestyle complex, combines hospitality, entertainment, leisure, shopping and gaming in one grand arena, a one-stop non-stop destination. RWM operates gaming facilities at the ground floor and the 3rd floor of the Garden Wing, which includes the Genting Club (a members-only lifestyle club, with a private gaming area, dining options and other fabulous lifestyle features), and additional gaming halls thru Holiday Inn Express Manila Newport City, and at the ground floor and 2nd floor of Grand Wing, with an aggregate area of 31,135 square meters. As of the end of 2019, RWM has 355 casino tables and 2,134 slot machines/electronic gaming machines (EGMs). RWM also features the upscale Newport Mall (92 retail stores and food-and beverage outlets with a mix of high-end boutiques and mass market option), Newport Cinemas, the 1,500-seat Newport Performing Arts Theater (a majestic venue for concerts, plays, musicals and exclusive productions), the Limitless Barcade, the Horizon Center (which features a training academy and call centers) and hotels.

Five 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 737-room **Holiday Inn Express Manila Newport City** (formerly Remington Hotel), the 357-room **Hilton Manila** and 390-room **Sheraton Manila Hotel**. Opening outside Metro Manila **is Courtyard by Marriott Iloilo** located in Iloilo City which provides an additional of 326 rooms to the Company's hotel operations.

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

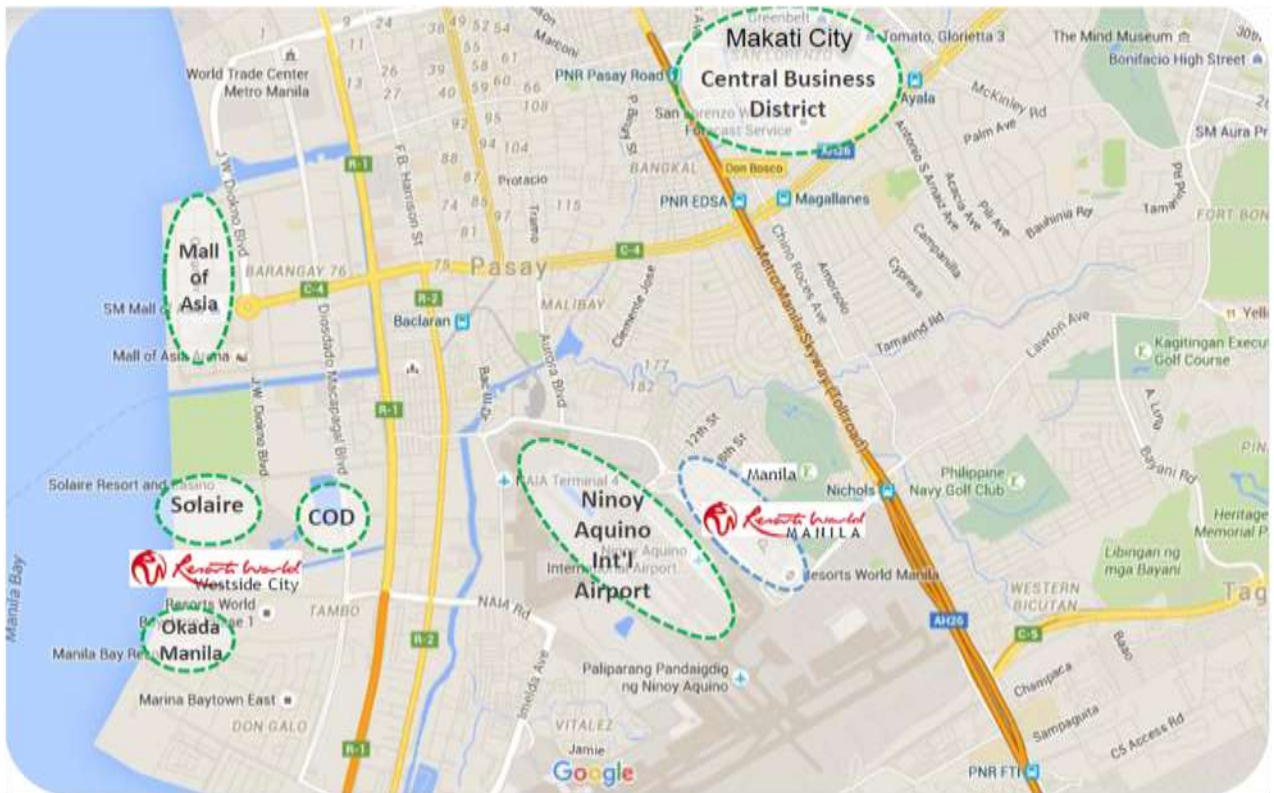
In April 2017, RWM officially opened the RunWay Manila, a 220-meter pedestrian link bridge that connects NAIA Terminal 3 and the Newport City, which the public can use free of charge. The project, which stands 65 meters above Andrews Avenue at Pasay City, is a fully enclosed, air-conditioned bridge with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

In 2018, RWM opened its first hotel outside Metro Manila- Courtyard by Marriott Iloilo located in Iloilo Business Park, Iloilo City. It also opened a portion of the gaming facilities of Phase 3, which includes the ground floor gaming area and food and beverage outlets. In October 2018, Hilton Manila has

officially opened to the public which offers 357 rooms, an all Filipino buffet restaurant, a beverage lounge, and a high end Chinese restaurant. And in January 2019, Sheraton Manila Hotel officially opened its doors to the public, adding 390 rooms.

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

Location map of the two RW sites



GADC

McDonald's is one of the 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 and fries (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
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.

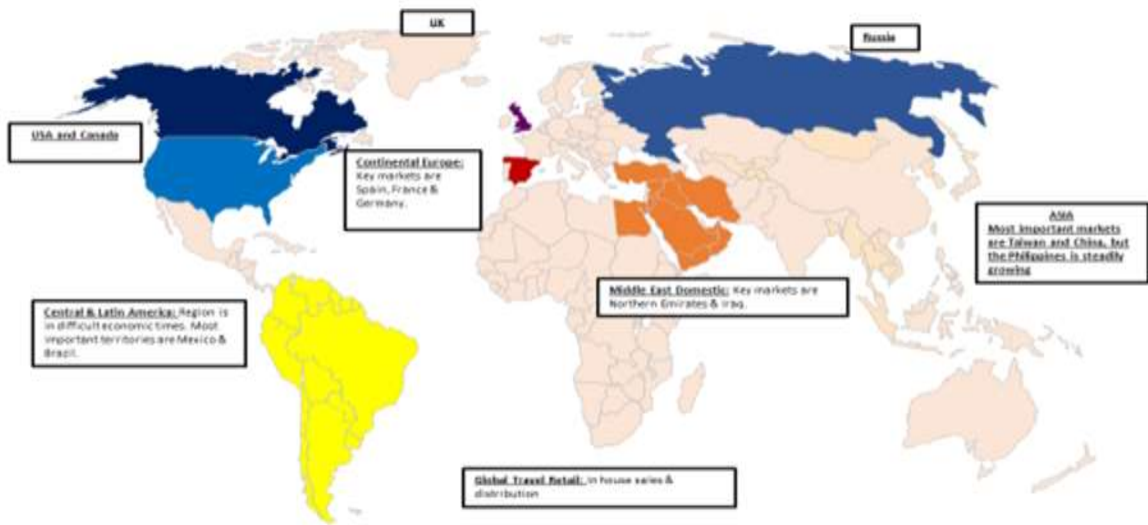
EDI local products have established international distribution to 55 countries by end-2019.

Bodegas Fundador operates as a global brandy and sherry company, with more than 80% of the revenues coming from Spain, Philippines and Mexico with the rest coming from other European, American and African markets. The global brandy and wine business is further fortified by the Domecq trademarks that fall under Spain and Mexico and have commercial reach to South America, particularly Brazil and Colombia, and USA. Strategic growth will be brands-led but will be supported by private label business.

Whyte and Mackay's overriding objective is to operate as a global branded drinks company which delivers sustainable rates of growth and returns that increase overall shareholder value. The Group operates in the UK and increasingly in international markets including the Travel Retail sector.

International accounts for more than 70% of revenues. More than 40% of brand revenues come from UK and other European countries and around 28% from Asia, Pacific and Africa, with the balance coming from Travel Retail, Middle East and Americas. Whyte and Mackay continues to invest across the business for future growth. It maintains a strong level of Strategic Marketing support across its expanding brand portfolio and increased its commercial resources in key disciplines and geographies. Moreover, Whyte and Mackay invested in the assets of the business to improve efficiency and flexibility and has continued to invest in barrels, ensuring its spirit quality remains at the highest levels.

Map showing WMG global reach:



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

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

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

Travellers
Based on Travellers' rated members (those members with gaming activity), the principal foreign market consistently contributing for 2019 are from Korea, China and Malaysia. Foreign guests in Maxims Hotel come from Korea, China, Malaysia, and Taiwan; guests in Holiday Inn Express Manila Newport City (formerly Remington Hotel) are from the United States, Korea, China and Japan; guests in Marriott are from the United States, Singapore, China and Korea; while for Courtyard are from the United States, Thailand, Australia, and the United Kingdom.

Pik-Nik
Pik-Nik products are being sold locally in USA and exported to other countries. The domestic sales in the USA increased by 1.2% in 2019. Midwest is still the strongest market in the US, followed closely by Southeast and Southwest. International sales went down by 10%mainly due to the reduction of orders from Middle East customers.

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

EMP
EMP has an extensive sales and distribution network which is one of its key strengths that will continue to drive its future growth. EDI has a nationwide distribution network operated through sales offices and distribution outlets strategically located in the country, which supply national and regional customers, hypermarkets, supermarkets, wholesalers, traders, grocery outlets, convenient stores, and local neighborhood small sari-sari, stores. It continually seeks ways to expand the reach of its distribution network, especially in the fast-growing regions of Mindanao and the Visayas. It employs its own sales and distribution force and vehicles fleet for direct delivery service. 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. Other accounts get credit terms which vary from 15 to 30 days. Riding on the EDI network, the distribution base of Fundador and Tres Cepas are significantly broadened in the Philippines.

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.

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 Emperador local brands have expanded international distribution to 55 countries by end-2019.

Bodegas Fundador partners with the best player in the distribution market, having long term agreements with country and region wine and spirit distributors in place. In 2016, EDI took over the distribution of Fundador in the Philippines, while Whyte and Mackay took over the distribution in UK and Canada. This combination assures a deep sell out market presence around the world. In particular, Bodegas Fundador products are now present in Columbia, Ecuador, Paraguay, Latvia, Ghana, Gabon, Macau and Taiwan.

In 2018, the first Fundador Café was created in the Philippines which is located at Venice Grand Canal at McKinley Hill. It offers hot and cold drinks and blended ones infused with Fundador products and sweets with Harvey Bristol Cream variances.

The WMG business has a strong, international Route to Market. In UK, a dedicated sales team covers all trade channels and customers. It also has a dedicated Global Travel Retail team which manages its

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

The Dalmore opened its first flagship store in the Philippines in Uptown Bonifacio, an exclusive retail store that houses some of the rarest and most expensive whisky collection in the Philippines. The Keeper's Den, a by-invite only lounge within the store, is also open to its VVIPs to enjoy their Dalmore bottles along with their guests. As of end 2019, there are fifteen (15) retail stores in the Philippines. The Dalmore also extended its flagship store and opened the Cigar Lounge. The Dalmore Cigar Lounge curates the Dalmore classics: the King Alexander III (the only single malt in the world with six different finishes — spirits matured in ex-bourbon casks, Matusalem oloroso sherry butts, Madeira barrels, Marsala casks, Port pipes and Cabernet Sauvignon wine barriques); the Quintessence (with five wine finishes: Zinfandel, Merlot, Cabernet Sauvignon, Syrah and Pinot Noir); and The Dalmore 25. One can pair The Dalmore Cigar Malt Reserve with Cuban cigars (Cohiba Robusto, Cohiba Esplendidos, Hoyo de Monterrey Epicure No. 1, Montecristo No. 2, Partagas Serie E No. 2, and Romeo Y Julieta Short Churchill) which are also available at the lounge.

MEG

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

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

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

ELI markets its residential inventories, both pre-selling and ready-for-occupancy units, through independent sales business partners and accredited licensed real estate brokers. The sales business partners are independent contractors and registered real estate salespersons who exclusively sell the condominium developments through various prospecting activities in mall showrooms and project sites, as well as online selling through social media, personal websites and other digital platforms. For many years, the ELI has been heavily advertising in major broadsheets and magazines, as well as out-of-

home methods such as billboards and transit ads. Though these traditional media are still being strategically utilized from time to time, ELI has started to divert its efforts in digital advertising to generate leads and inquiries. It has been increasing its online visibility through its website and social media pages, and it also partnered with external parties to execute online ads and advertorials promoting its active projects.

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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, Batangas, Manila and Laguna.

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

GADC

McDonald’s products are sold through McDonald’s restaurants nationwide. There are 669 restaurants nationwide as of end-2019, one-half of which are owned by GADC while the other half are franchised. Fifty-eight new restaurants opened in 2019 across the country;while nine were closed during the year. The highest concentration is in NCR, followed by Southern Tagalog region. In selected areas, McDonald’s products could be ordered and delivered round the clock through its “McDelivery” telephone service,“McDelivery” application or “McDelivery” website “ mcdelivery.com.ph”. More than 65% of restaurants are open 24/7 (24 hours every day).

*b.4. **New Products Or Services***

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

EMP

Whyte & Mackay Light is a new lighter spirit drink from Scotland made from Scotch whisky married with Sherry. Crafted by the expert distillers at Whyte & Mackay, the spirit drink has been enriched by sweet Sherry casks and freshly emptied Bourbon barrels. It tastes great- smooth with a subtle hint of smoke and perfectly enjoyed straight over ice, or with your favourite mixer.

‘**Emperador Double Light’**, a lower alcohol premium drink made from imported Spanish brandies finely aged in sherry casks, was launched in 2019. ‘Emperador Double Light’ advocates both mindful drinking, as well as responsible drinking. Despite having lower alcohol content, the product is positioned for social enjoyment, rather than to boost intake. EDI introduced another pair packaging of a mixer, **Club Mix Apple Tea Cordial**, and Emperador Light or Emperador Double Light or The Bar.

MEG

Tulip Gardens of Southwoods City launched its second tower called **Burgundy** offering 361 residential units raging from studio, with sizes up to 24.5 square meters, and one-bedroom with balcony, with sizes up to 41.5 square meter and is scheduled for completion in 2024.

Twin Lakes Countrywoods in Twin Lakes was also launched offering 129 units all with their own balconies, offering unparalleled views of the Tagaytay ridges as well as the Taal Lake and Volcano which is also scheduled for completion in 2024.

Arden Botanical Estate, a 251-hectare property located at the boundary of Trece Martires City and the municipality of Tanza in Cavite, is a joint development project of Megaworld and its subsidiary GERI. More than half will be residential and leisure villages while other components include a mixed-use commercial district, sports and adventure parks, and a school. It will also include other sustainability features such as the use of solar street lights, electric shuttles for transport, storm water recycling, permeable pavements for driveways and parking, and organic fertilizers and pesticides for gardens.

La Cassia Residences was launched as the 2nd residential project in Maple Grove that offers 238 units in eight various layouts and will feature sky gardens at the tower's 14th level and at the roof deck. Said project is due for completion on 2025.

Mactan Newtown Beach Walk is a P1.5 billion project that Megaworld will build in the Mactan Newtown development in Lapu-Lapu City. With a gross floor area of 30,000 square meters, it will be highlighted by a 1.4 hectare man-made lagoon at the center. It is expected for completion in 2021.

The 24- hectare **Empire East Highland City** is a township to be developed by Megaworld together with its subsidiary, Empire East. It will host the expansive Highland Mall with a gross floor area of around 58,000 square meters. It is also highlighted by the Highland Park, an 8,000 square meter green and open park. It will evoke a character of a city sitting on highlands and would include around 38 residential towers on the elevated portion of the township. MEG and Empire East will spend P20-billion in the next 10 years for this development.

Lucky Chinatown is Megaworld's 26th township that perfectly blends history and modernity located at the heart of Binondo, the world'soldest Chinatown. This 5-hectare property will have residential condominium projects, lifestyle mall, hotel, and a museum.

Travellers

Travellers is currently constructing **Hotel Okura Manila** as well as other gaming and non-gaming attractions at RWM through its Phase 3 development, and is committed to continuously improve its facilities to be able to provide unique customer experiences across a variety of gaming and non-gaming amenities.

In January 2019, RWM added another 390 rooms to its hotel portfolio with the opening of **Sheraton Manila Hotel.**

GADC

New McDonald's product variations and promotions are introduced every now and then which normally last for a limited time only, just to add excitement and variety to the regular menu. McDo Sulit Rice Bowls was launched in February as part of the Value Rice platform which is a new take on the Value Meal platform as GADC pushes for more filling, affordable and "sulit" (worth your money) rice meals. A new tasty offering, the Cheesy Omelette Bowls, is an exciting addition to Breakfast McSavers starting mid-March. In April and May, McCafe Iced Coffee selection (Sweet Black and Milky) and Milktea McFloat (Classic and Wintermelon) were launched, respectively. McCrispy Chicken Fillet began selling in June. Towards the end of September, brown sugar pearls were added to the milktea offering and included in the menu as Milktea with Pearls. In October, Holiday Desserts / Dreamy Delights were introduced: Rich Chocolate Pie, Brown Sugar Sundae with Pearl and CoffeeMcFlurry with Oreo. New Mega Meals (1-pc chicken with fries and burger McDo or with McSpaghetti and Sundae) and Breakfast Silog Meals (sausage or longganisa or pepper steak) came in November and December. Other Limited

Time Offers during the year were Flavors of Japan featuring the NEW Ebi Burger, NEW Teriyaki Samurai Burger, NEW Strawberry Sakura McFloat and the NEW Nori Shake Shake Fries.

b.5. Competition

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

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

The main competitors in the Philippine brandy market mainly comprise of Primera Brandy manufactured by Ginebra San Miguel, Inc. (GSMI) and Alfonso Brandy imported/ distributed by Montosco Inc. With respect to 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, ability to source raw materials, distribution capabilities and responsiveness to consumer preferences, with varying emphasis on these factors depending on the market and the product. EMP believes it has a track record of proven strength on these areas.

EMP believes that its products are strongly positioned within their respective markets, as measured by market share and brand recognition. Emperador Brandy accounted for 99.3% share of the Philippine brandy market in terms of sales volume, according to 2019 Nielsen Report. EMP believes its 'Emperador' brand is a status brand in the Philippines, and is associated with a certain level of success and sophistication that its potential customers aspire to. EMP believes that its range of well-established and highly recognized brands present significant barriers to new competitors, and are particularly important to its ability to both attract and maintain consumers.

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

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

Pik-Nik
Pik-Nik is still the number one brand of shoestring potatoes in the US. A local brand, Oishi, has fielded string potato snacks from potato starch in the local market.

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

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

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

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

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

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

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

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

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

In addition, PAGCOR operates 9 gaming facilities across the Philippines and 32 satellite gaming facilities (which are smaller casinos and slots clubs). The Philippine gaming market also includes many other private casino and gambling operations, including 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 had opened more than 500 new restaurants and initiated marketing campaigns such as new product launches, promotions, emotive television commercials, and discount coupons. It has embarked on modernizing its restaurants and re-imaging existing ones. GADC competes on the basis of taste, food quality and price of products, convenience of location, and customer service.

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

EMP
The principal raw materials for the manufacture of the alcoholic beverage products are distilled neutral spirit, brandy distillates, grain and malt whiskies, and water. It also requires a regular supply of glass bottles and packaging materials. It can also source raw materials from subsidiaries and third-party suppliers. All of the water for blending is sourced from two deep wells located in the Santa Rosa,

Laguna manufacturing facility. The facilities in Laguna are located on top of one of the best fresh water supplies in the Philippines. There is also a filtration system for the water it uses at its Laguna facilities.

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

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

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

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

MEG
The 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 2019, the ten largest suppliers – Global Matrix Concept Group, RG Simbulan and Partners Corp., ARL Power Connect Corp.,Jay Edwards Group LLC, RGB LTD, Top Source Maintenance and Contracting Services, Systech Lighting & Controls Inc. Wall Vision Corp., Delta Dore, Inc Angel Singapore PTE Ltd – accounted for 34.87% of the total purchases for the year.

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

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

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

The Group's businesses are not dependent upon a single or a few customers or tenants, the loss of which would not have a material adverse effect on the Company and its subsidiaries taken as a whole.

There is also no customer that accounts for, or based upon existing orders will account for, 20% or more of sales.

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

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

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

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

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

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

EMP

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

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

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

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 its subsidiaries 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," "Remington Bar Lounge," "Bar 360," "Ginzadon," "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," "The Grand Theatre of Manila," "Grand Theatre of Manila," "Chill," "Grand Fiesta Manila," "R88," "Manila Bayshore Heritage Foundation, Inc.," "The World of Luck," "Franks Craft Beers Manila," "Westford Inn," "Full House Theater Company," "Victoria Harbour," "Bayshore City Resorts World," "Westside City," "Herald Theatre," "Fortissimo Theatre," "Galaxy Theatre," "Excelsior Theatre," "Diamond Theatre," "Apollo Theatre," "Front Row Theatre Management," "Original Pilipino Performing Arts," "House Manila," "Silogue All Day Pinoy Comfort Food," "Calle Newport," "The Grand Bar and Lounge," "El Calle," "El Calle Food and Music Hall," "Newport Garden Wing," "Newport Grand Wing," "Newport Resorts Manila," "Newport Gate Wing," " Newport Garden Wing with Chinese Characters," "Newport Grand Wing with Chinese Characters," "Silk Road Southeast Asian Cuisine," "Vintas All Day Dining Café," "Children of Newport Resorts Manila Foundation," "Resorts World Philippines Cultural Heritage Foundation," "Brain Boost Coffee Energy In A Cup," "Port Bar," "Kusina Sea Kitchens," "Freestyle Pool Bar," "I.C.E, Indoor Cold Experience," "Limitless," "BOLAhan," "Eats-a-wrap," "Its-a-wrap," "Eats-Sarap," and their related devices which will expire on various dates in 2020-2029, and are renewable thereafter.

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

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

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

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

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

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

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

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

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

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

Bodegas Fundador builds this business culture in systems of management that constitute the unifying axis from which it articulates a process of continuous improvement in key business aspects: the safety and health of employees, with the standard OHSAS18000, quality of products with the standard

ISO9001, and the environment with the standard ISO14001, accumulating more than 15 years of experience in these standards.

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

MEG

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

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

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

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

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

Travellers

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

The activities and operations of RWM are closely monitored by PAGCOR Monitoring Team (PMT) which maintains an office inside RWM where officials are stationed 24 hours a day. Travellers is in

continuous close coordination with PAGCOR regarding compliance with its gaming concession and all applicable Philippine laws. It is also required to provide periodic reports to PAGCOR.

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

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

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

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

RA No. 10351, known as the Sin Tax Reform Act of 2012, imposed on distilled spirits a 15% ad valorem tax based on net retail price per proof plus ₱20.00 per proof liter for the years 2013-2014, with the ad valorem tax rate increasing to 20% thereafter while the P20.00 specific tax by 4% every year from beginning of 2016. A new law was enacted to increase excise taxes on alcohol and e-cigarettes in 2020.

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

1. Effective on January 1, 2020:

- An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
- In addition to the ad valorem tax, a specific tax of P42.00 per proof liter.

2. Effective on January 1, 2021:

- An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
- In addition to the ad valorem tax, a specific tax of P47.00 per proof liter.

3. Effective January 1, 2022:

- An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
- In addition to the ad valorem tax, a specific tax of P52.00 per proof liter.

4. Effective January 1, 2023

- An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and In addition to the ad valorem tax, a specific tax of P59.00 per proof liter.

5. Effective January 1, 2024

- An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
- In addition to the ad valorem tax, a specific tax of P66.00 per proof liter.

6. Effective January 1, 2025, the specific tax of P66.00 per proof liter shall be increased by six percent (6%) every year thereafter, while the ad valorem tax shall remain the same.

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

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

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

The suggested net retail price means the net retail price (excluding excise tax and value-added tax) at which locally manufactured or imported distilled spirits are intended by the manufacturer or importer to be sold in major supermarkets or retail outlets in Metro Manila for those marketed nationwide, and in other regions, for those with regional markets. At the end of three months from the product launch, the BIR will validate the suggested net retail price of the new brand against the net retail price and determine the correct tax on a newly introduced distilled spirits. After the end of nine months from such validation, the BIR shall revalidate the initially validated net retail price against the net retail price as of the time of revalidation in order to finally determine the correct tax on a newly introduced distilled spirits.

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

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

The TRAIN Law amended certain provisions in the Philippine Tax Code. One of which is Section 47 of the TRAIN Law, which imposes an excise tax on sweetened beverages.

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

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

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

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

In Spain, the Andalusian Regional Department of Agriculture, Fisheries and Rural Development has approved the Order dated June 28, 2018, which contains the new Technical File regarding the Geographical Indication of "Brandy de Jerez", replacing the former Order dated February 9, 2015. This regulation contains the technical specifications of the products, compliance with which, must be verified to enable use of the protected name. On the other hand, the new Operational Regulation of the Regulatory Board of "Brandy de Jerez" has been approved by an Order dated February 16, 2018 issued by the Andalusian Regional Department of Agriculture, Fisheries and Rural Development, replacing the former Order dated June 13, 2005. The 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. 2019/787 relating to the definition, description, presentation, labelling and protection of the geographic indication of spirit drinks.

In order to be considered a Brandy de Jerez, it must be made according to the methods set down by the Regulating Council. The area of production and ageing of Brandy de Jerez must be exclusively within the Sherry triangle, which is defined by the boundaries of Jerez 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.

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

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

479/2008, which regulated and protected designations of origin and geographical indications, traditional terms, the labeling and presentation of certain wine products.

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

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

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 clarified 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.

Total duty and excise tax payment in UK makes up about 70% of the average price of a bottle of whisky. The rate is £28.74 of Spirit Duty per litre of pure alcohol and so the Spirit Duty you pay on a 1 litre bottle of 40% ABV vodka is 40% of £28.74, or £11.50. The Scottish Government has implemented a minimum price per unit of alcohol on product sold in Scotland, which resulted in a significant increase to the price of a standard blended Scotch Whisky. The minimum is 50p per unit of alcohol which means the minimum RSP for a 1L bottle of 40% ABV whisky is £20. A similar policy is now to be implemented in Wales; as yet there is no firm proposal for England. The Scotch Whisky Association continues to call for a review of the alcohol duty system to deliver fairness for Scotch Whisky which is a unique UK product that needs to thrive after Brexit.

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

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

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

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

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

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

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

Further, *RA No. 7279* ("Urban Development Housing Act"), requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost and at least five (5%) of condominium area or project cost, at the option of the developer; within the same or adjacent regions, whenever feasible, and in accordance with the standards set by the HLURB (now DHSUD). Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with either the LGU or any of the housing agencies in socialized housing development. *RA 6552, or the Maceda Law*, was promulgated to protect real estate buyers on installment basis (including residential condominium units but excluding industrial and commercial lots) by giving the buyers a total of at least 60-day grace period within which to pay any unpaid installments without any interest. RA No. 6552 also requires the sellers of real estate to give the buyers a refund of at least 50% of total payments made should the sale be cancelled provided the buyers have paid at least two years of installments. RA No. 6552 covers the business of the Company as it applies to all transactions or contracts involving the sale or financing of real estate through installment payments.

Shopping malls are regulated by the local government unit of the city or municipality where the shopping mall is located. Shopping mall operators must secure a mayor's permit or municipal license before operating. Shopping mall operators must also comply with the provisions of *RA No. 9514 or the Fire Code*, and other applicable local ordinances. Shopping malls that have restaurants and other food

establishments as tenants must obtain a sanitary permit from the Department of Health. Shopping malls that discharge commercial wastewater must apply for a wastewater discharge permit from the DENR. As a tourism-related establishment, shopping malls may obtain accreditation from the Department of Tourism ("DOT"). A shopping mall can only be accredited upon conformity with the minimum physical, staff and service requirements promulgated by the DOT.

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

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

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

Travellers

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

Travellers is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR. Although the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular No. 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended, the Supreme Court, on August 10, 2016, in *Bloomberry Resorts and Hotel, Inc. vs. Bureau of Internal Revenue,* confirmed the legality of the aforesaid provision of the Provisional License subjecting RWM to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, when it affirmed that "exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges,

fees or levies, shall inure to the benefit of and extend to corporation(s), association(s), agency(ies), or individual(s) with whom the PAGCOR or operator has any contractual relationship in connection with the operations of the casino(s) authorized to be conducted under this Franchise, so it must be that all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall likewise be exempted from all other taxes, including corporate income tax realized from the operation of casinos." This Decision has been affirmed with finality in the Supreme Court Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. Consistent with the decision of the Supreme Court, last June 2018, PAGCOR advices that the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extend to all PAGCOR contractees and licensees.

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

GADC
RA 10963, known as the *Tax Reform for Acceleration and Inclusion* ("TRAIN"), the first package of the comprehensive tax reform program ("CTRP") envisioned by Pres. Duterte's administration, seeks to correct a number of deficiencies in the tax system to make it simpler, fairer and more efficient. It took effect on January 1, 2018. Among its provisions is the imposition of excise tax on sugar-sweetened beverages ("SSB"), a measure meant to encourage consumption of healthier products to help promote a healthier Philippines. The products covered by the SSB excise tax under TRAIN are sweetened juice drinks, sweetened tea, all carbonated or non-alcoholic beverages with added sugar, including those with caloric and non-caloric sweeteners, flavored water, energy drinks, sports drinks, other powdered drinks not classified as milk. This additional per liter cost of volume capacity for soft drinks and juice drinks prompted GADC to reevaluate pricing of certain products. Changes in consumer spending and further pricing re-alignments remain as possibilities going forward. GADC will continue to prioritize its value strategy.

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

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

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

The law mandates that processing of personal data should, in all cases, adhere to the general data privacy principles of transparency, legitimate purpose and proportionality. Violation of the provisions of

the law is subject to civil and criminal penalties, which may range from P500,000.00 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 No. 10173. It published its privacy policy and has implemented the necessary security measures to ensure the protection of the personal data that it is collecting and processing from its various stakeholders. Moreover, it is continuously working internally to monitor its compliance with RA 10173 and the rules, regulations and issuances of the NPC.

RA No. 9367, otherwise known as the *Biofuels Act of 2006*, provides for the mandatory use of biofuels. RA No. 9367 mandates that there shall be a minimum 1% biodiesel blend and 5% bioethanol blend by volume in all diesel and gasoline fuels, being distributed and sold in the country, provided that the biodiesel and bioethanol blends conform to the standards set forth under the Philippine National Standards. In order to encourage investments in the biofuels industry, the government, in addition to applicable incentives and benefits under the existing laws, rules and regulations, provided for an incentive scheme which includes 0% specific tax on local and imported biofuels component per liter of volume, VAT exemption on the sale of raw material used in the production of biofuels, exemption from wastewater charges for water effluents for the production of biofuels and potential financial assistance from government financial institutions.

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

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

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

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

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

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

In Scotland, WMG has an environmental policy which commits it to ensure that its activities are conducted in ways which comply with the law and, so far as is reasonably and commercially practicable, do not harm the environment. In Spain, Grupo Emperador considers it necessary to

preserve the environment for its business to be viable long term and it is its main interest to take care and respect the environment as one of the pillars of its business culture.

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

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

As of December 31, 2019, the Group has a total workforce of 50,179 personnel categorized by business segment as follows:

	End-2019	Anticipated Hiring in 2020
GADC	37,567	6,767
Travellers	5,956	1,692
Megaworld	1,073	
GERI	805	
Empire East	772	95
Suntrust	537	53
Emperador	3,457	
Emperador UK………….. ..540 Grupo Emperador Spain… 320		
Others	12	
Total	50,179	8,607

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

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

AWG has a renewed five-year collective bargaining agreement with its production employees covering the period up to January 15, 2025. The employees also agree to follow certain grievance procedures and to refrain from strikes during the term of the agreement**.** WML has recognition agreements with both UNITE and GMB trade unions and a three-year wage agreement had expired on December 31, 2019 and a new one-year agreement was entered starting on January 1, 2020 up to December 31, 2020. 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 the end of 2020, when the negotiation for a new Collective Wage Agreement will begin.

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

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

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

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

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

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

The major risks that the present business faces include:

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

2. *Regulatory developments*. The Group operates in highly regulated business environment. For example, in the property development and integrated tourism industries, it is required that a number of permits and approvals be obtained for development plans at both the national and local levels. Travellers is subject to gaming regulations for its casino operations. In the alcohol industry, there are restrictions on advertising, marketing and sales of alcoholic beverages to consumers and restrictions governing the operation of manufacturing facilities. In the QSR industry, GADC is subject to retail trade and other industry specific regulations.

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

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

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

4. *Supply of raw materials and packaging materials*. Materials used in production demand high quality and specialty. The raw materials that GADC and EMP Group use, such as distilled neutral spirit, brandy distillates, chicken, beef and paper, are largely commodities and are subject to price volatility caused by changes in supply and demand, weather conditions, fuel costs for transportation and production, agricultural uncertainty and government controls. Megaworld, GERI and Travellers source construction materials such as lumber, steel and cement for its ongoing projects, and may also experience shortages or increases in prices. Rising price changes will result in unexpected increases in production or construction costs and decreases in gross margins

if such increased costs cannot be passed on to consumers or buyers. If these costs are passed on, any increase in prices could materially affect demand for and the relative affordability of such products. Purchasing, therefore, keeps posted about supply sufficiency in the market and always looks out for new potential sources.

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

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

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

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

2. PRINCIPAL PROPERTIES

The following are the principal properties owned or leased by the Group, including those reserved for future developments as of December 31, 2019:

Description	Location	Owned/Limitations on Ownership
Lots & Facilities		
Brandy manufacturing facility	Santa Rosa, Laguna	Owned
Brandy manufacturing facility-Annex	Biñan, Laguna	Owned
Land	Biñan, Laguna	Owned
Land	Centro Baybay, Legazpi	Owned
Alcohol distillery plants	Nasugbu and Balayan, Batangas	Owned
Glass manufacturing plant	Canlubang Industrial Estate, Calamba, Laguna	Owned
Warehouse Town – a warehouse complex	Caloocan City	Owned
Vineyard estates	Spain	Owned
Bottling centers, wineries, Complex, distillery, warehouses	Spain	Owned
Industrial facilities	Spain	Owned by Joint venture
Real estate properties	Spain	Owned
Malt distilleries (4), grain distillery (1)	Scotland, UK	Owned
Bottling facility	Scotland, UK	Leased
Warehouses	Scotland, UK	Owned; leased
Winery	Mexico	Owned
Several parcels for McDonald's use	Various locations	Owned

Description	Location	Owned/Limitations on Ownership
Lot – Citiwood Heights	EDSA, Quezon City	Owned
Condominium Units and Subdivision Lots Under Development – Megaworld		
Uptown Parksuites Residence	Fort Bonifacio, Taguig City	Joint Venture
The Florence 1-3	McKinley Hill	Owned
The Albany Luxury Residences- Kingsley	McKinley West, Fort Bonifacio	Joint Venture
One Eastwood Avenue 2	Eastwood City, Quezon City	Owned
Lafayette Park Square	Iloilo City	Owned
The Palladium	Iloilo City	Owned
Greenbelt Hamilton 2	Makati City	Owned
The Ellis	Makati City	Owned
Eastwood Global Plaza Luxury Residence	Eastwood, Quezon City	Owned
San Antonio Residences East and West	Gil Puyat Ave., Makati City	Owned
Forbes Hill	Northill Gateway, Bacolod	Joint Venture
Saint Dominique	Iloilo City	Owned
Saint Honore	Iloilo City	Owned
Maple Grove Commercial District	General Trias, Cavite	Joint Venture
Vion Tower	Pasong Tamo, Makati City	Joint Venture
La Victoria Global Residences	Mactan Newtown, Cebu	Owned
One Regis	The Upper East, Bacolod City	Owned
Park McKinley West	McKinley West, Fort Bonifacio	Joint Venture
Uptown Arts	Uptown Bonifacio, Taguig	Joint Venture
18 Avenue de Triomphe	Arcovia City, Pasig City	Owned
The Verdin at Maple Grove	General Trias, Cavite	Owned
Two Regis	The Upper East, Bacolod City	Owned
Manhattan Plaza Tower 2	Quezon City	Joint Venture
St. Mark Residences	McKinley Hill	Owned
The Albany Luxury Residences- Yorkshire	McKinley Hill	Joint Venture
Arcovia Palazzo-Altea	Arcovia City, Pasig City	Owned
Arcovia Palazzo-Benissa	Arcovia City, Pasig Ctiy	Owned
Arcovia Palazzo- Cantubria	Arcovia City, Pasig City	Owned
Arden Botanical Village	Trece Martires City	Joint Venture
Kingsquare Residence	Sta. Cruz, Manila	Owned
Condominium Units in Completed Projects– Megaworld		
One Central	Makati City	Owned
Greenbelt Madison	Makati City	Owned
Greenbelt Chancellor	Makati City	Owned
Greenbelt Radisson	Makati City	Owned
Greenbelt Excelsior	Makati City	Joint Venture
Greenbelt Hamilton 1 & 2	Makati City	Owned
Paseo Parkview Suites 1,2	Makati City	Owned
Two Central	Makati City	Owned
Paseo Heights	Makati City	Owned
Three Central	Makati City	Owned
The Manhattan Square	Makati City	Joint Venture
Viceroy 1-4	McKinley Hill	Owned
115 Upper McKinley	McKinley Hill	Joint Venture
McKinley Hill Garden Villas	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 1 & 2	Fort Bonifacio	Joint Venture
8 Forbestown Road	Fort Bonifacio	Joint Venture
One Uptown Residence	Fort Bonifacio	Joint venture

Description	Location	Owned/Limitations on Ownership
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 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	San Juan City	Joint Venture
Golfhill Gardens	Quezon City	Owned
Manhattan Parkway 1-3	Quezon City	Joint Venture
Manhattan Heights Tower A - D	Quezon City	Joint Venture
Manhattan Parkview 1-3	Quezon City	Joint Venture
Manhattan Parkview Garden	Quezon City	Joint Venture
Golf Hills Terraces	Old Balara, Quezon City	Joint Venture
Kentwood Heights	Cubao, Quezon City	Owned
Narra Heights	Cubao, Quezon City	Owned
Mckinley West Subdivision	McKinley West, Taguig City	Joint Venture
Savoy Hotel Mactan Newtown	Mactan Newtown, Cebu City	Owned
El Jardin Del Presidente 1,2	Quezon City	Owned
8 Wack Wack Road	Mandaluyong City	Owned
Wack Wack Heights	Mandaluyong City	Owned
Cityplace Binondo A&B	Manila City	Owned
One Beverly Place	San Juan	Joint Venture
Iloilo Boutique Hotel	Iloilo City	Owned
One Madison Place 1-3	Iloilo City	Owned
Viceroy Tower 1 & 2	Fort Bonifacio	Owned
The Venice Luxury Residences - Fiorenzo	Fort Bonifacio	Owned
Greenbelt Parkplace	Makati City	Owned
Belmont Luxury Hotel	Newport, Pasay City	Joint Venture
Savoy Hotel	Newport, Pasay City	Joint Venture
Brentwood Heights	Parañaque City	Owned
Sherwood Heights	Parañaque City	Owned
Uptown Ritz Residences	Fort Bonifacio, Taguig City	Joint Venture
St. Moritz Private Estate Cluster 1 &2	McKinley West, Fort Bonifacio	Joint Venture
Manhattan Plaza Tower 1	Quezon City	Joint Venture
One Machester Place 1 & 2	Mactan Newtown, Cebu	Owned
Salcedo SkySuites	Makati City	Owned
Noble Place	Binondo, Manila City	Joint Venture
Rental Properties - Megaworld[1]		
Paseo Center	Makati City	Owned
The World Centre	Makati City	Owned
California Garden Square Retail	Mandaluyong City	Owned
City Place Retail Mall	Manila City	Owned
Lucky Chinatown Mall	Manila City	Owned
One Beverly Place Retail	San Juan	Owned
Corinthian Hills Retail	Quezon City	Owned
Global One	Eastwood City	Owned
Techno Plaza 1	Eastwood City	Owned
Techno Plaza 2 Units	Eastwood City	Joint Venture
1800 Eastwood Avenue	Eastwood City	Owned
1880 Eastwood Avenue	Eastwood City	Owned
Cyber One Units	Eastwood City	Owned
IBM Plaza	Eastwood City	Owned
ICITE	Eastwood City	Owned

Description	Location	Owned/Limitations on Ownership
Eastwood City Walk	Eastwood City	Owned
Eastwood Mall	Eastwood City	Owned
Cyber Mall	Eastwood City	Owned
E-Commerce Plaza	Eastwood City	Owned
Eastwood Global Plaza Corporate Center	Eastwood City	Owned
Commerce and Industry Plaza	McKinley Hill	Ground Lease
One Campus Place	McKinley Hill	Ground Lease
8 Campus Place	McKinley Hill	Ground Lease
8 Upper McKinley	McKinley Hill	Owned
Science Hub Towers	McKinley Hill	Ground Lease
The Venice Piazza	McKinley Hill	Ground Lease
Three World Square	McKinley Hill	Owned
Two World Square	McKinley Hill	Owned
One World Square	McKinley Hill	Owned
McKinley Parking building	McKinley Hill	Owned
Venice Corporate Center	McKinley Hill	Ground Lease
The Venice Canal Mall	McKinley Hill	Ground Lease
Woodridge Residences	McKinley Hill	Joint Venture
Tuscany Retail	McKinley Hill	Joint Venture
Southeast Asian Campus	McKinley Hill	Ground Lease
Burgos Circle	Fort Bonifacio, Taguig City	Joint Venture
Uptown Parade	Uptown Bonifacio, Taguig City	Joint Venture
Uptown Place Mall	Uptown Bonifacio, Taguig City	Joint Venture
One World Center	Mactan Newtown,Cebu	Owned
Two World Center	Mactan Newtown, Cebu	Owned
Richmonde Tower	Iloilo Business Park, Iloilo City	Owned
One Global Center	Iloilo Business Park, Iloilo City	Owned
Emperador Steel Parking Building	Fort Bonifacio, Taguig City	Ground Lease
Uptown Place Towers	Uptown Bonifacio, Taguig City	Joint Venture
8 Newtown Boulevard	Mactan Newtown, Cebu	Owned
One Techno Place	Iloilo Business Park, Iloilo City	Owned
Two Global Center	Iloilo Business Park, Iloilo City	Owned
Festive Walk Mall Annex	Iloilo Business Park, Iloilo City	Owned
Festive Walk Office Tower	Iloilo Business Park, Iloilo City	Owned
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
Ten West Campus	McKinley West, Taguig City	Joint Venture
McKinley West Steel Deck Parking	McKinley West, Taguig City	Joint venture
331 Building	Makati City	Owned
Three Techno Place	Iloilo Business Park, Iloilo City	Owned
81 Newport Square	Newport City, Pasay City	Joint Venture
Davao Finance Center	Davao Park District, Davao City	Owned
Arcovia Parade Retail 1 & 2	Arcovia City, Pasig City	Owned
Two Techno Place	Iloilo Business Park, Iloilo City	Owned
Pacific World Tower	Mactan Newtown, Cebu	Owned
The Newtown School of Excellence	Mactan Newtown, Cebu	Owned
World Commerce Place 1-3	Uptown Bonifacio, Taguig City	Joint Venture
Hotels		
The Richmonde Hotel [(2)]	Mandaluyong City	Owned
Eastwood Richmode Hotel[(2)]	Quezon City	Owned
Belmont Luxury Hotel	Newport City, Pasay City	Joint Venture
Richmonde Hotel Iloilo	Iloilo Business Park, Iloilo City	Owned
Condotels under development		
Belmont Hotel Mactan Newtown	Mactan Newtown, Cebu	Owned
Belmont Hotel Iloilo	Iloilo Business Park, Iloilo City	Owned

Description	Location	Owned/Limitations on Ownership
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
San Lorenzo Place	Makati City	Joint Venture
The Sonoma	Sta. Rosa City	Joint Venture
The Cambridge Village	Cainta, Rizal	Owned
Little Baguio Terraces	San Juan, Metro Manila	Joint Venture
Ongoing Projects- Empire East		
Pioneer Woodlands	Mandaluyong City	Joint Venture
The Paddington Place	Mandaluyong City	Owned
The Rochester	Pasig City	Owned
Covent Gardens	Sta. Mesa, Manila	Owned
Kasara Urban Resort Residences	Eagle St., Pasig City	Owned
Southpoint Science Park	Gimalas, Balayan, Batangas	Owned
Mango Tree Residences	San Juan City	Owned
Subdivisions, condominiums, condotels, townhouses and leisure development projects - GERI:		
8 Sto. Domingo Place	Quezon City	Joint Venture
Caliraya Springs	Cavinti, Laguna	Joint Venture
Cathedral Heights	Quezon City	Joint Venture
Capitol Plaza	Quezon City	Co-development
Fairways & Bluewater	Boracay, Aklan	Owned
Eastland Heights (Forest Hills)	Antipolo City	Joint Venture
Goldridge Estate	Guiguinto, Bulacan	Joint Venture
Holiday Homes	Gen. Trias, Cavite	Joint Venture
Magnificat Executive Village	Lipa, Batangas	Joint Venture
Mango Orchard Plantation	Naic, Cavite	Joint Venture
Manila Southwoods	Carmona & GMA Cavite	Joint Venture
Monte Cielo De Naga	Naga City	Joint Venture
Monte Cielo De Peñafrancia	Naga City	Joint Venture
Mountain Meadows	Cagayan De Oro	Joint Venture
Newcoast Village	Malay, Aklan	Owned
Newcoast Shophouse District	Malay, Aklan	Joint Venture
Newcoast Boutique Hotel	Malay, Aklan	Joint Venture
Newport Hills	Lian, Batangas	Joint Venture
Nasugbu Harbour Town	Nasugbu, Batangas	Joint Venture
Northpointe	Baguio City	Joint Venture
Pahara at Southwoods	GMA, Cavite	Joint Venture
Palacio Real	Calamba, Laguna	Joint Venture
Palmridge Point	Talisay, Batangas	Joint Venture
Parco Bello	Muntinlupa City	Joint Venture
Alabang West	Las Piñas City	Joint Venture
Plaridel Heights	Plaridel, Bulacan	Joint Venture
Puerto Del Mar	Lucena City	Joint Venture
Residencia Lipa	Lipa, Batangas	Joint Venture
Riverina	San Pablo City	Joint Venture
Savoy Hotel Boracay	Malay, Aklan	Owned
Sta. Barbara Heights Residential Estate	Sta. Barbara, Iloilo	Joint Venture
Domaine Le Jardin	Laurel, Batangas	Owned

Description	Location	Owned/Limitations on Ownership
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 Tulip Gardens	Biñan, Laguna Biñan, Laguna	Joint Venture Joint Venture
Oceanway Residences	Malay, Aklan	Owned
Belmont Hotel Boracay*	Malay, Aklan	Owned
Savoy Hotel Boracay*	Malay, Aklan	Owned
Chancellor Hotel Boracay	Malay, Aklan	Owned
Ocean Garden Villas	Malay, Aklan	Owned
Lucerne at Domaine Le Jardin	Laurel, Batangas	Owned
The Belvedere	Laurel, Batangas	Owned
Vineyard Manor	Laurel, Batangas	Owned
Twin Lakes Hotel	Laurel, Batangas	Owned
The Hamptons at Caliraya The Fifth	Cavinti, Laguna Pasig City	Joint Venture Joint Venture
The Lindgrenat Arden Botanical Estate	Trece Martires City, Cavite	Joint Venture
Rental Properties- GERI		
Southwoods Mall Southwoods Office Towers Twin Lakes Shopping Village Renaissance 1000 (Office Tower) Alabang West Parade	Biñan, Laguna Biñan, Laguna Laurel, Batangas Pasig City Las Piñas City	Owned Owned Owned Owned Owned
Hotels under Travellers		
Marriott Hotel Manila	Newport City	Owned
Maxims Hotel	Newport City	Owned
Holiday Inn Express Manila Newport City Hilton Manila Sheraton Manila Hotel Courtyard by Marriott	Newport City Newport City Newport City Iloilo City	Owned Owned Owned Owned

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

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

The following site map details the principal properties owned or leased by Travellers, including those reserved for future developments as of December 31, 2019.

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 15, 2020 is P7.40. The trading prices of the said shares for each quarter within the last two years and subsequent interim period are set forth below:

	2018				2019				2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
High	16.50	14.5	14.78	12.48	16.30	16.50	16.20	12.06	11.54
Low	12.56	11.52	11.56	10.18	11.74	13.12	10.70	10.34	5.30

(*Source: PSE Research Dept.*)

b. Shareholders

As of March 31, 2020, the Company has 1,019 stockholders, including nominees, holding 9,818,915,379 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.	4,569,619,794[i]	46.539
2	PCD Nominee Corporation (Non-Filipino)[ii]	2,267,390,850	23.092
3	PCD Nominee Corporation (Filipino)	1,053,904,015[ii]	10.733
4	Altavision Resources, Inc.	451,574,334	4.599
5	Yorkshire Holdings, Inc.	255,773,508	2.605
6	Asiagroup Holdings, Inc.	220,004,000	2.241
7	Globaland Holdings, Inc.	220,004,000	2.241
8	Grand Bel Air Holdings, Inc.	220,004,000	2.241
9	Le Bristol Holdings, Inc.	216,100,000	2.201
10	California Orchard Growers Investments, Inc.	120,000,000	1.222
11	Eastwood Property Holdings, Inc.	112,600,000	1.147
12	Andrew L. Tan	63,684,078	0.649
13	Andresons Global, Inc.	30,088,596	0.306
14	Megaworld Cebu Properties, Inc.	10,000,000	0.102
15	Kingson Uy Siok Sian	5,001,100	0.051
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	0.002
20	Ramon Garcia	100,000	0.001

Please refer to Item 11 on page 76 for stockholders holding 5% or more.

[i]Includes 317,841,500 common shares owned by The Andresons Group, Inc. lodged with PCD Nominee Corporation (Filipino)

[ii]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 76.

[iii]Excludes 317,841,500 common shares owned by The Andresons Group, Inc.

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

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

On November 26, 2018, the Company declared cash dividend of P0.10 per share, payable to all stockholders of record as of December 11, 2018, out of the unrestricted retained earnings of the Company as of December 31, 2017. No dividends were declared in 2019.

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

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

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

a. Key Performance Indicators – Top Five

	2019	2018	2017	2019 YoY	2018 YoY
REVENUES	**179,989**	**156,775**	**138,789**	**14.81%**	**12.96%**
NET PROFIT	**27,100**	**23,665**	**22,276**	**14.51%**	**6.24%**
NET PROFIT TO OWNERS	**17,722**	**15,114**	**15,192**	**17.25%**	**-0.51%**
Net profit rate	**15.06%**	**15.09%**	**16.05%**		
NP Attributable to parent	**9.85%**	**9.64%**	**10.95%**		
Return on investment/assets [NP/TA]	4.20%	4.02%	4.16%		
	Dec-19	Dec-18	Dec-17		
TOTAL ASSETS	644,476	588,240	535,612	9.56%	9.83%
CURRENT ASSETS	301,176	280,124	250,043	7.52%	12.03%
CURRENT LIABILITIES	130,699	94,826	96,733	37.83%	-1.97%
Current ratio	2.30	2.95	2.58		
Quick ratio	1.05	1.28	1.19		

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

b. Discussion and Analysis of Operations

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

b.1. Results Of Operations – By Subsidiary Groups

In Million Pesos	MEG	EMP	RWM	GADC	Others	TOTAL
2019						
Revenues	67,313	51,547	29,062	32,255	5,160	185,337
Intercompany/ Adjustment	(492)	(40)	(624)	-	(4,192)	
Consolidated	**66,821**	**51,507**	**28,438**	**32,255**	**968**	**179,989**
% contribution	37%	29%	16%	18%	1%	100%
Costs and expenses	41,935	43,067	28,031	29,450	2,641	**145,124**
Intercompany/ Adjustment	(30)	(634)	(223)	(104)	(14)	
Consolidated	**41,905**	**42,433**	**27,808**	**29,346**	**2,627**	**144,119**
Tax Expense	**6,082**	**1,647**	**91**	**911**	**39**	**8,770**
Net profit	19,296	6,833	941	1,894	2,479	31,443
Intercompany/ Adjustment	(462)	594	(401)	104	(4,178)	
Consolidated	**18,834**	**7,427**	**540**	**1,998**	**(1,699)**	**27,100**
% contribution	69%	27%	2%	7%	-6%	100%
Net profit to owners	17,931	6,726	945	1,889	2,480	29,971
Intercompany/ Adjustment	(5,900)	(414)	(880)	(859)	(4,196)	
Consolidated	**12,031**	**6,312**	**65**	**1,030**	**(1,716)**	**17,722**
% contribution	68%	36%	0%	6%	-10%	100%

2018	MEG	EMP	RWM	GADC	Others	TOTAL
Revenues	57,261	47,038	22,522	28,620	5,433	160,874
Intercompany/ Adjustment	(366)	7	(110)		(3,630)	
Consolidated	**56,895**	**47,045**	**22,412**	**28,620**	**1,803**	**156,775**
% contribution	36%	30%	14%	18%	1%	100%
Costs and expenses	35,883	38,601	20,938	26,213	3,562	125,197
Intercompany/ Adjustment	(56)	(28)	(31)	(89)	9	
Consolidated	**35,827**	**38,573**	**20,907**	**26,124**	**3,571**	**125,002**
Tax Expense	**5,544**	**1,608**	**145**	**758**	**53**	**8,108**
Net profit	15,834	6,829	1,439	1,649	1,818	27,569
Intercompany/ Adjustment	(310)	35	(79)	89	(3,639)	
Consolidated	**15,524**	**6,864**	**1,360**	**1,738**	**(1,821)**	**23,665**
% contribution	66%	29%	6%	7%	-8%	100%
Net profit to owners	15,208	6,658	1,444	1,646	1,819	26,775
Intercompany/ Adjustment	(5,288)	(1,111)	(871)	(751)	(3,640)	
Consolidated	**9,920**	**5,547**	**573**	**895**	**(1,821)**	**15,114**
% contribution	66%	37%	4%	6%	-12%	100%
2017	MEG	EMP	RWM	GADC	Others	TOTAL
Revenues	50,116	42,649	18,801	25,907	6,222	143,695
Intercompany/ Adjustment	(173)		(50)		(4,683)	
Consolidated	**49,943**	**42,649**	**18,751**	**25,907**	**1,539**	**138,789**
% contribution	36%	31%	14%	19%	1%	100%
Costs and expenses	32,346	34,813	18,320	23,501	2,178	111,158
Intercompany/ Adjustment	(1,584)	(31)	(37)	(89)	529	
Consolidated	**30,762**	**34,782**	**18,283**	**23,412**	**2,707**	**109,946**
Tax Expense	**4,064**	**1,503**	**218**	**755**	**27**	**6,567**
Net profit	13,706	6,333	263	1,651	4,017	25,970
Intercompany/ Adjustment	1,411	31	(13)	89	(5,212)	
Consolidated	**15,117**	**6,364**	**250**	**1,740**	**(1,195)**	**22,276**
% contribution	68%	29%	1%	8%	-5%	100%
Net profit to owners	13,023	6,322	261	1,628	4,017	25,251
Intercompany/ Adjustment	(2,772)	(1,125)	(151)	(741)	(5,270)	
Consolidated	**10,251**	**5,197**	**110**	**887**	**(1,253)**	**15,192**
% contribution	67%	34%	1%	6%	-8%	100%

Year-on-year Change	MEG	EMP	RWM	GADC	Others	TOTAL
2019						
Revenues	17.45%	9.49%	26.89%	12.70%	-46.33%	14.81%
Costs and expenses	16.97%	10.00%	33.00%	12.33%	-26.42%	15.29%
Tax Expense	9.69%	2.49%	-37.54%	20.17%	-25.53%	8.17%
Net profit	21.32%	8.22%	-60.27%	14.97%	-6.66%	14.51%
Net profit to owners	21.29%	13.77%	-88.65%	15.01%	-5.76%	17.25%
2018						
Revenues	13.92%	10.31%	19.53%	10.47%	17.17%	12.96%
Costs and expenses	16.47%	10.90%	14.35%	11.58%	31.92%	13.69%
Tax Expense	36.44%	6.94%	-33.65%	0.47%	93.93%	23.47%
Net profit	2.68%	7.86%	444.69%	-0.12%	52.32%	6.24%
Net profit to owners	-3.23%	6.75%	422.69%	1.04%	45.45%	-0.51%

-Amounts are in million Pesos. Numbers may not add up due to rounding off. Percentages are taken based on full numbers, not from the presented rounded amounts.
- At AGI consolidated level, as presented above, revenues and costs and expenses may not tally the totals as separately reported by subsidiaries as there may be items reclassified from/to revenues to/from costs or expenses at AGI consolidated level.
-RWM revenues are presented net of promotional allowance.

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

In Million Pesos	2019	2018	2017	2019 vs 2018	2018 vs 2017
REVENUES					
Sale of goods	93,520	85,276	77,352	9.67%	10.24%
Consumer goods	50,916	47,608	43,237	6.95%	10.11%
Revenues from real estate (RE) sales	42,604	37,668	34,115	13.11%	10.41%
Rendering of services	81,043	66,177	58,292	22.46%	13.53%
Gaming	27,645	20,016	17,115	38.11%	16.95%
Less: Promotional allowance	6,099	4,134	2,540	47.52%	62.77%
Net Gaming	21,546	15,882	14,575	35.67%	8.96%
Sales by company-operated quick-service restaurants	28,769	25,605	23,070	12.36%	10.99%
Franchise revenues	3,195	2,728	2,470	17.10%	10.45%
Rental income	17,326	14,741	12,458	17.53%	18.33%
Other services	10,207	7,221	5,719	41.36%	26.25%
Hotel operations	7,546	5,005	4,187	50.76%	19.55%
Other services	2,661	2,216	1,532	20.12%	44.55%
Share in net profits of associates and joint ventures	180	291	273	-38.07%	6.78%
Finance and other income	5,246	5,031	2,872	4.26%	75.20%
TOTAL	179,989	156,775	138,789	14.81%	12.96%
COSTS AND EXPENSES					
Cost of goods sold	57,085	51,609	46,044	10.61%	12.09%
Consumer goods sold	33,705	31,274	28,003	7.77%	11.68%
RE sales	23,380	20,335	18,041	14.97%	12.72%
Cost of services	41,261	34,962	30,022	18.01%	16.46%
Gaming	11,127	8,546	7,748	30.19%	10.30%
Services	30,134	26,416	22,274	14.07%	18.60%
Other operating expenses	38,653	31,578	26,996	22.41%	16.97%
Selling and marketing	16,167	13,529	10,942	19.50%	23.64%
General and administrative	22,486	18,049	16,054	24.58%	12.42%
Finance costs and other charges	7,120	6,853	6,884	3.90%	-0.45%
TOTAL	144,119	125,002	109,946	15.29%	13.69%
TAX EXPENSE	8,770	8,108	6,567	8.17%	23.47%
NET PROFIT	27,100	23,665	22,276	14.51%	6.24%

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

For the Year Ended December 31, 2019 vs. 2018

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

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

Real estate sales amounted to P42.6 billion, a 12% increase from P38.0 billion a year ago. Sales reservations amounted to P149.0 billion in 2019, with around P85 billion worth of new projects launched which are mostly residential plus two office projects for sale – the One Corporate Place in Maple Grove,

Cavite and the International Corporate Plaza in Iloilo Business Park, Iloilo City. Three townships were launched during the year: the 5-ha Lucky Chinatown in Manila, the 251-ha Arden Botanical Estate in Cavite and the 24-ha Empire East Highland City in Cainta, Rizal. The Megaworld-GERI-Empire East-Suntrust/SLI brands turned over 67-14-9-10 of real estate sales.

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

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

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

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

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

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

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

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

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

Gross gaming revenues grew 38% to P27.6 billion from P20.0 billion a year ago, supported by the sustained growth in all gaming segments as property visitation increased 32% averaging 37,627 per day and gaming capacity expanded with the opening of the second floor gaming area of the Grand Wing. Promotional allowance, presented as a deduction from gross gaming revenues, rose 48% during

the year to P6.1 billion from P4.1 billion a year ago. Promotional allowance refers to the value of points earned by loyalty card members, revenue share of junket operators, and rebates granted to patrons

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

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

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

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

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

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

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

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

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

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

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

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

For the Year Ended December 31, 2018 vs. 2017

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

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

Emperador, the world's largest brandy company and owner of the world's 5th largest Scotch whisky manufacturer in the world, turned over P47.0 billion in 2018, a 10% climb from P42.7 billion a year ago attributed to the continuing sales growth from both the Brandy and Scotch Whisky segments, resulting in net profit rising 8% to P6.8 billon from P6.3 billion a year ago. The Scotch Whisky segment turned over revenues to external customers higher by 9% year-on-year. The business is growing not only in UK but also in other parts of the world, especially in Asia where revenues had more than doubled as brands enjoyed success across a number of markets. Own Scotch whisky label The Dalmore, the flagship malt whisky product, was again the main driver of growth as it continued to attract new consumers at the apex of the single malt category through both the Core Range and Rare Expressions. Jura with its redesigned range and exclusive Global Travel Retail range continued to attract

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

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

GADC, the master franchise holder of McDonald’s quick-service restaurants brand in the Philippines, ended the year with P1.6 billion stable end result despite the intensified competition and challenging market conditions. Sales revenues rose 11% or P2.5 billion, to end the year with P25.6 billion. Sales momentum is driven by value and bundle promotions as well as limited-time offers. McDelivery is also a consistent source of growth with it closing the year with double digit growth. Improvement on sales revenue is also pushed by 61 new stores opened during the year (half are company-owned). Same-store sales growth is at 4% year-on-year. With its continued store expansion, GADC ended the year with a total store count of 620, compared to 566 stores in 2017. GADC continues to expand its footprints with its 2019 target to add 60 more NXT GEN stores in the country after initially launching 17 NXT GEN stores in 2018. NXT GEN stores come with self-ordering kiosk, modernized menu boards and cashless mode of payment which is an initiative for giving a world class experience to consumers. McDo PH also partners with other well-known delivery networks worldwide to provide more convenient options for its customers. These operating results translated into 18% and 7% of the consolidated revenues and net profit of AGI and subsidiaries.

Revenues, as a result of the foregoing, reached P156.8 billion in 2018, a P18.0 billion or 13% jump from last year’s P138.8 billion with all segments of the Group reporting favorable performances during the year. Sale of goods (real estate, alcoholic beverages, snack products) went up 10% to P85.3 billion from P77.4 billion a year ago. Service revenues (QSR, gaming, rentals, hotels, cinemas) escalated 14% or P7.9 billion ending the year with P66.2 billion as compared to P58.3 billion in 2017.

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

Share in net profits of associates and joint ventures increase 7% or P18 million, due to higher net results from BLC resulting to higher share in net profit.

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

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

Financial Condition

December 31, 2019 vs 2018

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

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

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

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

Contract assets which represent the reclassified portion of trade and other receivables relating to rights to payment which are conditioned upon the completion of units sold and represent excess of progress of work over the right to an amount of consideration, went down 2% or P275 million for the **current**ly maturing assets and **non-currently** maturing assets decreased 30% or P3.3 billion. These reductions signified completion of contract works.

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

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

Financial assets at fair value through other comprehensive income declined 9% or P43 million from disposals , as reduced by fair value gain from marked-to-market valuation.

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

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

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

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

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

Other non-current assets grew 16% or P995 million due to the additional annual advances for future investment (made to PAGCOR) and increase in deferred real estate commissions.

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

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

Contract liabilities represent MEG's excess of collection over the progress of work under MEG, with **current** portion decreasing 36% or P959 million and **non-current** portion increasing 30% or P804 million

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

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

Income tax payable surged 42% or P708 million, mainly from higher unpaid income taxes at current year-end which is attributed to higher taxable profit**.**

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

Retirement benefit obligation increased 23% or P411 million from higher present value of the obligation this year as compared to last year, as a result of remeasurement loss and current service and interest costs.

Non-current redeemable preferred shares, dipped 8% or P131 million due to the redemption of preferred shares of TLC.

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

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

December 31, 2018 vs 2017

Consolidated total assets amounted to P588.2 billion at end of 2018 from P535.6 billion at beginning of year. The Group is strongly liquid with **current assets** exceeding **current liabilities** 3.0 times. Current assets amounted to P280.1 billion while current liabilities amounted to P94.8 billion at end of the current year.

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

Cash and cash equivalents decreased 15% or P8.0 billion to end the year at P44.8 billion from P52.8 billion at the beginning of the year, primarily due to dividend payment, capital expenditures and ongoing purchase of treasury shares of a subsidiary. Cash flows from operating, financing and investing activities during the period were presented in the consolidated statements of cash flows.

Current trade and other receivables increased 30% or P14.7 billion mainly from real estate trade receivables, higher alcoholic product sales in the lead up to Christmas holidays, advances to contractors and suppliers and transactions with franchisees and affiliated restaurants arising from product deliveries, rentals, royalty and other service charges. The balance as of end-2018 was restated to include Advances to associates and other related parties to this account because management believed this presentation would be more appropriate [see Note 2.1(b) to the Audited Consolidated Financial Statements]. **Non-current trade and other receivables**, on the other hand, decreased 25% or P4.4 billion mainly from reclassification of currently maturing receivables.

Contract assets which represent the reclassified portion of trade and other receivables relating to rights to payment which are conditioned upon the completion of units sold and represent excess of progress of work over the right to an amount of consideration, went up 89% or P5.2 billion for the **current**ly maturing assets while **non-currently** maturing assets went up 11% or P1.1 billion.

Inventories grew 14% or P15.6 billion from the real estate inventories, cased stocks from new products and Scotch whisky fillings due to high demand for the products. Real estate inventories include residential units for sale, raw land for development and property development costs, reflective of new project launches of Megaworld.

Other current assets went up 18% or P2.5 billion mainly due to an increase in the amount of unutilized input vat, prepayments, creditable withholding taxes and deferred commissions at year-end.

Advances to landowners and joint operators escalated 15% or P921 million due to additional advances made by Megaworld relating to its ongoing development projects.

Due to the adoption of a new accounting standard, **Available-for-sale financial assets** are designated as **Financial assets at fair value through other comprehensive income** amounting to P460.0 million for such financial assets are held by the Group for long-term strategic investments and are not expected to be traded in the short-term to medium-term.

Investment in and advances to associates and joint ventures decreased 39% or P3.4 billion primarily due to the reclassification of Pacific Coast Megacity Inc. ("PCMI") from being an associate into becoming a subsidiary of Megaworld in 2018 and the recognition of impairment loss from a number of associates from writing-off its investments from such associates; and particularly, the transfer of end-2018 balance Advances to Associates and Other Related Parties from this account to Trade and Other Receivables [see Note 2.1(b) to the Audited Consolidated Financial Statements].

Property, plant and equipment increased 20% or P19.5 billion primarily attributed to ongoing expansion of Travellers, Megaworld and Emperador. RWM completed the construction of Courtyard Iloilo last May 2018 and Hilton Manila in October. The Grand Wing also completed some gaming areas. There also an increase in construction in progress related to two other hotels and other gaming areas to be completed. The Grand Wing is comprised of three luxury hotels- Sheraton Manila Hotel, Hilton Manila and Hotel Okura Manila. It would also include approximately 14,000 sqm. and 3,200 sqm. of gaming and retail space respectively. Additional costs were also incurred from MEG's hotel buildings and EMP's distillery plant.

Investment property rose 8% or P7.4 billion as more revenue-generating malls, commercial centers and office buildings were completed by Megaworld Group.

Deferred tax assets jumped 43% or P349 million from an increase in income tax provisions from prior months and from taxable temporary differences, with the adjustment in fair value assessment of STLI's net assets which was completed in 2019.

Other non-current assets grew 11% or P615 million due to the increase in advances made by RWM to PAGCOR in connection with the development of Site A

Trade and other payables went up 26% or P10.1 billion as trade payables, accrued expenses and retention payable to contractors swelled up. It also included unredeemed gaming points and unredeemed gaming chips. Accrued expenses increased due to timing of accruals at year-end.

Contract liabilities represent MEG's excess of collection over the progress of work under MEG, with **current** portion increasing 53% or P918 million and **non-current** portion decreasing 11% or P342 million.

Current bonds payable in 2017 were paid this 2018.

Current interest-bearing loans dipped 25% or P8.2 billion while **non-current interest-bearing loans** ballooned 32% or P34.6 billion, for a net increase of P26.4 billion which is mainly attributed to additional loans obtained by Megaworld and Travellers intended for capital expenditures and EMP for inventory purchases of Scotch fillings.

Income tax payable surged 75% or P720 million, mainly from higher unpaid income taxes at current year-end which is attributed to higher taxable profit.

Advances from related parties was transferred from non-current to current liabilities, as a restatement of end-2018 balance [see Note 2.1(b) to the Audited Consolidated Financial Statements].

Other current liabilities went up by 18% or P2.2 billion while **other non-current liabilities** increased by 17% or P2.6 billion mainly from customers' deposits which pertains to amounts received from customers for sales from residential lots and condo units not yet qualified for revenue recognition. Deferred rental income and commissions payable also contribute to such increase.

Retirement benefit obligation reduced 8% or P153.4 million from lower recognized liabilities on employee benefits by MEG.

Non-current redeemable preferred shares, dipped 8% or P144.8 million due to the redemption of preferred shares in MEG.

Deferred tax liabilities went up 42% or P3.3 billion due to the tax effect in MEG's taxable and deductible temporary differences.

The **changes in equity components** are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners increased 5% while non-controlling interest increased 7% 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. Opening retained earnings also reflected the effect of adoption of an accounting standard that was applied retrospectively through the opening balance only.

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

The consolidated statements of financial position showed strong liquidity with current assets exceeding current liabilities 2.3times, 3.0times and 2.6times at end of 2019, 2018 and 2017, respectively. Total-liabilities-to-equity ratios were at 1.2:1 at end 2019 and 1.0:1 at the end of both 2018 and 2017, while interest-bearing-debt-to-total-equity ratios were correspondingly at 70%, 68% and 66%. Assets exceeded liabilities 2times and equity 2times as well at end-2019 and 2018.

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

Amounts in Million Pesos	31-Dec-19	31-Dec-18	31-Dec-17
Cash and equivalents	51,271	44,779	52,784
FVTPL/FVOCI financial assets[1]	12,462	14,077	13,948
Total Available	63,732	58,856	66,733
Interest-bearing debts –current	40,870	24,530	42,677
Interest-bearing debts -noncurrent	162,907	167,974	132,662
Equity-linked securities	5,280	5,259	5,227
Total Debt	209,057	197,763	180,566
Net cash (-debt)	-145,325	-138,906	-113,833
Available Cash and financial assets to interest-bearing debt	30%	30%	37%
Interest-bearing debt to total equity	70%	68%	66%

[1]*Excluding derivatives.*

*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 looks forward to continue the growth trajectory of all the business segments towards the Group's success backed by its overall resilience and adaptability.

EMP group is best positioned to capitalize on premiumization opportunities, with its bigger product portfolio and inventory of brandy and Scotch whisky and greater global reach. New products are initiated to capture the discriminating taste of its consumers who look for variety and innovations.
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Megaworld group, being the leader of the country's integrated urban townships, has a strong portfolio 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. The group is building more office towers, and leisure malls to complement them, primarily to cater to the strong and sustainable business sectors, in Iloilo, Bacolod, Davao, Cebu, Cavite, Laguna, Pampanga and Metro Manila.

Travellers is building for further growth, as it continues to expand its non-gaming facilities and offerings. It is looking forward to the completion of RWM Phase III, the renovation works in it and development of more retail alternatives.

GADC is set on its vision to sustain its double-digit growth through continued scaling and partnership with franchisees, heightened focus on driving customer traffic, and optimizing the business model to improve margins. By taking advantage of the innovations it has invested in the past few quarters, McDonald's' performance is expected to be driven by the NXTGEN experience along with the brand "love it" to build and strengthen through the years. Brand presence will continue to expand with additional stores to be built and re-designed to enhance customer experience

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. The lead engagement partner for 2017-2019 is Mr. Romualdo V. Murcia III.

The fees, excluding out-of-pocket expenses and vat, for each of the last two fiscal years totaled P2.6 million and P2.5 million for the audit of 2019 and 2018 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 June 20, 2019.

The table below sets forth each member of the Company's Board as of March 31, 2020:

Name	Age	Citizenship	Position
Andrew L. Tan	70	Filipino	Chairman
Kevin Andrew L. Tan	40	Filipino	Vice-Chairman
Kingson U. Sian	58	Filipino	Director
Katherine L. Tan	68	Filipino	Director
Winston S. Co	62	Filipino	Director
Alejo L. Villanueva, Jr.	78	Filipino	Independent Director
Sergio R. Ortiz-Luis, Jr.	76	Filipino	Independent Director

The table below sets forth the Company's executive officers as of March 31, 2020:

Name	Age	Citizenship	Position
Kevin Andrew L. Tan	40	Filipino	Chief Executive Officer
Katherine L. Tan	68	Filipino	Treasurer
Kingson U. Sian	58	Filipino	President
Dina D.R. Inting	60	Filipino	Chief Financial Officer
Alan B. Quintana	51	Filipino	Corporate Secretary
Rolando D. Siatela	59	Filipino	Assistant Corporate Secretary

Andrew L. Tan
Chairman of the Board

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

Listed Company	Position	Date First Elected	Date Last Elected	No.of Term/ Years
Emperador Inc.	Chairman	Aug 2013	May 2019	6
Megaworld Corporation	Chairman & President	Aug 1989	June 2019	30
Global-Estate Resorts, Inc. (subsidiary of Megaworld)	Chairman	January 2011	June 2019	8
Empire East Land Holdings, Inc. (subsidiary of Megaworld)	Chairman	July 1994	June 2019	25

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 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., Suntrust Properties, 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 is the Chairman and Treasurer of The Andresons Group, Inc. and sits in the boards of Infracorp Development, Inc., Twin Lakes Corporation, Forbes Town Properties & Holdings, Inc., Gilmore Property Marketing Associates, Inc., Megaworld Central Properties, Inc., and Raffles & Company, Inc. He is also the Vice-Chairman and Treasurer of Golden Arches Development Corporation and Golden Arches Realty Corporation and a Director and Treasurer of Andresons Global, Inc. Mr. Tan graduated Magna Cum Laude from the University of the East with a degree of Bachelor of Science in Business Administration.

Kevin Andrew L. Tan
CEO and Vice-Chairman

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/
Empire East Land Holdings, Inc.	Director	June 2015	June 2019	4
Global-Estate Resorts, Inc.	Director	June 2014	June 2019	5
Emperador Inc.	Director	Oct 2017	May 2019	2

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

Kingson U. Sian
Director and President

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Megaworld Corporation	Director/Executive Director	Apr 2007	June 2019	12

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

Katherine L. Tan
Director and Treasurer

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Emperador Inc.	Director and Treasurer	Aug 2013	May 2019	6
Megaworld Corporation	Director	Aug 1989	June 2019	30
	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 2019	6

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

Sergio R. Ortiz-Luis, Jr.
Independent Director

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

Alejo L. Villanueva, Jr.
Independent Director

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Emperador Inc.	Independent Director	Aug 2013	May 2019	6
Empire East Land Holdings, Inc.	Independent Director	June 2007	June 2019	12
Suntrust Home Developers, Inc.	Independent Director	Oct 2012	Oct 2019	7

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 2019	6

She is currently a 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.

Alan B. Quintana
Corporate Secretary

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

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 2019	13
Megaworld Corporation	Assistant Corporate Secretary	Oct 2006	June 2019	13
Global-Estate Resorts, Inc.	Assistant Corporate Secretary	Jan 2011	June 2019	8

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

d. Involvement in Legal Proceedings

The Company has no knowledge of any of the following events that occurred during the past five (5) years up the date of this report that are material to an evaluation of the ability or integrity of any director or executive officer or control person of the Company:
1. Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

10. EXECUTIVE COMPENSATION

a. Executive Compensation

Name and Principal Position
Andrew L. Tan, Chairman
Kevin Andrew L. Tan, Vice Chairman, CEO
Kingson U. Sian, President (COO)
Katherine L. Tan, Treasurer
Dina D.R. Inting, CFO
Alan B. Quintana, Corporate Secretary
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 2019, 2018, and 2017, no compensation was received from AGI, the holding company, and neither will there be for 2020, 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, 2019, no vested option has been exercised and the remaining number of unexercised stock options is 59,100,000 common shares.

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

11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) **Security Ownership of Record and Beneficial Owners owning more than 5% of the Company's outstanding common stock as of March 31, 2020:**

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	4,569,619,794*	46.539
Common	YORKSHIRE HOLDINGS, INC. 18th Floor Alliance Global Tower 26th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City [2]	YORKSHIRE HOLDINGS, INC. (YHI)	Filipino	1,583,459,842	16.127
Common	PCD NOMINEE CORPORATION (NON-FILIPINO) 29th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City 1226	THE HONGKONG AND SHANGHAI CORP. LTD. – CLIENTS' ACCT. (Non-Filipino) HSBC	Non-Filipino	1,126,250,310	11.470
Common	PCD NOMINEE CORPORATION (NON-FILIPINO) 29th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City 1226	DEUTSCHE BANK MANILA-CLIENTS A/C	Non-Filipino	611,065,487	6.223

*Includes 317,841,500 common shares owned by The Andresons Group, inc. lodged with PCD Nominee Corporation (Filipino)

(2) **Security Ownership of Management as of March 31, 2020:**

Title	*Name of Beneficial Owner*	*Citizenship*	*Amount*	*Percent*
Common	Andrew L. Tan *(Chairman of the Board)*	Filipino	63,684,350	0.65%
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	0.05%
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*(CFO)*	Filipino	2,758	0.00%
Directors and Executive Officers as a Group			68,690,940	0.70%

12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the material related party transactions described in the Notes to the Consolidated Financial Statements of the Company and subsidiaries for the years 2019, 2018, and 2017, (*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

[1]Mr. Andrew L. Tan is the Chairman of the Board of TAGI, is authorized to appoint proxy to vote for the shares.
[2]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.

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.

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, 2019)

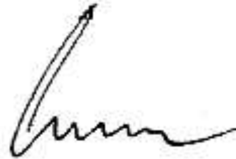
Date	Disclosures
June 03, 04, 06, 07, 2019	Share buy-back transaction
June 10, 11, 13, 14, 2019	Share buy-back transaction
June 17, 18, 2019	Share buy-back transaction
July 01, 2019	Press Release: "AGI sets aside P410B for five-year capex"
July 02, 03, 04, 05, 2019	Share buy-back transaction
July 08, 09, 10, 11, 12, 2019	Share buy-back transaction
July 15, 16, 17, 2019	Share buy-back transaction
July 26, 29, 30, 2019	Share buy-back transaction
August 05, 2019	Notice of Analysts' Briefing on 1H 2019 Financial and Operating Results
August 13, 2019	Press Release: "AGI posts 6-month profit of P12.5B"
August 15, 16 2019	Share buy-back transaction
August 19, 20, 22, 23, 2019	Share buy-back transaction
August 27, 28, 29, 30, 2019	Share buy-back transaction
September 02, 03, 04, 05, 06, 2019	Share buy-back transaction
September 09, 10, 11, 12, 2019	Share buy-back transaction
September 18, 2019	Approval of another buy-back program
September 18, 2019	Press Release: AGI TO IMPLEMENT 12-MONTH SHARE BUYBACK OF UP TO P2.5-B
September 18, 19, 20, 2019	Share buy-back transaction
September 23, 24, 25, 26, 27, 2019	Share buy-back transaction
September 30, 2019	Share buy-back transaction
October 01, 02, 03, 04, 2019	Share buy-back transaction
October 07, 2019	Change in Corporate Contact Details
October 07, 08, 09, 10, 11, 2019	Share buy-back transaction
October 14, 15, 16, 17, 18, 2019	Share buy-back transaction
October 21, 2019	Notice of Analysts' Briefing re 9M 2019 Financial and Operating Results
October 25, 2019	Share buy-back transaction
October 28, 2019	Related Party Transactions Policy
October 28, 29, 30, 31, 2019	Share buy-back transaction
November 04, 05, 06, 07, 08, 2019	Share buy-back transaction
November 11, 12, 13, 14, 15, 2019	Share buy-back transaction
November 14, 2019	Press Release: AGI's 9-mo profit hits P19.3B; Q3 earnings up 10%
November 18, 19, 20, 21, 22, 2019	Share buy-back transaction
November 25, 26, 27, 28, 29, 2019	Share buy-back transaction
November 28, 2019	Update of company website
December 02, 03, 04, 05, 06, 2019	Share buy-back transaction
December 09, 10, 11, 12, 13, 2019	Share buy-back transaction
December 16, 17, 18, 19, 20, 2019	Share buy-back transaction
December 23, 26, 27, 2019	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:



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

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

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

ALAN B. QUINTANA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this __________, 2020 affiants exhibiting to me their Passports/SSS No., as follows:

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

Notary Public

Doc No. _______
Page No._______
Book No._______
Series of 2020.

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. 87092038-41 Fax Nos. 87091966

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

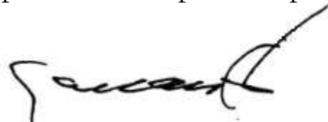
The management of ***Alliance Global Group, Inc. and Subsidiaries*** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

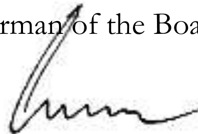
The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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



ANDREW L. TAN
Chairman of the Board



KEVIN ANDREW L. TAN
Chief Executive Officer

DINA D.R. INTING
Chief Financial Officer

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

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

Doc. No. ____
Page No. ____
Book No. ____
Series of 2020

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

T +63 2 8988 22 88

Report of Independent Auditors

The Board of Directors and 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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Emphasis of a Matter – Subsequent Events Relating to COVID-19 Outbreak

We draw attention to Note 37 to the consolidated financial statements, which describes the likely negative impact of the business disruption as a result of the coronavirus outbreak and consequent events to the Group's financial condition and performance after the end of the reporting period. Management has determined that these are non-adjusting events and as such, had no impact on the Group's consolidated financial statements as at and for the year ended December 31, 2019. As further stated in Note 37, management was unable to reliably estimate yet as at the issuance date of the consolidated financial statements the quantitative impact of the said events on the Group's consolidated financial conditions and operations in subsequent period. Our opinion is not modified with respect to this matter.

Key Audit Matters

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

(a) Consolidation Process

Description of the Matter

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

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

How the Matter was Addressed in the Audit

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

- Obtaining an understanding of the Group structure and its consolidation policy and process, including the procedures for identifying intercompany transactions and reconciling intercompany balances;
- Testing the mathematical accuracy of the consolidation done by management and verifying financial information used in the consolidation based on the audited financial statements of the components of the Group and evaluating the consistency of the accounting policies applied by the entities within the Group;

- Testing the accuracy and appropriateness of intercompany elimination entries, the translation of the financial statements of foreign subsidiaries of the Group, and other significant consolidation adjustments;

- Performing analytical procedures at the consolidated level; and,

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

(b) Adoption of PFRS 16, Leases

Description of the Matter

Effective January 1, 2019, the Group adopted PFRS 16, *Leases,* which replaced Philippine Accounting Standard (PAS) 17, *Leases*, and the related interpretations to PAS 17. The adoption of this new standard, which primarily affected the Group's accounting for leases as a lessee by recognizing "right-of-use" assets and lease liabilities "on-balance sheet", is considered significant due to the complexities of the accounting requirements and the significant judgements involved in determining the assumptions to be used in applying PFRS 16.

The Group's adoption of PFRS 16 resulted in the recognition of right-of-use assets and lease liabilities amounting to P12.6 billion and P15.9 billion, respectively, as at December 31, 2019 and is considered significant in amount relative to the Group's consolidated total assets and liabilities.

The Group's approach in adopting PFRS 16 and its effect on certain assets and liabilities as of January 1, 2019 as well as the related policy for the recognition of leases are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to lease recognition are more fully described in Note 3 to the consolidated financial statements. The details of the right-of-use assets, lease liabilities and other relevant information are disclosed in Note13 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 adoption of PFRS 16 are as follows:

- Understanding the policies and procedures applied by the Group in identifying leases that qualify under PFRS 16, and leases that qualify under the recognition exemptions on short-term leases and low-value leases, as well as compliance therewith;

- Assessing the completeness of the lease contracts and verifying the accuracy of the lease information provided by considering the reconciliation of the Group's operating lease commitments;

- On a sample basis, evaluating the reasonableness of the inputs and assumptions used by the management in determining the lease term and incremental borrowing rate used, such as but not limited to, renewal and termination options, contractual terms of the lease, nature and quality of security, if any, and the economic environment in which the transaction occurs; and,

- Evaluating the appropriateness of adjustments as a result of the adoption of PFRS 16 on the recognition and measurement of right-of-use assets and lease liabilities, and determining the adequacy of related financial statement disclosures, including changes in accounting policies and bases of judgments and estimates.

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

Description of the Matter

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve the application of significant judgment and estimation. In addition, real estate sales and costs of real estate sales amounted to P42.6 billion or 23.7% of the consolidated Revenues and Income and P23.4 billion or 16.2% of the consolidated Costs and Expenses, respectively, for the year ended December 31, 2019. Areas affected by revenue recognition, which require significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas are significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

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

How the Matter was Addressed in the Audit

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

- Obtaining an understanding of the revenue recognition policy regarding real estate sales transactions and the related significant business processes of the Group;

- Testing information technology (I.T.) general controls over the automated system which generated the data used as basis for adjustments. The procedures include testing of controls over contract approval and direct examination of agreements;

- Testing of mathematical accuracy and completeness of supporting contract summary, examination of supporting documents of a sample of agreements, and performing overall analytical review of actual results.

- Performing inspection of sample agreements for compliance with a set of criteria for revenue recognition and test of controls over contract approval;

- Testing the reasonableness of management's judgment in determining the probability of collection of the consideration in a contract which involves a historical analysis of customer payment pattern and behavior;

- Testing the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs, which includes testing of controls over the recognition and allocation of costs per project and direct examination of supporting documents. In testing the reasonableness of budgetary estimates, we have ascertained the qualifications of project engineers who prepared the budgets and reviewed the actual performance of completed projects with reference of their budgeted costs;

- Performing physical inspection of selected projects under development to assess if the completion based on costs is not inconsistent with the physical completion of the project;

- In relation to cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls including I.T. general controls. On a sampling basis, we traced costs accumulated to supporting documents such as invoices and accomplishment reports from the contractors and official receipts; and,

- Testing the adequacy of financial statement disclosures.

(d) 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 P50.9 billion, which is mainly from its Emperador business segment, represents 28.3% of the Group's total revenues. Revenue from sale of goods is recognized when control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged receipt of the goods.

Sale from company-operated quick-service restaurants amounting to P28.8 billion, which is mainly from its GADC business segment, represents 16.0% of the Group's total revenues. The Group recognizes revenue from restaurant sales at a point in time when services are rendered, that is, when food and beverage products or promotional items purchased by customers have been delivered and accepted by the customers.

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

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

How the Matter was Addressed in the Audit

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

On sale of consumer goods:

- Testing the design and operating effectiveness of the Group's processes and controls over revenue recognition, approval and documentation;

- Obtaining an understanding of the revenue recognition policy regarding sale of consumer goods and the related significant business processes of the Group;

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

- Confirming trade receivables using positive confirmation, on a sample basis, and performing alternative procedures for non-responding customers, such as, examining evidence of subsequent collections, or corresponding sales invoices and proof of deliveries;

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

- 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;

- Obtaining an understanding of the revenue recognition policy regarding quick-service restaurant and the related significant business processes of the Group; and,

- Performing test of completeness and cut-off testing by obtaining store reports, on a sample basis, and matching with system wide sales report.

(e) 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 P21.5 billion in 2019, representing 12.0% of the Group's total revenues. Gaming transactions of the Group with fixed-odds wagers known at the time of bet are considered derivative transactions wherein the Group takes a position against a patron and the resulting unsettled position becomes a derivative instrument under PFRS 9, *Financial Instruments*. In our view, gaming transaction is significant to our audit because the amount is material and it involves voluminous transactions at any given period of time, which undergo complex automated and manual gaming processes and controls under the Group's principal gaming and gaming-related systems.

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

How the Matter was Addressed in the Audit

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

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

- Testing and evaluating the design and operating effectiveness of controls over I.T. general controls and application controls over major casino processes namely: buy-in and pay-out, float maintenance, end-of-day recording, casino credit billing and collection and month-end reconciliation procedures;

- Performing analytical review procedures on gaming revenues, drops and win rates from both gaming tables and slot machines based on our expectations, and resolving variances from our expectations through discussion with the management and corroboration of their responses whether plausible under such circumstances;

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

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

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

Description of the Matter

Under Philippine Accounting Standard 36, *Impairment of Assets,* the Group is required to annually test the carrying amounts of its goodwill and trademarks with indefinite useful lives for impairment. As of December 31, 2019, goodwill amounted to P20.0 billion, while the trademarks with indefinite useful lives amounted to P19.6 billion. We considered the impairment of these assets as a key audit matter because the amounts of goodwill and trademarks are material to the consolidated financial statements. In addition, management's impairment assessment process is highly judgmental, and is based on significant assumptions, specifically the determination of the discount rate and cash flow projections used in determining the value-in-use of the trademarks and the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

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

How the Matter was Addressed in the Audit

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

- Evaluating the appropriateness and reasonableness of methodology and assumptions used in determining the value-in-use of cash-generating units attributable to the trademarks and goodwill, which include the discount rate, growth rate and the cash flow projections, by comparing them to external and historical data;

- Testing the calculation of valuation model for mathematical accuracy and validating the appropriateness and reliability of inputs and amounts used; and,

- Performing independent sensitivity analysis of the projections and discount rate using the valuation model used to determine whether a reasonably possible change in assumptions could cause the carrying amount of cash generating units to exceed the recoverable amount.

(g) Existence and Valuation of Inventories

Description of the Matter

Inventories amounted to P135.9 billion as at December 31, 2019, which are mainly from the Group's Megaworld and Emperador business segments. The valuation of inventories is at the lower of cost or net realizable value (NRV).

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

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

How the Matter was Addressed in the Audit

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

On existence of inventories:

- Performing, on a sample basis, physical inspection of real estate properties held as inventories;

- 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.

(h) Performing Significant Portion of Audit Remotely

Description of the Matter

As disclosed in Note 37 of the consolidated financial statements, a novel strain of coronavirus (COVID-19) started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of enhanced community quarantine (ECQ) and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. The ECQ and social distancing measures implemented by the government resulted in performing a significant portion of the engagement remotely.

The change in working conditions is relevant and significant to our audit since it creates an increased risk of misstatement due to less in-person access to the Group's management and personnel, and lack of access to the physical records and original documents. Given the changes in how the audit will be performed, the audit requires exercising enhanced professional skepticism.

How the Matter was Addressed in the Audit

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

- Considering the nature of the engagement and the engagement team's knowledge of the entity and its environment when determining whether it is possible to perform a significant portion, if not all of the engagement remotely;

- Following the requirements of the PSA including providing proper supervision and review, even when working remotely;

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

- Determining the reliability of audit evidence provided electronically using enhanced professional skepticism;

- Performing inquiries through video call in order to judge body language and other cues and to have a more interactive audit engagement;

- Reviewing of workpapers of component auditors remotely through share screening and constant communication; and,

- Examining critical hard copy documents (e.g., contracts, billing invoices, purchase invoices and official receipts) physically in response to the risk in revenues and costs, which is considered to be significant.

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, 2019, 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, 2019 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.

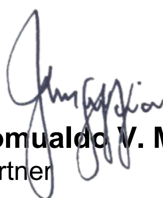
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 2019 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. 8116550, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 29, 2020

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018 (As Restated – See Notes 1 and 2)
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 51,270,580,951**	P 44,779,011,533
Trade and other receivables - net	6	**73,766,084,747**	63,163,221,691
Contract assets	6, 24	**10,857,180,128**	11,131,863,695
Financial assets at fair value through profit or loss	7	**12,045,110,108**	13,617,425,147
Inventories - net	8	**135,869,915,236**	131,147,119,463
Other current assets	9	**17,367,583,144**	16,285,340,485
Total Current Assets		**301,176,454,314**	280,123,982,014
NON-CURRENT ASSETS			
Trade and other receivables - net	6	**16,406,358,749**	12,984,665,792
Contract assets	6, 24	**7,785,824,559**	11,095,415,992
Advances to landowners and joint operators	10	**7,058,884,461**	6,910,177,902
Financial assets at fair value through other comprehensive income	11	**416,657,341**	459,974,884
Investments in associates and joint ventures	12	**6,558,943,348**	5,298,373,293
Property, plant and equipment - net	13	**136,262,546,247**	117,501,643,236
Investment properties - net	14	**112,338,187,564**	104,635,533,741
Intangible assets - net	15	**39,943,371,103**	42,053,472,838
Deferred tax assets - net	29	**5,477,329,211**	1,150,494,569
Other non-current assets	9	**7,021,891,772**	6,026,685,803
Total Non-current Assets		**339,269,994,355**	308,116,438,050
NON-CURRENT ASSET HELD FOR SALE	16	**4,029,879,798**	-
TOTAL ASSETS		**P 644,476,328,467**	P 588,240,420,064

	Notes	2019	2018 (As Restated – See Notes 1 and 2)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	17	**P 61,394,887,255**	P 49,181,881,957
Interest-bearing loans	18	**40,869,676,836**	24,530,016,698
Lease liabilities	13	**1,297,248,962**	-
Contract liabilities	24	**1,703,947,321**	2,663,104,996
Income tax payable		**2,387,377,900**	1,679,266,461
Redeemable preferred shares	20	**251,597,580**	251,597,580
Advances from related parties	30	**2,244,180,653**	2,385,463,118
Other current liabilities	21	**20,550,029,609**	14,134,269,900
Total Current Liabilities		**130,698,946,116**	94,825,600,710
NON-CURRENT LIABILITIES			
Interest-bearing loans	18	**138,283,436,876**	142,871,936,606
Bonds payable	19	**24,623,883,690**	25,102,042,365
Lease liabilities	13	**14,623,215,469**	-
Contract liabilities	24	**3,509,607,722**	2,705,562,299
Retirement benefit obligation	28	**2,201,371,108**	1,790,019,668
Redeemable preferred shares	20	**1,580,915,329**	1,712,264,245
Deferred tax liabilities - net	29	**16,374,273,704**	11,077,531,099
Other non-current liabilities	21	**15,463,882,949**	17,593,574,277
Total Non-current Liabilities		**216,660,586,847**	202,852,930,559
Total Liabilities		**347,359,532,963**	297,678,531,269
EQUITY			
Equity attributable to owners of the parent company	22	**179,373,807,626**	172,186,226,098
Non-controlling interest		**117,742,987,878**	118,375,662,697
Total Equity		**297,116,795,504**	290,561,888,795
TOTAL LIABILITIES AND EQUITY		**P 644,476,328,467**	P 588,240,420,064

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018 (As Restated – See Notes 1 and 2)	2017
REVENUES AND INCOME				
Sale of goods	24	**P 93,520,269,375**	P 85,275,243,031	P 77,352,038,077
Rendering of services - net	24	**81,042,859,297**	66,176,980,409	58,292,210,272
Share in net profits of associates and joint ventures - net	12	**180,320,026**	291,178,124	272,698,340
Finance and other income	27	**5,245,562,371**	5,031,129,715	2,871,675,283
		179,989,011,069	156,774,531,279	138,788,621,972
COSTS AND EXPENSES				
Cost of goods sold	25	**57,084,896,446**	51,609,200,621	46,044,014,062
Cost of services	25	**41,260,475,103**	34,962,283,633	30,022,075,157
Other operating expenses	26	**38,653,193,586**	31,577,455,027	26,996,069,880
Finance costs and other charges	27	**7,120,531,463**	6,852,983,736	6,883,871,865
		144,119,096,598	125,001,923,017	109,946,030,964
PROFIT BEFORE TAX		**35,869,914,471**	31,772,608,262	28,842,591,008
TAX EXPENSE	29	**8,769,844,365**	8,107,504,537	6,566,622,421
NET PROFIT		**27,100,070,106**	23,665,103,725	22,275,968,587
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains (loss) on remeasurement of retirement benefit obligation	28	**(405,294,791)**	190,629,650	950,503,573
Net unrealized fair value gain on financial assets at fair value through other comprehensive income	11	**65,542,492**	26,515,019	-
Share in other comprehensive income (loss) of associates	12	**(11,417,059)**	13,452,063	33,916,495
Deferred tax income (expense) relating to components of other comprehensive income	29	**29,007,853**	(73,057,872)	(189,305,616)
		(322,161,505)	157,538,860	795,114,452
Items that will be reclassified subsequently to profit or loss				
Translation adjustments	2	**(598,534,358)**	(329,180,697)	729,350,325
Net unrealized fair value gain (loss) on cash flow hedge	21	**(293,369,328)**	230,806,189	(45,942,879)
Net unrealized fair value gains (loss) on available-for-sale financial assets	11	-	-	26,875,114
Realized fair value loss on disposal of available-for-sale financial assets	11	-	-	(28,356,713)
Deferred tax income (expense) relating to components of other comprehensive income	29	**939,955**	(716,975)	(409,175)
		(890,963,731)	(99,091,483)	681,516,672
TOTAL COMPREHENSIVE INCOME		**P 25,886,944,870**	P 23,723,551,102	P 23,752,599,711
Net profit attributable to:				
Owners of the parent company		**P 17,721,519,071**	P 15,114,291,790	P 15,192,000,737
Non-controlling interest		**9,378,551,035**	8,550,811,935	7,083,967,850
		P 27,100,070,106	P 23,665,103,725	P 22,275,968,587
Total comprehensive income attributable to:				
Owners of the parent company		**P 17,038,982,431**	P 14,876,959,240	P 16,266,944,233
Non-controlling interest		**8,847,962,439**	8,846,591,862	7,485,655,478
		P 25,886,944,870	P 23,723,551,102	P 23,752,599,711
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company:	23			
Basic		**P 1.8269**	P 1.5252	P 1.5031
Diluted		**P 1.8264**	P 1.5231	P 1.4998

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	Attributable to Owners of the Parent Company														
		Capital Stock	Additional Paid-in Capital	Treasury Shares – at cost	Net Actuarial Losses on Retirement Benefit Plan	Net Fair Value Gains (Losses) on Financial Assets at FVOCI	Accumulated Translation Adjustments	Revaluation Reserves on Cash Flow Hedge	Share Options	Other Reserves	Retained Earnings – Appropriated	Retained Earnings – Unappropriated	Retained Earnings – Total	Total	Noncontrolling Interest	Total Equity
Balance at January 1, 2019, as previously reported		P 10,269,827,979	P 34,395,380,979	(P 4,130,664,509)	(P 37,087,081)	P 292,038,325	(P 4,186,081,933)	P 124,320,576	P 744,676,052	P 17,189,184,985	P 3,520,080,000	P 114,011,796,687	P 117,531,876,687	P 172,193,472,060	P 118,379,191,399	P 290,572,663,459
Effect of restatements																
PFRS 16 Adoption	2	-	-	-	-	-	-	-	-	-	-	(1,012,473,751)	(1,012,473,751)	(1,012,473,751)	(1,037,827,770)	(2,050,301,521)
Other restatement	1	-	-	-	-	-	-	-	-	-	-	(7,245,962)	(7,245,962)	(7,245,962)	(3,528,702)	(10,774,664)
Balance at January 1, 2019, as restated		10,269,827,979	34,395,380,979	(4,130,664,509)	(37,087,081)	292,038,325	(4,186,081,933)	124,320,576	744,676,052	17,189,184,985	3,520,080,000	112,992,076,974	116,512,156,974	171,173,752,347	117,337,834,927	288,511,587,274
Transactions with owners:																
Change in percentage ownership		-	-	-	-	-	-	-	(515,840)	(6,291,950,241)	-	-	-	(6,292,466,081)	(4,749,499,783)	(11,041,965,864)
Acquisition of treasury shares	22	-	-	(2,662,450,257)	-	-	-	-	-	-	-	-	-	(2,662,450,257)	-	(2,662,450,257)
Acquisition of perpetual capital securities	22	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,505,213,782)	(2,505,213,782)
Dividend paid by investee		-	-	-	-	-	-	-	-	-	-	-	-	-	(1,465,490,160)	(1,465,490,160)
Acquisition and incorporation of new subsidiaries	1	-	-	-	-	-	-	-	-	-	-	-	-	-	231,718,658	231,718,658
Share-based compensation	22, 28	-	-	-	-	-	-	-	-	-	-	-	-	-	45,675,579	45,675,579
Recycling due to disposal and dilution		-	-	-	-	-	-	-	-	-	-	11,417,059	11,417,059	11,417,059	-	11,417,059
		-	-	(2,662,450,257)	-	-	-	-	(515,840)	(6,291,950,241)	-	11,417,059	11,417,059	(8,943,499,279)	(8,442,809,488)	(17,386,308,767)
Disposal of financial asset at fair value through other comprehensive income	11	-	-	-	-	67,769,000	-	-	-	-	-	(67,769,000)	(67,769,000)	-	-	-
Unexercised share options reclassified to additional paid-in capital	22	-	123,535,050	-	-	-	-	-	(123,535,050)	-	-	-	-	-	-	-
Additional legal reserves during the year		-	-	-	-	-	-	-	-	104,572,127	-	-	-	104,572,127	-	104,572,127
Appropriation of retained earnings	22	-	-	-	-	-	-	-	-	-	3,445,650,000	(3,445,650,000)	-	-	-	-
Reversal of appropriation	22	-	-	-	-	-	-	-	-	-	(3,034,080,000)	3,034,080,000	-	-	-	-
Total comprehensive income		-	-	-	(200,002,542)	39,250,812	(324,494,037)	(197,290,873)	-	-	-	17,721,519,071	17,721,519,071	17,038,982,431	8,847,962,439	25,886,944,870
Balance at December 31, 2019		**P 10,269,827,979**	**P 34,518,916,029**	**(P 6,793,114,766)**	**(P 237,089,623)**	**P 399,058,137**	**(P 4,510,575,970)**	**(P 72,970,297)**	**P 620,625,162**	**P 11,001,806,871**	**P 3,931,650,000**	**P 130,245,674,104**	**P 134,177,324,104**	**P 179,373,807,626**	**P 117,742,987,878**	**P 297,116,795,504**
Balance at January 1, 2018. as previously reported		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 744,676,052	P 20,039,138,973	P 2,748,722,000	P 101,155,199,006	P 103,903,921,006	P 164,158,167,046	P 110,114,914,815	P 274,273,081,861
Effect of restatements																
PFRS 9 Adoption		-	-	-	-	59,154,340	-	-	-	-	-	(196,371,204)	(196,371,204)	(137,216,864)	(150,271,735)	(287,488,599)
Balance at January 1, 2018, as restated		10,269,827,979	34,395,380,979	(1,566,146,040)	(36,537,800)	259,101,753	(3,761,144,930)	(30,896,586)	744,676,052	20,039,138,973	2,748,722,000	100,958,827,802	103,707,549,802	164,020,950,182	109,964,643,080	273,985,593,262
Transactions with owners:																
Acquisition of treasury shares	22	-	-	(2,564,518,469)	-	-	-	-	-	-	-	-	-	(2,564,518,469)	-	(2,564,518,469)
Share-based compensation	22, 28	-	-	-	-	-	-	-	-	-	-	-	-	-	53,457,042	53,457,042
Acquisition and incorporation of new subsidiaries	1	-	-	-	-	-	-	-	-	(2,865,746,187)	-	-	-	(2,865,746,187)	833,779,117	(2,031,967,070)
Change in percentage ownership		-	-	-	-	-	-	-	-	-	-	-	-	-	(2,478,648,942)	(2,478,648,942)
Dividend from investee		-	-	-	-	-	-	-	-	-	-	-	-	-	(1,346,498,244)	(1,346,498,244)
Issuance of perpetual capital securities	22	-	-	-	-	-	-	-	-	-	-	-	-	-	2,505,213,782	2,505,213,782
Retirement of preferred shares		-	-	-	-	-	-	-	-	-	-	-	-	-	(2,875,000)	(2,875,000)
Cash dividends declared	22	-	-	-	-	-	-	-	-	-	-	(1,281,782,338)	(1,281,782,338)	(1,281,782,338)	-	(1,281,782,338)
		-	-	(2,564,518,469)	-	-	-	-	-	(2,865,746,187)	-	(1,281,782,338)	(1,281,782,338)	(6,712,046,994)	(435,572,245)	(7,147,619,239)
Reclassification adjustment		-	-	-	-	-	-	-	-	9,689,175	-	(9,689,175)	(9,689,175)	-	-	-
Additional legal reserves during the year		-	-	-	-	-	-	-	-	6,103,024	-	(5,739,354)	(5,739,354)	363,670	-	363,670
Appropriation of retained earnings	22	-	-	-	-	-	-	-	-	-	3,034,080,000	(3,034,080,000)	-	-	-	-
Reversal of appropriation	22	-	-	-	-	-	-	-	-	-	(2,262,722,000)	2,262,722,000	-	-	-	-
Total comprehensive income		-	-	-	(549,281)	32,936,572	(424,937,003)	155,217,162	-	-	-	15,114,291,790	15,114,291,790	14,876,959,240	8,846,591,862	23,723,551,102
Balance at December 31, 2018		P 10,269,827,979	P 34,395,380,979	(P 4,130,664,509)	(P 37,087,081)	P 292,038,325	(P 4,186,081,933)	P 124,320,576	P 744,676,052	P 17,189,184,985	P 3,520,080,000	P 114,004,550,725	P 117,524,630,725	P 172,186,226,098	P 118,375,662,697	P 290,561,888,795
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 744,676,052	P 19,980,402,684	P 2,532,837,400	P 86,179,082,869	P 88,711,920,269	P 148,462,475,490	P 99,622,830,982	P 248,085,306,472
Transactions with owners:																
Acquisition of treasury shares	22	-	-	(629,988,966)	-	-	-	-	-	-	-	-	-	(629,988,966)	-	(629,988,966)
Share-based compensation	22, 28	-	-	-	-	-	-	-	-	-	-	-	-	-	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	1	-	-	-	-	-	-	-	-	-	-	-	-	-	4,503,257,026	4,503,257,026
Dividend from investee		-	-	-	-	-	-	-	-	-	-	-	-	-	(1,719,702,265)	(1,719,702,265)
Recognition of conversion options	22	-	-	-	-	-	-	-	-	-	-	-	-	-	136,151,386	136,151,386
Retirement of preferred shares		-	-	-	-	-	-	-	-	-	-	-	-	-	(2,875,000)	(2,875,000)
		-	-	(629,988,966)	-	-	-	-	-	58,736,289	-	-	-	(1,201,241,643)	3,006,428,355	2,435,175,678
Appropriation of retained earnings	22	-	-	-	-	-	-	-	-	-	2,748,722,000	(2,748,722,000)	-	-	-	-
Reversal of appropriation	22	-	-	-	-	-	-	-	-	-	(2,532,837,400)	2,532,837,400	-	-	-	-
Total comprehensive income		-	-	-	548,891,312	(277,796,725)	834,745,495	(30,896,586)	-	-	-	15,192,000,737	15,192,000,737	16,266,944,233	7,485,655,478	23,752,599,711
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 744,676,052	P 20,039,138,973	P 2,748,722,000	P 101,155,199,006	P 103,903,921,006	P 164,158,167,046	P 110,114,914,815	P 274,273,081,861

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018 (As Restated – See Notes 1 and 2)	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 35,869,914,471**	P 31,772,608,262	P 28,842,591,008
Adjustments for:				
Depreciation and amortization	25, 26	**9,730,433,948**	6,883,015,196	5,839,552,780
Interest expense	27	**6,292,708,219**	4,084,166,535	5,554,066,867
Interest income	27	**(2,874,346,544)**	(2,833,780,599)	(2,307,789,718)
Unrealized foreign currency loss (gain) - net		**(674,805,749)**	344,806,464	285,082,501
Recognition (reversal) of impairment losses	26, 27	**360,779,482**	(19,258,000)	(60,504,846)
Gain on sale of investments in an associate	27	**(340,809,382)**	-	(113,069,227)
Share in net profits of associates and joint ventures	12	**(180,320,026)**	(291,178,124)	(272,698,340)
Stock option benefit expense	28	**45,675,579**	53,457,042	49,457,009
Dividend income	27	**(20,870,837)**	(63,767,349)	(12,423,602)
Loss (gain) on disposal of property, plant and equipment and invesment properties	27	**11,601,932**	(53,917,450)	(115,773,777)
Reversal of pre-acquisition loss (income)	27	**-**	166,615,784	(2,715,950)
Gain from deconsolidation of subsidiaries	27	**-**	(19,479,803)	-
Losses from property damage	13, 31	**-**	-	652,604,324
Unrealized loss on interest rate swap	27	**-**	-	27,235,637
Gain on sale of investment in available-for-sale financial assets	27	**-**	-	(22,230,010)
Operating profit before working capital changes		**48,219,961,093**	40,023,287,958	38,343,384,656
Increase in trade and other receivables		**(9,653,375,263)**	(4,439,346,489)	(22,117,246,689)
Increase in inventories		**(3,401,637,049)**	(11,172,191,719)	(5,278,127,959)
Decrease (increase) in contract assets		**3,584,275,000**	(5,871,792,742)	2,430,699,999
Decrease (increase) in financial assets at fair value through profit or loss		**362,896,119**	563,823,597	(3,051,207,407)
Increase in other current assets		**(1,749,653,611)**	(2,565,470,447)	(2,073,464,411)
Increase in trade and other payables		**8,301,399,849**	5,728,950,014	6,807,728,994
Increase (decrease) in contract liabilities		**(155,112,252)**	396,021,988	1,333,221,951
Increase (decrease) in retirement benefit obligation		**35,064,502**	(103,543,358)	(60,038,783)
Increase in other current liabilities		**5,301,094,701**	2,307,720,946	1,926,136,902
Increase (decrease) in other non-current liabilities		**(1,665,036,588)**	2,587,463,084	1,141,668,698
Cash generated from operations		**49,179,876,501**	27,454,922,832	19,402,755,951
Cash paid for taxes		**(5,345,768,301)**	(4,073,223,082)	(5,138,190,000)
Net Cash From Operating Activities		**43,834,108,200**	23,381,699,750	14,264,565,951
Balance carried forward		**P 43,834,108,200**	P 23,381,699,750	P 14,264,565,951

	Notes	2019	2018 (As Restated – See Notes 1 and 2)	2017
Balance brought forward		**P 43,834,108,200**	P 23,381,699,750	P 14,264,565,951
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	13	**(12,018,740,610)**	(17,451,001,408)	(19,349,174,305)
Investment properties	14	**(10,390,591,440)**	(14,280,652,677)	(14,555,907,612)
Subsidiaries, associates and business units	1, 12	**(1,350,050,000)**	(2,243,566,862)	(2,283,198,971)
Intangible assets	15	**(30,343,308)**	(60,060,430)	(3,012,832,940)
Available-for-sale financial assets		**-**	-	(15,857,795)
Proceeds from:				
Sale of an investment in an associate	12	**1,017,844,908**	-	297,454,675
Disposal of property, plant and equipment and intangible assets	13, 15	**482,072,447**	397,966,277	1,519,523,083
Collections of advances from associates and other related parties	30	**129,918,481**	255,426,945	285,081,063
Sale of investment in financial asset at FVOCI	11	**100,250,000**	-	306,432,916
Disposal of investment property	14	**716,364**	2,464,208	169,869,223
Disposal of subsidiary	1	**-**	10,837,209	-
Withdrawal of investment in a joint venture		**-**	-	858,354,900
Interest received		**1,704,951,850**	1,092,919,788	1,796,894,279
Increase in other non-current assets		**(766,373,764)**	(616,837,261)	(150,905,407)
Additional advances granted to associates		**(570,167,429)**	(500,136,212)	(308,966,472)
Cash dividends received		**303,370,802**	157,081,637	73,375,843
Advances to landowners, joint ventures and other related parties - net		**(148,706,559)**	(921,285,309)	(255,044,624)
Net Cash Used in Investing Activities		**(21,535,848,258)**	(34,156,844,095)	(34,624,902,144)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from interest-bearing loans and bonds	18, 19, 36	**30,677,150,000**	59,942,342,396	98,231,009,865
Payment of interest-bearing loans	18, 19, 36	**(16,580,133,659)**	(46,436,104,182)	(62,327,686,223)
Buyback of shares from non-controlling interest by a subsidiary	22	**(11,573,166,064)**	(1,528,633,170)	(321,134,930)
Interest paid		**(10,953,777,226)**	(6,295,430,056)	(8,278,141,867)
Acquisition of treasury shares	22	**(2,662,450,257)**	(2,564,518,469)	(629,988,966)
Acquisition of perpetual capital securities	22	**(2,505,213,782)**	-	-
Payment of lease liabilities	13	**(1,056,881,797)**	-	-
Dividends paid	22	**(678,332,636)**	(2,628,280,582)	(1,719,702,265)
Advances granted and paid to related parties	30	**(413,161,385)**	(925,735,618)	(338,467,614)
Redemption of preferred shares	20, 36	**(251,597,580)**	(251,597,580)	(2,875,000)
Advances collected and received from related parties	30	**190,873,862**	675,467,194	1,333,718,613
Proceeds from issuance of perpetual bonds	19	**-**	2,505,213,782	-
Proceeds from issuance of shares of subsidiaries		**-**	-	847,882,450
Payments of derivative liabilities		**-**	-	(360,478,688)
Net Cash From (Used in) Financing Activities		**(15,806,690,524)**	2,492,723,715	26,434,135,375
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**6,491,569,418**	(8,282,420,630)	6,073,799,182
CASH AND CASH EQUIVALENTS OF NEW SUBSIDIARY		**-**	277,032,001	976,599,736
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**44,779,011,533**	52,784,400,162	45,734,001,244
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 51,270,580,951**	P 44,779,011,533	P 52,784,400,162

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

2) On January 1, 2019, the Group recognized right-of-use assets and lease liabilities amounting to P11.6 billion and P14.3 billion, respectively, upon initial adoption of PFRS 16 (see Notes 2 and 13).

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General Information

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

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2019	2018	2017
Subsidiaries					
Megaworld and subsidiaries					
Megaworld Corporation	Megaworld	(a)	**67%**	67%	67%
Megaworld Resort Estates, Inc.		(b)	**83%**	83%	83%
Townsquare Development, Inc.	TDI		**50%**	50%	50%
Golden Panda-ATI Realty Corporation			**50%**	50%	50%
Arcovia Properties, Inc.			**67%**	67%	67%
Belmont Newport Luxury Hotels, Inc.			**67%**	67%	67%
Davao Park District Holdings Inc.			**67%**	67%	67%
Eastwood Cyber One Corporation	ECOC		**67%**	67%	67%
Global One Hotel Group, Inc.			**67%**	67%	67%
Global One Integrated Business Services, Inc.			**67%**	67%	67%
Hotel Lucky Chinatown, Inc.		(c)	**67%**	67%	-
Landmark Seaside Properties, Inc.			**67%**	67%	67%
Luxury Global Hotels and Leisures, Inc.			**67%**	67%	67%
Luxury Global Malls, Inc.			**67%**	67%	67%
Mactan Oceanview Properties and Holdings, Inc.			**67%**	67%	67%
Megaworld Cayman Islands, Inc.		(d)	**67%**	67%	67%
Megaworld Cebu Properties, Inc.			**67%**	67%	67%
Megaworld Land, Inc.			**67%**	67%	67%
Citywalk Building Administration, Inc.			**67%**	67%	67%
Forbestown Commercial Center Administration, Inc.			**67%**	67%	67%
Ilo-ilo Center Mall Administration, Inc.			**67%**	67%	67%
Newtown Commercial Center Administration, Inc.			**67%**	67%	67%
Paseo Center Building Administration, Inc.			**67%**	67%	67%
San Lorenzo Place Commercial Center Administration, Inc.	SLPCCAI	(q)	**67%**	67%	67%
Southwoods Lifestyle Mall Management, Inc.		(c)	**67%**	67%	-
Uptown Commercial Center Administration, Inc.			**67%**	67%	67%
Valley Peaks Property Management, 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%
Prestige Hotels and Resorts, Inc.			**67%**	67%	67%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2019	2018	2017
Subsidiaries					
Megaworld and subsidiaries					
Richmonde Hotel Group International Ltd.	RHGI	(f)	**67%**	67%	67%
San Vicente Coast, Inc.			**67%**	67%	67%
Savoy Hotel Manila, Inc.		(c)	**67%**	67%	-
Savoy Hotel Mactan, Inc.		(c)	**67%**	67%	-
Stonehaven Land, Inc.			**67%**	67%	67%
Streamwood Property, Inc.			**67%**	67%	67%
Megaworld Bacolod Properties, Inc.	MBPI		**62%**	62%	62%
Manila Bayshore Property Holdings, Inc.	MBPHI	(g)	**62%**	60%	57%
Megaworld Capital Town, Inc.	MCTI	(q)	**51%**	51%	51%
Megaworld Central Properties, Inc.			**51%**	51%	51%
Soho Cafe and Restaurant Group, Inc.			**50%**	50%	50%
La Fuerza, Inc.	LFI		**45%**	45%	45%
Megaworld-Daewoo Corporation	MDC		**40%**	40%	40%
Northwin Properties, Inc.	NWPI	(q)	**40%**	40%	40%
Gilmore Property Marketing Associates Inc.			**35%**	35%	35%
Integrated Town Management Corporation			**34%**	34%	34%
Maple Grove Land, Inc.			**34%**	34%	34%
Megaworld Globus Asia, Inc.			**34%**	34%	34%
Suntrust Properties, Inc.	SPI		**67%**	67%	67%
Governor's Hills Science School, Inc.			**67%**	67%	67%
Sunrays Properties Management, Inc.			**67%**	67%	67%
Suntrust Ecotown Developers, Inc.	SEDI		**67%**	67%	67%
Suntrust One Shanata, Inc.			**67%**	67%	67%
Suntrust Two Shanata, Inc.			**67%**	67%	67%
Stateland, Inc.	STLI	(h, i)	**65%**	65%	-
Global-Estate Resorts, Inc.	GERI	(j)	**55%**	55%	55%
Southwoods Mall Inc.	SMI		**61%**	61%	61%
Twin Lakes Corp.	TLC	(k)	**61%**	61%	56%
Twin Lakes Hotel, Inc.	TLHI	(h, l)	**61%**	61%	-
Megaworld Global-Estate, Inc.		(m)	**60%**	60%	60%
Fil-Estate Golf and Development, Inc.			**55%**	55%	55%
Golforce, Inc.			**55%**	55%	55%
Southwoods Ecocentrum Corp.	SWEC		**33%**	33%	33%
Philippine Aquatic Leisure Corp.			**33%**	33%	33%
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 Concrete Blocks 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-Estate Industrial Park, Inc.			**44%**	44%	44%
Sherwood Hills Development Inc.			**30%**	30%	30%
Fil-Estate Urban Development Corp.			**55%**	55%	55%
Global Homes and Communities, Inc.			**55%**	55%	55%
Savoy Hotel Boracay, Inc.	SHBI	(e)	**55%**	-	-
Belmont Hotel Boracay, Inc.	BHBI	(e)	**55%**	-	-
Novo Sierra Holdings Corp.			**55%**	55%	55%
Elite Communities Property Services, Inc.	ECPSI	(h, l)	**55%**	55%	-
Oceanfront Properties, Inc.	OFPI		**28%**	28%	28%
Empire East Land Holdings, Inc.	EELHI		**55%**	55%	55%
Sonoma Premiere Land, Inc.		(n)	**73%**	73%	73%
Pacific Coast Mega City, Inc.	PCMI	(o)	**82%**	71%	-
20th Century Nylon Shirt, Inc.			**55%**	55%	55%
Eastwood Property Holdings, Inc.			**55%**	55%	55%
Empire East Communities, Inc.			**55%**	55%	55%
Sherman Oak Holdings, Inc.			**55%**	55%	55%
Valle Verde Properties, Inc.			**55%**	55%	55%
Laguna Bel-Air School, Inc.			**40%**	40%	40%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2019	2018	2017
Subsidiaries					
Emperador and subsidiaries					
Emperador Inc.	EMP or Emperador	(p)	**85%**	83%	82%
Emperador Distillers, Inc.	EDI		**85%**	83%	82%
Alcazar de Bana Holdings Company, Inc.			**85%**	83%	82%
ProGreen AgriCorp, Inc.			**85%**	83%	82%
South Point Science Park, Inc.			**85%**	83%	82%
Anglo Watsons Glass, Inc.	AWGI		**85%**	83%	82%
Cocos Vodka Distillers Philippines, Inc.			**85%**	83%	82%
The Bar Beverage, Inc.			**85%**	83%	82%
Tradewind Estates, Inc.	TEI		**85%**	83%	82%
BoozyLife, Inc.	BLI	(r)	**43%**	42%	-
Zabana Rum, Inc.		(s)	**85%**	83%	82%
Emperador International Ltd.	EIL	(f)	**85%**	83%	82%
Emperador Asia Pte Ltd.	EA	(t)	**85%**	83%	82%
Grupo Emperador Spain, S.A.	GES	(t)	**85%**	83%	82%
Bodega San Bruno, S.L.	BSB	(t)	**85%**	83%	82%
Bodegas Fundador, S.L.U.	BFS	(t)	**85%**	83%	82%
Complejo Bodeguero San Patricio, S.L.U.	CBSP	(t)	**85%**	83%	82%
Destilados de la Mancha S.L.	DDLM	(t)	**85%**	83%	82%
Grupo Emperador Gestion S.L.	GEG	(t)	**85%**	83%	82%
Domecq Bodega Las Copas, S.L.	DBLC	(s)	**42%**	41%	41%
Stillman Spirits, S.L.	SSSL	(e, t)	**85%**	-	-
Bodega Domecq S.A. de C.V.	BDSC	(s)	**42%**	41%	41%
Domecq Distribucion De Bebidas S.A. de C.V.	DDDB	(q, s)	**42%**	41%	41%
Pedro Domecq S.A. de C.V.	PDSC	(s)	**42%**	41%	41%
Emperador Europe SARL	EES	(t)	**85%**	83%	82%
Emperador Holdings (GB) Limited	EGB	(t)	**85%**	83%	82%
Emperador UK Limited	EUK	(t)	**85%**	83%	82%
Whyte and Mackay Group Limited	WMG	(t)	**85%**	83%	82%
Whyte and Mackay Global Limited	WMGL	(c, t)	**85%**	83%	-
Whyte and Mackay Limited	WML	(t)	**85%**	83%	82%
Whyte and Mackay Warehousing Ltd.	WMWL	(t)	**85%**	83%	82%
GADC and subsidiaries					
Golden Arches Development Corporation	GADC		**49%**	49%	49%
Advance Food Concepts Manufacturing, Inc.			**49%**	49%	49%
Golden Arches Realty Corporation	GARC	(u)	**49%**	49%	49%
Red Asian Food Solutions, Inc.			**37%**	37%	37%
Clark Mac Enterprises, Inc.			**49%**	49%	49%
Golden Laoag Foods Corporation			**38%**	38%	38%
Davao City Food Industries, Inc.			**37%**	37%	37%
First Golden Laoag Ventures, 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%
Retiro Golden Foods, Inc.	RGFI	(v)	**-**	34%	34%
Travellers and subsidiaries					
Travellers International Hotel Group, Inc.	Travellers	(w)	**50%**	47%	47%
Agile Fox Amusement and Leisure Corporation			**50%**	47%	47%
APEC Assets Limited			**50%**	47%	47%
Aquamarine Delphinium Leisure and Recreation, Inc.			**50%**	47%	47%
Bright Pelican Leisure and Production, Inc.			**50%**	47%	47%
Bright Leisure Management, Inc.			**50%**	47%	47%
Brilliant Apex Hotels and Leisure Corporation			**50%**	47%	47%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2019	2018	2017
Subsidiaries					
Travellers and subsidiaries					
Coral Primrose Leisure and Recreation Corporation			**50%**	47%	47%
Deluxe Hotels and Recreation, Inc.	DHRI		**50%**	47%	47%
Entertainment City Integrated Resorts & Leisure, Inc.			**50%**	47%	47%
FHTC Entertainment & Productions, Inc.	FHTC		**50%**	47%	47%
Golden Peak Leisure and Recreation, Inc.			**50%**	47%	47%
Grand Integrated Hotels and Recreation, Inc.			**50%**	47%	47%
Grandservices, Inc.			**50%**	47%	47%
Grandventure Management Services, Inc.			**50%**	47%	47%
Lucky Star Hotels and Recreation, Inc.	LSHRI		**50%**	47%	47%
Lucky Panther Amusement and Leisure Corporation			**50%**	47%	47%
Luminescent Vertex Hotels and Leisure Corporation			**50%**	47%	47%
Magenta Centaurus Amusement and Leisure Corporation			**50%**	47%	47%
Majestic Sunrise Leisure & Recreation, Inc.			**50%**	47%	47%
Netdeals, Inc.			**50%**	47%	47%
Newport Star Lifestyle, Inc.			**50%**	47%	47%
Royal Bayshore Hotels & Amusement, Inc.			**50%**	47%	47%
Sapphire Carnation Leisure and Recreation Corporation			**50%**	47%	47%
Scarlet Milky Way Amusement and Leisure Corporation			**50%**	47%	47%
Sparkling Summit Hotels and Leisure Corporation			**50%**	47%	47%
Valiant Leopard Amusement and Leisure Corporation			**50%**	47%	47%
Vermillion Triangulum Amusement and Leisure Corporation			**50%**	47%	47%
Westside City Resorts World, Inc.	WCRWI	(x)	**49%**	47%	47%
Purple Flamingos Amusement and Leisure Corporation			**49%**	47%	47%
Red Falcon Amusement and Leisure Corporation			**49%**	47%	47%
Westside Theatre Inc.			**50%**	47%	47%
Corporate and Others					
Alliance Global Brands, Inc.			**100%**	100%	100%
McKester Pik-nik International Limited	MPIL	(f)	**100%**	100%	100%
Great American Foods, Inc.		(y)	**100%**	100%	100%
New Town Land Partners, Inc.	NTLPI		**100%**	100%	100%
Alliance Global Group Cayman Islands, Inc.	AG Cayman	(d)	**100%**	100%	100%
Boracay Newcoast Resorts, Inc.		(c)	**100%**	100%	-
Dew Dreams International, Inc.		(c)	**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.		(f)	**100%**	100%	100%
Infracorp Development, Inc.		(z)	**100%**	100%	100%
Shiok Success International, Inc.		(s)	**100%**	100%	100%
Travellers Group Ltd.		(f)	**100%**	100%	100%
Venezia Universal Ltd.		(f)	**100%**	100%	100%
Dew Dreams International, Ltd.		(f)	**100%**	100%	100%
Shiok Success International, Ltd.		(f)	**100%**	100%	100%
Adams Properties, Inc.	Adams		**60%**	60%	60%
Associates					
First Premiere Arches Restaurant Inc.	FPARI		**49%**	49%	49%
Bonifacio West Development Corporation	BWDC		**31%**	31%	31%
Suntrust Home Developers, Inc.	SHDI	(aa), 12.2	**23%**	31%	31%
Citylink Coach Services, Inc.	CCSI	(bb)	**6%**	31%	31%
First Oceanic Property Management, Inc.	FOPMI	(bb)	**6%**	31%	31%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2019	2018	2017
Associates					
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%
Boracay Newcoast Hotel Group, Inc.	BNHGI	(cc), 12.3	**-**	8%	8%
Nasugbu Properties, Inc.	NPI		**8%**	8%	8%
Joint Ventures					
Bodegas Las Copas, S.L.	BLC	(dd), 12.4	**42%**	41%	41%
Front Row Theatre Management, Inc.	FRTMI	(ee)	**25%**	24%	24%

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 own 49% and 51%, respectively.
(c) Newly incorporated subsidiaries in 2018.
(d) Foreign subsidiaries operating under the laws of the Cayman Islands.
(e) Newly incorporated subsidiaries in 2019.
(f) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands ("BVI").
(g) A subsidiary through 50/50 ownership of Travellers and Megaworld in 2017. In 2018, ownership interest changed to 68% and 33% for Megaworld and Travellers, respectively.
(h) Newly acquired subsidiaries in 2018 accounted for as business acquisitions. See Note 1.2(a)
(i) In June 2018, Megaworld and SPI acquired common shares of STLI from previous stockholders equivalent to 17.40% and 79.74% ownership interest, respectively. See Note 1.2(a)
(j) AGI's effective ownership interest represents its indirect holdings through Megaworld, which owns 82% of GERI as at December 31, 2019 and 2018.
(k) In 2018, Megaworld acquired additional shares of TLC from previous stockholders, thereby increasing the Group's effective ownership to 61%.
(l) In 2018, GERI acquired all shares of ECPSI, and TLHI through TLC.
(m) A subsidiary through 60% and 40% direct ownership of GERI and Megaworld, respectively.
(n) A subsidiary through 60% and 40% direct ownership of EELHI and FCI, respectively.
(o) PCMI was considered as an associate of the Group from 2015 to 2017. As of December 31, 2018, PCMI is 71% effectively owned by the Group. In January 2019, the remaining 20% was acquired by the Group, thus, the Group gained 100% rights over PCMI. The effective ownership of the Group over PCMI after these transactions is 82%. See Notes 1.2(a) and 30.7.
(p) In line with the buy-back program which started in 2017, EMP repurchased common shares in 2019 and 2018 which resulted to the increase in "AGI's" effective ownership over EMP in 2019 and 2018.
(q) Newly acquired subsidiaries in 2017.
(r) In 2018, TEI acquired 51% ownership in BLI for a total consideration of P45.0 million. Subsequently in January 2020, TEI increased ownership to 62%.
(s) Incorporated subsidiaries in 2017, except for DDDB. 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 DDDB, which are operating under the laws of Mexico.
(t) Subsidiaries under EIL. EA is operating under the laws of Singapore while GES and its subsidiaries BSB, BFS, GEG, CBSP, DBLC and SSSL are operating under the laws of Spain. EES is operating under the laws of Luxembourg. EGB is the ultimate UK parent. EUK, WMG, WML, WMWL and WMGL are operating under the laws of Scotland. EA, EES and EGB are direct subsidiaries of EIL.
(u) GARC was acquired together with GADC.
(v) In 2018, GADC sold its full ownership in RFGI which resulted in a gain of P19.5 million. See Note 1.2(b)
(w) Travellers' common shares are directly owned 16% by AGI, 3% by FCI, 2% by Megaworld, 49% by Adams, 30% by Genting Hongkong Limited ("GHL") and 2% by the public.
(x) AGI's effective ownership is through 1% direct ownership, 47% through 95% ownership of Travellers, and 1% through ownership of other subsidiaries within the Group (i.e., FCI, Megaworld and Adams).
(y) Foreign subsidiary of MPIL operating under the laws of United States of America.
(z) In 2017, a major stockholder of AGI transferred its entire rights over Infracorp to AGI. Infracorp is a subsidiary incorporated to engage in infrastructure business.

(aa) In 2019, Megaworld and TDI disposed of certain number of shares over SHDI. In addition, Megaworld and a third party investor subscribed to the increased capitalization of SHDI, and the third party became the controlling shareholder. The foregoing transactions decreased AGI's effective ownership over SHDI to 23%. See Notes 12.2 and 31.9.
(bb) Subsidiaries of SHDI, an associate of Megaworld. In addition to the change in Megaworld's ownership over SHDI, the latter disposed certain number of shares over CCSI and FOPMI, resulting to further dilution of AGI's effective ownership to 6%.
(cc) In 2019 and 2017, FEPI sold 15% ownership interest each year over BNHGI to third parties. The effective ownership interest of the Company gradually decreased from 8% in 2018 and 2017 to nil in 2019.
(dd) A foreign joint venture under GES and operating under the laws of Spain.
(ee) A joint venture through FHTC.

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

AGI's shares of stock and those of Megaworld, EMP, GERI, EELHI and SHDI are listed in and traded through the PSE as of December 31, 2019. Travellers applied for voluntary delisting and was officially delisted in the PSE on October 21, 2019. Further, Travellers also applied for voluntary revocation of secondary license with the SEC, which is not yet approved as of December 31, 2019.

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

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

1.2 Business and Asset Acquisitions and Disposals

(a) 2018 Acquisitions

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

The provisional and final fair values of identifiable net assets acquired and total considerations transferred relating to these business acquisitions as at the dates of acquisition are presented below.

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

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

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

In 2018, STLI recognized revenues and net profit amounting to P800.2 million and P293.7 million, respectively. Of these amounts, revenues and net profit of P744.1 million and P258.7 million, respectively, were recognized from acquisition date.

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

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

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

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

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

(b) 2018 Disposals

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

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

The gain on deconsolidation are shown as part of Gain on deconsolidation of subsidiaries under Finance and Other Income in the consolidated statements of comprehensive income (see Note 27).

(c) 2017 Acquisitions

On various dates in 2017, the Group obtained control over various entities to expand its operations as disclosed in Note 1.1(q). 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:

Tangible assets acquired	P	5,782,812,627
Liabilities assumed	(	55,744,865)
Net assets acquired		5,727,067,762
Non-controlling interest	(	3,655,374,576)
Pre-acquisition income	(	2,715,950)
Net equity acquired	P	2,068,977,236
Fair value of cash consideration transferred	P	2,068,977,236

A significant portion of tangible assets acquired pertain to real estate inventories. 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 income.

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 pertain to various brands of brandies and wines, which were assessed to have indefinite useful lives (see Note 15).

1.3 Approval of the Consolidated Financial Statements

The Board of Directors ("BOD") approved on May 29, 2020 the issuance of the consolidated financial statements of the Group as at and for the year ended December 31, 2019 (including the comparative consolidated financial statements as at December 31, 2018 and for the years ended December 31, 2018 and 2017).

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 such third consolidated statement of financial position are not required to be disclosed. The Group presented only one comparative period as none of these situations are applicable.

In 2019, the Group reclassified advances to associates and other related parties, previously presented as part of Investments in and Advances to Associates and Other Related Parties account, to be included as part of Trade and Other Receivables – net under Current Assets section, while the Advances from Related Parties account was reclassified from Non-current Liabilities section to Current Liabilities section in the 2018 consolidated statement of financial position. Such reclassifications were made as management believes that the presentation will provide more reliable and relevant information to users of the consolidated financial statements. Accordingly, the Group restated its 2018 consolidated statement of financial position in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The reclassification has no material impact on the Group's 2018 consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows; hence, consolidated statement of financial position as at January 1, 2018 was not presented.

Also in 2019, management completed the assessment of the fair values of STLI's net assets [see Note 1.2(a)]. The 2018 consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows were restated to reflect the final fair value measurement of the net assets of STLI.

The effects of the restatements on the consolidated statement of financial position as of December 31, 2018 are summarized as follows:

	As Previously Reported	Reclassification/ Restatement	As Restated
Changes in Assets and Liabilities			
Current Assets			
Trade and other receivables – net	P 60,518,718,373	P 2,644,503,318	P 63,163,221,691
Inventories	131,394,011,426	(246,891,963)	131,147,119,463
Non-current Assets			
Investments in and advances to associates and other related parties	7,942,876,611	(2,644,503,318)	5,298,373,293
Deferred tax assets – net	1,009,269,507	141,225,062	1,150,494,569
Intangible assets – net	41,958,580,601	94,892,237	42,053,472,838
Current Liabilities			
Advances from related parties	-	(2,385,463,118)	(2,385,463,118)
Non-current Liabilities			
Advances from related parties	(2,385,463,118)	2,385,463,118	-
Changes in Equity			
Unappropriated retained earnings	P 172,193,472,060	(P 7,245,962)	P 172,186,226,098*
Non-controlling interest	118,379,191,399	(3,528,702)	118,375,662,697*

**Excluding the effect of adoption of PFRS 16 [see Note 2.3(a)(iv)].*

The effect of the restatement on the consolidated statement of comprehensive income for the year ended December 31, 2018 is shown below.

	As Previously Reported	Reclassification/ Restatement	As Restated
Finance and other income	P 5,041,904,379	(P 10,774,664)	5,031,129,715

The effects of the restatement on the consolidated statement of cash flows for the year ended December 31, 2018 is shown below.

	As Previously Reported	Reclassification/ Restatement	As Restated
Profit before tax	P 31,783,382,926	(P 10,774,664)	P 31,772,608,262
Adjustment for –			
Gain from deconsolidation of subsidiaries	30,254,467	(10,774,664)	19,479,803
Changes in cash flows from operating activities –			
Increase in inventories	(11,419,083,682)	246,891,963	(11,172,191,719)
Changes in cash flows from investing activities –			
Acquisition of subsidiaries, associates and business units	(P 1,996,674,899)	(246,891,963)	(P 2,243,566,862)
Net effect of changes on cash flows		P -	

(c) Functional and Presentation Currency

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

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

2.2 Basis of Consolidation

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

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

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

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

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

(a) Investments in Subsidiaries

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

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

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

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

(b) Investments in Associates

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

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

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

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

Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity, for example, resulting from the associates' accounting for financial assets at fair value through other comprehensive income ("FVOCI"), are recognized in other comprehensive income 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. Impairment loss is provided when there is objective evidence that the investments in joint arrangement will not be recovered (see Note 2.20).

(d) *Transactions with Non-Controlling Interest*

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

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

2.3 Adoption of New and Amended PFRS

(a) *Effective in 2019 that are Relevant to the Group*

The Group adopted for the first time the following PFRS, amendments, interpretations and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee ("IFRIC") 23	:	Uncertainty over Income Tax Treatments

Annual Improvements to PFRS (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 and PFRS 11 (Amendments)	:	Business Combinations and Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation

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

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments require use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when an entity measures its net deferred liability (asset). The application of these amendments had no significant impact on the Group's consolidated financial statements as there were no changes in the plan, curtailment or material settlement during the year.

(ii) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*. The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify 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, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the "solely payments of principal and interests" ("SPPI") test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income. The application of these amendments had no significant impact on the Group's consolidated financial statements as there was no financial asset identified with negative compensation.

(iv) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretations IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee ("SIC") 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and lease liability arising from contract that is, or contains, a lease.

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

The Group adopted PFRS 16 and the related Philippine Interpretations Committee ("PIC") Questions and Answer ("Q&A") using the modified retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard resulted in adjustments to the amounts recognized in the consolidated financial statements as at January 1, 2019, with the cumulative effect recognized in equity as an adjustment to the opening balance of Retained Earnings for the current period. Accordingly, comparative information were not restated.

The new accounting policies of the Group as a lessee are disclosed in Note 2.18(a), while the accounting policies of the Group as a lessor, as described in Note 2.18(b), were not significantly affected.

The following are the relevant information arising from the Group's adoption of PFRS 16 and how the related accounts are measured and presented on the Group's consolidated financial statements as at January 1, 2019:

(a) For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.

(b) The Group recognized lease liabilities in relation to leases which had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of January 1, 2019. The Group's incremental borrowing rates applied to the lease liabilities on January 1, 2019 range from 4.8% to 8.6%.

(c) The Group has elected not to include initial direct costs in the measurement of right-of-use assets at the date of initial application. The Group has elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid lease payments and any estimated cost to restore the leased asset that existed as at January 1, 2019.

(d) For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

(e) For subleases classified as finance lease, the Group derecognized the right-of-use asset allocated to the said sublease and recognized finance lease receivable in its consolidated statement of financial position. The difference between the recognized finance lease receivable and derecognized right-of-use asset is recognized as gain or loss on finance lease.

(f) The Group has also used the following practical expedients, apart from those already mentioned above, as permitted by the standard:

i. reliance on its historical assessments on whether leases are onerous as an alternative to performing an impairment review on right-of-use assets;
ii. use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and,
iii. application of a single discount rate to a portfolio of leases with reasonably similar characteristics.

Relative to the adoption of PFRS 16, the FRSC also approved the issuance of the following PIC Q&A, yet still subject to approval by the BOA:

(a) *PIC Q&A No. 2019-08*, *Accounting for Asset Retirement or Restoration Obligation ("ARO") with the Adoption of PFRS 16, Leases*, which clarifies on how a lessee should account for ARO, including any existing ARO that was previously capitalized as part of property plant and equipment – net when applying PAS 17;

(b) *PIC Q&A No. 2019-09*, *Accounting for Prepaid Rent or Rent Liability Arising from Straight-lining under PAS 17, Leases, on Transition to PFRS 16 and the Related Deferred Tax Effects*, which clarifies the accounting treatment for any existing prepaid rent or rent liability in transition from PAS 17 to PFRS 16 using the modified retrospective approach and the related deferred tax effects;

(c) *PIC Q&A 2019-11, Determining the Current Portion of an Amortizing Loan/Lease Liability*, which clarifies the proper classification/presentation between current and non-current portion of amortizing lease liability in the consolidated statement of financial position; and,

(d) *PIC Q&A 2019-12, Determining the Lease Term under PFRS 16, Leases,* which clarifies the lease term upon consideration of an option to either extend or terminate the lease.

(e) *PIC Q&A 2019-13*, *Determining the Lease Term of Leases that are Renewable Subject to Mutual Agreement of the Lessor and the Lessee.* This clarifies the lease term upon consideration of renewal option subject to mutual agreement of lessor and lessee.

The following table shows the effects of the adoption of PFRS 16 in the carrying amounts and presentation of certain accounts in the consolidated statement of financial position as at January 1, 2019:

	Notes	Carrying Amount (PAS 17) December 31, 2018	Remeasurement	Carrying Amount (PFRS 16) January 1, 2019
Assets:				
Property, plant and equipment – net	13	P 117,501,643,236	P11,520,668,688	P 129,022,311,924
Intangible assets – net	15	42,053,472,838	(783,333,333)	41,270,139,505
Other current assets	9	16,285,340,485	(6,314,179)	16,279,026,306
Other non-current assets	9	6,026,685,803	(11,780,446)	6,014,905,357
Deferred tax assets – net	29	1,150,494,569	891,652,153	2,042,146,722
Liabilities:				
Trade and other payables	17	(49,181,881,957)	127,877,511	(49,054,004,446)
Lease liabilities – current	13	-	(1,666,309,443)	(1,666,309,443)
Lease liabilities – non-current	13	-	(12,657,161,517)	(12,657,161,517)
Other non-current liabilities	21	(17,593,574,277)	426,882,279	(17,166,691,998)
Deferred tax liabilities – net	29	(11,077,531,099)	107,516,766	(10,970,014,333)
Impact on net assets			(P 2,050,301,521)	

The following is a reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17 at December 31, 2018.

	Notes	
Operating lease commitments, December 31, 2018 (PAS 17)	31.2	P 21,693,832,293
Recognition exemptions:		
Leases of low value assets	2.3(a)(iv)(d)	(8,474,553)
Leases with remaining term of less than 12 months	2.3(a)(iv)(d)	(1,284,058,554)
Reasonably certain extension options	2.3(a)(iv)(f)	48,203,532
Operating lease liabilities before discounting		20,449,502,718
Discount using incremental borrowing rate	2.3(a)(iv)(b)	(6,126,031,758)
Lease liabilities, January 1, 2019 (PFRS 16)		P 14,323,470,960

(v) IFRIC 23, *Uncertainty over Income Tax Treatments*. This 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. The application of this interpretation had no significant impact on the Group's consolidated financial statements.

(vi) 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:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.

- 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 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 amendment clarify that previously held interest in a joint operation shall be measured 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.

The application of these improvements had no significant impact on the Group's consolidated financial statements.

(b) Effective Subsequent to 2019 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2019, which are adopted by the FRSC. Management will adopt the relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendments have also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency.

(ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. The Group has initially assessed that its accounting policies are still appropriate under the revised framework.

(iii) 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.

(c) SEC Memorandum Circular ("MC") No. 04-2020, *Deferment of the Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry* (IFRIC Agenda Decision).

In March 2019, the IFRIC in its agenda decision concluded that the principles and requirements in International Accounting Standard 23, *Borrowing Costs*, provide an adequate basis for an entity to determine whether to capitalize borrowing costs in the fact pattern described as follows:

- a real estate developer (entity) constructs a residential multi-unit real estate development (building) and sells the individual units in the building to customers;

- the entity borrows funds specifically for the purpose of constructing the building and incurs borrowing costs in connection with that borrowing;

- before construction begins, the entity signs contracts with customers for the sale of some of the units in the buildings (sold units);

- the entity markets for sale the remaining units (unsold units). Accordingly, the entity intends to enter into contracts with customers for the unsold units as soon as it finds suitable customers; and,

- the terms and relevant facts and circumstances of the contracts with customers are such that, applying International Financial Reporting Standard 15, *Revenue from Contracts with Customers*, par. 35(c), the entity transfers control of each unit over time and therefore, recognizes revenue over time.

The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition – i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer. Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.

In relation to the above issues, the SEC, in its Memorandum Circular No. 04-2020, provided for the relief to the Real Estate Industry by deferring the implementation of the IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, real estate companies in the Philippines shall adopt the IFRIC interpretations and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. However, a real estate company may opt not to avail of the relief provided and instead comply in full with the requirements of the IFRIC interpretations.

The Group opted to avail the relief provided by the SEC to defer the implementation of the IFRIC Agenda Decision until December 31, 2020. The Group's accounting policies with respect to capitalization of borrowing costs on real estate inventories under construction are disclosed in Notes 2.7 and 2.17.

Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements:

- interest expense would have been higher;
- cost of real estate inventories would have been lower;
- total comprehensive income would have been lower;
- retained earnings would have been lower; and,
- the carrying amount of real estate inventories would have been lower.

(d) SEC MC No. 14 Series of 2018 and MC No. 3 Series of 2019

The SEC issued MC No. 14 in 2018 and MC No. 3 in 2019 which provided relief by deferral of the application on the following items presented in the succeeding page for three years until calendar year ending December 31, 2020.

- Concept of the significant financing component in the contract to sell;

  PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

- Treatment of land and uninstalled materials in the determination of POC (PIC Q&A No. 2018-12-E);

  Uninstalled materials delivered on-site but not yet installed such as steels and rebars, elevators and escalators, which are yet to be installed or attached to the main structure are excluded in the assessment of measurement of progress. Land shall also be excluded in the assessment.

- Accounting for common usage service area charges (PIC Q&A No. 2018-12-H)

  According to the consensus of the PIC Q&A No. 2018-12-H, the following should be considered by the role of a real estate developer in providing goods or services:

  a) Electricity usage – Agent
  b) Water usage – Agent
  c) Air-conditioning charges – Principal
  d) Common use service area ("CUSA") charges and administrative and handling fees – Principal

- Accounting for cancellation of real estate sales (PIC Q&A No. 2018-14)

  According to the consensus of the PIC Q&A No. 2018-14, repossessed inventory may initially be recognized at either costs or fair value plus repossession costs. Either approaches should be applied consistently.

  The Group elected to defer the adoption of the accounting for the significant financing component in a contract to sell under PIC Q&A 2018-12 in accordance with MC No. 14 Series of 2018 and the measurement of repossessed inventory at fair value under PIC Q&A 2018-14 in accordance MC No. 3 Series of 2019.

Had the Group elected not to defer the above specific provisions, it would have the following impact in the consolidated financial statements:

- There would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense are calculated using the effective interest rate method. This will impact the retained earnings as at January 1, 2018 and real estate sales in 2018.

- There would have been an increase in the retained earnings balance as at January 1, 2018 and net profit in 2018 as a result of the gain from repossession. This is because repossessed inventory would have been recorded at either fair value plus repossession costs or fair value less repossession costs. The Group currently records repossessed inventory at its original carrying amount and recognizes in profit or loss the difference between the carrying amount of the repossessed inventory and receivable.

2.4 Financial Assets

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

(a) Classification and Measurement of Financial Assets in Accordance with PFRS 9

The classification and measurement of financial assets is driven by the Group's business model for managing the financial assets ("business model test") and the contractual cash flow characteristics of the financial assets ("cash flow characteristics test") to achieve a particular business objective. The business model is determined at a higher level of aggregation (portfolio or group of financial assets managed together) and not on an instrument-by-instrument approach to classification (i.e., not based on intention for each or specific characteristic of individual instrument) in order to achieve the stated objective and, specifically, realize the cash flows.

Financial assets, other than those designated and effective as hedging instruments, are initially measured at fair value and then subsequently measured either at amortized cost, fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL"), depending on the classification determined at initial recognition. The initial measurement includes transaction costs, except for those at FVTPL in which the related transaction costs are recognized in profit or loss.

(i) Financial Assets at Amortized Cost

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

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

- Cash flow characteristics test: the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

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

The Group's financial assets at amortized cost are presented as Cash and Cash Equivalents (see Note 5), Trade and Other Receivables (except Advances to suppliers) (see Note 6), Restricted short-term placements, Time deposits and Refundable security deposits, and Property mortgage receivable [included under Other Current Assets and Other Non-current Assets accounts (see Note 9)].

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

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

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

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

Financial assets are classified at FVOCI if both of the following conditions are met:

- Business model test: they are held under a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset ("hold to collect and sell"); and,

- Cash flow characteristics test: SPPI on the principal amount outstanding.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves is not reclassified to profit or loss.

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

Equity instruments that are not held for trading may be irrevocably designated at FVOCI at initial recognition on an instrument-by-instrument basis; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL or it is a contingent consideration recognized arising from a business combination.

Dividends received are recognized in the profit or loss (when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably), unless they clearly represent a recovery of the part of investment.

Fair value changes recognized in OCI are not reclassified to profit or loss in subsequent periods; instead, these are transferred directly to Retained Earnings.

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

Financial assets are classified under FVTPL if they do not meet the conditions for measurement at amortized cost or FVOCI; instead, these are held within a business model whose objective is to realize changes in fair values through the sale of the assets. These include financial assets that are held for trading, which are acquired for the purpose of selling or repurchasing in the near term; designated upon initial recognition as FVTPL; or mandatorily required to be measured at fair value. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at FVTPL are measured at fair value with gains or losses recognized in profit or loss as part of Finance and Other Income account in the consolidated statement of comprehensive income. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group occasionally uses derivative financial instruments, such as foreign exchange forward contracts, to manage its risks associated with fluctuations in foreign currency. Derivative assets and derivative liabilities arise from foreign exchange margins trading spot and forward contracts entered into by the Group. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (see Note 2.13). The term of these forward contracts is usually one month to one year.

The Group's financial assets at FVTPL consist mainly of investments in marketable debt and equity securities and derivative instruments which are held for trading purposes or designated at FVTPL (see Note 7).

Interest and dividend earned on these investments are recognized as part of Finance and Other Income account in the consolidated statement of comprehensive income.

(b) Reclassification of Financial Assets

The Group can only reclassify financial assets if the business model for managing those financial assets changes. A change in the business model will take effect only at the beginning of the next reporting period following the change.

- From amortized cost to FVTPL: Fair value is measured at reclassification date, with the difference between the amortized cost and fair value recognized as gain or loss in profit or loss.

- From amortized cost to FVOCI (debt instruments): Fair value is measured at reclassification date, with the difference between the amortized cost and the fair value recognized as gain or loss in other comprehensive income ("OCI"). The effective interest rate and the measurement of ECL remain the same.

- From FVTPL to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The effective interest rate is determined on the basis of the fair value at reclassification date, which is now treated as the date of initial recognition.

- From FVTPL to FVOCI: The financial asset continues to be measured at fair value.

- From FVOCI to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The cumulative gain or loss previously recognized in OCI is removed from equity and adjusted against the fair value of the financial asset at reclassification date. As a result, the measurement at reclassification date is as if the financial asset had always been measured at amortized cost. This adjustment affects OCI but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of ECL remain the same.

- From FVOCI to FVTPL: The financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in OCI is reclassified to profit or loss as a reclassification adjustment at reclassification date.

There were no reclassification of financial assets in 2019 and 2018.

(c) Impairment of Financial Assets

The Group assesses impairment using ECL model on a forward-looking basis for financial assets carried at amortized cost and debt instruments measured at FVOCI. The carrying amount of the financial asset at amortized cost are adjusted for impairment through a loss allowance account. The loss allowance for financial assets at FVOCI; however, is carried in OCI and does not reduce the carrying amount of the financial assets.

The Group considers a broad range of information in assessing credit risk and measuring ECL, including past events, current conditions, and reasonable and supportable forecasts that affect collectibility of the future cash flows of the financial assets. The Group considers all reasonable and supportable information that is available without undue cost or effort, as well as observable market information about the credit risk of the particular financial instrument or similar financial instruments.

The Group applies the simplified approach in measuring ECL, which uses a lifetime ECL allowance for all trade and other receivables and contract assets using provision matrix approach and loss rates approach, as the case may be. The lifetime ECL is estimated based on the expected cash shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Notes 3.2(b) and 32.2].

For the other financial assets measured at amortized cost, the Group applies the low credit risk simplification and measures the ECL on the financial assets based on the credit losses expected to result from default events that are possible within the next 12 months (12-month ECL) until there is a significant increase in credit risk since origination, at which point, the loss allowance will be based on lifetime ECL. When there has been a significant increase in credit risk on a financial asset since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL).

To calculate the ECL of related parties, the Group determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. The key elements used in the calculation of ECL are as follows:

- *Probability of Default ("PD")* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss Given Default ("LGD")* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at Default ("EAD")* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation which pertains to its amortized cost.

Impairment loss on financial assets at amortized cost are presented as part of Other Operating Expenses accounts in the consolidated statement of comprehensive income (see Note 26).

(d) Put Option Accounted for as a Financial Guarantee Contract

The put option on a co-development agreement meets the definition of financial guarantee contract, wherein it provides the holder of the instrument with protection against an adverse event (put option event). The put option transfers a risk to the Group, in which the Group is obligated to pay a specified amount if the holder chooses to exercise the put option upon the happening of any put option event (see Note 31.9).

In accounting for financial guarantee, the Group considers whether risk transferred is significant or not. When the risk is considered significant, it should be accounted for under PFRS 9; otherwise, under PFRS 4, *Insurance Contracts*, wherein the general provision for accounting of insurance contracts shall apply.

When accounted for in accordance with PFRS 9, the financial guarantee is initially recognized at fair value, which is equivalent to the premium received at inception of the contract. Subsequent to initial recognition, financial guarantee is measured at the higher of the amount initially recognized or at the amount determined in accordance with the ECL model.

In measuring the put option under ECL model, the Group applies the general approach of ECL measurement, wherein the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. However, if the risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12 months after the end of the reporting period.

(e) Derecognition of Financial Assets

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

2.5 Derivative Financial Instruments and Hedge Accounting

The Group occasionally uses derivative financial instruments to manage its risks associated with foreign currency and interest rates. Derivatives are recognized initially and subsequently at fair value. Such derivatives are carried as assets when there is gain in the net fair value and as liabilities when there is loss in net fair value. Any gains or losses arising from changes in fair value of derivative financial instruments which are not designated as accounting hedges are recognized directly in profit or loss [see Note 2.4(a)].

The Group uses hedge accounting when it assigns hedging relationships between a hedging instrument, usually a derivative financial instrument, and a hedged item. The hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness to qualify for hedge accounting. The hedging relationship must be expected to be highly effective over the period for which it is designated as cash flow hedge.

Changes in fair value of derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and included under Revaluation Reserves on Cash Flow Hedge in equity to the extent that the hedge is effective. Any ineffectiveness in the hedge relationship is recognized immediately in profit or loss.

If the hedged future cash flows are no longer expected, the amount that has been accumulated in Revaluation Reserves on Cash Flow Hedge shall be immediately reclassified to profit or loss.

Gaming transactions of the Group with fixed-odds wagers known at the time of bet are considered derivative transactions wherein the Group takes a position against a patron and the resulting unsettled position becomes a derivative instrument under PFRS 9 that is settled by the Group to or collected from the patron when the outcome of the wager has been determined. See Note 2.16 for the accounting policy regarding gaming transactions covered under PFRS 9.

The derivative liability arising from accrual of unsettled wagers related to the expected and eventual payouts of slot machine jackpot is recognized as Slot jackpot liability included under Trade and Other Payables account in the consolidated statement of financial position (see Note 17).

2.6 Inventories

Inventories are valued at the lower of cost and net realizable value ("NRV"). Cost is determined using weighted average method, except for food, paper, and promotional materials and supplies, which use the first-in, first-out method. Finished goods and work-in-process include the cost of raw materials, direct labor and a proportion of manufacturing overhead (including an element of depreciation) based on normal operating capacity. The cost of raw materials includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities. (See Note 8)

NRV of finished goods is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials, spare parts and other operating supplies is the current replacement cost. [See Note 3.2(c)]

Accounting policies for real estate inventories and transactions are discussed in Note 2.7.

2.7 Real Estate Inventories and Transactions

Cost of inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group (see Note 2.17). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed.

Costs of inventories are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

Repossessed property arising from sales cancellation is recognized at cost (see Note 2.16). The difference between the carrying amount of the receivable or contract asset to be derecognized and the cost of the repossessed property is recognized in the consolidated statement of comprehensive income.

2.8 Other Assets

Other assets, presented either under current or non-current assets classification in the consolidated statement of financial position, pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. (See Notes 2.20 and 9)

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

Advances to suppliers that will be applied as payment for purchase of inventories or services to be rendered in the future are classified and presented under the Trade and Other Receivables account. On the other hand, advances to suppliers that will be applied as payment for purchase of items under property and equipment are classified and presented under the Other Non-current Assets account. These classification and presentation are based on the eventual realization of the asset to which it was advanced for.

2.9 Property, Plant and Equipment

Property, plant and equipment ("PPE") are stated at cost and, except for land, less accumulated depreciation, amortization and any impairment in value. As no finite useful life for land can be determined, the related carrying amount is not depreciated. Land held for use in production or administration is stated at cost less any impairment in value. (See Note 13)

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use, including borrowing costs (see Note 2.17) and asset retirement obligation relating to property and equipment installed/constructed on leased properties [see Note 3.2(n)]. Starting January 1, 2019, the estimated costs of dismantling and restoring leased properties are capitalized as part of right-of-use assets and the carrying values of these costs under buildings and improvements were transferred accordingly (see Note 2.18).

GADC is legally required under various lease agreements to dismantle the installations and restore the leased sites at the end of the lease term. It is also a Group's policy to remove permanent improvements or additions which contain designs and configurations inherent to GADC's business signs, trademarks, trade names, patent and other similar intellectual property rights belonging to McDonald's Corporation ("McDonald's") upon the termination or expiration of lease contract. The present value of these estimated costs is recognized and being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term [see Note 3.2(n)]. The carrying values of these costs which were previously taken up as part of buildings and leasehold improvements were transferred to ROUA on January 1, 2019 (see Note 13). The asset retirement obligation ("ARO") is recognized at fair value, with the periodic accretion recognized in profit or loss as part of interest expense. The outstanding ARO as at the end of the reporting period is presented as part of Other Non-Current Liabilities account in the consolidated statement of financial position (see Note 21).

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

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows: [see Note 3.2(h)]

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

Leasehold improvements are amortized over the useful life of the assets or the term of the lease, whichever is shorter.

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

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

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

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

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

2.10 Investment 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(g), 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 for such property.

2.11 Business Combinations and Asset Acquisitions

(a) Accounting for Business Combination using the Acquisition Method

A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participant. When a unit acquired does not constitute a business, it is accounted for as an asset acquisition. Under the asset purchase accounting, the purchase costs are allocated to identifiable assets and liabilities based on relative fair values of individual items, goodwill or gain on bargain purchase is not recognized, and transaction costs are capitalized.

Business acquisitions [see Note 3.1(k)] are accounted for using the acquisition method of accounting. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. Identifiable assets acquired and liabilities, including contingent liabilities, assumed are measured initially at their fair values at the acquisition date [see Note 3.2(q)]. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly either in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any existing equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed (see Note 2.20). Negative goodwill, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost, is recognized directly to income [see Note 2.2(a)]. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

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

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

(b) Accounting of Business Combination using the Pooling-of-interests Method

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method.

No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under PIC Q&A No. 2012-01, PFRS 3.2 – *Application of Pooling of Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements*; hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as "equity reserves", which will eventually be closed to additional paid-in capital. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements.

2.12 Intangible Assets

Intangible assets include goodwill, trademarks, leasehold rights, computer software and franchise fee. Except goodwill and some specific trademarks, all other intangible assets have finite lives and are carried at cost less accumulated amortization and any impairment in value. Goodwill and trademarks with indefinite useful lives are not amortized, but are reviewed for impairment at least annually (see Notes 2.11, 2.20 and 15).

The cost of trademarks, leasehold rights, computer software and franchise fee includes the acquisition price and other direct costs. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of the assets [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 annual 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 18), Bonds Payable (see Note 19), Lease Liabilities (see Note 13.3), Trade and Other Payables (except tax-related payables) (see Note 17), Advances from Related Parties (see Note 30.6), Redeemable Preferred Shares (see Note 20), Equity-linked debt securities ("ELS"), Derivative Liability, Guarantee deposits, Commission payable and Retention payable [which are presented as part of Other Current Liabilities and Other Non-Current Liabilities (see Note 21)]are recognized when the Group becomes a party to the contractual agreements of the instrument.

Except for capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.17), all interest-related charges incurred on financial liabilities are recognized as an expense in profit or loss under Finance Costs and Other Charges in the consolidated statement of comprehensive income (see Note 27).

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

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

Redeemable Preferred Shares of GADC and TLC which are mandatorily redeemable at the option of the holder, are recognized at fair value, net of transaction costs, on inception date and presented as a liability in the consolidated statement of financial position; the liability is subsequently measured at amortized cost (see Note 20). The corresponding accretion of the liability and the dividends paid on those shares are charged as part of Interest expense under Finance Costs and Other Charges account (see Note 27) in the consolidated statement of comprehensive income.

Dividend distributions to shareholders are recognized as financial liabilities on the record date set upon declaration by the BOD.

The Group's Derivative liability arising from financial instruments designated as cash flow hedges is recognized and subsequently measured in accordance with its hedge accounting policy (see Note 2.5). All other derivative liabilities are measured at fair value. (See Note 21)

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

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized as gain or loss in profit or loss.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. [See Note 3.1(n)]

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision. Contingent assets are not recognized, but disclosed where an inflow of economic benefits is probable. The asset is only recognized when it is virtually certain that the inflow of economic benefits will arise to the Group.

2.15 Equity

Capital stock represents the nominal value of shares that have been issued (see Note 22.1).

APIC includes any premiums received on the issuance or reissuance of capital stock. Any transaction costs associated with such issuances of shares are deducted from APIC, net of any related income tax benefits. Excess of proceeds from sale of treasury shares over acquisition cost of such treasury shares and amount of unexercised shares options are also added to APIC. (See Note 22.2)

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 22.3).

Net actuarial gains or losses on post-employment benefit plan pertain to actuarial gains or losses from remeasurement of post-employment benefit obligation and the Group's share in other comprehensive income or loss of associates and joint ventures.

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

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

Revaluation reserves on cash flow hedges pertain to the cumulative effective portion of gains and losses recognized on hedging instruments in a cash flow hedge (see Note 2.5).

Other reserves include legal reserves and reserves from changes in ownership interest in subsidiaries that do not result in a loss of control. Legal reserves represent the statutory requirements in Luxembourg, which comprise of net wealth tax reserve and capital reserve. In 2019 and 2018, certain statutory requirements based on Spanish legislation were also included as part of this account.

Dilution gain or loss (presented as part of Other Reserves) arises when an investor or the Group exercises its pre-emptive rights to maintain its ownership interest in an investee. This represents the difference between the book value per share in an investee versus the Group's offer price at the time the rights are exercised. This also includes the Group's share in previous period's profit (loss) as a result of the current increase (decrease) in equity ownership over its subsidiaries. Dilution gain or loss is recognized on investments of which the Group continues to exercise control. (See Note 22.4)

Share options represent the value of share options during vesting period upon recognition of share-based remuneration expense in profit or loss, net of any share options exercised or expired [see Notes 2.21(e) and 22.6].

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the profit and loss section of the consolidated statement of comprehensive income, reduced by the amount of dividends declared (see Note 22.7).

Non-controlling interests represent the portion of the net assets and profit or loss not attributable to the Parent Company's shareholders, which are presented separately in the Group's consolidated statement of comprehensive income and within the equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity. [See Notes 2.2(d), 2.11 and 22.8]

2.16 Revenue and Expense Recognition

Revenue arises mainly from sale of consumer goods and real properties and rendering of services which include quick-service restaurants, gaming-related activities, hotel operations and franchise revenues.

Revenue is recognized in a manner that depicts the pattern of goods and services to customers at an amount to which the Group expects to be entitled in exchange for those goods and services. The focus of revenue recognition is on the transfer of control of goods or services, which could be at a point in time or over time, following this five-step process:

1. Identify the contract with a customer;
2. Identify the performance obligation (distinct goods or services promised);
3. Determine the transaction price (including fixed amounts or variable amounts, or both, financing components, non-cash consideration, consideration payable to customer, if any);
4. Allocate the transaction price to the performance obligations; and,
5. Recognize revenue when (or as) performance obligations are satisfied (at a point in time or over time).

In identifying whether a contract with a customer exists, the following five gating criteria must be present:

a. the parties to the contract have approved the contract either in writing or in accordance with other customary business practices and committed to perform their respective obligations;
b. each party's rights regarding the goods or services to be transferred or performed can be identified;
c. the payment terms for the goods or services to be transferred or performed can be identified;
d. the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
e. collection of the consideration in exchange of the goods and services is probable (i.e., more likely than not to occur).

A contract, for purposes of revenue recognition, does not exist if each party has a unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue.

The following specific recognition criteria must also be met before revenue is recognized (see Note 24):

(a) *Sale of consumer goods (under Sale of Goods)* – Revenues from sale of goods are recognized at a point in time, when the customer has acknowledged the receipt of the goods.

(b) *Real estate sales (under Sale of Goods)* – The Group develops real properties such as developed land, house and lot, and condominium units. The timing of revenue recognition is based on whether the real estate sold is pre-completed or completed. The significant judgment used in determining the timing of satisfaction of the Group's performance obligation with respect to its contracts to sell real properties is disclosed in Note 3.1(a).

The Group often enters into contracts to sell real properties as they are being developed. On such pre-completed real estate properties, revenue is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. On completed real estate projects, revenue is recognized at point in time when the control over the real estate property is transferred to the buyer.

Sales cancellations are accounted for on the year of forfeiture. Any gain or loss on cancellation is charged to profit or loss.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by Megaworld, GERI, EELHI, SPI, ECOC, MBPHI, SEDI, LFI, API, MGAI, MCTI and STLI.

(c) *Sale of undeveloped land and golf and resort shares (included under Real Estate Sales)* – Revenues on sale of undeveloped land and golf and resort shares for sale are recognized at point in time when control on the undeveloped land and golf and resort shares have passed to the buyer.

(d) *Food, beverage and others (included in Hotel Operations under Rendering of Services)* – Revenues are recognized at point in time upon delivery to and receipt of consumer goods by the customer. Invoices for consumer goods transferred are due upon receipt by the customer.

(e) *Hotel accommodation (included in Hotel Operations under Rendering of Services)* – Revenues are recognized over time during the occupancy of hotel guest and end when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.

(f) *Sales from Company-operated quick-service restaurants (under Rendering of Services)* – Revenues are recognized at point in time upon delivery to and receipt of consumer goods by the customer, and the Group has no obligation that could affect the customer's acceptance of the goods. Invoices for consumer goods transferred are due upon receipt by the customer.

(g) *Franchise revenues (under Rendering of Services)* – Revenues from franchised McDonald's restaurants (including the restaurant operated by a joint venture) include royalty and management fees. These are recognized in the period earned.

(h) *Rendering of other services* – Revenue is recognized over time (i.e., time-and-materials basis as the services are provided) until the performance of contractually agreed tasks has been substantially rendered. Revenue from other services include commissions, cinema and production shows and other activities incidental to the Group's main operations.

Revenues and expenses are recognized excluding the amount of value-added tax ("VAT"). As applicable, when the Group is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period. Also, if applicable, the Group recognizes a right of refund asset on goods to be recovered from customers with a corresponding adjustment to Cost of Goods Sold account. However, there were no contracts that contain significant right of return arrangements that remain outstanding as of the end of the reporting periods.

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets [see Note 2.4(c)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If a transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on real estate sales, consideration received from buyers are presented as Customers' deposits under Other Liabilities account the consolidated statement of financial position (see Note 21).

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

Gaming revenues from table games and slot machines are recognized from net wins (losses) from gaming activities, which represent the difference between coins and currencies deposited into the gaming machines or operations and the payments to customers; and for other games, the difference between gaming wins and losses, less sales incentives and other adjustments (i.e., promotional allowances) (see Note 24). The payout for wagers placed on gaming activities typically is known at the time the wager is placed (i.e., fixed odds wagering). These gaming transactions are accounted for as derivative transactions in accordance with PFRS 9 (see Note 2.5). Gaming revenues from these transactions are recognized at fair value, which represents the price that would be received to sell a wager position or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Promotional allowances include rebates under the casino rebates program and the provision for the value of the gaming points earned by members, i.e. in using a membership card provided by the Group, by reference to the relative fair values of the complimentary goods or services. Promotional allowances are presented as a reduction of gaming revenues.

The Group also administers games in which the Group receives a fee rather than the Group being at risk to win or lose based on the outcome of the game, i.e. tournaments including card games and bingo operations. Revenues from these gaming-related activities, which are accounted for in accordance with PFRS 15, are recognized over time as the services for administering the games are rendered, at an amount equivalent to the fee collected.

Cost and expenses (other than cost of real estate sales) are recognized in profit or loss upon utilization of the services or receipt of the goods or at the date they are incurred (see Notes 25 and 26). Incremental costs of obtaining a contract to sell a real estate property to a customer are recognized as an asset and are subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized. Incremental costs in obtaining other customer contracts are expensed as incurred since amortization period of these costs, if capitalized, would be less than one year (a practical expedient in PFRS 15).

All finance costs are reported in profit or loss on an accrual basis (see Note 27), 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 27), except to the extent that they are capitalized (see Notes 2.6, 2.7 and 2.9). Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.18 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

(i) Accounting for Leases in Accordance with PFRS 16 (2019)

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The Group assesses whether the contract meets the following three key evaluations:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- there is a right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- there is a right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At commencement date of the lease, a right-of-use asset ("ROUA") and a lease liability are recognized in the consolidated statement of financial position. For short-term leases and leases of low-value assets, the Group uses the practical expedients where related lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

The ROUA is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequently, the ROUA is depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROUA or the end of the lease term. The Group also assesses the ROUA for impairment when such indicators exist (see Note 2.20).

On the other hand, the lease liability is measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily available, or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed payments) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the consolidated statement of financial position, ROUA are included as part of Property, Plant and Equipment account. On the other hand, Lease Liabilities are presented as a separate line item under Current Liabilities and Non-current Liabilities sections.

(ii) Accounting for Leases in Accordance with PAS 17 (2018 and 2017)

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

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

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

(b) Group as Lessor

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

Moreover, the Group derecognizes ROUA pertaining to subleases classified as finance lease and recognizes a corresponding finance lease receivable in its consolidated statement of financial position. The difference between the derecognized right-of-use asset and recognized finance lease receivable is recognized in the consolidated profit or loss.

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

Prior to adoption of PFRS 16 in 2019, the Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

2.19 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of foreign subsidiaries (see Note 1), which are measured using the United States ("U.S.") dollars, British pound sterling and European Union euro, their functional currencies, are translated to Philippine pesos, the Parent Company's functional currency as follows:

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

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

(iii) All resulting exchange differences are recognized in other comprehensive income and in a separate component of equity under Accumulated Translation Adjustments account.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

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

2.20 Impairment of Non-Financial Assets

The Group's Investments in Associates and Joint Ventures [see Notes 2.2(b), 2.2(c) and 12], Intangible Assets (see Notes 2.12 and 15), Investment Properties (see Notes 2.10 and 14), Property, Plant and Equipment (including right-of-use assets) (see Notes 2.9 and 13) and other non-financial assets (see Notes 2.8 and 9) are subject to impairment testing [see Note 3.2(i)]. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for intangible assets with indefinite useful life or those not yet available for use, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.21 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as a defined contribution plan, and other employee benefits which are recognized as follows: (See Note 28)

(a) Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in the profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued employee benefits under Trade and Other Payables account in the consolidated statement of financial position.

(b) Post-employment Benefit Plan

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

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation ("DBO") less the fair value of plan assets at the end of the reporting period. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. The interest rates are based from the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation ("BVAL"). BVAL provides evaluated prices that are based on market observations from contributed sources.

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

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

(c) *Post-employment Contribution Plan*

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

(d) *Termination Benefits*

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

(e) *Share-based Employee Remuneration*

The Group grants share options to key executive officers and employees eligible under each share option plan of the Parent Company, Megaworld, GERI, EMP and Travellers. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss and the corresponding share option is recorded in the Equity section of the consolidated statement of financial position.

Expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vested on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as APIC, and the cost of the share option under Share Options account is reclassified to APIC.

Upon expiration of share option, the value assigned to the Share Option is reclassified to the APIC account in the Equity section of the consolidated statement of financial position.

(f) *Bonus Plans*

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

(g) *Compensated Absences*

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

2.22 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any (see Note 29).

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

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

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

2.23 Non-current Asset Held for Sale

Non-current asset classified as held for sale refers to non-current property that the Group intends to sell within one year from the date of reclassification as held for sale (see Note 16).

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Non-current asset held for sale is measured at the lower of its carrying amount, immediately prior to their classification as held for sale, and its fair value less costs to sell. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain from any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation.

If the Group has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Group shall cease to classify the asset as held for sale.

2.24 Earnings per Share

Basic earnings per share ("EPS") is computed by dividing net profit attributable to equity holders of the parent company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period (see Note 23).

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potentially dilutive shares [e.g., vested share options (see Note 22.6)].

2.25 Segment Reporting

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

In identifying its operating segments, management generally considers the Group's major subsidiaries, as disclosed in Note 4, which represent the main products and services provided by the Group and the line of business in which the Group operates. Each of these operating segments, which represents the major subsidiaries within the Group, is managed separately by each respective officers and management. All intersegment transfers are carried out at arm's length prices.

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

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

2.26 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged (see Note 30).

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the 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.

Transactions that were entered into with a related party, either individually or in aggregate over a 12-month period with the same related party, amounting to 10% or more of the total assets based on the latest audited consolidated financial statements are considered material. This is based on the requirements of SEC MC No. 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies.*

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.27 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements. There are no post-year-end events that occurred up to date of issuance of the financial statements that would require adjustment (see Note 37).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Evaluating the Timing of Satisfaction of Performance Obligations

(i) Real Estate Sales

The Group exercises critical judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time.

In making this judgment, the Group considers the following:

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determined that its performance obligation for pre-completed real estate properties is satisfied over time since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.

(ii) Sales of Consumer Goods

The Group determines that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e. generally when the customer acknowledged delivery of goods.

(iii) Hotel Accommodations

The Group determines that its revenue from hotel accommodations shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other entities. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of hotel services as it performs.

(iv) Food and Beverages, and Others

In determining the appropriate method to use in recognizing the Group's revenues from food, beverage and other consumer goods, the Group determines that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e. generally when the customer acknowledged delivery of goods. The service component of the restaurant operations is deemed as an insignificant cause on the timing of satisfaction of performance obligation since it is only passage of time until the customer receives and consumes all the benefits after delivery of the food and beverage items.

(v) Forfeited Collections and Deposits

The Group determines that its revenue from forfeited collections and deposits shall be recognized at point in time in the year the contract was cancelled.

(vi) Property Management Services

The Group determines that its revenue from property management services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date i.e., generally when the customer has acknowledged the Group's right to invoice.

(b) Estimating Collection Threshold for Real Estate Reveue Recognition

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured. In 2018, the Group reassessed the historical behavior of its customers and determined a new percentage of collection threshold in recognizing revenue, which resulted in an increase of P13.2 billion in revenues and corresponding cost of real property sold of P6.6 billion. There was no similar reassessment made in 2019.

(c) Determining the Accounting Treatment of Gaming Revenues under PFRS 9 and PFRS 15

The Group exercises judgment in determining whether its gaming transactions and gaming-related activities are within the scope of PFRS 9 or PFRS 15. In making this judgment, management considers whether both the Group and the patrons have the chance to win or lose money or other items of economic value based on the outcome of the game; or, only the patron has the chance to win or lose money or other items of economic value, with the Group only receiving a fee for administering the game, rather than the Group being at risk to win or lose based on the outcome of the game. When the Group takes a position against a patron, the resulting unsettled wager or position is a financial instrument that would likely meet the definition of derivative financial instrument and is accounted for under PFRS 9.

Relative to this, the management has determined that its gaming revenues from table games and slot machines are within the scope of PFRS 9 while gaming-related revenues from administering bingo and tournament games are within the scope of PFRS 15.

(d) Evaluating the Business Model and Cash Flow Characteristics of Financial Assets

The Group applies the business model test and cash flow characteristics test at a portfolio of financial assets (i.e., group of financial instruments that are managed together to achieve a particular objective) and not on an instrument-by-instrument approach (i.e., not based on intention for each or specific characteristic of individual instrument) as these relate to the Group's investment and trading strategies.

The business model assessment is performed on the basis of reasonably expected scenarios (and not on reasonably expected not to occur, such as the so-called 'worst case' or 'stress case', scenarios). A business model for managing financial assets is typically observable through the activities that the Group undertakes to achieve the objective of the business model.

The Group uses judgment when it assesses its business model for managing financial assets and that assessment is not determined by a single factor or activity. Instead, the Group considers all relevant evidence that is available at the date of assessment which includes, but not limited to:

- How the performance of the business model and the financial assets held within the business model are evaluated and reported to key management personnel;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and,

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

(e) Determining the ECL on Trade and Other Receivables and Advances to Related Parties

The Group applies the ECL methodology which requires certain judgments in selecting the appropriate method of determination. In measuring ECL, the Group considers a broad range of information which include past events, current conditions, and reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets. The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is based on historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Group's trade and other receivables are disclosed in Notes 2.4(e) and 32.2.

For advances to related parties, the management determined that the use of liquidity analysis model is applicable in the ECL assessment. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. Details about the ECL on the Group's financial assets at amortized cost are disclosed in Note 32.2.

(f) Determining Lease Term of Contracts with Renewal and Termination Options (2019)

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

The Group determines whether any non-cancellable period or notice period in a lease would meet the definition of a contract and thus, would be included as part of the lease term. A contract would be considered to exist only when it creates rights and obligations that are enforceable.

In assessing the enforceability of a contract, the Group considers whether the lessor can refuse to agree to a request from the Group to extend the lease. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

(g) Distinguishing Investment Properties, Owner-Occupied Properties and Real Estate Inventories

The Group determines whether a property qualifies as investment properties (see Note 2.10), owner-occupied properties or inventories. The Group applies judgment upon initial recognition of the asset based on the intention and also when there is a change in use. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Investment property comprises of properties held to earn rental or for capital appreciation. Owner-occupied properties (see Note 2.9) generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process, while inventories (see Note 2.7) are properties that are held for sale in the ordinary course of business. The Group considers each property separately in making its judgment.

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

(h) Distinguishing Investments in Financial Instruments and Golf and Resort Shares Inventories

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

(i) Classifying Perpetual Debt Securities

The Group exercises judgment in classifying its perpetual debt securities as financial liabilities or equity instruments. In making its judgment, the Group considers the terms of the securities including any restrictions on the Group's ability to defer interest payments. As of December 31, 2019, these perpetual capital securities do not appear in the consolidated statement of financial position because all were bought back by subsidiaries of AGI in 2019. Previously, based on management's assessment, the perpetual debt securities were classified as equity securities and presented as part of NCI, as the Group has the ability to defer payments of principal and interest indefinitely (see Note 22.8).

(j) Determining Control, Joint Control or Significant Influence

Judgment is exercised in determining whether the Group has control, joint control or significant influence over an entity. 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, interlocking directors, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

(k) Distinguishing Asset Acquisition and Business Combinations

At the time of acquisition, the Group determines whether the acquisition represents the acquisition of a business or of assets (see Notes 1.2 and 2.11). The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., for Megaworld, maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40, *Investment Property*, on ancillary services.

In 2018 and 2017, the Group gained control over various entities as described in Note 1.2 which, based on management's assessment, are accounted for as business combinations.

(l) Distinguishing Operating and Finance Leases (as a Lessor)

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's assessment, the Group's lease agreements, as lessor, are classified as operating leases, except for one which has been classified as a finance lease.

(m) Determining the Accounting Treatment of Put Option

The Group determined that the put option contract entered by the Group meets the definition of financial guarantee under PFRS 4 [(see Note 31.9(iv)]. Although a financial guarantee meets the definition of insurance contract under PFRS 4, if the risk transferred is significant, the issuer of the guarantee contract should apply PFRS 9.

The Company determined that the risk transferred to the Company is significant; hence, the put option is accounted for under PFRS 9 [see Note 2.4(e)].

(n) Recognizing Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 and disclosures on relevant provisions and contingencies are presented in Note 31.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing as material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) Revenue Recognition for Performance Obligation Satisfied Over Time

In determining the amount of revenue from real estate sales to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated total development costs would result in a significant change in the amount of revenue recognized in the year of change.

(b) Impairment of Financial Assets at Amortized Cost and Measurement of Put Option

In measuring allowance for ECL, the Group uses significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses), as further detailed in Note 2.4(c). In 2017, the Group evaluated impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

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

Further, the measurement of the option put value under the ECL model required the use of significant assumptions with regard to the possibility of any of the option events from happening in the future and the possible change in the evaluation of the collateral within the 12-month assessment period, as further detailed in Note 31.9.

(c) Valuation of Inventories

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

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

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

(d) Fair Value Measurement of Financial Assets

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement are determined using verifiable objective evidence such as foreign exchange rates, interest rates and volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect 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 at FVOCI are disclosed in Notes 7 and 11, respectively. [See Notes 2.4(a)(ii) and 2.4(a)(iii)]

(e) *Fair Value Measurement of Investment Properties*

Investment properties are measured using the cost model (see Note 2.10). The fair value disclosed in Note 14 to the consolidated financial statements was estimated either by: (i) using the fair value of similar properties in the same location and condition; or, (ii) using the discounted cash flows valuation technique since the information on current or recent prices of certain investment property is not available.

The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

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

A significant change in these elements may affect prices and the value of the assets. As of December 31, 2019 and 2018, the Group determined that there were no significant circumstances that may affect the fair value measurement of these properties. The fair value of the investment properties is disclosed in Notes 14 and 34.4.

(f) *Fair Value Estimation of Share Options*

The fair value of the 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 26). A corresponding credit to Share Options for options related to the Group is presented in the Equity section of the consolidated statement of financial position (see Note 22.6).

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 Options were granted. The estimates and assumptions used are presented in Note 22.6 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the share price (i.e., the Parent Company, Megaworld, GERI, TRAV and EMP) and fair value of the specific common shares. Changes in these factors can affect the fair value of share options at grant date.

(g) *Fair Value Measurement of Derivative Financial Instruments*

Fair value measurement for gaming revenues under PFRS 9 represents the price that would be received to sell a wager position or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date, less any promotional allowances and other similar adjustments.

For other derivative financial instruments, management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. The determination of the fair value of derivatives is dependent on the selection of certain assumptions used by third party experts in calculating such amounts. Those assumptions include, among others, expected movements in the index cumulative performance as defined in the swap agreement. Changes in assumptions could affect reported fair value of financial instruments. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(h) *Estimation of Useful Lives of Property, Plant and Equipment, Investment Properties and Intangible Assets*

The Group estimates the useful lives of property, plant and equipment (including right-of-use assets) (see Note 2.9), investment properties (see Note 2.10) and intangible assets (see Note 2.12) with finite lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment properties and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

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

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

Based on management's assessment, no change in the estimated useful lives of property, plant and equipment, investment properties and intangible assets is necessary in 2019 and 2018.

(i) *Impairment of Non-Financial Assets*

Goodwill and specific intangible assets with indefinite useful life are reviewed annually for impairment. An impairment review on all other non-financial assets is performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.20. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment losses recognized on Property, Plant and Equipment and certain trademarks are discussed in Notes 13 and 15, respectively. There is no impairment loss recognized on the Group's investment properties, goodwill and other intangible assets and other non-financial assets based on management's evaluation for the years ended December 31, 2019, 2018 and 2017.

(j) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. An analysis of the recognized and unrecognized deferred tax assets is presented in Note 29.1.

(k) Valuation of Post-Employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 28.2.

(l) Measurement of Gaming Points and Estimation of Liability for Unredeemed Gaming Points

The Group provides gaming points to its patrons based on gaming activity. Gaming points are redeemable in a wide selection of redemption categories. The Group recognizes the fair values of gaming points, based on redemption terms, historical redemption pattern of patrons and the fair value of promotional activities per source (i.e., hotel, food and beverage, and others). The Group reassesses the measurement basis used for calculating the fair value of gaming points on a regular basis. The carrying value of the gaming points accrued by the Group is presented as Unredeemed gaming points under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

(m) Recognition of Financial Liability and Equity Components of Compound Financial Instruments

The ELS instrument (see Note 21) contains both a financial liability, which is the Group's contractual obligation to pay cash, and an equity component, which is the holder's option to convert it into an equity instrument of the issuer. The equity component is assigned the residual value after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Valuation techniques are used to determine fair values, which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as own credit risk, volatilities and correlations require management to make estimates. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on conditions existing at the end of each reporting period.

In 2017, as a result of the amendments on the ELS, management reassessed the compound instrument and recomputed the fair values of the components at the time of amendment, which resulted in a revalued financial liability component and an equity component with value. Accordingly, the Group presented the components separately as Equity-linked debt securities under Other Non-current Liabilities account (see Note 21) and as part of Non-controlling Interest account under Equity section, respectively, in the consolidated statements of financial position.

On December 4, 2019, the Group exercised the option to extend the redemption date of ELS until December 4, 2021 which did not result to substantial modification of terms.

(n) Provision for Restoration of Leased Property

Property, plant and equipment include 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 determined based on a recent cost to restore the facilities and is being adjusted to consider the estimated incremental annual costs up to the end of the lease term. The estimated dismantling cost was discounted using the prevailing market rate at the inception of the lease for an instrument with maturity similar to the term of the lease.

The carrying amount of ARO and provision for dilapidation are presented as part of Other Non-Current Liabilities account in the consolidated statement of financial position (see Note 21).

(o) Provision for Onerous Lease

The Group determines the provision for leasehold properties which are no longer used in the business for which the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease using discounted cash flows and assumptions relating to future sublet income expectations. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost and sublease assumptions would result in a significant change in the amount of provision recognized with a corresponding effect on consolidated profit or loss.

Upon adoption of PFRS 16, these provisions were directly adjusted against the beginning balance of the Group's right-of-use assets [see Note 2.3(a)(iv)(f)(i)]. The carrying amount of provision for onerous lease is presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21).

(p) Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2019)

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(q) Business Combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. (See Note 2.11)

4. SEGMENT INFORMATION

4.1 Business Segments

The Group is organized into major business segments, which are the major subsidiaries of the Group. These represent the main products and services provided by the Group and the line of business in which the Group operates (see Note 2.24). 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.

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

4.2 Segment Assets and Liabilities

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

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

Segment information can be analyzed as follows for the years ended December 31, 2019, 2018 and 2017:

	2019				
	Megaworld	**Travellers**	**GADC**	**Emperador**	**Total**
REVENUES					
Sales to external customers	P 63,342,918,434	P 28,267,765,663	P 32,008,231,692	P 50,287,604,713	P 173,906,520,502
Intersegment sales	492,157,146	624,157,769	-	39,622,750	1,155,937,665
Finance and other income	3,477,664,373	170,650,370	246,811,141	1,219,630,451	5,114,756,335
Segment revenues	67,312,739,953	29,062,573,802	32,255,042,833	51,546,857,914	180,177,214,502
Cost of sales and expenses excluding depreciation and amortization	(35,954,821,728)	(22,873,552,664)	(26,126,976,615)	(40,133,921,654)	(125,089,272,661)
	31,357,918,225	6,189,021,138	6,128,066,218	11,412,936,260	55,087,941,841
Depreciation and amortization	(2,718,633,788)	(3,170,381,239)	(2,400,921,516)	(1,545,659,310)	(9,835,595,853)
Finance cost and other charges	(3,232,333,913)	(1,763,599,201)	(818,097,750)	(752,870,374)	(6,566,901,238)
Profit before tax	25,406,950,524	1,255,040,698	2,909,046,952	9,114,406,576	38,685,444,750
Tax expense	(6,081,657,290)	(90,504,543)	(910,956,200)	(1,647,434,352)	(8,730,552,385)
SEGMENT PROFIT	**P 19,325,293,234**	**P 1,164,536,155**	**P 1,998,090,752**	**P 7,466,972,224**	**P 29,954,892,365**
SEGMENT ASSETS AND LIABILITIES					
Segment assets	**P 347,968,101,289**	**P 115,651,536,817**	**P 31,959,120,433**	**P 122,233,919,740**	**P 617,812,678,279**
Segment liabilities	**132,846,602,884**	**76,439,478,594**	**25,704,962,190**	**57,392,889,576**	**292,383,933,244**
OTHER SEGMENT INFORMATION					
Share in net profit (loss) of associates and joint ventures	**(58,832,233)**	**(15,811)**	**-**	**239,168,070**	**180,320,026**
Interest income	**2,328,813,700**	**180,038,942**	**69,759,950**	**345,272,714**	**2,923,885,306**
Interest expense	**1,512,905,580**	**1,940,416,252**	**834,903,457**	**661,591,381**	**4,949,816,670**
Investment property and PPE acquisition	**10,935,590,773**	**12,223,857,190**	**4,535,675,518**	**2,948,888,751**	**30,644,012,232**

	2018 [As Restated – see Note 2.1(b)]				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 54,881,328,733	P 20,532,703,973	P 28,415,529,909	P 46,358,326,003	P 150,187,888,618
Intersegment sales	532,091,812	109,819,621	-	-	641,911,433
Finance and other income	2,013,790,171	1,879,662,536	204,209,303	679,322,390	4,776,984,400
Segment revenues	57,427,210,716	22,522,186,130	28,619,739,212	47,037,648,393	155,606,784,451
Cost of sales and expenses excluding depreciation and amortization	(30,130,763,120)	(18,213,082,209)	(24,823,471,642)	(36,671,149,630)	(109,838,466,601)
	27,296,447,596	4,309,103,921	3,796,267,570	10,366,498,763	45,768,317,850
Depreciation and amortization	(2,268,838,880)	(2,289,286,602)	(1,191,150,982)	(1,076,907,317)	(6,826,183,781)
Finance cost and other charges	(3,261,109,497)	(404,826,256)	(109,105,809)	(818,680,240)	(4,593,721,802)
Profit before tax	21,766,499,219	1,614,991,063	2,496,010,779	8,470,911,206	34,348,412,267
Tax expense	(5,544,362,408)	(144,909,807)	(758,056,178)	(1,607,414,678)	(8,054,743,071)
SEGMENT PROFIT	P 16,222,136,811	P 1,470,081,256	P 1,737,954,601	P 6,863,496,528	P 26,293,669,196
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 322,180,697,342	P 104,709,932,153	P 19,580,530,142	P 114,542,338,652	P 561,013,498,289
Segment liabilities	123,368,102,367	58,410,773,061	11,656,147,656	54,404,692,853	247,839,715,937
OTHER SEGMENT INFORMATION					
Share in net profit (loss) of associates and joint ventures	92,307,592	(39,263)	-	198,909,795	291,178,124
Interest income	1,767,928,629	146,572,618	80,456,941	265,325,794	2,260,283,982
Interest expense	1,310,255,912	259,292,385	179,443,956	820,750,262	2,569,742,515
Investment property and PPE acquisition	14,880,116,974	19,454,736,037	1,937,820,265	2,342,743,988	38,615,417,264

	2017				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 48,125,351,966	P 18,578,784,045	P 25,651,627,320	P 42,257,796,854	P 134,613,560,185
Intersegment sales	173,133,657	50,277,686	-	-	223,411,343
Finance and other income	1,815,055,331	172,363,323	255,129,148	411,549,414	2,654,097,216
Segment revenues	50,113,540,954	18,801,425,054	25,906,756,468	42,669,346,268	137,491,068,744
Cost of sales and expenses excluding depreciation and amortization	(26,696,161,016)	(15,076,261,599)	(22,079,908,123)	(32,526,530,752)	(96,378,861,490)
	23,417,379,938	3,725,163,455	3,826,848,345	10,142,815,516	41,112,207,254
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	(2,234,699,822)	(1,274,812,002)	(172,099,662)	(1,453,905,412)	(5,135,516,898)
Profit before tax	19,351,916,658	518,405,372	2,494,562,667	7,886,808,791	30,251,693,488
Tax expense	(4,063,450,162)	(218,395,439)	(754,517,341)	(1,503,052,461)	(6,539,415,403)
SEGMENT PROFIT	P 15,288,466,496	P 300,009,933	P 1,740,045,326	P 6,383,756,330	P 23,712,278,085
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 287,672,861,780	P 84,365,114,201	P 17,013,884,251	P 110,654,016,965	P 499,705,877,197
Segment liabilities	113,688,842,332	42,151,627,670	10,242,056,765	51,114,592,291	217,197,119,058
OTHER SEGMENT INFORMATION					
Share in net profit (loss) of associates and joint ventures	118,829,303	(232,813)	-	154,101,850	272,698,340
Interest income	1,493,431,517	168,416,307	46,846,967	202,544,447	1,911,239,238
Interest expense	1,555,078,550	659,083,204	181,908,788	998,389,259	3,394,459,801
Investment property and PPE acquisition	14,987,755,052	11,839,591,851	1,419,138,250	4,870,334,396	33,116,819,549

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.

	2019	2018 [As Restated – see Note 2.1(b)]	2017
Revenues			
Total segment revenues	**P 180,177,214,502**	P 155,606,784,451	P 137,491,068,744
Unallocated corporate revenue	**967,734,232**	1,809,658,261	1,520,964,571
Elimination of intersegment revenues	**(1,155,937,665)**	(641,911,433)	(223,411,343)
Revenues as reported in consolidated comprehensive income	**P 179,989,011,069**	P 156,774,531,279	P 138,788,621,972
Profit or loss			
Segment operating profit	**P 29,954,892,365**	P 26,293,669,196	P 23,712,278,085
Unallocated corporate loss	**(1,698,884,594)**	(1,986,654,038)	(1,212,898,155)
Elimination of intersegment revenues	**(1,155,937,665)**	(641,911,433)	(223,411,343)
Profit as reported in consolidated comprehensive income	**P 27,100,070,106**	P 23,665,103,725	P 22,275,968,587
Assets			
Segment assets	**P 617,812,678,279**	P 561,013,498,289	P 499,705,877,197
Unallocated corporate assets	**26,663,650,188**	27,226,921,775	35,906,274,250
Total assets reported in the consolidated statements of financial position	**P 644,476,328,467**	P 588,240,420,064	P 535,612,151,447
Liabilities			
Segment liabilities	**P 292,383,933,244**	P 247,839,715,937	P 217,197,119,058
Unallocated corporate liabilities	**54,975,599,719**	49,838,815,332	44,141,950,528
Total liabilities reported in the consolidated statements of financial position	**P 347,359,532,963**	P 297,678,531,269	P 261,339,069,586

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:

	2019	2018
Cash on hand and in banks	**P 27,797,566,966**	P 24,302,215,975
Short-term placements	**23,473,013,985**	20,476,795,558
	P 51,270,580,951	P 44,779,011,533

Cash in banks generally earn interest based on daily bank deposit rates [see Notes 27 and 32.1(b)].

Short-term placements are made for varying periods up to 90 days and earn effective interest per annum ranging from 1.0% to 6.6% in 2019, 1.0% to 7.0% in 2018, and 0.5% to 3.5% in 2017.

The Group has Restricted short-term placements and Time deposits, which are shown under Other Current Assets account in the consolidated statements of financial position (see Note 9).

Interest income from Cash and Cash Equivalents for the years ended December 31, 2019, 2018 and 2017 is presented under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of:

	Notes	**2019**	2018 [As Restated – see Note 2.1(b)]
Current:			
Trade receivables	18(o, v), 24.2	**P 48,092,680,186**	P 45,798,321,365
Advances to contractors and suppliers		**18,378,671,303**	12,205,310,741
Due from related parties	30.4, 30.5	**3,693,710,918**	2,982,119,776
Advances to condominium associations		**577,430,568**	428,195,683
Receivable from sale of land	14, 30	**398,391,250**	418,391,250
Accrued interest receivable		**150,728,714**	147,717,381
Note receivable		**54,173,080**	216,692,321
Others	13.2, 31.4	**3,600,463,549**	2,346,542,609
		74,946,249,568	64,543,291,126
Allowance for impairment	3.2(e)	**(1,180,164,821)**	(1,380,069,435)
		73,766,084,747	63,163,221,691
Non-current:			
Trade receivables	24.2, 30.2	**7,865,065,213**	4,349,378,898
Advances to contractors and suppliers		**7,407,644,127**	8,445,805,031
Loans receivable		**84,782,609**	110,869,565
Receivable from employees		**118,254,343**	36,664,154
Note receivable		**50,498,400**	54,173,080
Others	13.2	**892,338,993**	-
		16,418,583,685	12,996,890,728
Allowance for impairment	3.2(e)	**(12,224,936)**	(12,224,936)
		16,406,358,749	12,984,665,792
		P 90,172,443,496	P 76,147,887,483

Trade receivables are non-interest bearing. Most trade receivables, particularly those relating to real estate sales, are covered by post-dated checks. As at December 31, 2019 and 2018, the Group has outstanding receivables assigned to local banks amounting to P1.3 billion and P0.9 billion, respectively [see Note 18(o and v)].

The installment period of real estate sales contracts averages from one to five years. Noninterest-bearing trade receivables with maturity of more than one year after the end of the reporting period are remeasured at amortized cost using the effective interest rate of similar financial instruments. The fair values of noninterest-bearing contracts are determined by calculating the present value of the cash inflows anticipated to be received until the end of the contract term using the effective interest rate. This resulted in the recognition of day one loss amounting to P494.9 million, P329.2 million and P204.1 million in 2019, 2018 and 2017, respectively, which is presented under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). Interest income from unwinding the day one losses on noninterest-bearing receivables amounted to P697.2 million, P474.5 million and P214.7 million in 2019, 2018 and 2017, respectively. These amounts are presented as part of Interest income under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

Advances to contractors and suppliers pertain to noninterest-bearing and unsecured advances or downpayments to the Group's contractors and suppliers as initial payment or mobilization funds for services to be rendered and goods to be delivered to the Group. These are reduced proportionately upon receipt of progress billings from said suppliers. The current portion pertains to inventories while the non-current advances pertain to the construction of property, plant and equipment and investment properties.

Note receivable pertains mainly to a three-year unsecured interest-bearing advances granted by Travellers in 2018 to a certain third party.

Due from related parties and Receivable from employees pertain to noninterest-bearing, unsecured and immediately demandable advances, settlement of which is generally made in cash, or through deduction from employees' salary or employees' liquidation of business-related expenses (see Notes 30.4 and 30.5).

Other receivables include loan receivable, finance lease receivable and other non-trade receivables. In 2019, a certain sublease of the Group qualified as a finance lease, as a result of which, the Group recognized finance lease receivable amounting to P669.3 million and a gain on finance lease amounting to P350.2 million, which is presented as Gain on finance lease under Finance and Other Income account in the 2019 consolidated statement of comprehensive income (see Note 27). Accordingly, the related right-of-use asset amounting to P319.1 million was derecognized (see Note 13.2). The current and non-current portions of the carrying amount of finance lease receivable as of December 31, 2019 are included at P86.8 million and P586.0 million, respectively.

All of the Group's trade and other receivables have been assessed for impairment using the ECL model required under PFRS 9 [see Note 2.4(d)]. Certain past due accounts from real estate sales are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer as the titles to the real estate properties remain with the Group until the receivables are fully collected; hence there is no loss given default in case of non-payment (see Note 32.2).

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

	Notes	**2019**	2018
Balance at beginning of year		**P 1,392,294,371**	P 1,229,352,060
Impairment losses during the year	26, 30.5	**12,453,267**	169,501,339
Reversal of impairment previously recognized	27	**(142,414,348)**	(6,559,028)
Write-off of trade receivables previously provided with allowance		**(69,943,533)**	-
Balance at end of year		**P 1,192,389,757**	P 1,392,294,371

Impairment losses are presented under Other Operating Expenses account (see Note 26), while the the reversal of impairment, which pertain to recovery of receivables previously provided with allowance, is presented as part of Miscellaneous under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

All trade receivables are subject to credit risk exposure (see Note 32.2). However, the Group does not identify specific concentrations of credit risk with regard to trade and other receivables as the amounts recognized consist of a large number of receivables from various customers.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of local and foreign investments, held for trading, as follows:

	2019	2018
Marketable debt securities	**P 9,345,588,134**	P 9,994,421,546
Quoted equity securities	**2,699,521,974**	3,196,517,663
Derivative financial assets	**-**	426,485,938
	P 12,045,110,108	P 13,617,425,147

Marketable debt securities, which bear interest ranging from 4.3% to 7.7%, 4.3% to 7.7% and 4.3% to 8.3% per annum as at December 31, 2019, 2018 and 2017, respectively, are measured at their fair values determined directly by reference to published prices quoted in an active market. The net changes in fair values of these financial assets are presented as part of Fair value losses under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). Interest income is shown as part of Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

Derivative financial assets arise from foreign exchange forward contracts and cash flow hedge entered into by the Group. The term of these forward contracts is usually one month to one year. Changes in foreign currency value arising from such forward contracts are taken up in profit or loss and are recorded either as part of Fair value gains under Finance and Other Income account or Fair value losses under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). On the other hand, changes in the fair value of cash flow hedge are presented as part of other comprehensive income in the consolidated statements of comprehensive income. As of December 31, 2019 and 2018, these hedging instruments resulted in derivative liability of P463.2 million and derivative asset of P426.5 million, respectively (see Note 21).

8. INVENTORIES

The details of inventories are shown below [see Notes 2.6, 2.7, 3.1(g) and 3.2(c)].

	Notes	2019	2018 [As Restated – see Note 1.2 (a)]
At cost –			
Real estate for sale	18(o)	**P 80,146,970,366**	P 77,720,536,341
Raw land inventory		**12,297,389,904**	12,246,437,019
Property development costs		**7,483,371,952**	8,463,871,890
Golf and resort shares for sale		**2,929,635,312**	2,243,707,288
		102,857,367,534	100,674,552,538
At net realizable value:			
Finished goods		**5,883,428,376**	4,996,540,420
Work-in-process goods		**20,746,632,386**	19,310,965,391
Raw materials		**3,221,149,805**	3,261,111,478
Food, supplies and other consumables		**3,438,374,952**	3,138,423,500
		33,289,585,519	30,707,040,789
Allowance for inventory write-down	2.6	**(277,037,817)**	(234,473,864)
	18(gg)	**33,012,547,702**	30,472,566,925
		P 135,869,915,236	P 131,147,119,463

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 P2,258.1 million, P3,035.7 million and P1,804.7 million in 2019, 2018, and 2017, respectively (see Note 18). The amount capitalized was determined using a capitalization rate of 4.48%, 4.55% and 4.55% in 2019, 2018, and 2017, respectively. Certain real estate for sale are subject to negative pledge on certain loans obtained by the Group [see Note 18(o)].

Property development costs pertain to accumulated costs incurred for properties undergoing development. The relative cost of a unit sold under development is charged to cost of sales in the same manner as revenue is recognized. The relative costs of units completed prior to sale are reclassified to Real estate for sale.

Raw land inventory pertains to properties which the Group intends to develop into residential properties to be held for sale.

Golf and resort shares for sale comprise of proprietary or membership shares (landowner resort shares and founders shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders shares is based on the par value of the resort shares which is P100 per share.

Work-in-process pertains mainly to substantial inventory of aged whisky stocks in Scotland which mature over periods of up to 60 years. These maturing whisky stock inventory amounted to P16,688.9 million and P15,415.2 million as of December 31, 2019 and 2018, respectively, which included capitalized depreciation costs (see Note 13).

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

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

	Notes	**2019**	2018
Balance at beginning of year		**P 234,473,864**	P 174,836,786
Additional losses during the year	25, 26	**51,971,745**	59,637,078
Reversals of write-down	27	**(9,407,792)**	-
Balance at end of year		**P 277,037,817**	P 234,473,864

The additional losses were recognized to reduce the carrying values of inventories in 2019 and 2018. These are shown as part of Other direct and overhead costs under Cost of Goods Sold account (see Note 25) while the losses pertaining to promotional supplies are shown as Write-down of inventories under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The reversals of write-down are shown as part of Miscellaneous under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

9. OTHER ASSETS

The composition of this account is shown below.

	Notes	2019	2018
Current:			
Input VAT		**P 7,634,492,454**	P 7,800,311,920
Restricted short-term placements	5	**3,283,129,738**	3,151,747,018
Prepayments		**3,040,049,543**	2,776,862,790
Creditable withholding taxes		**1,323,580,538**	921,178,241
Deferred commission	24.3	**1,206,488,729**	841,421,867
Office supplies		**271,110,894**	88,126,757
Time deposits	5	**118,531,543**	118,551,065
Refundable deposits		**62,180,524**	192,940,895
Others		**428,019,181**	394,199,932
		17,367,583,144	16,285,340,485
Non-current:			
Advances for future investment	31.3(a)	**2,732,900,470**	2,144,665,176
Refundable deposits		**1,804,338,685**	1,753,002,493
Property mortgage receivable		**636,946,200**	650,178,519
Deferred commission	24.3	**906,925,987**	301,179,774
Deferred input VAT		**168,223,855**	166,540,481
Claims for tax refund		**112,282,175**	112,282,175
Advance payments for assets acquisition		**98,276,647**	359,199,665
Others		**561,997,753**	539,637,520
		7,021,891,772	6,026,685,803
		P 24,389,474,916	P 22,312,026,288

Restricted short-term placements [see Note 31.3(a)] are made for varying periods ranging from 30 to 90 days in 2019 and 2018, and earn effective interests ranging from 5.6% to 6.2% per annum in 2019, 4.0% to 4.1% per annum in 2018 and 1.3% to 2.8% per annum in 2017 (see Note 27).

Time deposits pertain to placements with maturity of 360 days, which earn an effective interest of 2.6% in 2019, 1.5% in 2018 and 1.4% in 2017.

Prepayments include prepaid taxes, insurance, rentals and advertising, which are expected to be realized in the next reporting period.

Advances for future investment pertain to the advances made by the Group to Philippine Amusement and Gaming Corporation ("PAGCOR") starting 2014 in connection with the development of Site A. In 2019 and 2018, the Group made additional payments to PAGCOR amounting to P588.2 million in each year to fulfill the future investment. [See Note 31.3(a)]

In 2016, the Group purchased from one of its property lessors an outstanding mortgage debt on one of the Group's leased properties. The purchased mortgage asset entitles the Group to full security over the leased property and to monthly interest payments from the property lessor. However, the Group remains as lessee over the property; hence, it is still required to make monthly lease payments to the property lessor until 2036. Following the adoption of the PFRS 16 in 2019, the Group recognized ROUA and lease liabilities from this leased property (see Notes 13.1 and 13.2)

The advance payment for assets acquisition represents the deposit made for future purchase of machinery and equipment.

Current others include payroll funds and food and beverage supplies while non-current others include various security and other deposits.

10. ADVANCES TO/FROM LANDOWNERS AND JOINT OPERATORS

10.1 Advances to Landowners and Joint Operators

The Group enters into numerous joint arrangements for the joint development of various real estate projects. The joint operation agreements stipulate that the Group's joint operator shall contribute parcels of land while the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of residential and condominium units to be constructed on the properties. In addition, there were no separate entities created by these joint arrangements. Costs incurred by the Group on these projects are recorded under the Inventories account in the consolidated statements of financial position (see Notes 2.7 and 8).

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

Total amount of advances made by the Group less repayments, is presented as part of the Advances to Landowners and Joint Operators account in the consolidated statements of financial position.

As at December 31, 2019 and 2018, management has assessed that the advances to joint ventures are fully recoverable. Further, there has been no outstanding commitment for cash advances under the joint agreements.

The net commitment for construction expenditures amounts to:

	2019	2018
Total commitment for construction expenditures	**P 33,268,029,905**	P 31,949,011,190
Total expenditures incurred	**(22,896,502,186)**	(22,122,879,520)
Net commitment	**P 10,371,527,719**	P 9,826,131,670

The Group's interests in joint operations and projects, ranging from 57% to 90% in 2019 and 2018, are as follows:

Megaworld:
- McKinley Hill
- McKinley West
- Newport City
- Manhattan Garden City
- Noble Place
- Uptown Bonifacio
- Northill Gateway
- The Maple Grove
- Vion Tower

GERI:
- Alabang West
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Pahara at Southwoods
- Sta. Barbara Heights Phase 2 & 3
- Holland Park
- Sta. Barbara Heights Shophouse District

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, 2019 and 2018, and income and expenses for each of the three years in the period ended December 31, 2019 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, 2019 and 2018, the Group has assessed that the probability of loss that may arise from contingent liabilities is remote and there are no other contingent liabilities with regard to these joint operations.

10.2 Advances from Joint Operators

This account represents the share of joint venture partners in the proceeds from the sale of certain projects in accordance with various joint venture agreements entered into by the Group. The total outstanding balance is presented as part of Advances from Related Parties account in the consolidated statements of financial position (see Note 30.6).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of December 31, 2019 and 2018, financial assets at FVOCI [see Note 2.4(a)(ii)], which pertain to equity securities, are comprised of the following:

	Note	**2019**	2018
Quoted		**P 64,874,067**	P 138,241,610
Unquoted		**351,783,274**	321,733,274
	34.2	**P 416,657,341**	P 459,974,884

The reconciliation of the carrying amounts of these financial assets are as follows:

	2019	2018
Balance at beginning of year	**P 459,974,884**	P 431,645,289
Additions	**-**	1,980,263
Disposals	**(100,250,000)**	-
Fair value gains	**65,542,492**	26,515,019
Reclassification	**(8,610,035)**	-
Foreign currency losses	**-**	(165,687)
Balance at end of year	**P 416,657,341**	P 459,974,884

Quoted equity securities consist of listed local shares of stock and various proprietary club shares which are denominated in Philippine pesos. Golf club shares are proprietary membership shares of Travellers from certain golf clubs. Unquoted equity securities pertain to investments in shares of stock of local, privately-held companies.

The fair values of the quoted financial assets have been determined by reference to published prices in an active market. The fair value of unquoted equity securities were determined through valuation techniques (see Note 34.2). The changes in the fair value amounted to gain of P65.5 million in 2019, P26.5 million in 2018 and P26.9 million in 2017 and are presented as Net Unrealized Fair Value Gains on Financial Assets at FVOCI (AFS Financial Assets – 2017) in the consolidated statements of comprehensive income.

In 2019, the Group sold a total of P100.3 million of its investment in equity securities at P1.00 per share. As a result, realized fair value changes amounting to P67.8 million were directly reclassified from Net Fair Value Gains on Financial Assets at FVOCI to Retained Earnings account. There was no similar transaction in 2018.

In 2017, upon disposal of various AFS financial assets, the Group realized gains amounting to P22.2 million and these are included under Finance Costs and Other Charges or Finance and Other Income accounts, respectively, in the consolidated statements of comprehensive income (see Note 27). As a result of the disposal, the fair value gains and losses accumulated in OCI pertaining to the AFS financial assets sold were recycled to profit or loss and are included in the amount of realized gain from disposal of AFS financial assets.

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

12.1 Breakdown of Carrying Values

The details of investments in associates and interest in joint ventures, which are carried at equity method, are presented below and in the succeeding pages.

	Notes	**2019**	2018
Investments of Megaworld in Associates:			
Acquisition costs:			
SHDI	12.2	**P 2,619,800,008**	P 1,089,666,735
NPI		**734,396,528**	734,396,528
BWDC		**199,212,026**	199,212,026
PTHDC		**64,665,000**	64,665,000
BNHGI	12.3	**-**	109,216,973
		3,618,073,562	2,197,157,262
Accumulated share in net losses:			
Balance at beginning of year		**(258,418,167)**	(305,826,514)
Share in net (loss) profits for the year		**(58,832,233)**	92,307,592
Disposal during the year		**246,517**	-
Write–off		**-**	(44,899,245)
Balance at end of year		**(317,003,883)**	(258,418,167)
Accumulated equity in other comprehensive income:			
Balance at beginning of year		**58,137,227**	44,685,164
Share in other comprehensive income (loss) of associate		**(11,417,059)**	13,452,063
Balance at end of year		**46,720,168**	58,137,227
Other changes in carrying amount:			
Effect of dilution in percentage ownership	12.2	**152,294,930**	-
Recycling due to disposal and dilution		**11,417,059**	-
Balance at end of year		**163,711,989**	-
Balance carried forward		**P 3,511,501,836**	P 1,996,876,322

	Notes	2019	2018
Balance brought forward		**P 3,511,501,836**	P 1,996,876,322
Investment of EMP in BLC,			
a joint venture – acquisition cost	12.4	**2,845,367,065**	2,845,367,065
Accumulated share in net profits:			
Balance at beginning of year		**432,240,327**	388,577,700
Share in net profits for the year		**239,168,070**	198,909,795
Dividend received during the year		**(493,207,719)**	(155,247,168)
Balance at end of year		**178,200,678**	432,240,327
		3,023,567,743	3,277,607,392
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		**(810,421)**	(771,158)
Share in net losses for the year		**(15,810)**	(39,263)
Balance at end of year		**(826,231)**	(810,421)
		9,173,769	9,189,579
Investment of FCI in FPARI,			
an associate – acquisition cost		**14,700,000**	14,700,000
		P 6,558,943,348	P 5,298,373,293

The total share in net profits amounts to P180.3 million, P291.2 million and P272.7 million for the years ended December 31, 2019, 2018 and 2017, respectively. These amounts are shown as Share in Net Profits of Associates and Joint Ventures – Net account in the consolidated statements of comprehensive income.

Management assessed that the recognition of impairment loss on investments in associates and joint ventures in 2019, 2018 and 2017 is not necessary, except for those investments in joint ventures discussed in Note 12.5.

12.2 SHDI

The shares of stock of SHDI are listed in the PSE. In October 2019, Megaworld acquired additional 115 million shares of SHDI at market price during that time, totaling P100.1 million. Subsequently, Megaworld disposed of a certain number of shares. In December 2019, Megaworld subscribed to additional 2,177 million shares from SHDI at P1.00 par value. Megaworld paid P1.25 billion out of the P2.20 billion additional subscribed capital. However, another investor subscribed to more new shares and, as a result, Megaworld 's effective ownership was diluted to 34% and dilution gain amounting to P152.3 million was recognized as part of Gain on sale and dilution of investment in associates under Finance and Other Income in the 2019 consolidated statement of comprehensive income (see Note 27). The unpaid portion of subscription is presented as Subscription payable under Other Current Liabilities account in the 2019 consolidated statement of financial position (see Note 21). (See Note 31.9).

12.3 BNHGI

In 2019 and 2017, FEPI sold 15% ownership interest over BNHGI for P297.5 million each year. Gain on sale of investment in BNHGI amounting to P188.5 million and P113.1 million was recognized in 2019 and 2017, respectively, and is presented as part of Gain on sale and dilution of investment in associates under Finance and Other Income in the 2019 and 2017 consolidated statements of comprehensive income (see Note 27). The Group has no more ownership interest in BNHGI after the disposal in 2019.

12.4 BLC

In 2017, an amount was withdrawn from this investment which was used by the Group as part of 50% capitalization of DBLC (see Note 1.1). The Group has no other commitments made with regards to this joint venture that are not recognized at the reporting date.

12.5 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net profit (loss) of the associates and joint ventures are as follows as at and for the years ended December 31, 2019 and 2018 (in thousands):

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Profit (Loss)
2019:						
SHDI	P 1,307,765	P 141,145	P 57,503	P -	P 582,956	(P 314,779)
NPI	260,528	5,411,009	1,317,006	-	9	(726)
BWDC	728,777	1,859,781	843,760	69,418	165,496	104,863
PTHDC	1,134,934	828	1,009,742	-	13	(462)
	P 3,432,004	**P 7,412,763**	**P 3,228,011**	**P 69,418**	**P 748,474**	**(P 211,104)**
2018:						
SHDI	P 592,694	P 118,897	P 291,553	P 22,350	P 525,595	P 54,525
SHDI	P 194,282	P 1,606,056	P 196,755	P -	P -	(136)
NPI	261,237	5,411,009	1,317,006	-	10	(1,165)
BWDC	640,491	1,765,162	849,197	69,896	241,488	150,106
PTHDC	1,134,915	1,040	1,009,473	-	-	(763)
	P 2,823,619	P 8,902,164	P 3,663,984	P 92,246	P 767,093	P 202,567

The summarized financial information of BLC as of December 31, 2019 and 2018 and for the years then ended are presented below and in the succeeding page (in thousands):

	2019	2018
Current assets	**P 2,421,905**	P 3,832,033
Non-current assets	**1,653,886**	1,373,904
Total assets	**P 4,075,791**	P 5,205,937
Current liabilities	**P 1,050,467**	P 1,760,747
Non-current liabilities	**2,398**	2,694
Total liabilities	**P 1,052,865**	P 1,763,441

		2019		2018
Current financial liabilities (excluding trade and other payables and provisions)	**P**	**327,529**	P	798,998
Non-current financial liabilities		**2,398**		2,694
Total financial liabilities	**P**	**329,927**	P	801,692
Revenues	**P**	**5,641,501**	P	6,239,402
Depreciation and amortization	**P**	**75,037**	P	84,626
Net profit for the year	**P**	**478,336**	P	397,820

In 2018, the Group had written off its investments in FERC, FENI, FESI and FERSAI. The carrying amount of the investments amounting to P44.9 million was recognized as impairment loss and is presented as part of Miscellaneous under Other Operating Expenses account in the 2018 consolidated statement of comprehensive income (see Note 26).

13. PROPERTY, PLANT AND EQUIPMENT

The carrying amount of this account is composed of the following:

	Notes	2019	2018
Property, plant and equipment	13.1	**P 123,672,312,981**	P 117,501,643,236
Right-of-use assets	13.2	**12,590,233,266**	-
		P 136,262,546,247	P 117,501,643,236

13.1 Carrying Values of Property, Plant and Equipment

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment at the beginning and end of the reporting periods are shown below. [See Notes 2.9, 3.1(g) and 3.2(h)(i)]

	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, 2019							
Cost	P 13,374,064,835	P 70,268,096,748	P 31,763,065,154	P 1,616,805,812	P 16,549,026,376	P 29,335,143,553	P 162,906,202,478
Accumulated depreciation, amortization and impairment	(288,957,872)	(14,932,440,177)	(15,497,884,848)	(1,017,447,714)	(7,497,158,886)	-	(39,233,889,497)
Net carrying amount	**P 13,085,106,963**	**P 55,335,656,571**	**P 16,265,180,306**	**P 599,358,098**	**P 9,051,867,490**	**P 29,335,143,553**	**P 123,672,312,981**
December 31, 2018							
Cost	P 13,827,100,187	P 61,147,681,571	P 28,643,555,824	P 1,503,903,069	P 14,430,580,074	P 31,509,507,398	P 151,062,328,123
Accumulated depreciation, amortization and impairment	(243,771,951)	(12,526,574,394)	(13,635,832,315)	(821,069,323)	(6,333,436,904)	-	(33,560,684,887)
Net carrying amount	P 13,583,328,236	P 48,621,107,177	P 15,007,723,509	P 682,833,746	P 8,097,143,170	P 31,509,507,398	P 117,501,643,236
January 1, 2018							
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

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, 2019, net of accumulated depreciation amortization and impairment, as previously reported	P 13,583,328,236	P 48,621,107,177	P 15,007,723,509	P 682,833,746	P 8,097,143,170	P 31,509,507,398	P 117,501,643,236
Effect of PFRS 16 adoption (see Note 3.2)	-	(65,414,011)	-	-	-	-	(65,414,011)
As restated	13,583,328,236	48,555,693,166	15,007,723,509	682,833,746	8,097,143,170	31,509,507,398	117,436,229,225
Transfer from investment property	286,841	1,056,210	-	-	400,488,452	-	401,831,503
Additions	78,676,324	1,350,024,935	3,636,368,233	135,708,023	1,145,789,847	10,514,502,710	16,861,070,072
Disposals – net	(218,832,143)	(10,406,698)	(179,802,646)	(5,828,010)	(2,812,057)	(75,992,829)	(493,674,383)
Transfer to non-current asset as held for sale (see Note 16)	(313,714,726)	-		-	-	(3,716,165,072)	(4,029,879,798)
Reclassifications – net	548,352	8,058,329,862	223,588,957	-	614,241,483	(8,896,708,654)	-
Impairment loss	-	(66,114,248)	-	-	-	-	(66,114,248)
Depreciation and amortization charges for the year	(45,185,921)	(2,552,926,656)	(2,422,697,747)	(213,355,661)	(1,202,983,405)	-	(6,437,149,390)
Balance at December 31, 2019, net of accumulated depreciation, amortization and impairment	**P 13,085,106,963**	**P 55,335,656,571**	**P 16,265,180,306**	**P 599,358,098**	**P 9,051,867,490**	**P 29,335,143,553**	**P 123,672,312,981**
Balance at January 1, 2018, 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
Transfer from investment property	188,327,685	3,995,657,527	-	-	779,754,000	-	4,963,739,212
Additions	400,611,838	1,736,357,067	3,567,034,502	305,532,305	1,921,481,657	12,054,594,344	19,985,611,713
Disposals – net	-	(106,041,493)	(195,259,103)	(12,995,619)	(5,066,502)	(26,842,756)	(346,205,473)
Reclassifications – net	(19,996,253)	6,476,513,167	2,372,336,312	18,588,239	70,991,204	(8,863,957,077)	54,475,592
Reversal of impairment loss	-	19,258,000	-	-	-	-	19,258,000
Depreciation and amortization charges for the year	(33,424,100)	(2,105,280,299)	(1,971,374,148)	(187,067,812)	(904,574,076)	-	(5,201,720,435)
Balance at December 31, 2018, net of accumulated depreciation, amortization and impairment	P 13,583,328,236	P 48,621,107,177	P 15,007,723,509	P 682,833,746	P 8,097,143,170	P 31,509,507,398	P 117,501,643,236

	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

Construction in progress includes accumulated costs incurred on the casino and hotel sites being constructed as part of Travellers' investment commitment in accordance with its Provisional License Agreement with PAGCOR [see Note 31.3(a)]. In 2019 and 2018, Travellers has completed the construction of Hilton Manila and Sheraton Manila, respectively. Accordingly, the respective accumulated costs incurred for these facilities were reclassified from Construction in progress to Buildings and leasehold improvements in 2019 and 2018.

On October 28, 2019, a co-development agreement was entered into by WCRWI and Travellers with SHDI, wherein WCRWI and Travellers are to lease the portion of Site A to SHDI for the development and management of the hotel casino. Accordingly, construction activities at Site A was suspended on October 31, 2019, following the agreement. As part of the agreement, the construction costs already incurred by the Group on Site A are to be reimbursed by SHDI. Accordingly, Construction in Progress amounting to P4.0 billion was reclassified to Non-current Asset as Held for Sale account in the 2019 consolidated statement of financial position, to reflect the intention of the management to sell the asset as of December 31, 2019. (See Notes 16 and 31.9)

Moreover, construction in progress also includes the accumulated costs incurred in the construction of new stores under GADC and distillery plant in Batangas. The corresponding costs of completed projects were transferred to specific property, plant and equipment accounts.

In 2018 and 2017, GADC's annual impairment testing of its stores resulted in recognition of gain on reversal of impairment losses amounting to P19.3 million and P60.5 million, respectively, and are presented as Reversal of impairment losses on PPE under Finance and Other Income account in the 2018 and 2017 consolidated statements of comprehensive income (see Note 27). In 2019, GADC recognized impairment losses of P66.1 million to write down to recoverable amount the carrying value of certain stores' property and equipment and is presented as part of Impairment of PPE under Other Operating Expenses 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 5% in 2019 and 2018.

In 2019, the Group recognized net losses on disposal of various property, plant and equipment amounting to P11.6 million, which is presented as Loss on disposal of PPE – net under Finance Costs and Other Charges account in the 2019 consolidated statement of comprehensive income (see Note 27). In 2018 and 2017, the Group recognized net gain on disposal of various property, plant and equipment totaling P53.9 million and P115.8 million, respectively, which are presented as part of Gain on disposal of PPE and investment properties – net under Finance and Other Income account in the 2018 and 2017 consolidated statements of comprehensive income (see Note 27).

In 2017, the Group wrote off certain property and equipment with carrying value of P652.6 million (see Note 31.10). The resulting loss of P430.4 million 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 27). There was no similar write-off in 2019 and 2018.

The amount of depreciation and amortization charges is presented as part of Depreciation and amortization which is presented under Cost of Goods Sold, Cost of Services and Other Operating Expenses accounts (see Notes 25 and 26). In 2019, 2018 and 2017, depreciation expense amounting to P235.4 million, P303.8 million and P272.9 million, respectively, was capitalized to form part of the work-in-process inventory. Such capitalized amount represents depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held (see Note 8).

As of December 31, 2019, certain land and building with carrying values of P113.0 million and P112.6 million, respectively, are held as collateral by a local bank for a loan obtained by GADC in 2011 [see Note 18(mm)].

13.2 Right-of-Use Assets

The Group has leases for certain land, commercial space, buildings and warehouses, gaming equipment and transportation and other equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the 2019 consolidated statement of financial position as Right-of-use assets ("ROUA") under Property and Equipment account and Lease Liabilities account. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and right-of-use asset. [See Note 2.3(a)(iv)]

The table below describes the nature of the Group's leasing activities by type of ROUA recognized in the 2019 consolidated statement of financial position.

	Number of right-of-use assets leased	**Range of remaining term**	**Average remaining lease term**	**Number of leases with extension options**	**Number of leases with termination options**
Land	2	16 to 19 years	18 years	1	-
Commercial space	556	1 to 28 years	14 years	554	465
Buildings and warehouses	48	1 to 14 years	7 years	20	17
Gaming equipment	1	4 years	4 years	-	-
Transportation and other equipment	72	1 to 5 years	3 years	-	-

The carrying amounts of the Group's ROUAs as at December 31, 2019 and the movements during the period are shown below.

	Land	**Commercial Space**	**Building and Warehouses**	**Gaming Equipment**	**Transportation and Other Equipment**	**Total**
Balance at January 1, 2019	P -	P -	P -	P -	P -	P -
Effect of PFRS 16 adoption [see Notes 2.3(a)(iv), 13.1]	1,011,723,960	10,042,340,599	358,688,291	102,094,135	71,235,714	11,586,082,699
As restated	1,011,723,960	10,042,340,599	358,688,291	102,094,135	71,235,714	11,586,082,699
Additions	-	2,629,527,645	20,461,156	-	-	2,649,988,801
Derecognition	-	(319,136,009)	-	-	-	(319,136,009)
Impairment	-	(22,263,234)	-	-	-	(22,263,234)
Amortization	(49,140,236)	(1,104,112,084)	(119,266,472)	(25,002,645)	(6,917,554)	(1,304,438,991)
Net carrying amount	**P 962,583,724**	**P11,226,356,917**	**P 259,882,975**	**P 77,091,490**	**P 64,318,160**	**P12,590,233,266**

Upon adoption of PFRS 16, the Group has relied on its historical assessments as to whether leases were onerous immediately before the date of initial application as alternative to performing an impairment review on right-of-use assets, and accordingly reclassified portion of its provision for onerous lease amounting to P355.6 million against the beginning balance of right-of-use assets [see Note 2.3(a)(iv)]. In 2018, these are presented as part of Provision for onerous lease under Other Non-current Liabilities account in the consolidated statements of consolidated financial position (see Note 21).

Moreover, estimated cost of dismantling and restoration of certain leased properties amounting to P65.4 million was reclassified from Buildings and leasehold improvements to ROUA upon adoption of PFRS 16 [see Notes 2.9, 3.2(n) and 13.1]. The carrying amount of ARO and provision for dilapidation are presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21).

The derecognition of right-of-use asset amounting to P319.1 million resulted from a certain sublease that qualified as a finance lease (see Note 6).

In 2019, GADC's impairment testing of its ROUA resulted to a provision for impairment losses amounting to P22.3 million and is presented as part of Impairment of PPE under Other Operating Expenses account in the 2019 consolidated statement of comprehensive income (see Note 26).

As at December 31, 2019, none of the Group's ROUAs are used as collateral for any of the Group's interest-bearing loans and borrowings.

The amount of depreciation on right-of-use assets is presented as part of Depreciation and amortization which is presented under Cost of Goods Sold, Cost of Services and Other Operating Expenses accounts (see Notes 25 and 26).

13.3 Lease Liabilities

Lease liabilities are presented in the consolidated statement of financial position as at December 31, 2019 as follows:

Current	P 1,297,248,962
Non-current	14,623,215,469
	P 15,920,464,431

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

As at December 31, 2019, the Group has no commitment to any lease contracts which had not commenced.

The undiscounted maturity analysis of lease liabilities at December 31, 2019 is as follows:

	Within 1 year	Less than 5 years	More than 5 years	Total
Lease payment	P 2,143,562,645	P 7,309,445,939	P13,758,096,192	P23,211,104,776
Finance charges	(846,313,683)	(2,729,642,189)	(3,714,684,473)	(7,290,640,345)
Net present value	**P 1,297,248,962**	**P 4,579,803,750**	**P 10,043,411,719**	**P15,920,464,431**

The movements in the lease liabilities recognized in the 2019 consolidated statement of financial position are as follows:

Balance as of January 1, 2019, as previously restated	P -
Effect of adoption of PFRS 16	14,323,470,960
Balance as of January 1, 2019, as restated	14,323,470,960
Additions during the year	2,659,594,115
Interest expense	790,593,640
Foreign exchange gain	(5,718,846)
Repayment of lease liabilities	(1,847,475,438)
Balance as of December 31, 2019	**P15,920,464,431**

Interest expense incurred on the lease liabilities amounting to P790.6 million is presented as part of Interest expense under Finance Costs and Other Charges account in the 2019 consolidated statement of comprehensive income (see Note 27).

13.4 Lease Payments Not Recognized as Lease Liabilities

The Group has elected not to recognize lease liabilities for short-term leases or for leases of low value assets; instead, expenses relating to these leases amounting to P3,703.7 million, which are significantly from short-term leases, are presented as Rentals under Cost of Services and Other Operating Expenses in the 2019 consolidated statement of comprehensive income (see Note 26).

The future minimum rentals payable of the Group arising from short-term leases amounted to P1,534.6 million as of December 31, 2019.

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(g), 3.2(e) and 3.2(h)]

	Land	**Buildings and Improvements**	**Total**
December 31, 2019			
Cost	P 26,982,515,398	P 98,481,730,336	P 125,464,245,734
Accumulated depreciation	-	(13,126,058,170)	(13,126,058,170)
Net carrying amount	**P 26,982,515,398**	**P 85,355,672,166**	**P 112,338,187,564**
December 31, 2018			
Cost	P 26,682,755,078	P 88,807,163,753	P 115,489,918,831
Accumulated depreciation	-	(10,854,385,090)	(10,854,385,090)
Net carrying amount	P 26,682,755,078	P 77,952,778,663	P 104,635,533,741
January 1, 2018			
Cost	P 26,312,251,257	P 79,886,816,349	P 106,199,067,606
Accumulated depreciation	-	(8,970,240,657)	(8,970,240,657)
Net carrying amount	P 26,312,251,257	P 70,916,575,692	P 97,228,826,949

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

	Land	Buildings and Improvements	Total
Balance at January 1, 2019, net of accumulated depreciation	P 26,682,755,078	P 77,952,778,663	P 104,635,533,741
Transfer to property and equipment	(286,841)	(401,544,662)	(401,831,503)
Additions	300,047,161	10,090,544,279	10,390,591,440
Disposals	-	(716,363)	(716,363)
Depreciation charges for the year	-	(2,285,389,751)	(2,285,389,751)
Balance at December 31, 2019, net of accumulated depreciation	**P 26,982,515,398**	**P 85,355,672,166**	**P 112,338,187,564**
Balance at January 1, 2018, net of accumulated depreciation	P 26,312,251,257	P 70,916,575,692	P 97,228,826,949
Transfer to property and equipment	(187,391,998)	(4,776,347,214)	(4,963,739,212)
Additions	557,895,819	13,722,756,858	14,280,652,677
Disposals	-	(2,464,208)	(2,464,208)
Depreciation charges for the year	-	(1,907,742,465)	(1,907,742,465)
Balance at December 31, 2018, net of accumulated depreciation	P 26,682,755,078	P 77,952,778,663	P 104,635,533,741
Balance at January 1, 2017, net of accumulated depreciation	23,095,160,162	59,965,881,479	83,061,041,641
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 due to acquired subsidiaries	2,860,769,322	-	2,860,769,322
Additions	525,567,336	14,030,340,276	14,555,907,612
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 26,312,251,257	P 70,916,575,692	P 97,228,826,949

Rental income earned from the investment property amounted to P17.3 billion, P14.7 billion and P12.4 billion for the years ended December 31, 2019, 2018 and 2017, respectively, are presented as part of Rental income under Rendering of Services account in the consolidated statements of comprehensive income (see Note 24.1). The direct operating costs, exclusive of depreciation, incurred by the Group relating to the investment property that generates income amounted to P737.2 million, P661.0 million and P568.0 million in 2019, 2018 and 2017, respectively, are presented as part of Cost of Services account in the consolidated statements of comprehensive income (see Note 25). The direct operating costs, which mostly pertain to real property taxes, of investment properties that did not generate rental income in 2019, 2018 and 2017 amounted to P34.7 million, P35.5 million, and P23.3 million, respectively. The operating lease commitments of the Group as a lessor are fully disclosed in Note 31.1.

In 2019, 2018 and 2017, the Group used certain properties for hotel operations and administrative purposes. The Group occupied the properties and transferred the carrying values of those properties amounting to P0.4 billion, P5.0 billion and P1.6 billion, respectively, from Investment Property account to Property, Plant and Equipment account (see Note 13.1).

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 Notes 6 and 30). Gain from sale of land amounted to P0.7 million and is presented as part of Gain on disposal of PPE and investment properties under Finance and Other Income account in the 2017 consolidated statement of comprehensive income (see Note 27).

Depreciation charges are presented as part of Depreciation and amortization under Cost of Services account in the consolidated statements of comprehensive income (see Note 25).

As at December 31, 2019 and 2018, none of the Group's investment properties are held as collateral.

The fair market values of these properties amounted to P440.7 billion and P352.5 billion as at December 31, 2019 and 2018, respectively. These are estimated either by reference to current prices for similar properties or by calculation of the present values of the estimated cash inflows anticipated until the end of the life of the investment property using discount rates that reflect the risks and uncertainty in cash flows (see Note 34.4).

15. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of the reporting periods are shown below (see Notes 2.12 and 2.20).

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Franchise Fee	Total
December 31, 2019						
Cost	P 20,296,474,629	P21,762,915,653	P 187,045,568	P 46,980,007	P 146,053,416	P42,439,469,273
Translation adjustment	(252,455,489)	(808,350,172)	-	-	-	(1,060,805,661)
Accumulated amortization	-	(1,295,744,043)	(78,241,229)	(42,505,799)	(18,801,438)	(1,435,292,509)
Net carrying amount	**P 20,044,019,140**	**P19,658,821,438**	**P 108,804,339**	**P 4,474,208**	**P 127,251,978**	**P39,943,371,103**
December 31, 2018 [As Restated – see Note 1.2(a)]						
Cost	P 20,185,059,123	P21,536,106,941	P 1,193,783,886	P 46,980,007	P 115,710,107	P43,077,640,064
Translation adjustment	111,415,506	226,808,712	-	-	-	338,224,218
Accumulated amortization	-	(1,021,726,652)	(293,327,766)	(35,996,522)	(11,340,504)	(1,362,391,444)
Net carrying amount	P 20,296,474,629	P20,741,189,001	P 900,456,120	P 10,983,485	P 104,369,603	P42,053,472,838
January 1, 2018						
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

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, 2019, net of accumulated amortization as previously reported	P 20,296,474,629	P 20,741,189,001	P 900,456,120	P 10,983,485	P 104,369,603	P42,053,472,838
Effect of adoption of PFRS 16 [see Note 2.3(a)(iv)]	-	-	(783,333,333)	-	-	(783,333,333)
As restated	P 20,296,474,629	P 20,741,189,001	P 117,122,787	P 10,983,485	P 104,369,603	P41,270,139,505
Additions	-		-	-	30,343,308	30,343,308
Impairment loss	-	(272,402,000)	-	-	-	(272,402,000)
Translation adjustment	(252,455,489)	(808,350,172)	-	-	-	(1,060,805,661)
Amortization for the year	-	(1,615,391)	(8,318,448)	(6,509,277)	(7,460,933)	(23,904,049)
Balance at December 31, 2019, net of accumulated amortization	**P 20,044,019,140**	**P 19,658,821,438**	**P 108,804,339**	**P 4,474,208**	**P 127,251,978**	**P39,943,371,103**
Balance at January 1, 2018, net of accumulated amortization	P 20,090,166,886	P20,516,620,680	P 958,793,091	P 18,510,761	P 53,567,853	P41,637,659,271
Additions [As restated – see Note 1.2(a)]	94,892,237	-	-	-	60,060,430	154,952,667
Disposals	-	-	-	(25,000)	-	(25,000)
Translation adjustment	111,415,506	226,808,712	-	-	-	338,224,218
Amortization for the year	-	(2,240,391)	(58,336,971)	(7,502,276)	(9,258,680)	(77,338,318)
Balance at December 31, 2018, net of accumulated amortization	P 20,296,474,629	P 20,741,189,001	P 900,456,120	P 10,983,485	P 104,369,603	P42,053,472,838
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

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.

In 2019, Megaworld group's management completed the assessment of the fair values of STLI's net assets resulting in restatement of goodwill by P94.9 million in the 2018 consolidated statement of financial position [see Note 1.2(a)].

Trademarks pertain to trademarks registered under the Group for the manufacture and sale of distilled spirits, mostly brandy, which include brand names 'Emperador Brandy', 'Generoso Brandy', 'Emperador Deluxe', and 'The Bar.'.

In 2014, from the Group's acquisition of WMG Group, the trademarks "Jura" and "The Dalmore" (collectively, "WMG brands") were recorded for a total of P9.6 billion. In 2016, the Group's acquisition of Bodegas Fundador in Jerez resulted in the recognition of four trademarks amounting to P6.7 billion, namely "Fundador Brandy", "Terry Centenario Brandy", "Tres Cepas Brandy", and "Harveys" sherry wine (collectively, "Fundador brands"). In 2017, the Group acquired various trademarks amounting to P3.5 billion including "Domecq" brands of Mexican and Spanish brandies which include "Presidente", "Azteca de Oro" and "Don Pedro"; "Grupo Garvey brands" which include "Garvey Brandy" and "Fino San Patricio"; and other well-known sherries and liquors brands [see Note 1.2(c)]. These trademarks have indefinite useful lives; hence, are not subject to amortization

The Group monitors goodwill and trademarks with indefinite useful lives on the cash generating units to which these assets were allocated [see Notes 2.20 and 3.2(i)]. An analysis of the value-in-use and the amount of intangible assets allocated to such groups of cash generating units is presented as follows (amounts in billions of pesos):

	2019				2018 [As Restated – see Note 1.2(b)]			
	Allocated Intangible Assets	**Value in Use**	**Terminal Growth Rate**	**Discount Rate**	Allocated Intangible Assets	Value in Use	Terminal Growth Rate	Discount Rate
Goodwill:								
Megaworld	**P 9.14**	**P 378.44**	**1.00%**	**7.37%**	P 9.14	P 247.66	1.00%	9.56%
GADC	**1.25**	**34.03**	**1.00%**	**7.42%**	1.25	19.58	1.00%	9.45%
WMG*	**7.65**	**12.17**	**2.00%**	**9.75%**	7.79	12.78	1.90%	9.75%
GES*	**1.59**	**10.23**	**1.60%**	**7.51%**	1.70	10.95	1.60%	7.51%
Trademarks with indefinite lives:								
WMG brands*	**9.48**	**41.83**	**2.00%**	**9.75%**	9.63	44.27	1.90%	9.75%
Fundador brands	**7.24**	**10.57**	**1.60%**	**8.06%**	7.73	17.97	1.60%	8.14%
Domecq brands**	**2.84**				3.00			
Grupo Garvey brands**	**0.09**				0.38			

**Amounts are translated at closing rate as of the end of the reporting periods in accordance with PAS 21, The Effects of Changes in Foreign Exchange Rates.*

*** As of December 31, 2019, management believes that Domecq brands are not impaired as DBLC's operations which carry the Domecq brands have reported revenues of P3.0 billion in 2019 and P2.6 billion in 2018. Moreover, management believes that after the impairment provided for Grupo Garvey brands, the value-in-use as of December 31, 2019 approximates its carrying value. As of December 31, 2018, management believes that the carrying values of Domecq and Grupo Garvey brands approximate their value-in-use as of those dates since these were only acquired in 2017.*

The value-in-use of each group of cash generating unit was determined using cash flow projections ranging from three to five years, taking into consideration the impact of COVID-19, 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.

In 2019, due to continuous decline of the Group's revenue from the products, the management assessed that a portion of trademarks under Grupo Garvey brands are impaired. Accordingly, the Group recognized an impairment loss amounting to P272.4 million which is presented as part of Impairment of PPE and intangible assets under Other Operating Expenses account in the 2019 consolidated statement of comprehensive income (see Note 26). Further, no impairment loss is required to be recognized on the carrying value of the other intangible assets (goodwill, leasehold rights, computer software and franchise fee) in 2019, 2018 and 2017 (see Note 2.20).

The amortization of trademarks with finite useful lives amounted to P1.6 million in 2019, P2.2 million in 2018 and P11.2 million in 2017, and are shown as part of Depreciation and amortization under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26).

As of December 31, 2019 and 2018, the remaining useful life of the Group's Emperador Deluxe trademark with definite life is 3.5 years and 4.5 years, respectively [see Note 3.2(h)].

The BaR, and Emperador Brandy and Generoso Brandy trademarks were fully amortized since 2018 and 2017, respectively. Consequently, the Group renewed the trademark application of Emperador Brandy with the Intellectual Property Office of the Philippines in 2017.

In 2014, WCRWI entered into a lease agreement with Nayong Pilipino Foundation ("NPF") covering certain parcels of land located at the Manila Bay Reclamation Area in Parañaque City for a period of 25 years, renewable for another 25 years under the terms mutually acceptable to the parties. Upon effectivity of the lease agreement, WCRWI has paid NPF P1.0 billion (presented under Leasehold rights) covering the first 20 years of the lease. The amount of amortization charges amounted to P50.0 million in 2018 and 2017, which is presented as part of Depreciation and amortization under Other Operating Expenses account in the 2018 and 2017 consolidated statements of comprehensive income (see Note 26). The carrying amount was reclassified as part of Right-of-use assets upon adoption of PFRS 16 on January 1, 2019 [see Note 2.3(a)(iv)].

As at December 31, 2019 and 2018, the Group has no contractual commitments for the acquisition of any additional trademarks, leasehold rights, computer software and franchise fee.

No intangible assets have been pledged as security for liabilities as of December 31, 2019 and 2018.

16. NON-CURRENT ASSET AS HELD FOR SALE

Non-current asset held for sale consists of the land development cost made for the construction of Site A that WCRWI has discontinued in the current year, following the Co-Development Agreement with SHDI. The Group believes that the sale and turnover of the assets to SHDI is highly probable in 2020 [see Note 31.9(ii)].

The carrying value of the assets amounting to P4.0 billion immediately prior to their classification as held for sale is equal to its fair value less cost to sell (see Note 13.1). Accordingly, the Group did not recognize any loss in connection with the reclassification of the assets.

17. TRADE AND OTHER PAYABLES

The breakdown of this account follows: (See Note 2.13)

	Notes	2019	2018
Trade payables	30.1, 30.2	**P 36,185,457,475**	P 29,022,052,368
Accrued expenses	30.3, 31.5(e)	**12,944,062,804**	10,714,233,965
Retention payable		**4,602,091,363**	2,959,988,922
Accrued interest payable	18, 19	**1,231,918,126**	1,109,545,945
Refund liability		**676,136,137**	217,623,034
Gaming license fees payable	29.3	**501,653,588**	458,077,948
Deferred output VAT		**461,947,714**	736,830,754
Due to related parties	30.5	**412,878,940**	412,878,940
Output VAT payable		**397,978,309**	257,093,560
Slot jackpot liability	2.5	**346,234,075**	341,415,495
Unredeemed gaming points	3.2(l)	**256,299,339**	258,517,777
Withholding tax payable		**204,933,193**	238,845,386
Dividends payable		**180,104,245**	-
Others	30.7	**2,993,191,947**	2,454,777,863
		P 61,394,887,255	P 49,181,881,957

Trade payables significantly comprise of obligations to subcontractors and suppliers of construction materials for the Group's projects and suppliers of raw materials. These also include unredeemed gaming chips determined as the difference between total gaming chips placed in service and the actual inventory of gaming chips under control or in custody, casino deposit certificates from patrons and other gaming-related liabilities.

Accrued expenses include accruals for salaries and other benefits, utilities, local and overseas travel, training and recruitment, dues and subscriptions, advertising, rentals, marketing and other operating expenses of the Group.

Retention payable pertains to amount withheld from payments made to contractors for construction work performed to ensure compliance and completion of contracted projects. Upon completion of the contracted projects, the retained amounts are returned to the contractors.

Refund liability pertains to amounts payable to customers due to real estate sales cancellation in respect of instalment sales contracts as covered by the Republic Act No. 6552, *Realty Installment Buyer Protection Act*, otherwise known as the Maceda Law.

The unredeemed gaming points liability represents the estimated costs of unredeemed casino gaming points issued, which are redeemable for complimentary goods or services of the Group [see Notes 2.16 and 3.2(l)].

Dividends payable represents the amount due to non-controlling interest share on the dividends declared by Emperador as of December 31, 2019. Emperador declared dividends on December 17, 2019, payable on January 20, 2020. There was no similar payable transaction in 2018.

Others include unearned rental, payables to government and other regulatory agencies, and various unreleased checks which are reverted to liability.

18. INTEREST-BEARING LOANS

The composition of the Group's outstanding interest-bearing loans is shown below.

		2019		2018
Current:				
Philippine Pesos	**P**	**35,235,234,123**	P	19,751,608,030
Foreign currencies		**5,634,442,713**		4,778,408,668
		40,869,676,836		24,530,016,698
Non-current:				
Philippine Pesos		**76,785,738,344**		79,364,909,054
Foreign currencies		**61,497,698,532**		63,507,027,552
		138,283,436,876		142,871,936,606
	P	**179,153,113,712**	P	167,401,953,304

The summarized terms and conditions of each availed loan as at December 31, 2019 and 2018 are as follows:

Outstanding Principal Balance 2019	2018	Explanatory Notes	Interest Rate	Security	Maturity Date
Megaworld					
P 3,750,000,000	P 5,416,666,667	(a)	Fixed at 5.6286%	Unsecured	2022
3,762,902,908	5,212,972,118	(b)	Floating rate on a 3-month LIBOR plus a certain spread	Unsecured	2022
4,979,470,301	4,967,438,738	(c)	5-day average reference plus a certain spread	Unsecured	2021
4,972,616,301	4,963,196,715	(d)	Fixed at 7.8488%	Unsecured	2023
3,982,128,155	4,963,177,050	(e)	Floating rate plus a certain spread	Unsecured	2021
2,500,000,000	3,750,000,000	(f)	Fixed at 6.4274%	Unsecured	2021
2,307,692,308	3,076,923,077	(g)	Fixed at 5.25%	Unsecured	2022
1,250,000,000	2,500,000,000	(h)	Fixed at 5.035%	Unsecured	2020
1,538,461,538	2,307,692,307	(i)	Fixed at 5.3812%	Unsecured	2021
1,166,666,667	1,833,333,333	(j)	Fixed at 5.2632%	Unsecured	2021
4,963,334,356	-	(k)	Higher of 4.75% fixed rate and floating rate plus certain spread	Unsecured	2024
4,818,842,821	-	(l)	Floating rate on a 3-month LIBOR plus a certain spread	Unsecured	2024
P 39,992,115,355	P 38,991,400,005				
EELHI					
P 916,666,667	P 1,250,000,000	(m)	Fixed at 5.6% for 2 tranches; 7.6% for the third tranche	Unsecured	2022
500,000,000	800,000,000	(n)	Fixed at 7.7% from October 2018	Unsecured	2021
384,610	7,616,392	(o)	Fixed at range of 7.0% and 9.0%	Secured	Upon collection of assigned receivables
P 1,417,051,277	P 2,057,616,392				
LFI					
P 125,000,000	P 250,000,000	(p)	Fixed at 5.0% subject to repricing	Unsecured	2020

Outstanding Principal Balance 2019	2018	Explanatory Notes	Interest Rate	Security	Maturity Date
SPI					
P 2,200,000,000	P 2,200,000,000	(q)	Floating rate of 4.5% subject to repricing every 30 to 180 days	Unsecured	2025
600,000,000	900,000,000	(r)	3.50% subject to repricing	Unsecured	2021
375,000,000	875,000,000	(s)	3.15% to 5.15% subject to repricing	Unsecured	2020
200,000,000	300,000,000	(t)	Floating rate of 4.5% repricing 30-180 days	Unsecured	2021
18,984,375	25,312,500	(u)	Fixed at range of 5.50% to 5.75%	Unsecured	2020
42,000,000	100,000,000	(u)	Floating	Unsecured	2020
1,261,285,752	880,510,493	(v)	Variable prevailing market rate of 5.5% to 15.0%	Secured	Upon collection of related assigned receivables
P 4,697,270,127	P 5,280,822,993				
GERI					
P 2,000,000,000	P -	(w)	Floating interest rate	Unsecured	2024
1,500,000,000	2,000,000,000	(x)	Floating rate plus a **certain**spread	Unsecured	2022
750,000,000	1,250,000,000	(y)	Fixed based on 5-year PDST-R2 plus spread at 3% floor	Unsecured	2021
231,502,563	692,307,693	(z)	Fixed based on 5-year PDST-R2 fixed plus spread at 5% floor	Unsecured	2020
P 4,481,502,563	P 3,942,307,693				
OFPI					
P 5,536,667	P 68,464,667	(aa)	Fixed at 5.035%	Unsecured	2020
SWEC					
P 38,000,000	P 50,000,000	(bb)	Fixed at 4.2%	Unsecured	2020
TLC					
P 300,000,000	P -	(cc)	Floating interest rate	Unsecured	2024
200,000,000	-	(cc)	Floating interest rate	Unsecured	2024
EIL					
P 22,882,500,021	P 22,310,991,675	(dd)	1.05% plus EURIBOR	Unsecured	2021
EDI					
P 312,500,000	P 562,500,000	(ee)	Fixed at 5.245%	Unsecured	2021
312,500,000	562,500,000	(ee)	Fixed at 5.113%	Unsecured	2021
350,000,000	500,000,000	(ff)	Fixed at 5.9641%	Unsecured	2021
208,333,333	375,000,000	(ee)	Fixed at 5%	Unsecured	2021
245,000,000	350,000,000	(ff)	Fixed at 6.1277%	Unsecured	2021
P 1,428,333,333	P 2,350,000,000				
WMG					
P 5,047,206,120	P 4,051,446,785	(gg)	0.5% over LIBOR	Secured	2020
DBLC					
P 2,581,799,112	P 2,970,252,180	(hh)	Fixed at 1.6%	Unsecured	2022
GES					
P -	P 2,332,109,588	(ii)	Fixed at 1.55%	Unsecured	2027

Outstanding Principal Balance 2019	Outstanding Principal Balance 2018	Explanatory Notes	Interest Rate	Security	Maturity Date
GADC					
P 276,666,667	P 434,761,905	(jj)	Fixed at 4.18% and 5.17%	Unsecured	2021
-	190,476,190	(kk)	3.85% to 5.15%	Unsecured	2019
86,666,666	136,190,476	(ll)	Fixed at 4.71%	Unsecured	2021
34,285,714	51,428,573	(mm)	Fixed at 5%	Secured	2021
26,000,000	-	(oo)	Fixed at 6%	Unsecured	2020
-	45,000,000	(nn)	6.50% and 6.70%	Unsecured	2019
P 423,619,047	P 857,857,144				
Travellers					
P 14,927,842,919	P 14,905,307,686	(pp)	Fixed at 7.0%	Unsecured	2025
8,449,638,259	8,432,216,857	(pp)	Fixed at 8.6% for two years and at 9% in the next five years	Unsecured	2025
7,500,000,000	-	(pp)	Fixed at 5.5%	Unsecured	2020
6,980,426,886	6,976,376,422	(qq)	Floating rate in 2017; fixed at 6.6% in 2018	Unsecured	2024
4,970,795,355	4,981,775,548	(rr)	Floating rate subject to repricing in 2017; in 2018, fixed at 7.3%, subject to 5.3% floor both plus 1.15% spread	Unsecured	2024
4,638,654,676	-	(rr)	Fixed at 8.2%	Unsecured	2024
3,979,968,597	3,972,371,677	(ss)	Floating rate subject to repricing plus a spread of 1.0%	Unsecured	2023
3,475,703,320	-	(tt)	Fixed at 5.7%	Unsecured	2024
2,000,000,000	-	(rr)	Fixed at 6.0%	Unsecured	2020
1,000,000,000	-	(rr)	Fixed at 5.8%	Unsecured	2020
1,000,000,000	-	(ss)	Fixed at 5.8%	Unsecured	2020
1,000,000,000	-	(uu)	Fixed at 6.2%	Unsecured	2020
-	1,500,000,000	(rr)	Fixed at 5.0%	Unsecured	2019
-	1,000,000,000	(rr)	Fixed at 4.5%	Unsecured	2019
-	1,000,000,000	(tt)	Fixed at 4.8%	Unsecured	2019
-	1,000,000,000	(rr)	Fixed at 6.5%	Unsecured	2019
-	1,000,000,000	(rr)	Fixed at 6.5%	Unsecured	2019
-	500,000,000	(rr)	Fixed at 4.9%	Unsecured	2019
P 59,923,030,012	P 45,268,048,190				
AG Cayman					
P 25,441,328,174	P 26,163,260,088	(vv)	Fixed at 4.1456%	Unsecured	2022
5,088,075,098	5,232,456,073	(vv)	Fixed at 3.9%	Unsecured	2022
5,080,746,806	5,224,919,831	(vv)	Fixed at 3.8330%	Unsecured	2022
P 35,610,150,078	P 36,620,635,992				
P 179,153,113,712	P 167,401,953,304				

Explanatory Notes:

(a) Seven-year loan obtained by Megaworld from a local bank in two tranches in March and June 2015 totalling P10.0 billion to fund various real estate projects and retire currently maturing obligations. Quarterly principal repayment on this seven-year loan commenced in June 2016 and interest is paid quarterly.

(b) Five-year foreign-currency denominated loan obtained by Megaworld from a local bank in December 2017 amounting to U.S. $98.87 million payable quarterly with a grace period of one year upon availment. The principal repayment shall commence in March 2019 and a floating interest is paid quarterly. Megaworld entered into a cross-currency swap agreement to hedge the U.S. dollar exposure of the loan (see Note 21).

(c) Three-year loan amounting to P5.0 billion obtained by Megaworld from a local bank in July 2018. The principal is payable upon maturity while interest is payable quarterly and commenced in October 2018.

(d) Five-year loan amounting to P5.0 billion obtained by Megaworld from a local bank in December 2018. The principal repayment is quarterly after two years from availment. Interest is payable quarterly.

(e) Three-year loan amounting to P5.0 billion obtained by Megaworld from a local bank in December 2018. The principal repayments commenced in September 2019 and interest is paid quarterly.

(f) Five-year loan amounting to P5.0 billion obtained by Megaworld from a local bank in November 2016. The principal repayments commenced in February 2018 and interest is paid quarterly.

(g) Seven-year loan amounting to P5.0 billion obtained by Megaworld from a local bank in November 2015. The principal repayments commenced in November 2016 and interest is payable semi-annually.

(h) Five-year loan amounting to P5.0 billion obtained by Megaworld from a local bank in December 2015. The principal repayments commenced in March 2017 and interest is paid quarterly.

(i) Seven-year loan amounting to P5.0 billion obtained by Megaworld from a local bank in August 2014. The principal repayments commenced in August 2015 while interest is paid semi-annually.

(j) Five-year loan amounting to P2.0 billion obtained by Megaworld in August 2016 from a local bank with a grace period of two years from availment. The principal repayment commenced in November 2018 and interest is paid quarterly.

(k) Five-year loan amounting to P5.0 billion obtained by Megaworld in December 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan shall commence in December 2020 and interest is payable quarterly.

(l) Five-year loan amounting to U.S.$95.62 million obtained by Megaworld in September 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan commenced in December 2020 and interest is payable quarterly. Megaworld entered into a cross-currency agreement to hedge the U.S. Dollar and interest rate exposure of the loan (see Note 21).

(m) Seven-year loan amounting to P2.0 billion obtained by EELHI in 2015 from a local bank released in three tranches from 2015-2016. Proceeds were used to fund development of various real estate projects.

(n) Three-year loan obtained by EELHI from a local bank in February 2018 where the proceeds of the loan were used to fund various real estate projects. The principal is payable quarterly with a one-year grace period together with interest payable monthly in arrears.

(o) Loans obtained by EELHI from local banks by assigning trade receivables on a with recourse basis (see Note 6). The loans are secured by certain residential and condominium units for sale with carrying value of P28.5 million and P59.3 million as of December 31, 2019 and 2018, respectively (see Note 8). Interest is being paid as the related receivables are collected.

(p) Five-year loan amounting to P500 million obtained by LFI from a local bank in December 2015. Quarterly installments began in March 2017, plus interest.

(q) Five-year loan amounting to P2.2 billion obtained by SPI from a local bank in 2018 to fund the acquisition of STLI. Principal repayments is payable on a monthly basis after a grace period of three years from the date of availment.

(r) Five-year loan totalling P900 million obtained by SPI from a local bank in 2017 and 2016, payable on a monthly basis after a grace period of two years from the date of availment. The loan bears floating interest which is subject to repricing every 30-180 days.

(s) Five-year loan amounting to P1.5 billion obtained by SPI from a local bank in 2015, payable in monthly installments after two years from initial drawdown.

(t) Three-year loan amounting to P300.0 million obtained by SPI from a local bank in 2018. The principal repayment is payable on a monthly basis after a grace period of two years from date of availment.

(u) Outstanding balance of short-term loans availed by SPI from local banks.

(v) Loans obtained by SPI from a local bank in 2015 through assignment of trade receivables (see Note 6). The loans are being paid as the receivables are collected.

(w) Five-year loan amounting to P2.0 billion obtained by GERI in 2019 from a local bank payable quarterly for a term of five years, plus interest.

(x) Five-year loan amounting to P2.0 billion obtained by GERI in December 2017 from a local bank payable quarterly commencing on the beginning of the fifth quarter from the initial drawdown date. Interest is payable quarterly.

(y) Five-year loan amounting to P2.0 billion obtained by GERI in 2016 from a local bank, with a grace period of two years on principal installment. The loan is payable in quarterly installments of P125.0 million commencing on the 9th quarter from the date of initial drawdown and balloon payment at the end of five years.

(z) Five-year loan amounting to P1.5 billion obtained by GERI in 2015 from a local bank payable quarterly commencing on the 9th quarter from the date of initial drawdown.

(aa) Five-year loan obtained by OFPI from a local bank in 2015.

(bb) In 2018, SWEC renewed its credit line facility with a local bank amounting to P150.0 million, for working capital purposes. In December 2018, SWEC's initial loan drawdown amounted to P50.0 million, payable within 180 days. Upon expiration, SWEC paid the P12.0 million portion of the loan and extended the remaining P38.0 million for another 180 days.

(cc) Five-year loan amounting to P300 million and p200 million obtained by TLC in August and November 2019, respectively, from a local bank. The loans are payable in quarterly installments commencing in November 2020.

(dd) Five-year foreign-currency denominated loan obtained by EIL in 2016 from international financial institutions was prepaid in 2019. A new five-year foreign-currency denominated loan was obtained in 2019 from a syndicate of foreign financial institutions at a lower margin to prepay existing loans. The loans are repayable in full at maturity.

(ee) Five-year loan obtained by EDI in three tranches totaling P2.0 billion in 2016 from a local bank. Principal repayment is in 12 equal quarterly payments starting on the ninth quarter after the initial drawdown.

(ff) In 2018, EDI obtained additional unsecured, interest-bearing loans at a total amount of P850.0 million from a local bank for working capital purposes. The loans shall be payable in 12 equal quarterly amortizations commencing on the beginning of the ninth quarter from the initial drawdown. The principal repayments are expected to commence on April 10, 2019. In 2019, total payments on the loan amounted to P255.0 million.

(gg) Three-year foreign-currency denominated facility obtained by WMG from a foreign bank. The loan is secured by way of floating charge against WMG's inventories (see Note 8).

(hh) Five-year foreign-currency-denominated loans of DBLC totaling P3.0 billion used in relation to asset acquisition in 2017.

(ii) Five-year foreign-currency denominated loan obtained by GES in 2017 from certain financial institution for asset acquisition. The loan has two-year grace period with principal repayment starting on the 24th month after the date of the loan. In 2019, GES prepaid the loan in full.

(jj) Loans obtained by GADC from local banks in 2014 payable in 21 quarterly principal payments commencing in September 2016.

(kk) Loans drawn by GADC from a P1.0 billion local bank credit facility in 2012 and 2013. Principal was payable in 21 quarterly instalments starting December 2014 up to September 2019.

(ll) Loan obtained by GADC from a local bank in June 2015 in relation to a P500.0 million loan facility. Principal repayments began in June 2016 for 21 quarters.

(mm) Ten-year loan granted to GADC in December 2011 by a local bank for the purchase of land and building from the latter, payable monthly starting on the third year of the loan until December 2021. The acquired land and building served as collateral on the loan (see Note 13).

(nn) Short-term loans obtained by GADC from a local bank in 2018 payable in 6 equal monthly instalments fully paid in 2019.

(oo) Short-term loan obtained by GADC from a local bank in December 2019 payable in 4 equal monthly installments commencing in March 2020.

(pp) Loans drawn by Travellers from approved credit lines with a local bank of up to P10.0 billion and P23.5 billion in 2018 and 2017, respectively, amounted to P8.5 billion in 2018 and P13.0 billion in 2017. In 2018, the P13.0 billion short-term loan on its maturity was converted and increased to a seven-year P15.0 billion long-term loan. In 2019, the Group made an additional drawdown amounting to P7.5 billion. The loans are outstanding as of December 31, 2019. Total unutilized credit line from the loan facilities amounted to P2.5 billion as of December 31, 2019.

(qq) Seven-year loans totalling P7.0 billion obtained by Travellers in 2017 from a P7- billion credit line with a local bank. In 2018, Travellers opened a P5.0 billion omnibus credit facility with the bank, drew P1.0 billion which was paid in the same year. The total facility was unutilized as of December 31, 2019.

(rr) In 2017, Travellers entered into various credit line agreements with a total maximum loanable amount of P10.0 billion from a local bank. As of December 31, 2018, drawdowns totaled P10.0 billion, half of which pertains to term loans and the other half to omnibus loans. In 2019, the Group obtained another term loan facility with the bank amounting to P5.0 billion. This was utilized through the conversion of the P5.0-billion omnibus loan to a long term loan. Following the conversion, the Group obtained various short-term loans in 2019 amounting to P3.0 billion, which remained outstanding as of December 31, 2019. Unutilized credit line amounted to P2.0 billion as of December 31, 2019.

(ss) Five-year loan amounting to P4.0 billion obtained by Travellers from a P5.0 billion credit line with a local bank in 2018. In 2019, Travellers obtained a P1.0 billion omnibus loan from the remaining unutilized credit line. The loans remained outstanding as of December 31, 2019.

(tt) In 2018, Travellers obtained a P3.5 billion credit line from a local bank, which it had fully utilized in 2018 and settled P2.5 billion in the same year. The remaining P1.0 billion was settled early in 2019. Further, in 2019, Travellers renewed the credit line and drew down three omnibus loans, which upon maturity were converted into a five-year term loan for the same amount.

(uu) In 2019, Travellers procured a P2.0 billion omnibus line with a local bank in which it utilized P1.0 billion in same year.

(vv) 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, 2019 and 2018, the Group has complied with related loan covenants, including maintaining certain financial ratios, at the reporting dates. However, in 2019, one of the subsidiaries of the Group was not able to meet the original financial covenant on one of its loans [see Note 18(qq)]. Management, however, anticipated this and was able to secure a debt covenant waiver certified by the said local bank prior to December 31, 2019; hence, there was no default on the loan.

Total interest expense attributable to these loans, including amortization of capitalized transaction costs, amounted to P4,536.9 million, P2,875.8 million and P2,065.1 million for the years ended December 31, 2019, 2018 and 2017, respectively, and are presented as part of Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). Interest charges capitalized for the years ended December 31, 2019, 2018 and 2017 are included as part of additions to Construction in progress under Property, Plant and Equipment account (see Note 13), Investment Properties (see Note 14) and Real estate for sale under Inventories account (see Note 8). The amounts of outstanding accrued interest as at December 31, 2019 and 2018 are presented as part of Accrued interest under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

19. BONDS PAYABLE

This account consists of bonds payable of the Company's subsidiary as follows:

	2019	2018
U.S. Dollar	**P 12,658,010,411**	P 13,144,198,903
Philippine peso	**11,965,873,279**	11,957,843,462
	P24,623,883,690	P 25,102,042,365

The significant terms of the bonds are discussed below.

	Outstanding Principal Balance					
Face Amount	**2019**	2018	**Explanatory Notes**	**Interest Rate**	**Nature**	**Maturity**
$250.0 million	**P 12.7 billion**	P 13.1 billion	(a)	Fixed at 4.25%	Unsecured	2023
P 12.0 billion	**11.9 billion**	12.0 billion	(b)	Fixed at 5.3535%	Unsecured	2024
	P 24.6 billion	P 25.1 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.

Megaworld has complied with the bond covenants, including maintaining certain financial ratios, at the end of the reporting periods.

Total interest incurred on these bonds amounted to P1,201.8 million, P1,443.2 million and P1,751.5 million in 2019, 2018 and 2017, respectively. Of these amounts, portion charged as expense amounted to P717.4 million, P800.8 million and P1,266.1 million in 2019, 2018 and 2017, respectively, and are presented as part of Interest expense under Finance Cost and Other Charges account in the consolidated statements of income (see Note 27). Interest charges capitalized for the years ended December 31, 2019, 2018 and 2017 are included as part of additions to Construction in progress under Property, Plant and Equipment account (see Note 13) and Investment Properties account (see Note 14). The outstanding interest payable as at December 31, 2019 and 2018 is presented as part of Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). Unrealized foreign currency gains in relation to these foreign bonds are presented as part of Foreign currency gains – net under Interest and Other Income account in the consolidated statements of comprehensive income (see Note 27).

Interest capitalized amounted to P484.4 million and P642.4 million in 2019 and 2018, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 4.05% in 2019 and 5.37% in 2018.

20. REDEEMABLE PREFERRED SHARES

The Group's redeemable preferred shares pertain to preferred shares issued by GADC and TLC as presented in the succeeding pages. The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance and are classified in the consolidated statements of financial position as presented below.

	Notes	**2019**	2018
Current –			
TLC	20.2	**P 251,597,580**	P 251,597,580
Non-current:			
GADC	20.1	**1,077,720,169**	957,471,505
TLC	20.2	**503,195,160**	754,792,740
		1,580,915,329	1,712,264,245
		P 1,832,512,909	P 1,963,861,825

20.1 GADC's Redeemable Preferred Shares

The shares were issued in March 2005 to McDonald's Restaurant Operations ("MRO"), a company incorporated in the U.S.A. and is a subsidiary of McDonald's Corporation. The features of these preferred shares with par value per share of P61,066 each are presented below (in exact amounts).

Class	Voting	No. of Shares Authorized and Issued	Total Par Value (Undiscounted)	Additional Payment in the Event of GADC's Liquidation
A	No	778	P 47,509,348	U.S.$1,086 per share or the total peso equivalent of U.S.$845,061
B	Yes	25,000	1,526,650,000	U.S.$1,086 per share or the total peso equivalent of U.S.$27,154,927

Additional features of the preferred shares are as follows:

(a) Redeemable at the option of the holder after the beginning of the 19th year from the date of issuance (March 2005) for a total redemption price equivalent to the peso value on the date that the shares were issued;
(b) Has preference as to dividends declared by the BOD, but in no event shall the dividends exceed P1 per share; and,
(c) The holder of preferred shares is entitled to be paid a certain amount of peso equivalent for each class of preferred shares, together with any unpaid dividends, in the event of liquidation, dissolution, receivership, bankruptcy or winding up of GADC.

The redeemable preferred shares are recognized at fair values on the date of issuance which were determined as the sum of all future cash payments, discounted using the prevailing market rates of interest as of the transaction date for similar instruments with similar term of 18 years.

The accretion of GADC's redeemable preferred shares in 2019, 2018 and 2017 amounted to P120.3 million, P106.8 million and P94.9 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 27). As at December 31, 2019 and 2018, the fair value of the GADC redeemable preferred shares amounted to P1,077.7 million and P957.5 million, respectively, shown as part of Redeemable Preferred Shares account in the consolidated statements of financial position. The fair value of these shares are determined by discounting the sum of all future cash flows using prevailing market rates of interest for instrument with similar maturities at a discount rate of 9.02%.

20.2 TLC's Redeemable Preferred Shares

These were issued by TLC in September 2012 consisting of 1,258.0 million shares which are nonvoting and earn dividend at a fixed annual rate of 2.50% subject to the existence of TLC's unrestricted retained earnings. These were issued in exchange for certain parcels of land with total fair value of P1,338.2 million. The issuance through the exchange of land was approved by the SEC on April 17, 2013.

The preferred shares have a maturity of 10 years and shall be redeemed every anniversary date beginning on the sixth anniversary date until expiration of the 10-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

The accrued dividends on these preferred shares amounting to P1.4 million and P1.9 million as at December 31, 2019 and 2018, respectively, are presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21). The related interest expense recognized for the years ended December 31, 2019, 2018 and 2017 amounting to P22.7 million, P28.4 million and P28.9 million, respectively, is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). As at December 31, 2019 and 2018, the fair values of the redeemable preferred shares on the date of issuance approximate their par values.

21. OTHER LIABILITIES

The composition of this account is shown below.

	Notes	2019	2018
Current:			
Customers' deposits	2.16	**P 10,726,411,469**	P 9,018,567,428
Deferred rental income		**3,055,770,143**	2,579,065,223
Equity-linked debt securities	3.2(m)	**1,836,250,000**	-
Commission payable		**1,700,760,516**	1,165,040,058
Advances from customers		**1,591,767,093**	1,162,425,514
Subscription payable	12.2	**1,114,665,008**	-
Derivative liability	2.5,2.13,7	**463,169,411**	51,885,258
Others		**61,235,969**	157,286,419
		20,550,029,609	14,134,269,900
Non-current:			
Deferred rental income		**4,112,190,641**	4,339,191,455
Retention payable		**3,698,890,599**	4,063,944,817
Equity-linked debt securities	3.2(m)	**3,443,750,000**	5,258,801,592
Customers' deposit	2.16	**3,083,064,985**	2,513,655,988
Guaranty deposits		**494,948,325**	361,953,382
Provision for dilapidations	3.2(n)	**150,691,002**	149,567,316
Asset retirement obligation	2.9, 2.18	**91,148,725**	74,621,159
Accrued rent		**24,284,786**	116,455,980
Provision for onerous lease	3.2(o), 13.3	**14,223,198**	375,407,231
Others	20.2	**350,690,688**	339,975,357
		15,463,882,949	17,593,574,277
		P 36,013,912,558	P 31,727,844,177

Deferred rental income refers to the rental payments advanced by the lessee at the inception of the lease which will be applied to the remaining payments at the end of the lease term.

Derivative liability included the effect of change in foreign currency exchange rates in 2019 that arises from the hedging instruments designated as cash flow hedges entered into by Megaworld with the same local bank in 2019 and 2017 (see Note 2.5). Under the cross currency swap agreement in 2017, Megaworld would receive a total of $98.87 million to be paid on a quarterly basis beginning March 2019 up to December 2022 plus interest based on 3-month LIBOR plus a certain spread. In exchange, Megaworld would make fixed quarterly payments in Philippine pesos plus a fixed interest of 4.91%. In the other cross currency swap agreement in 2019, Megaworld will receive $95.62 million to be paid on a quarterly basis beginning December 2020 up to September 2024 plus interest based on 3-month LIBOR plus a certain spread. Megaworld shall make fixed quarterly payments in Philippine pesos plus a fixed interest of 4.82%.

Megaworld has designated the cross currency swap as a hedging instrument to hedge the risk in changes in cash flows of its loan denominated in U.S. dollar as an effect of changes in foreign currency exchange rates and interest rates [see Note 19(b) and (k)]. The hedging instruments have a negative fair value of P242.4 million at end of 2019 as presented here and a positive fair value of P397.8 million at end of 2018 as presented under Financial Assets at Fair Value Through Profit or Loss in the consolidated statements of financial position, respectively (see Note 7). The Group recognized unrealized loss on cash flow hedges amounting to P293.4 million and P45.9 million in 2019 and 2017, respectively, and unrealized gain on cash flow hedges amounting to P230.8 million in 2018. These are presented as part of other comprehensive income in the consolidated statements of comprehensive income.

As of December 31, 2019 and 2018, the Group has assessed that the cross currency swaps designated as cash flow hedges will continue to be highly effective over the term of the agreement; hence, the Group used hedge accounting on the hedging relationship of its cross currency swaps and on its interest-bearing loans [see Note 3.1(o)].

Equity-linked debt securities ("ELS") instrument arises from the subscription agreement between EMP and Arran Investment Private Limited ("the Holder") for the issuance of additional common shares of EMP. The ELS may be converted into a fixed number of common shares ("conversion shares") of EMP. The ELS bears a fixed annual interest rate (5.0% initially; 0% as amended in 2017) and variable interest (equal to the same dividend price declared and payable to common shareholders). On June 15, 2017, the ELS was amended, stipulating among others the change in the fixed number of Conversion Shares (728,275,862 new and fully paid-up) and in the Share Market Price for the mandatory conversion at any time fromRedemption Date and ending on the Extended Redemption Date (December 4, 2021) to greater than P7.25 per share.

The ELS was initially reported wholly as a non-current liability at amortized cost in the consolidated statements of financial position of prior years. 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 consolidated statements of financial position, while the amortization of the revalued financial liability component is presented as part of Interest expense under Finance Cost and Other Charges account in the 2019 and 2018 consolidated statements of comprehensive income (see Note 27). Interest expense amounted to P36.4 million, P108.4 million and P376.1 million in 2019, 2018 and 2017, respectively.

On December 4, 2019, EMP exercised the option to extend the Redemption Date to December 4, 2021. This did not result to any substantial modification of terms. On December 23, 2019, the parties entered into another amendment (the "Second Amendment") which included the following:

(a) The Holder is given the right to request conversion of:
   (i) P1,836,250,000 into 253,275,862 shares, which shall come from EMP's treasury shares ("Tranche 1 Conversion"); and,
   (ii) P3,443,750,000 into 475,000,000 shares ("Tranche 2 Conversion").

(b) The Holder is allowed to transfer the ELS to an affiliate of EMP.

Subsequently, on January 31, 2020, the parties entered into another amendment ("Third Amendment"), which removed the mandatory conversion of the ELS when the Share Market Price is reached; and on February 5, 2020, the Holder exercised its Tranche 1 Conversion right in accordance with the Second Amendment.

Provision for onerous lease pertains to WML's existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or subleased at a discount. The provision takes into account the current market conditions, expected future vacant periods, and expected future sublet benefits and are calculated by discounting expected net cash outflows on a pre-tax basis over the remaining period of the lease, which as of December 31, 2019 and 2018, is between one to 11 years and one to 12 years, respectively. In line with the adoption of PFRS 16 in 2019, the Group adjusted a portion of its provision amounting to P399.0 million against the beginning balance of right-of-use assets (see Note 13.3). The outstanding provision pertains to the remaining services expected to be settled with third party.

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 condominium unit holders arising from condo hotel operations while Others, which are not currently due, include accrued dividends on redeemable preferred shares (see Note 20.2) and security and miscellaneous deposits.

22. EQUITY

22.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2019	2018	2017	**2019**	2018	2017
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	**(446,500,000)**	(355,364,600)	(162,774,700)	**(6,793,114,766)**	(4,130,664,509)	(1,566,146,040)
Total outstanding	**9,823,327,979**	9,914,463,379	10,107,053,279	**P 3,476,713,213**	P 6,139,163,470	P 8,703,681,939

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, 2019 and 2018, the quoted closing price per share was P11.7 and P11.9, respectively. There are 1,007 holders, which include nominees, of the Company's total issued and outstanding shares as at December 31, 2019. The percentage of the Company's shares of stocks owned by the public is 26.92% and 30.08% as at December 31, 2019 and 2018, respectively.

22.2 Additional Paid-in Capital

APIC consists mainly of P21.9 billion from the stock rights offering, share swap transaction and international offering in 2007. In 2014, the Group reissued treasury shares, resulting to an increase in APIC by P783.5 million.

In 2019, P123.5 million was reclassified from Share Options account arising from forfeiture of unexercised share options granted on December 19, 2011.

22.3 Treasury Shares

On September 19, 2017, the BOD approved a two-year share repurchase program of up to P5.0 billion worth of shares in the open market, to enhance shareholder value. On September 18, 2019, the BOD approved another share repurchase program for P2.5 billion over a 12-month period ending on September 23, 2020. As of December 31, 2019, the Company has repurchased 446,500,000 shares for P5,857.0 million.

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

There are 122.96 million shares held by subsidiaries at a total cost of P936.16 million that were reported as part of treasury shares in the consolidated statements of changes in equity (see Note 2.15).

22.4 Dilution Gain

The movement in dilution gain is a direct result of dilution in the Parent Company's ownership interest in certain subsidiaries when such subsidiaries offer pre-emptive stock rights, underwent international stock offering, and acquire additional shares, in years prior to 2011.

22.5 Dividends

On November 26, 2018, the BOD approved the declaration of cash dividends of P0.10 per share. Total dividends amounting to P1,003.74 million in 2018 were paid to stockholders of record as at December 11, 2018. The said dividends were fully paid on December 21, 2018. 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 2019 and 2017.

22.6 Share Options

(a) Of the Company

On July 27, 2011, the BOD approved an Executive Share Option Plan ("ESOP") for the Company's key executive officers, which was subsequently ratified by the stockholders on September 20, 2011. Under the ESOP, the Company shall initially reserve for exercise of share options up to 300.0 million common shares, or 3% of the outstanding capital stock, which may be issued out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and continue to be exercisable in accordance with terms of issue.

The options shall vest within three years from date of grant ("offer date") and the holder may exercise only a third of the option at the end of each year of the three-year vesting period. The vested option may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for nine months immediately preceding the date of grant.

On December 19, 2011, pursuant to this ESOP, the Company granted share options to certain key executives to subscribe to 46.5 million common shares of the Company, at an exercise price of P9.175 per share. As at December 31, 2019, all of the said options have been unexercised and the related value of the stock option amounting to P123.5 million was reclassified to Additional Paid-in Capital account (see Note 22.2).

On March 14, 2013, the Company granted additional 59.1 million share options to certain key executives at an exercise price of P12.9997. As at December 31, 2019 and 2018, 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:

Option life		7 years
Share price at grant date	P	21.65
Exercise price at grant date	P	12.9997
Average fair value at grant date	P	9.18
Average standard deviation of share price returns		35.29%
Average dividend yield		2.10%
Average risk-free investment rate		2.92%

The underlying expected volatility was determined by reference to historical 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. In 2014, additional 40.0 million share options were granted in 2014 at an average exercise price of P3.00 per share. In 2019, additional 10 million share options were granted at an exercise price of P1.77. There were no grants in 2015 to 2018.

Further, in 2019, 10 million share options were forfeited due to resignation of certain key executive officers. There was no forfeiture due to resignation in 2018. A total of 10 million and 5 million have vested in 2019 and 2018, respectively.

In 2019, 500,000 share options were exercised at a price of P1.77 per share.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Option life	6.08 to 30.17 years
Share price at grant date	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	0.82 %
Average risk-free investment rate	3.93 %

The underlying expected volatility was determined by reference to historical date of Megaworld's shares over a period of time consistent with the option life.

(c) *Of GERI*

On September 23, 2011, GERI's BOD approved an ESOP for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of GERI, who are largely responsible for its further growth and development, to obtain an ownership interest and thereby encourage long-term commitment to GERI. The ESOP is being administered by the Executive Compensation Committee of GERI's BOD.

Under the ESOP, GERI shall initially reserve for exercise of share options up to 500.0 million common shares of its outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant.

The exercise price shall be at a 15% discount from the volume weighted average closing price of GERI's shares for twelve months immediately preceding the date of grant. The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period.

As of December 31, 2019, 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 396.3 million and 383.3 million options have vested as at December 31, 2019 and 2018, 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	P8.90
Average exercise price at grant date	P7.00
Average fair value at grant date	P4.09
Average standard deviation of share price returns	10.24%
Average dividend yield	1.08%
Average risk-free investment rate	4.89%

The underlying expected volatility was determined by reference to historical prices of EMP's shares over a period of one year.

(e) *Of Travellers*

Travellers has adopted an ESOP that grants share options to eligible key executive officers.

Travellers' ESOP is exempt from the registration requirements of SEC's Securities Regulation Code with respect to the issuance of the common shares, not to exceed 945,352,491 common shares, to eligible employees pursuant to Travellers' ESOP adopted by the its shareholders and BOD effective June 13, 2014.

The purpose of the ESOP is to (a) strengthen the alignment of interests between key employees and consultants of Travellers and its shareholders through the ownership of Travellers' shares of common stock and thereby increase focus on Travellers' share value; (b) motivate, attract and retain the services of key employees and consultants of Travellers, upon whose judgment, valuable work and special efforts, the day-to-day and long-term success and development of the business and the operations of Travellers are largely dependent; and, (c) encourage long-term commitment of the key employees and consultants of Travellers to contribute to the long-term financial success of Travellers.

The ESOP is being administered by the Remuneration and Compensation Committee of Travellers' BOD. As of December 31, 2019, Travellers has not granted any option to its eligible optionees.

The Group recognized a total of P45.7 million, P53.5 million and P49.5 million Share-option benefit expense in 2019, 2018 and 2017, 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 Share Options account for the portion incurred by the Parent Company and through Non-controlling Interest account for the portion related to the other shareholders of the subsidiaries (see Notes 26 and 28.3).

22.7 Appropriated Retained Earnings

In 2019 and 2018, GADC's BOD approved the appropriation of P6.7 billion and P6.2 billion, respectively, for its continuing business expansion projects which include construction of new stores, renovation of existing stores, development of information technology projects and office renovations. The construction of new stores and renovation of existing stores are projected to be completed within a period of three to four months and spread until 2021. The appropriation in 2018 was fully utilized and reversed in 2019, through opening of new 23 company-owned and renovation of 10 McDonald's restaurants. In 2017, GADC's BOD appropriated P4.6 billion for the continuing business expansion which was fully utilized and reversed in 2018

In 2017, AWGI's BOD approved the appropriation of a portion of its retained earnings amounting to P600.0 million for capital expenditures for the plant. In 2019, an additional P200.0 million was appropriated. The project is expected to be completed in 2022.

22.8 Perpetual Capital Securities

On April 11, 2018, Megaworld issued bonds amounting $200.0 million. The bonds were issued with a nominal interest of 5.375% per annum and interest is payable semi-annually in arrears every April 11 and October 11. The bonds are currently listed in the Singapore Exchange. The financial instruments are treated as equity securities. These bonds may be voluntarily redeemed by Megaworld on April 11, 2023 or on any distribution date thereafter [see Note 3.1(i)]. The amount was presented as part of Non-controlling interest (NCI) in the 2018 consolidated statement of financial position. As of December 31, 2019, the perpetual capital securities do not appear in the consolidated statement of financial position because all are now held within the Group [see Note 3.2(i)].

22.9 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material NCI are shown below (in thousands).

Name	Proportion of Ownership Interest and Voting Rights Held by NCI		Subsidiary's Consolidated Profit Allocated to NCI		Accumulated Equity of NCI	
	2019	2018	**2019**	2018	**December 31, 2019**	December 31, 2018
Megaworld	**33%**	33%	**P 5,872,539**	P 5,607,074	**P 81,239,944**	P 76,154,562
Travellers	**51%**	53%	**479,504**	787,686	**24,839,162**	24,445,979
GADC	**51%**	51%	**968,078**	842,335	**1,906,274**	1,193,204
Emperador	**15%**	17%	**1,008,818**	1,315,930	**12,537,274**	11,717,287

Dividends paid to NCI amounted to P1.5 billion in 2019, P1.3 billion in 2018 and P1.7 billion in 2017.

The summarized financial information of the subsidiaries, before intragroup eliminations, is shown below and in the succeeding page (in thousands).

	December 31, 2019			
	Megaworld	**Travellers**	**GADC**	**Emperador**
Non-current assets	P 159,126,914	P 99,114,697	P 21,559,785	P 62,141,205
Current assets	190,506,161	19,913,249	12,592,969	63,844,792
Total assets	**P 349,633,075**	**P 119,027,946**	**P 34,152,754**	**P 125,985,997**
Non-current liabilities	P 87,223,034	P 46,253,716	P 15,584,963	P 32,824,177
Current liabilities	57,544,518	33,823,338	10,665,877	28,445,063
Total liabilities	**P 144,767,552**	**P 80,077,054**	**P 26,250,840**	**P 61,269,240**
Revenues	**P 67,312,740**	**P 28,278,952**	**P 31,964,333**	**P 51,565,480**
Profit for the year attributable to:				
Owners of Parent	P 17,931,417	P 945,208	P 1,889,304	P 6,725,536
NCI	1,364,612	(4,096)	4,533	107,000
Profit for the year	19,296,029	941,112	1,893,837	6,832,536
Other comprehensive loss attributable to:				
Owners of Parent	(508,571)	(191,745)	(585)	(1,061,460)
NCI	(20,671)	-	-	(100,442)
Other comprehensive loss for the year	(529,242)	(191,745)	(585)	(1,161,902)
Total comprehensive income for the year	**P 18,766,787**	**P 749,367**	**P 1,893,252**	**P 5,670,634**
Net cash from (used in)				
Operating activities	P 23,381,900	P 7,485,747	P 4,670,359	P 7,444,213
Investing activities	(11,315,856)	(9,020,458)	(2,237,919)	(1,276,010)
Financing activities	(6,504,264)	3,111,040	(2,594,927)	(4,655,827)

	December 31, 2018			
	Megaworld	Travellers	GADC	Emperador
Non-current assets	P 147,143,281	P 89,925,501	P 8,976,372	P 61,818,351
Current assets	175,147,386	17,370,281	11,358,262	56,000,020
Total assets	P 322,290,667	P 107,295,782	P 20,334,634	P 117,818,371
Non-current liabilities	P 86,146,058	P 44,364,606	P 2,445,815	P 36,237,036
Current liabilities	47,404,188	17,293,323	9,221,070	20,217,389
Total liabilities	P 133,550,246	P 61,657,929	P 11,666,885	P 56,454,425

	December 31, 2018			
Revenues	P 57,427,211	P 20,566,139	P 28,333,547	P 47,050,421
Profit for the year attributable to:				
Owners of Parent	P 15,208,138	P 1,443,770	P 1,646,373	P 6,658,236
NCI	624,914	(4,366)	2,685	170,713
Profit for the year	15,833,052	1,439,404	1,649,058	6,828,949
Other comprehensive income (loss) attributable to:				
Owners of Parent	607,476	54,911	34,452	(5,353)
NCI	(18,363)	-	-	68,421
Other comprehensive income for the year	589,113	54,911	34,452	63,068
Total comprehensive income for the year	P 16,422,165	P 1,494,315	P 1,683,510	P 6,892,017
Net cash from (used in)				
Operating activities	P 13,926,729	P 5,703,159	P 2,949,485	P 1,634,927
Investing activities	(16,679,022)	(14,718,884)	(1,424,042)	(1,958,358)
Financing activities	3,626,368	11,434,036	(832,095)	(3,610,753)

23. EARNINGS PER SHARE

Earnings per share is computed as follows:

	2019	2018 [As Restated – see Note 1.2(a)]	2017
Basic:			
Net profit attributable to owners of the parent company	**P 17,721,519,071**	P 15,114,291,790	P 15,192,000,737
Divided by the weighted average number of outstanding common shares	**9,700,363,779**	9,914,463,379	10,107,053,279
	P 1.8269	P 1.5245	P 1.5031
Diluted:			
Net profit attributable to owners of the parent company	**P 17,721,519,071**	P 15,114,291,790	P 15,192,000,737
Divided by the weighted average number of outstanding common shares and potentially dilutive shares	**9,702,914,942**	9,928,424,379	10,129,398,650
	P 1.8264	P 1.5223	P 1.4998

The actual number of outstanding common shares approximates the weighted average for each year. There are 2.6 million, 14.0 million and 22.3 million potentially dilutive shares as at December 31, 2019, 2018 and 2017, respectively, from the Group'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 2019, 2018 and 2017 diluted EPS.

24. REVENUES

24.1 Disaggregation of Revenues

The Group disaggregates revenues recognized from contracts with customers into the operating business segments presented in Notes 4.1 and 4.4 that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The same disaggregation is used in earnings releases, annual reports and investor presentations.

The breakdown of revenues from sale of goods and rendering of services is presented below:

	Notes	**2019**	2018	2017
Sale of Goods:				
Revenues from real estate sales:				
Real estate sales	2.16(b, c)	**P 42,603,984,572**	P 37,667,540,752	P 34,115,066,390
Sales of consumer goods	2.16(a)	**50,916,284,803**	47,607,702,279	43,236,971,687
		P 93,520,269,375	P 85,275,243,031	P 77,352,038,077
Rendering of Services:				
Sales by company-operated quick-service restaurants	2.16(f)	**P 28,769,278,450**	P 25,605,114,481	P 23,069,644,779
Gaming	2.16	**21,545,613,743**	15,881,465,964	14,575,224,422
Rental income	2.18, 14	**17,326,063,085**	14,741,266,661	12,457,699,770
Hotel operations	2.16(e)	**7,545,578,746**	5,005,152,260	4,186,654,787
Franchise revenues	2.16(g), 31.6	**3,195,054,315**	2,728,432,374	2,470,290,662
Others	2.16(h)	**2,661,270,958**	2,215,548,669	1,532,695,852
		P 81,042,859,297	P 66,176,980,409	P 58,292,210,272

Other revenues include income from commissions, construction, property management operations, cinema operations, parking, bingo, tournaments and production shows.

The disaggregation of revenues for each reportable segment is presented below.

	2019					
	Megaworld	**Travellers**	**GADC**	**Emperador**	**Unallocated**	**Total**
Sale of goods	P 42,603,984,572	P -	P -	P50,259,676,633	P 656,608,170	P 93,520,269,375
Rendering of services	20,738,933,862	28,267,765,663	32,008,231,692	27,928,080	-	81,042,859,297
	P 63,342,918,434	**P28,267,765,663**	**P32,008,231,692**	**P50,287,604,713**	**P 656,608,170**	**P 174,563,128,672**

	2018					
	Megaworld	Travellers	GADC	Emperador	Unallocated	Total
Sale of goods	P 37,665,233,060	P -	P -	P46,345,675,149	P 1,264,334,822	P 85,275,243,031
Rendering of services	17,216,095,673	20,532,703,973	28,415,529,909	12,650,854	-	66,176,980,409
	P 54,881,328,733	P20,532,703,973	P28,415,529,909	P46,358,326,003	P 1,264,334,822	P 151,452,223,440

	2017					
	Megaworld	Travellers	GADC	Emperador	Unallocated	Total
Sale of goods	P 34,115,066,390	P -	P -	P42,206,283,523	P 1,030,688,164	P 77,352,038,077
Rendering of services	14,010,285,576	18,578,784,045	25,651,627,320	51,513,331	-	58,292,210,272
	P 48,125,351,966	P18,578,784,045	P 25,651,627,320	P42,257,796,854	P 1,030,688,164	P 135,644,248,349

24.2 Contract Accounts

The significant changes in the contract assets and contract liabilities balances as of December 31 are as follows:

	2019		2018	
	Contract Assets	**Contract Liabilities**	Contract Assets	Contract Liabilities
Balance at beginning of year	**P22,227,279,687**	**P5,368,667,295**	P16,111,327,271	P 4,295,663,665
Transfers from contract assets recognized at the beginning of year to trade receivables	**(13,872,777,770)**	**-**	(2,399,983,277)	
Increase due to satisfaction of performance obligation over time, net of cash collection	**10,288,502,770**	**-**	8,070,269,733	
Increase due to acquisition of subsidiaries	**-**	**-**	445,665,960	180,751,668
Revenue recognized that was included in contract liabilities at the beginning of year	**-**	**(2,124,864,709)**	-	(2,494,845,747)
Increase due to cash received in excess of performance to date	**-**	**1,969,752,457**	-	3,387,097,709
Balance at end of year	**P18,643,004,687**	**P 5,213,555,043**	P22,227,279,687	P 5,368,667,295

The outstanding balance of trade receivables arising from contracts with real estate and hotel customers amounted to P28.8 billion and P19.7 billion as of December 31, 2019 and 2018, respectively, are presented as part of Trade receivables (see Note 6).

24.3 Direct Contract Costs

The Group incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission under Other Current Assets and Other Non-current Assets accounts in the consolidated statements of financial position (see Note 9). These are amortized over the expected construction period on the same basis as how the Group measures progress towards complete satisfaction of its performance obligation in its contracts. The total amount of amortization is presented as part of Commissions under Other Operating Expenses (see Note 26).

The movement in balances of deferred commission in 2019 and 2018 is presented below.

	2019	2018
Balance at beginning of year	**P 1,142,601,641**	P 903,823,805
Additional capitalized costs	**2,492,199,784**	1,401,587,691
Reversals due to back out	**(23,324,369)**	(25,875,937)
Amortization for the year	**(1,498,062,340)**	(1,136,933,918)
Balance at end of year	**P 2,113,414,716**	P 1,142,601,641

24.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts amounted to P31.1 billion and P21.3 billion as of December 31, 2019 and 2018, respectively, which the Group expects to recognize as follows:

	2019	2018
Within a year	**P 16,005,879,940**	P 13,929,628,018
More than one year to three years	**11,284,401,763**	6,287,109,681
More than three years to five years	**3,774,194,420**	1,016,292,043
	P 31,064,476,123	P 21,233,029,742

25. COST OF GOODS SOLD AND SERVICES

The components of cost of goods sold and services are as follows:

	Notes	2019	2018	2017
Cost of Goods Sold:	2.16			
Cost of consumer goods sold:				
Direct materials used		**P 27,045,305,943**	P 25,758,007,484	P 24,850,232,749
Salaries and employee benefits	28.1	**1,495,018,481**	1,324,506,139	1,350,970,088
Change in work in process and finished goods		**2,201,004,997**	1,094,652,102	(690,800,020)
Depreciation and amortization	13	**902,861,094**	917,072,273	707,755,935
Utilities		**240,089,684**	347,138,447	260,877,214
Indirect materials and other consumables		**333,823,318**	321,029,104	191,137,844
Repairs and maintenance		**285,073,846**	284,322,167	227,177,596
Outside services	30.1	**234,555,623**	253,244,690	266,253,636
Taxes and licenses		**169,487,067**	153,438,507	130,643,743
Supplies		**243,509,236**	124,640,547	103,698,826
Other direct and overhead costs	8	**554,348,157**	695,883,912	604,975,991
		33,705,077,446	31,273,935,372	28,002,923,602
Cost of RE sales:				
Contracted services		**17,531,181,959**	16,516,692,619	15,505,014,182
Land cost		**4,927,689,375**	3,253,659,078	2,072,833,307
Borrowing cost		**549,543,413**	473,001,664	361,376,502
Other costs		**371,404,253**	91,911,888	101,866,469
	2.7	**23,379,819,000**	20,335,265,249	18,041,090,460
		P 57,084,896,446	P 51,609,200,621	P 46,044,014,062
Cost of Services:	2.16			
Food, supplies and other consumables		**P 13,759,782,530**	P 11,918,809,205	P 10,610,845,688
Salaries and employee benefits	28.1	**8,419,165,899**	7,064,302,241	5,887,768,691
Gaming license fees	29.3	**5,908,762,626**	4,380,228,290	3,862,964,722
Rental		**3,196,427,509**	4,353,601,170	3,790,678,826
Depreciation and amortization	13, 14	**4,413,068,746**	2,484,703,912	2,303,011,256
Hotel operations		**1,381,156,765**	820,752,636	755,756,983
Casino operating expenses		**1,056,185,565**	917,762,234	581,391,736
Outside services		**810,865,489**	686,663,019	584,135,049
Flight operations		**45,164,491**	401,669,099	108,444,291
Entertainment, amusement and recreation		**88,024,085**	61,803,637	36,206,352
Other direct and overhead costs		**2,181,871,398**	1,871,988,190	1,500,871,563
		P 41,260,475,103	P 34,962,283,633	P 30,022,075,157

Other direct and overhead costs include, among others, costs incurred for insurance, waste disposal, and meals.

26. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2019	2018	2017
Advertising and promotions		**P 9,733,284,262**	P 8,060,090,864	P 6,254,001,848
Salaries and employee benefits	22.6, 28.1	**7,144,731,793**	6,590,129,223	6,047,247,187
Depreciation and amortization	13, 14, 15	**4,414,504,107**	3,481,239,011	2,828,785,589
Commissions	24.3	**2,496,225,421**	1,727,459,061	1,552,807,279
Professional fees and outside services		**2,230,438,143**	1,612,069,995	1,007,867,063
Utilities		**1,523,080,666**	1,588,180,506	1,156,691,047
Taxes and licenses		**1,419,368,580**	1,150,742,613	1,182,031,021
Royalty	30.5, 31.6	**1,411,937,403**	1,257,196,109	1,132,577,168
Transportation and travel		**1,255,802,420**	1,150,349,456	880,457,239
Repairs and maintenance		**627,031,314**	571,651,807	460,063,891
Representation and entertainment		**560,602,339**	252,028,984	231,226,865
Management fees	30.3, 31.5(e)	**508,866,877**	314,538,929	304,779,371
Rental		**507,267,828**	637,441,531	939,718,670
Freight and handling		**470,860,051**	470,887,193	417,206,996
Dues and subscriptions		**470,115,202**	370,878,507	335,196,977
Impairment of PPE and intangible assets	13, 15	**360,779,482**	-	-
Communication and office expenses		**74,462,512**	66,116,681	52,071,893
Write-down of inventories	8	**34,242,266**	4,926,653	-
Insurance		**30,062,799**	31,973,829	18,303,124
Impairment of receivables	6	**12,453,267**	169,501,339	145,518,483
Miscellaneous	12.5, 15, 31.3	**3,367,076,854**	2,070,052,736	2,049,518,169
		P 38,653,193,586	P 31,577,455,027	P 26,996,069,880

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:

	2019	2018	2017
General and administrative expenses	**P 22,493,694,348**	P 18,048,986,859	P 17,163,743,802
Selling and marketing expenses	**16,159,499,238**	13,528,468,168	9,832,326,078
	P 38,653,193,586	P 31,577,455,027	P 26,996,069,880

27. OTHER INCOME AND CHARGES

Other income and charges provide details of Finance and Other Income account and Finance Costs and Other Charges account as presented in the consolidated statements of comprehensive income.

	Notes	2019	2018 [As Restated – see Note 1.2 (b)]	2017
Finance and other income:				
Interest income	2.16, 5, 6, 7	**P 2,874,346,544**	P 2,833,780,599	P 2,307,789,718
Foreign currency gains – net	19	**893,016,567**	-	-
Gain on finance lease	6	**350,218,385**	-	-
Gain on sale and dilution of investments in an associate	12.2, 12.3	**340,809,382**	-	113,069,227
Reversal of impairment losses on receivables	6	**142,414,348**	6,559,028	7,553,903
Insurance recovery	31.10	**69,386,881**	1,710,581,049	-
Dividend income		**20,870,837**	63,767,349	12,423,602
Gain on sale of financial assets at FVTPL	7	**16,221,425**	12,101,261	4,799,290
Gain on disposal of PPE and investment properties – net	13, 14	**-**	53,917,450	115,773,777
Gain on deconsolidation of subsidiaries	1.2(a),(b)	**-**	19,479,803	-
Reversal of impairment losses on PPE	13.1	**-**	19,258,000	60,504,846
Gain on sale of investment in AFS financial assets – net	11	**-**	-	22,230,010
Reversal of preacquisition loss		**-**	-	2,715,950
Miscellaneous – net	6, 8, 13	**538,278,002**	311,685,176	224,814,960
		P 5,245,562,371	P 5,031,129,715	P 2,871,675,283

	Notes	2019	2018 [As Restated – see Note 1.2 (b)]	2017
Finance costs and other charges:				
Interest expense	18, 19, 20, 21, 29	**P 6,292,708,219**	P 4,084,166,535	P 5,554,066,867
Day one loss	6	**494,929,021**	329,207,293	204,079,110
Loss on disposal of PPE – net	13	**11,601,932**	-	-
Fair value losses – net	7	**1,528,528**	36,629,368	9,126,926
Foreign currency losses – net		**-**	1,728,894,002	238,147,779
Reversal of preacquisition income		**-**	166,615,784	-
Losses from casualty, net of insurance claims	13, 31.10	**-**	-	430,354,462
Unrealized loss on interest rate swap	21	**-**	-	27,235,637
Miscellaneous		**319,763,763**	507,470,754	420,861,084
		P 7,120,531,463	P 6,852,983,736	P 6,883,871,865

Miscellaneous income includes gain on sale of other non-current assets, marketing fees and others.

Miscellaneous expenses pertain to amortization of discounts on security deposits, bank charges and other related fees.

28. SALARIES AND EMPLOYEE BENEFITS

28.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2019	2018	2017
Short-term employee benefits		**P 16,466,671,687**	P 14,415,205,639	P 12,585,532,010
Post-employment defined benefit	2.21(b), 28.2	**546,568,907**	510,274,924	650,996,947
Share option benefit expense	2.21(e), 22.6 28.3, 30.8	**45,675,579**	53,457,040	49,457,009
		P 17,058,916,173	P 14,978,937,603	P 13,285,985,966

These are classified in the consolidated statements of comprehensive income as follows:

	Notes	2019	2018	2017
Cost of goods sold	25	**P 1,495,018,481**	P 1,324,506,139	P 1,350,970,088
Cost of services	25	**8,419,165,899**	7,064,302,241	5,887,768,691
Other operating expenses	26	**7,144,731,793**	6,590,129,223	6,047,247,187
		P 17,058,916,173	P 14,978,937,603	P 13,285,985,966

28.2 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 Consolidated Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries in 2019 and 2018.

The amounts of retirement benefit obligation as of the end of the reporting periods, presented as a non-current liability in the consolidated statements of financial position, are determined as follows:

	2019	2018
Present value of the obligation	**P 17,344,655,874**	P 14,911,962,326
Fair value of plan assets	**(15,143,284,766)**	(13,121,942,658)
	P 2,201,371,108	P 1,790,019,668

The movements in the present value of retirement benefit obligation are as follows:

	2019	2018
Balance at beginning of year	**P 14,911,962,326**	P 15,565,665,635
Effects of foreign currency adjustment	**(182,097,017)**	7,310,649
Current service and interest costs	**889,863,711**	807,830,206
Past service cost	**-**	63,033,600
Remeasurement loss (gains)	**2,434,607,358**	(1,031,402,716)
Availment of sabbatical leave	**(3,886,164)**	(4,282,761)
Benefits paid	**(715,794,340)**	(496,192,287)
Balance at end of year	**P 17,334,655,874**	P 14,911,962,326

The movements in the fair value of plan assets of funded retirement plans of the Group are presented below.

	2019	2018
Balance at beginning of year	**P 13,121,942,658**	P 13,622,212,348
Effects of foreign exchange adjustment	**(268,780,601)**	(3,404,740)
Return (loss) on plan assets (excluding amounts included in net interest)	**2,051,615,975**	(837,548,125)
Benefits paid	**(699,063,635)**	(490,923,105)
Contributions paid into the plan	**517,136,793**	434,796,364
Interest income	**420,433,576**	396,809,916
Balance at end of year	**P 15,143,284,766**	P 13,121,942,658

The plan assets of MEG, EMP, GADC and Travellers as at December 31 consist of the following:

	2019	2018
Investments in:		
Other securities and debt instruments	**65.83%**	66.57%
Long-term equity investments	**24.05%**	24.35%
Unit investment trust fund	**2.23%**	1.71%
Cash and cash equivalents	**3.42%**	2.66%
Property	**4.45%**	4.49%
Loans and receivables	**0.02%**	0.22%
	100.00%	100.00%

Actual returns on plan assets in 2019 amounted to P2,472.0 million, while actual loss on plan assets in 2018 amounted to P440.7 million.

The fair value of the investments in other securities and debt instruments, long-term equity investments and cash and cash equivalents is at Level 1 in the fair value hierarchy. Unit investment trust fund is at Level 2, while loans and receivables and property are at Level 3 (see Note 34).

The amounts of post-employment benefits expense recognized as part of Salaries and employee benefits in profit or loss (see Note 28.1) and other comprehensive income are as follows:

	2019	2018	2017
Reported in consolidated profit or loss –			
Current service cost	**P 546,568,907**	P 447,241,324	P 509,209,458
Past service cost	**-**	63,033,600	141,787,489
	P 546,568,907	P 510,274,924	P 650,996,947
Reported in consolidated other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**(P2,010,691,704)**	P1,216,963,491	(P 176,408,792)
Demographic assumptions	**(571,726,580)**	95,290,623	467,425,221
Experience adjustments	**125,507,518**	(284,076,339)	(150,077,980)
Return on plan assets (excluding amounts in net interest expense)	**2,051,615,975**	(837,548,125)	809,565,124
	(405,294,791)	190,629,650	950,503,573
Tax income (expense)	**12,736,237**	(73,057,872)	(189,305,616)
	(P 392,558,554)	P 177,571,778	P 761,197,957

In 2019, 2018 and 2017, post-employment benefits expense amounting to P180.6 million, P180.6 million, and P158.3 million, respectively, were incurred for WML's defined contribution plan, thus will not be included in the current service cost presented under the movement of post-employment benefit obligation.

The amounts of post-employment benefits expense are included as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26).

The interest costs are presented as part of Interest expense under Finance Costs and Other Charges account (see Note 27).

In determining the post-employment benefit obligation, the following actuarial assumptions were used:

	2019	2018
Discount rates	**4.83% - 6.08%**	2.58% - 8.88%
Expected rates of salary increases	**4.00% - 10.00%**	3.00% - 10.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The discount rates assumed were based on the yields of long-term government bonds, as of the valuation dates. The applicable period used approximate the average years of remaining working lives of the Group's employees.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk, salary risk and inflation risk.

(i) Investment and Interest Rate Risks

Discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plans have placed majority of its plan assets in investments in equity and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity and debt investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) Inflation Risk

A significant portion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Group's liability.

(d) Other Information

(i) Sensitivity Analysis

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

	Change in Assumption	Impact on Post-employment Obligation Increase in Assumption	Impact on Post-employment Obligation Decrease in Assumption
December 31, 2019			
Discount rate	+/-0.25% to +/-1.00%	**(P 938,041,461)**	**P 1,009,321,127**
Salary increase rate	+/-1.0%	**604,666,020**	**(532,152,539)**
December 31, 2018			
Discount rate	+/-0.25% to +/-1.00%	(P 1,228,153,365)	P 1,329,604,167
Salary increase rate	+/-1.0%	969,478,821	(838,214,343)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

The Group, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing and selling of equities and debt securities that match the benefit payments as they fall due and in the appropriate currency.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P2.2 billion based on the Group's latest actuarial valuations. 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:

	2019	2018
Within one year	**P 491,171,743**	P 506,286,474
More than one year to five years	**2,124,978,812**	2,155,864,158
More than five years to ten years	**2,173,103,807**	2,047,918,673
More than ten years to 15 years	**1,166,289,745**	1,022,251,275
More than 15 years to 20 years	**2,113,305,228**	1,835,366,408
More than 20 years	**14,648,276,818**	10,598,600,164
	P 22,717,126,153	P 18,166,287,152

The Group expects to contribute P78.0 million and P40.0 million to the retirement plan maintained for Megaworld and GADC, respectively, in 2019. GERI and EMP have yet to decide the amount of future contributions to their existing retirement plans.

28.3 Share Option Benefits

The Group's share option benefit expense includes the amounts recognized by the Company, Megaworld, GERI and EMP over the vesting period of the options granted by them (Travellers has not yet granted any share options to its eligible optionees) (see Note 22.6). Options for 431.3 million shares and 538.9 million shares have vested and exercisable as at December 31, 2019 and 2018, respectively. Share option benefits expense, included as part of Salaries and employee benefits amounted to P45.7 million in 2019, P53.5 million in 2018 and P49.5 million in 2017 (see Note 28.1).

29. TAXES

29.1 Current and Deferred Taxes

The tax expense (income) reported in the consolidated statements of comprehensive income for the years ended December 31 are presented below and in the succeeding page.

	2019	2018	2017
Reported in consolidated profit or loss:			
Current tax expense:			
Regular corporate income tax ("RCIT") at 30%, 25%, 20%, 19% and 10%	**P 5,847,290,957**	P4,707,781,336	P 4,857,600,237
Final tax at 20% and 15% in 2019 and 2018; 20% and 7.5% in 2017	**315,964,163**	128,439,560	112,022,487
Preferential tax rate at 5%	**26,812,173**	57,336,871	63,858,452
Minimum corporate income tax ("MCIT") at 2%	**24,259,585**	78,383,637	54,410,799
Others	**22,348,608**	27,904,342	15,630,199
	6,236,675,486	4,999,845,746	5,103,522,174
Deferred tax expense relating to origination and reversal of temporary differences	**2,533,168,879**	3,107,658,791	1,463,100,247
	P 8,769,844,365	P8,107,504,537	P 6,566,622,421

	2019	2018	2017
Reported in consolidated other comprehensive income – Deferred tax expense (income) relating to origination and reversal of temporary differences	**(P 29,947,808)**	P 73,774,847	P 189,714,791

The Company and its Philippine subsidiaries are subject to the higher of RCIT at 30% of net taxable income or MCIT at 2% of gross income, as defined under the Philippine tax regulations. The foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries or jurisdictions where they operate.

ECOC, SEDI, Travellers, DHRI and LSHRI are Philippine Economic Zone Authority – registered entities which are entitled to 5% preferential tax rate on gross income from registered activities in lieu of all local and national taxes and to other tax privileges.

In May 2014, the Board of Investments approved SPI's application for registration on a certain project. SPI is entitled to income tax holiday for four years from May 2014 or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms. In May 2018, the registration with BOI on certain project has expired.

The reconciliation of tax on consolidated pretax income computed at the applicable statutory rates to consolidated tax expense is as follows:

	2019	2018 (As Restated – see Note 2.1(b)]	2017
Tax on consolidated pretax income at 30%	**P10,761,876,893**	P 9,535,014,878	P 8,652,777,302
Adjustment for income subjected to different tax rates	**(392,261,409)**	(345,795,938)	(578,379,091)
Tax effects of:			
Income not subject to RCIT	**(11,280,631,715)**	(8,201,593,447)	(7,865,868,054)
Nondeductible expenses	**8,655,669,796**	7,464,431,878	5,856,657,553
Tax benefit arising from unrecognized deferred tax asset	**826,894,719**	239,154,803	617,264,763
Additional deduction with the use of Optional Standard Deduction ("OSD")	**284,614,862**	(10,889,592)	(94,299,139)
Adjustment to current tax from prior years	**(7,401,358)**	(27,793,181)	(27,237,835)
Changes in tax rates	**-**	-	-
Others	**(78,917,423)**	(600,611,226)	5,706,922
Tax expense reported in consolidated profit or loss	**P 8,769,844,365**	P 8,107,504,537	P 6,566,622,421

The deferred tax assets and liabilities as at December 31 presented in the consolidated statements of financial position relate to the following:

	2019	2018 (As Restated – see Note 2.1(b)]	2017
Deferred tax assets:			
Lease liabilities	**P 4,241,570,673**	P -	P -
Retirement benefit obligation	**687,630,599**	711,922,438	583,929,095
Allowance for impairment losses	**169,307,403**	168,828,516	161,011,108
Difference between the fair value and carrying value of net assets acquired	**141,225,062**	141,225,062	-
Allowance for inventory write-down	**18,910,914**	8,638,235	7,126,361
Allowance for property development costs	**9,227,732**	9,227,732	-
Net operating loss carry-over ("NOLCO")	**5,766,629**	5,399,215	9,463,930
MCIT	**2,054,074**	5,723,082	4,423,918
Unrealized foreign currency loss	**1,627,464**	3,988,361	-
Others	**200,008,661**	95,541,928	35,429,590
	P 5,477,329,211	P 1,150,494,569	P 801,384,002
Deferred tax liabilities – net:			
Uncollected gross profit	**P 7,039,045,027**	P 5,655,708,165	P 4,528,857,432
Capitalized interest	**3,620,859,394**	2,991,427,467	2,249,073,078
Right-of-use Asset	**3,269,619,057**	-	-
Brand valuation	**1,612,067,160**	1,832,968,656	1,639,406,000
Difference between the tax reporting base and financial reporting base of property, plant and equipment	**1,173,233,118**	1,387,749,156	296,665,745
Unrealized foreign currency loss – net	**(705,855,183)**	(852,134,494)	(1,037,291,789)
Retirement benefit obligation	**(359,341,851)**	(268,304,250)	(112,382,943)
Fair value adjustment	**250,030,968**	78,796,405	120,883,120
Uncollected rental income	**34,979,523**	90,717,074	31,094,119
Others	**439,636,491**	160,602,920	53,860,934
	P16,374,273,704	P11,077,531,099	P 7,770,165,696

The deferred tax expense reported in the consolidated statements of comprehensive income is shown below.

	Consolidated Profit or Loss			Consolidated Other Comprehensive Income		
	2019	2018	2017	**2019**	2018	2017
Deferred tax expense (income):						
Uncollected gross profit	**P 2,119,133,707**	P 1,218,405,616	P 242,109,769	**P -**	P -	P -
Capitalized interest	**629,431,927**	742,354,389	521,712,906	-	-	-
Retirement benefit obligation	**(249,186,139)**	(349,351,745)	216,716,315	**(29,007,853)**	73,057,872	189,305,616
Brand valuation	**(220,901,496)**	193,562,656	149,481,000	-	-	-
Difference between the tax reporting base and financial reporting base of property, plant and equipment	**(214,516,038)**	1,091,083,411	(304,991,125)	-	-	-
Fair value adjustments	**171,234,563**	(42,086,715)	(396,834,640)	-	-	-
Unrealized foreign currency loss (gains) - net	**148,503,722**	179,728,927	183,905,853	-	-	-
Uncollected rental income	**(46,664,018)**	50,549,422	1,210,328	-	-	-
MCIT	**3,669,008**	(1,299,164)	143,325,455	-	-	-
Accrued rent	**3,299,972**	-	7,394,970	-	-	-
Allowance for impairment losses	**(2,998,325)**	29,116,331	12,432,142	-	-	-
NOLCO	**(367,414)**	4,064,715	11,385,882	-	-	-
Translation adjustments	-	-	-	**(939,955)**	716,975	409,175
Others	**192,529,410**	(8,469,052)	675,251,392	-	-	-
Deferred tax expense (income)	**P2,533,168,879**	P 3,107,658,791	P1,463,100,247	**(P 29,947,808)**	P 73,774,847	P 189,714,791

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
2019	P 2,554,786,152	P -	P -	P 2,554,786,152	2022
2018	506,587,340	(7,914,993)	-	498,672,347	2021
2017	1,737,197,158	(712,012,830)	-	1,025,184,328	2020
2016	744,806,623	(724,704,201)	20,102,422	-	
	P 5,543,377,273	**(P 1,444,632,024)**	**(P 20,102,422)**	**P 4,078,642,827**	

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
2019	P 24,429,671	P -	P -	P 24,429,671	2022
2018	70,788,738	(529,013)	-	70,259,725	2021
2017	36,587,520	(367,044)	-	36,220,476	2020
2016	31,624,246	(1,357,695)	30,266,551	-	
	P 163,430,175	**(P 2,253,752)**	**(P 30,266,551)**	**P 130,909,872**	

The following summarizes the amount of NOLCO and other deductible temporary differences as at the end of 2019, 2018 and 2017 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:

	2019		2018		2017	
	Amount	**Tax Effect**	Amount	Tax Effect	Amount	Tax Effect
NOLCO	**P4,059,420,723**	**P 1,217,826,217**	P 1,530,940,587	P 459,282,176	P 3,152,232,880	P 945,669,864
Allowance for impairment	**314,846,930**	**94,454,079**	283,085,427	84,925,628	177,213,977	53,164,193
Share-based compensation	**523,704,160**	**157,111,248**	647,239,210	194,171,763	647,239,210	194,171,763
Retirement benefit obligation	**181,307,167**	**54,392,150**	194,235,387	58,270,616	201,818,650	60,545,595
MCIT	**128,855,798**	**128,855,798**	124,154,674	124,154,674	84,173,420	84,173,420
Unrealized foreign currency losses – net	**(1,811,460)**	**(543,438)**	(1,811,460)	(543,438)	(18,684,900)	(5,605,470)
Allowance for inventory write-down	**-**	**-**	-	-	112,927	33,878
Unrealized loss on interest rate swap	**-**	**-**	-	-	-	-
ARO	**-**	**-**	-	-	1,123,830	337,149
	P 5,206,323,318	**P 1,652,096,054**	P 2,777,843,825	P 920,261,419	P 4,245,229,994	P 1,332,490,392

The total amount of NOLCO and MCIT for which no deferred tax assets have been recognized as of December 31, 2019 and 2018, would expire in full at the end of 2022 and 2021, respectively. All other unrecognized deferred tax assets do not expire.

29.2 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 2019, 2018 and 2017, 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.

29.3 Taxation of Casino Operations

Under the Provisional License Agreement with PAGCOR, Travellers is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues. The license fees are directly remitted by Travellers to PAGCOR as required under the Provisional License Agreement.

In April 2013, the Bureau of Internal Revenue ("BIR") issued Revenue Memorandum Circular ("RMC") 33-2013 declaring that PAGCOR and its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended [see Note 31.3(c)]. 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 Philippine Supreme Court ("SC") Decision.

In August 2016, the SC, in *Bloomberry Resorts and Hotels, Inc. vs. BIR*, (the SC Decision) confirmed that "all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos." The SC Decision has been affirmed with finality by SC in a resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. Consistent with the decision of SC, on June 13, 2018, the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extended to all PAGCOR contractees and licensees.

Total license fees recognized amounted to P5.9 billion, P4.4 billion and P3.9 billion in 2019, 2018 and 2017, respectively, and are presented as Gaming license fees as part of Cost of Services account in the consolidated statements of comprehensive income (see Note 25). The outstanding liabilities are presented as Gaming license fees payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, jointly controlled entities, the Group's key management personnel and retirement fund, and others (see Note 2.26). The summary of the Group's transactions and balances with its related parties as of and for the years ended December 31, 2019, 2018 and 2017 are as follows:

Related Party Category	Notes	Amount of Transaction 2019	2018	2017	Outstanding Balance Receivable (Payable) 2019	2018
Parent Company and subsidiaries' stockholders:						
Casino transactions	30.2	P 236,735,346	P 222,106,178	P 278,977,739	(P 742,847)	(P 1,346,880)
Management fees	30.3	312,928,400	200,375,091	201,402,916	(15,216,479)	(17,173,497)
Accounts payable	30.5	-	-	(33,000,002)	(347,670,510)	(347,670,510)
Acquisition of investment	30.7	930,000,000	3,714,285,146	-	(680,000,000)	(1,046,400,000)
Related party under common ownership:						
Purchase of raw materials	30.1	3,709,697,815	3,348,852,355	2,659,080,044	(1,019,713,848)	(941,949,372)
Advances granted	30.4	474,737,422	238,678,133	(119,707,370)	1,987,691,766	1,512,954,344
Purchase of finished goods	30.1	28,098,331	23,643,366	11,318,183	(1,710,514)	(459,844)
Management services	30.1	60,000,000	60,000,000	45,000,000	(77,000,000)	(76,500,000)
Associates –						
Advances granted	30.4	(34,488,474)	(138,316,007)	143,592,779	1,097,060,500	1,131,548,974
Others:						
Advances from joint venture partners and others	30.6	(141,282,465)	55,488,129	588,719,285	(2,244,180,653)	(2,385,463,118)
Accounts receivable	30.5	280,683,010	78,811,540	(562,586,208)	608,958,652	328,275,642
Sales of investment property	14	-	-	565,490,000	398,391,250	418,391,250
Accounts payable	30.5	-	(75,000,000)	(123,054,492)	(65,208,430)	(65,208,430)
Donations	31.3(b)	234,453,338	156,673,203	133,250,752	(20,012,801)	(16,717,694)

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

30.1 Purchase of Goods and Management Agreement

Emperador imports raw materials such as alcohol, flavorings and other items, and finished goods through Andersons Global, Inc., a related party under common ownership. These transactions are normally being paid within 30 days. Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, which is considered a related party under joint control.

Moreover, Emperador had a management agreement with Consolidated Distillers of the Far East, Inc., a related pary under common ownership, for the consultancy and advisory services in relation to the operation, management, development and maintenance of its distillery plant. The total management fees incurred are presented as part of Outside services under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 25).

The outstanding liability related to these purchases is presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30.2 Casino Transactions with Genting Hongkong, Ltd. ("GHL")

Travellers recognized outstanding payables to GHL representing show money received by Travellers from foreign patrons which the counterparty will later remit to the other. The outstanding balances, which are unsecured, noninterest-bearing and payable in cash upon demand, are presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30.3 Operations and Management Agreement with GHL

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. These transactions are presented as part of Management fees under the Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 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 17).

30.4 Advances to Associates and Other Related Parties

Entities within the Group grant advances to associates and other related parties for working capital purposes. These advances to associates and other related parties are unsecured, noninterest-bearing and repayable upon demand. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of Advances to associates and other related parties, which are shown as part of Due from related parties under Trade and Other Receivables account in the consolidated statements of financial position, are presented as follows [see Note 12.1]:

	2019	2018
Associates	**P 1,097,060,500**	P 1,131,548,974
Other related parties	**1,987,691,766**	1,512,954,344
	P 3,084,752,266	P 2,644,503,318

The movements in the Advances to Associates and Other Related Parties account are as follows:

	2019	2018
Balance at beginning of year	**P 2,644,503,318**	P 2,544,141,192
Cash advances granted	**570,167,429**	355,789,071
Collections	**(129,918,481)**	(255,426,945)
Balance at end of year	**P 3,084,752,266**	P 2,644,503,318

As at December 31, 2019 and 2018, 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.

30.5 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billing, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. The amounts due from and to related parties are unsecured, noninterest-bearing and due and demandable any time. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of Due from/to Related Parties are presented under Trade and Other Receivables (see Note 6) and Trade and Other Payables (see Note 17) accounts, respectively, in the consolidated statements of financial position as follows:

	2019	2018
Due from Related Parties		
Officers and employees	**P 185,600,211**	P 141,599,434
Other related parties	**423,358,441**	186,676,208
	P 608,958,652	P 328,275,642
Due to Related Parties		
Stockholder	**P 347,670,510**	P 347,670,510
Other related parties	**65,208,430**	65,208,430
	P 412,878,940	P 412,878,940

The details of the due from/to related parties are as follows:

	Note	2019	2018
Due from Related Parties			
Balance at beginning of year		**P 328,275,642**	P 249,464,102
Additions		**302,541,285**	200,099,920
Collections		**(22,800,927)**	(111,947,564)
	6	**608,016,000**	337,616,458
Impairment recovery (loss)		**942,652**	(9,340,816)
Balance at end of year		**P 608,958,652**	P 328,275,642
Due to Related Parties			
Balance at beginning of year		**P 412,878,940**	P 487,878,940
Additions		**-**	150,000,000
Repayments		**-**	(225,000,000)
Balance at end of year		**P 412,878,940**	P 412,878,940

With respect to its due from related parties, the Group under the ECL model recognized an impairment recovery of P0.9 million in 2019 and impairment loss amounting to P9.3 million in 2018, which are presented as part of Finance and Other Income account and Other Operating Expenses account, respectively, in the consolidated statements of comprehensive income (see Notes 25 and 26).

As at December 31, 2019 and 2018, based on management's assessment, the outstanding balances of Due from officers and employees and related parties are not impaired; hence, no impairment losses were recognized.

30.6 Advances from Related Parties

Certain expenses of entities within the Group are paid for by other related parties. The advances are unsecured, noninterest-bearing, with no repayment terms, and generally payable in cash or through offsetting arrangements.

Advances from golf share partners and lot owners which amounted to P356.2 million and P395.4 million in 2019 and 2018, respectively, net of deferred interest expense amounting to nil for 2019 and P11.3 million in 2018 (see Note 10.2).

The amortization of deferred interest amounting to P11.3 million in 2018 and 2017 is presented as part of Interest expense under the Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). No amortization was recognized in 2019 as the deferred interest was fully amortized in 2018.

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

	2019	2018
Advances from related parties	**P1,887,953,399**	P1,990,038,475
Advances from joint operator partners	**356,227,254**	395,424,643
	P2,244,180,653	P2,385,463,118

The movements in Advances from Related Parties and Joint Operator Partners are as follows:

	2019	2018
Balance at beginning of year	**P2,385,463,118**	P2,329,974,989
Net availed (paid)	**(141,282,465)**	55,488,129
Balance at end of year	**P2,244,180,653**	P2,385,463,118

30.7 Acquisition of Investments

In 2018, AGI acquired 2,250.0 million shares of PCMI for P3,714.3 million from TAGI, by way of assignment of subscription rights. The acquisition represents 60% ownership in PCMI. In 2019, AGI and TAGI amended the total consideration for the assignment of subscription rights to P4,644.3 million. This resulted in the recognition of subscription payable to Pacific Coast amounting to P930.0 million, which were paid during the same year. As at December 31, 2019, the outstanding liability from this transaction amounted to P680.0 million which is shown as part of Others under Trade and Other Payables account in the 2019 consolidated statement of financial position [see Notes 1.2(a) and 17].

30.8 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows (see Note 28.1):

	2019	2018	2017
Short-term employee benefits	**P 1,013,451,876**	P1,051,064,363	P 855,629,967
Share-option benefit expense	**132,403,058**	124,009,692	17,507,035
Retirement benefit expense	**18,717,409**	26,498,871	87,428,665
	P 1,164,572,343	P1,201,572,926	P 960,565,667

30.9 Transactions with the Retirement Plans

The Group has a formal retirement plan established separately for each significant subsidiary, particularly Megaworld, GERI, EELHI, Travellers, GADC, EDI and WML. These plans are defined benefit post-employment plan maintained for qualified employees, administered and managed by trustee banks (except for GERI which is still an unfunded plan) that are legally separated from the Group. The retirement funds do not provide any guarantee or surety for any obligation of the Group and their investments are not covered by any restrictions or liens. Plan assets do not comprise any of the Group's or its related parties' own financial instruments or any of their assets occupied and/or used in its operations. The fair value, carrying amount and the composition of the plan assets as at December 31, 2019 and 2018 are shown in Note 28.2.

31. COMMITMENTS AND CONTINGENCIES

31.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under non-cancellable operating lease agreements covering 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:

	2019	2018	2017
Within one-year	**P 16,464,827,974**	P 14,113,088,623	P11,550,444,399
After one year but not more than five years	**85,455,675,872**	73,431,883,672	62,792,070,703
More than five years	**27,404,943,036**	22,263,027,667	19,363,948,200
	P129,325,446,882	P109,807,999,962	P 93,706,463,302

31.2 Operating Lease Commitments – Group as Lessee (2018)

The Group has leases for certain land, commercial space, buildings and warehouses, gaming equipment and transportation and other equipment. 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 December 31, 2018 are as follows:

Within one year	P 1,995,053,927
After one year but not more than five years	7,654,575,945
More than five years	12,044,202,422
	P 21,693,832,294

31.3 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 P66.0 billion) investment commitment in phases, which amount is divided into Site A and Site B with the minimum investment of U.S.$1.1 billion (about P55.8 billion) and U.S.$216.0 million (about P11.0 billion), respectively (collectively, the "Project").

Since PAGCOR was only able to turnover and/or deliver possession of Site A property to the Group in 2014, PAGCOR approved a revised project implementation plan for the Westside City Resorts World Project. WCRWI held the groundbreaking rites at Site A on October 1, 2014.

As a requirement in developing the aforementioned Project, Travellers transferred U.S.$100.0 million (about P5.1 billion) to an escrow account with a local bank mutually agreed by PAGCOR and Travellers. At any given time, the escrow account shall have a maintaining balance of not lower than U.S.$50.0 million (about P2.5 billion) (see Note 9). For failure to comply with such maintaining balance requirement after a 15-day grace period, Travellers shall be charged by PAGCOR an amount equal to P2.5 million for every 15 calendar days, or a fraction thereof, until the noncompliance is corrected. All funds for the development of the Project shall pass through the escrow deposit and all drawdown therefrom must be applied to the Project, unless Travellers is allowed to use other funds.

As at December 31, 2019, Travellers has spent P92.1 billion for its casino projects pursuant to its investment commitment under the License. It has short-term placements amounting to U.S.$ 64.7 million (about P3.3 billion) and U.S.$ 59.8 million (about P3.2 billion) as at December 31, 2019 and 2018, respectively, to meet its requirements with PAGCOR in relation to these investment commitments (see Note 9).

(b) Requirement to Establish a Foundation

Travellers, in compliance with the requirement of PAGCOR to incorporate and register a foundation for the restoration of cultural heritage, incorporated Resorts World Philippines Cultural Heritage Foundation Inc. (or the "Foundation"), on September 7, 2011 primarily to engage in various activities for charitable, educational, cultural and artistic purposes, and to promote, perpetuate, preserve and encourage Filipino culture.

The Foundation shall be funded by Travellers by setting aside funds on a monthly basis equivalent to 2% of total gross gaming revenues from non-junket tables. PAGCOR sets the guidelines for the utilization of funds as it approves, monitors the implementation, and conducts a post-audit of the projects the Foundation undertakes.

Pursuant to PAGCOR's guidelines, the Foundation is tasked to undertake projects in line with the following disciplines: (i) restoration of cultural heritage; (ii) education infrastructure; and, (iii) environment and health. As of December 31, 2019, 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 six school buildings in various public schools in Metro Manila and Luzon were completed and turned over to DepEd and the collegiate universities;

- Computerization project with DepEd through providing a computer laboratory to various public schools in various parts of the country whereby all phases of the said project covering 27 schools have been completed;

- Funding of the construction of a cadet barracks at the Philippine Military Academy ("PMA") in Baguio City in a joint effort with another PAGCOR licensee's foundation, which was completed and turned over to PMA;

- 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;

- Donation of funds for medicines, medical supplies and equipment for Philippine National Police Camp Crame General Hospital and Paranaque City; and

- Construction of the National Capital Region Police Office Medical Center and Administrative Processing Center

Donations to the Foundation are recorded as part of Donations and contributions under General and Administrative Expenses account (see Note 26). The outstanding liability, representing donations due for the last month of each year, and which is unsecured, noninterest-bearing and payable in cash upon demand, as at December 31, 2019 and 2018 is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

(c) Tax Contingencies of Casino Operations

Under the Travellers' License with the PAGCOR, Travellers is subject to the 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. In April 2013, however, the BIR issued RMC 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended (see Note 29.3).

In August 2016, the SC confirmed that "all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos." The SC Decision has been affirmed with finality by the SC in a Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. Consistent with the decision of SC, on June 13, 2018, the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extended to all PAGCOR contractees and licensees.

31.4 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, 2019 and 2018, contributions made to ECEMI booked in favor of Travellers amounted to P1.3 million and is presented as part of Others under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

31.5 Various Hotel Agreements Entered by Travellers

(a) Marriott Group (Marriott and Courtyard Iloilo)

Travellers has various service, license and royalty agreements with Marriott International B.V., Marriott International Design and Construction Services Inc., and International Hotel Licensing Company S.A.R.L., and Marriott International Licensing Company B.V. (collectively hereafter referred to as "Marriott Group") for the license, supervision, direction, control and management of operations of the Travellers' Marriott, including the monitoring of its compliance with Marriott Group's standards.

The service agreements also include certain services in support of Marriott outside the Philippines. Such services are generally made available to hotels in the Marriott System and shall include the international advertising, promotion and sales programs, core training programs and other training programs for the benefit of the Marriott employees, special services and programs for the benefit of the Marriott System, and the reservations system, property management system and other systems.

Further, the license and royalty agreement with Marriott Group grants Travellers a non-exclusive and non-transferable right and license within Metro Manila and Iloilo to use the Marriott Trademarks for hotel services and other related goods and services offered only in connection with Travellers' Marriott.

(b) *Holiday Inn*

In 2017, Travellers also entered into a Hotel Management Agreement ("HMA") with Holiday Inns (Philippines), Inc. for the license, supervision, direction, control and management of operations of Holiday Inn Express (formerly Remington Hotel), including the monitoring of its compliance with the hotel group standards.
The HMA includes security arrangements, refurbishment of the existing structure, rebranding, advertising, promotion and sales programs, core training programs and other training programs for the benefit of the employees, special services, the reservations system, property management system and other systems.

The parties also entered into a Franchise Agreement for the non-exclusive use and non-transferable license to use the brand marks for the hotel services and other related goods offered in connection with Travellers' Holiday Inn Express.

(c) *Hotel Okura Manila*

Also in 2017, Travellers and Hotel Okura Co., Ltd ("Okura") signed another HMA for the license, supervision, direction, control and management of operations of the Hotel Okura Manila, which includes advertising, promotion and sales programs, core training programs and other training programs for the benefit of the employees, special services, the reservations system, property management system and other systems.

The HMA with Okura grants Travellers a non-exclusive and non-transferable right to use the Okura trademarks for hotel services and other related goods and services offered only in connection with the Hotel Okura Manila, which is expected to open in 2020.

(d) *Sheraton Manila Hotel*

In 2017, an Operating Services Agreement ("OSA") was executed between LSHRI and Starwood Asia Pacific Hotels & Recreation PTE. LTD ("Starwood"), a fully-owned company of Marriott Group, for the license, supervision, direction, control and management of operations of the Sheraton Manila Hotel, including the monitoring of its compliance with Marriott Group's standards.

The OSA also includes certain services similar to those covered by the existing agreement with the Marriott Group. Likewise, the license and royalty agreement with Starwood grants LSHRI similar rights provided by Marriott Group to Travellers. In January 2019, Sheraton Manila Hotel started its commercial operations.

(e) Hilton Manila

Also in 2017, a Management Agreement ("MA") was executed between DHRI and Hilton International Manage LLC ("Hilton") for the license, supervision, direction, control and management of operations of Hilton Manila, including the monitoring of its compliance with Hilton's standards.

The MA includes design and decoration of the Hilton Manila, advertising, promotion and sales programs, core training programs and other training programs for the benefit of the Hilton employees, special services and programs, and the reservations system, property management system and other systems.

The MA grants DHRI a nonexclusive and nontransferable right to use the Hilton Trademarks for hotel services and other related goods and services offered only in connection with the Hilton Manila. The Hilton Manila started operations in October 2018.

Payments to be made by Travellers for operating these foregoing hotel brands shall be computed based on the provisions of the above agreements. Total amounts recognized from these transactions in 2019, 2018 and 2017 totaled P181.2 million, P117.1 million and P103.0 million, respectively, and are presented as part of Management fees under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26).

The outstanding liabilities, which are unsecured, noninterest-bearing and payable in cash upon demand, as at December 31, 2019 and 2018 amounted to P38.4 million and P15.3 million, respectively, and are presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

31.6 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 P1,411.9 million, P1,257.2 million and P1,132.6 million for 2019, 2018 and 2017, respectively, which are presented under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The outstanding payable to MRO relating to royalty expenses amounted to P254.8 million and P227.8 million as at December 31, 2019 and 2018, respectively, and presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

Individual sublicense arrangements granted to franchisees and joint venturers generally include a lease and a license to use the McDonald's system in the Philippines and, in certain cases, the use of restaurant facility, generally for a period of 10 years provided, however, that should GADC's license rights from McDonald's be terminated at an earlier date or not renewed for any reason whatsoever, these sublicense agreements shall thereupon also be terminated. Revenues recognized from sublicense agreements are presented as Franchise revenues under Rendering of Services in the consolidated statements of comprehensive income (see Note 24.1).

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

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

31.8 Skytrain Project

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

31.9 Co-Development Agreement between WCRWI and SHDI

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

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

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

In line with the foregoing, on February 21, 2020, WCRWI and Travellers entered into a lease agreement with SHDI.

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

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

As of December 31, 2019, WCRWI has not yet received the payment from SHDI for the usage of properties and reimbursement of construction costs.

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

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

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

As of December 31, 2019, the hotel casino has not yet commenced its operation; hence, agreement above has not yet materialized.

(iv) WCRWI and the Travellers as warrantors

Fortune Noble Limited ("Fortune") [a wholly-owned subsidiary of Suncity Group Holdings Limited], the parent company of SHDI, conditionally agreed to subscribe to 2.55 billion new SHDI shares subject to the terms and conditions mutually agreed upon by the parties. WCRWI and Travellers agreed to act as the warrantors, wherein, a put option over the shares of SHDI was included. The put option enables Fortune to transfer ownership over SHDI to the warrantors in exchange for an option price, upon the happening of any of the put option events during the option period.
The option period commences from the date of the agreement up to the day immediately preceding the date on which the hotel casino first starts its operation. The put option events mainly pertains to the successful commencement of operations of the hotel casino, which include, among others, the termination or suspension of gaming license due to the default of the warrantors, termination of WCRWI's lease over Site A as applicable, or failure to acquire government consent for operation of hotel casino.

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

Management assessed that since the put option transfers significant risk to the Group, as warrantors, it shall be accounted for as a financial guarantee to be measured under PFRS 9 [see Note 3.1(m)]. Accordingly, the put option was initially recognized at the amount of premium received then, subsequently measured at the higher of the amount initially recognized or the amount using the ECL model [see Note 2.4(e)].

Applying the ECL model, the option price that WCRWI and Travellers are committed to pay amounting to P3.7 billion was compared with the value of the collateral or the shares of stocks that they will receive. In determining the value of the shares, management assessed that the price of SHDI shares in the PSE of P1.28 per share or a total value of P4.7 billion is a reasonable estimate of its value. In terms of probability of default, management assessed that it is unlikely or remote (see Note 32.2).

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

31.10 Others

As at December 31, 2019 and 2018, the Group has unused lines of credit from banks and financial institutions totaling P32.5 billion and P27.5 billion, respectively (see Note 18).

On June 2, 2017, Travellers had an arson and shooting incident which resulted in physical damages on a portion of its properties and death of several employees and guests, as well as physical injuries to a number of people [see Notes 3.1(o) and 13]. An individual forcibly entered the casino area with a clear motive to rob and he started fires as a diversionary tactic. As opined by Travellers' external legal counsel that insurance claims would not be disallowed - based on the reports from the insurer's adjusters and taking into consideration the reports of the pertinent government agencies - property damages and losses were recognized and presented as part Losses from casualty, net of insurance claims under Finance and Other Charges account in the 2017 consolidated statement of comprehensive income (see Note 27). In 2018, the Group fully collected the claims accrued as of December 31, 2017 and received additional recoveries for business interruption. In 2019, the Group received further recoveries for third party claims paid by the Group to the victims in 2017. The Group presented the income from these recoveries under Finance and Other Income account in the 2019 and 2018 consolidated statements of comprehensive income (see Note 27).

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, interest-bearing loans, bonds payable, trade receivables and payables and derivative liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures or working capital requirements.

The Group does not actively engage in the trading of financial assets for speculative purposes.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

32.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, US dollars, H.K. dollars, Euros and U.K. pounds, which are the functional currencies of the individual subsidiaries making the transactions. The currency exchange risk arises from transactions carried out in currencies other than the functional currency of the subsidiaries at each entity level.

Foreign currency denominated financial assets and liabilities, translated into Philippine pesos at period-end closing rate are as follows:

	2019		2018	
	U.S. Dollars	**HK Dollars**	U.S. Dollars	HK Dollars
Financial assets	**P 3,672,859,651**	**P 2,731,732,048**	P 5,046,723,090	P 4,393,877,128
Financial liabilities	**(25,210,975,247)**	**(935,065,026)**	(20,699,495,919)	(1,128,098,097)
	(P 21,538,115,596)	**P 1,796,667,022**	(P 15,652,772,829)	P 3,265,779,031

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and financial liabilities and the U.S. dollar – Philippine peso exchange rate assumes +/- 8.62% and +/- 7.43% changes in exchange rate for the years ended December 31, 2019 and 2018, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 8.66% and +/- 7.57% changes for the years ended December 31, 2019 and 2018. 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 P1.8 billion for the year ended December 31, 2019 and increased by P1.2 billion for the year ended December 31, 2018. If in 2019 and 2018, the Philippine peso had strengthened against the HK dollar, with all other variables held constant, consolidated profit before tax would have decreased by P0.2 billion for the year ended December 31, 2019 and 2018.

However, if the Philippine peso had weakened against the U.S. dollar and the HK dollar by the same percentages, then consolidated profit before tax would have changed at the opposite direction by the same amounts.

The Group has no significant exposure to changes in foreign currency exchange rates for Euros and U.K. pounds since these currencies are not significant to the Group's consolidated financial statements.

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 +/- 2.48% for Philippine peso and +/- 2.15% for U.S. dollar in 2019 and +/- 2.91% for Philippine peso and +/- 1.99% for U.S. dollar in 2018 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, 2019 and 2018, with effect estimated from the beginning of the period. All other variables held constant, the consolidated income before tax would have decreased by P0.1 billion and P3.3 billion for the years ended December 31, 2019 and 2018, respectively. Conversely, if the interest rates decreased by the same percentage, consolidated income before tax would have been higher by the same amount.

32.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, which include granting loans and receivables to customers and other counterparties, and placing deposits.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as follows:

	Notes	**2019**	2018
Cash and cash equivalents	5	**P 51,270,580,951**	P 44,779,011,533
Trade and other receivables	6	**60,370,771,084**	52,852,435,257
Contract assets	24.2	**18,643,004,687**	22,227,279,687
Advances to associates and other related parties	6	**3,693,710,918**	2,982,119,776
Restricted and other short-term placements	9	**3,401,661,281**	3,270,298,083
Property mortgage receivable	9	**636,946,200**	650,178,519
Refundable and other deposits	9	**1,866,519,209**	1,945,943,388
		P 139,883,194,330	P 128,707,266,243

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

With respect to credit risk arising from the other financial assets of the Group, composed of cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

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

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

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

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

The estimated fair value of collateral and other security enhancements held against trade receivables are presented below.

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure
2019			
Real estate sales receivables	P 28,426,905,161	P 44,895,455,760	P -
Contract assets	18,643,004,687	35,512,470,476	-
Rental receivables	4,274,038,207	5,889,977,004	-
	P51,343,948,055	**P86,297,903,240**	**P -**
2018			
Real estate sales receivables	P 19,098,337,882	P 44,151,968,977	P -
Contract assets	22,227,279,687	37,902,225,724	-
Rental receivables	3,545,753,363	4,598,249,871	-
	P 44,871,370,932	P 86,652,444,572	P -

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

	2019	2018
Not more than 30 days	**P 8,516,887,213**	P 6,168,427,517
31 to 60 days	**1,929,541,976**	2,118,222,699
Over 60 days	**1,939,989,544**	1,774,318,897
	P 12,386,418,733	P 10,060,969,113

Moreover, the management has assessed that risk over the put option has not increased significantly, as the related probability of any of the put option event from happening is low or remote under the circumstances. Hence, in accordance with the general approach of ECL, the value of the put option was measured on a 12-month basis [see Note 31.9(iv)].

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activity and where the value of any assets that the Group may get from the customers is less than the outstanding contractual amounts of the financial assets to be written-off. In 2019, the group wrote off receivables amounting to P69.9 million. There are no write-offs made in 2018.

32.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fundraising activities may include bank loans and capital market issues.

As at December 31, 2019, the Group's financial liabilities (excluding lease liabilities – see Note 13.3) have contractual maturities which are presented below .

	Current		**Non-current**	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**Later than 5 Years**
Trade and other payables	P 43,158,338,060	P 14,332,218,291	P -	P -
Interest-bearing loans	27,021,448,986	20,727,346,677	147,954,464,100	571,214,434
Bonds payable	-	924,084,260	29,401,816,190	-
ELS	-	1,878,910,098	3,523,755,833	-
Advances from related parties	-	2,244,180,653	-	-
Redeemable preferred shares	-	263,171,069	508,981,904	1,574,159,348
Subscription payable	-	1,114,665,008	-	-
Guaranty deposits	-	13,248,334	99,633,225	382,066,767
Derivative liabilities*	809,403,486	-	-	-
Other liabilities	-	1,700,760,516	4,576,838,267	-
	P 70,989,190,532	**P 43,198,584,906**	**P186,065,489,519**	**P 2,527,440,549**

As at December 31, 2018, 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 39,230,499,206	P 6,800,895,953	P -	P -
Interest-bearing loans	13,494,324,190	12,449,456,918	143,683,341,001	3,307,547,673
Bonds payable	-	1,202,612,500	30,032,563,750	-
ELS	-	-	5,402,665,931	-
Advances from related parties	-	2,385,463,118	-	-
Redeemable preferred shares	-	268,957,813	772,152,973	1,574,159,348
Guaranty deposits	-	-	153,529,825	208,423,557
Derivative liabilities*	393,300,753	-	-	-
Other liabilities	-	1,171,355,329	4,305,304,967	101,279,537
	P 53,118,124,149	P 24,278,741,631	P184,349,558,447	P 5,191,410,115

**This includes Slot jackpot liability, which is presented as part of Trade and Other Payables account (see Note 17).*

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

32.4 Other Price Risk Sensitivity

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

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the equity as at December 31, 2019 and 2018 are summarized as follows:

	Observed Volatility Rates		Impact on Equity	
	Increase	Decrease	Increase	Decrease
2019 - Investment in quoted equity securities at:				
FVOCI	**+28.93%**	**-28.93%**	**P 18,768,068**	**(P 18,768,068)**
FVPL	**+28.93%**	**-28.93%**	**780,971,707**	**(780,971,707)**
2018 - Investment in quoted equity securities at:				
FVOCI	+35.39%	-35.39%	P 48,923,706	(P 48,923,706)
FVPL	+35.39%	-35.39%	1,131,247,601	(1,131,247,601)

The maximum additional estimated loss in 2019 and 2018 is to the extent of the carrying value of the securities held as of these reporting dates with all other variables held constant. The estimated change in quoted market price is computed based on volatility of listed companies at the PSE for the past 12 months at 95% confidence level.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

The Group is also exposed to other price risk in respect of its financial instruments at marketable debt securities and derivative financial assets and liabilities arising from foreign exchange margins trading spot and forward. These financial instruments will continue to be measured at fair value based on quoted prices for marketable debt and equity securities, and index reference provided by certain foreign financial institution for derivative financial assets.

33. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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 in the succeeding page.

	Notes	2019 Carrying Values	2019 Fair Values	2018 Carrying Values	2018 Fair Values
Financial assets					
Financial assets at amortized cost:					
Cash and cash equivalents	5	**P 51,270,580,951**	**P 51,270,580,951**	P 44,779,011,533	P 44,779,011,533
Trade and other receivables	6	**60,370,771,084**	**60,809,329,717**	52,852,435,257	52,829,566,514
Other financial assets	9	**9,910,569,663**	**9,822,505,589**	8,365,705,660	8,460,215,641
		P 121,551,921,698	**P 121,902,416,257**	P 105,997,152,450	P 106,068,793,688
Financial assets at FVTPL:					
Marketable debt and equity securities	7	**P 12,045,110,108**	**12,045,110,108**	P 13,190,939,209	13,190,939,209
Derivative assets	7	**-**	**-**	426,485,938	426,485,938
		P 12,045,110,108	**P 12,045,110,108**	P 13,617,425,147	P 13,617,425,147
Financial assets at FVOCI –					
Equity securities	11	**P 416,657,341**	**P 416,657,341**	P 459,974,884	P 459,974,884
Financial liabilities					
Financial liabilities at FVTPL –					
Derivative liabilities*	17, 21	**P 809,403,486**	**P 809,403,486**	P 393,300,753	P 393,300,753
Financial liabilities at amortized cost:					
Current:					
Trade and other payables	17	**P 56,940,281,897**	**P 56,940,281,897**	P 46,031,395,159	P 46,031,395,159
Interest-bearing loans	18	**40,869,676,836**	**40,568,501,427**	24,530,016,698	24,137,908,859
Subscription payable	21	**1,114,665,008**	**1,114,665,008**	-	-
Redeemable preferred shares	20	**251,597,580**	**251,597,580**	251,597,580	251,597,580
Advances from related parties	30	**2,244,180,653**	**2,244,180,653**	2,385,463,118	2,385,463,118
ELS	21	**1,836,250,000**	**1,836,250,000**	-	-
Commission payable	21	**1,700,760,516**	**1,700,760,516**	1,165,040,058	1,165,040,058
		P 104,957,412,490	**P 104,656,237,081**	P 74,363,512,613	P 73,971,404,774
Non-current:					
Bonds payable	19	**P 24,623,883,690**	**P 23,667,412,590**	P 25,102,042,365	P 23,366,702,221
Interest-bearing loans	18	**138,283,436,876**	**137,520,164,323**	142,871,936,606	136,250,437,900
ELS	21	**3,443,750,000**	**3,443,750,000**	5,258,801,592	5,258,801,592
Redeemable preferred shares	20	**1,580,915,329**	**1,810,767,064**	1,712,264,245	1,840,140,016
Retention payable	21	**3,698,890,599**	**3,698,890,599**	4,063,944,817	3,945,330,030
Security deposits	21	**735,004,738**	**667,137,320**	578,726,149	502,057,696
Accrued rent	21	**24,284,786**	**24,284,786**	116,455,980	122,771,251
		P 172,390,166,018	**P 170,832,406,682**	P179,704,171,754	P 171,286,240,706

**This includes Slot jackpot liability, which is presented as part of Trade and Other Payables account (see Note 17).*

See Notes 2.4 and 2.13 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 32.

34. FAIR VALUE MEASUREMENT AND DISCLOSURES

34.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

34.2 Financial Instruments Measurements at Fair Value

The tables below and in the succeeding page show the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2019 and 2018.

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

	2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL –				
Debt and equity securities	P 13,190,939,209	P -	P -	P 13,190,939,209
Derivative asset	-	426,485,938	-	426,485,938
Financial assets at FVOCI –				
Equity securities	138,241,610	103,200,000	218,533,274	459,974,884
	P 13,329,180,819	P 529,685,938	P 218,533,274	P 14,077,400,031
Financial liabilities:				
Financial liability at FVTPL –				
Derivative liabilities*	P -	P 393,300,753	P -	P 393,300,753

**This includes Slot jackpot liability, which is presented as part of Trade and Other Payables account (see Note 17).*

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below are the information about how the fair values of the Company's classes of financial assets are determined.

(a) Equity Securities

As at December 31, 2019 and 2018, instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL or at FVOCI. 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 financial assets at FVOCI in 2019 and 2018 are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity securities held in private companies are included in Level 3 since its market value is not quoted in an active market. The fair value was determined using the discounted cash flows model as valuation technique. In determining the fair value, the management assumes a discount rate of 5%, terminal growth rate of 1% to 5%, using three-to-five year financial projections. Management assessed that based on the valuation technique used, the fair value of these financial instruments approximate their carrying values and any fair value changes are not material to the consolidated financial statements.

(b) Debt Securities

The fair value of the Group's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1.

(c) Derivative Financial Instruments

The fair value of derivative financial instruments is measured at inputs other than quoted prices that are indirectly observable for the financial instruments and are categorized within Level 2. The fair value is derived from prices set in the derivative contracts.

34.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The tables below show the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2019 and 2018.

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 51,270,580,951	P -	P -	P 51,270,580,951
Trade and other receivables	-	109,940,351	60,699,389,366	60,809,329,717
Other financial assets	3,401,384,081	-	6,421,121,508	9,822,505,589
	P 54,671,965,032	**P 109,940,351**	**P 67,120,510,874**	**P 121,902,416,257**
Financial liabilities:				
Current:				
Trade and other payables	P -	P -	P 56,940,281,897	P 56,940,281,897
Interest-bearing loans	-	-	40,568,501,427	40,568,501,427
Subscription payable	-	-	1,114,665,008	1,114,665,008
Advances from related parties	-	-	2,244,180,653	2,244,180,653
Redeemable preferred shares	-	-	251,597,580	251,597,580
ELS	-	-	1,836,250,000	1,836,250,000
Commission payable	-	-	1,700,760,516	1,700,760,516
Non-current:				
Bonds payable	23,667,412,590	-		23,667,412,590
Interest-bearing loans	-	-	137,520,164,323	137,520,164,323
ELS	-	-	3,443,750,000	3,443,750,000
Redeemable preferred shares	-	-	1,810,767,064	1,810,767,064
Retention payable	-	-	3,698,890,599	3,698,890,599
Security deposits	-	-	667,137,320	667,137,320
Accrued rent	-	-	24,284,786	24,284,786
	P 23,667,412,590	**P -**	**P251,821,231,173**	**P 275,488,643,763**

	2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 44,779,011,533	P -	P -	P 44,779,011,533
Trade and other receivables	-	130,921,360	52,698,645,154	52,829,566,514
Other financial assets	3,270,298,083	-	5,189,917,558	8,460,215,641
	P 48,049,309,616	P 130,921,360	P 57,888,562,712	P 106,068,793,688

	2018			
	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Current:				
Trade and other payables	P -	P -	P 46,031,395,159	P 46,031,395,159
Interest-bearing loans	-	-	24,137,908,859	24,137,908,859
Advances from related parties	-	-	2,385,463,118	2,385,463,118
Redeemable preferred shares	-	-	251,597,580	251,597,580
Commission payable	-	-	1,165,040,058	1,165,040,058
Non-current:				
Bonds payable	23,366,702,221	-	-	23,366,702,221
Interest-bearing loans	-	-	136,250,437,900	136,250,437,900
ELS	-	-	5,258,801,592	5,258,801,592
Redeemable preferred shares	-	-	1,840,140,016	1,840,140,016
Retention payable	-	-	3,945,330,030	3,945,330,030
Security deposits	-	-	502,057,696	502,057,696
Accrued rent	-	-	122,771,251	122,771,251
	P 23,366,702,221	P -	P221,890,943,259	P 245,257,645,480

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

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

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

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

The Group determines the Level 3 fair value of idle properties through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adjusted for specific market factors such as location and condition of the property.

As at December 31, 2019 and 2018, the fair value of the Group's investment property amounted to P440.7 billion and P352.5 billion, respectively (see Note 14) and is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of investment properties earning rental income was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2019 and 2018.

35. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

It monitors capital using the liabilities-to-equity ratio as shown below.

	2019	2018 [As Restated – see Note 1.2(a)]
Total liabilities	**P 347,359,532,963**	P 297,678,531,269
Total equity	**297,116,795,504**	290,561,888,795
Liabilities-to-equity ratio	**1.17:1**	1.02:1

The Group has complied with financial covenant obligations that require maintaining certain liabilities-to-equity ratios for both periods.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities in 2019 and 2018 is presented below and in the succeeding page. The details of net cash flows are presented in the consolidated statements of cash flows.

	Interest-bearing Loans (see Note 18)	Bonds Payable (see Note 19)	Derivative Liabilities (see Note 21)	ELS (see Note 21)	Redeemable Preferred Shares (see Note 20)	Total*
Balance as of January 1, 2019	P 167,401,953,304	P 25,102,042,365	P -	P 5,258,801,592	P 1,963,861,825	P 199,726,659,086
Cash flows from financing activities:						
Borrowings availed	30,677,150,000	-	-	-	-	30,677,150,000
Payment of borrowings	(16,580,133,659)	-	-	-	-	(16,580,133,659)
Redemption of preferred shares		-	-	-	(251,597,580)	(251,597,580)
Non-cash activities:						
Foreign currency adjustment	(2,450,405,725)	(493,907,863)	-	-	-	(2,944,313,588)
Amortization of transaction costs	104,549,792	15,749,188	-	21,198,408	-	141,497,388
Unrealized loss on cash flow hedges	-	-	242,417,137	-	-	242,417,137
Accretion of redeemable preferred shares	-	-	-	-	120,248,664	120,248,664
Balance at December 31, 2019	**P 179,153,113,712**	**P 24,623,883,690**	**P 242,417,137**	**P 5,280,000,000**	**P 1,832,512,909**	**P 211,131,927,448**

**Excluding lease liabilities (see Note 13.3)*

	Interest-bearing Loans (see Note 18)	Bonds Payable (see Note 19)	Derivative Liabilities (see Note 21)	ELS (see Note 21)	Redeemable Preferred Shares (see Note 20)	Total
Balance as of January 1, 2018	P 140,973,563,187	P 34,364,985,052	P 109,913,612	P 5,227,114,518	P 2,108,620,383	P 182,784,196,752
Cash flows from financing activities:						
Borrowings availed	59,942,342,396	-	-	-	-	59,942,342,396
Payment of borrowings	(36,010,504,182)	(10,425,600,000)	-	-	-	(46,436,104,182)
Redemption of preferred shares	-	-	-	-	(251,597,580)	(251,597,580)
Non-cash activities:						
Foreign currency adjustment	2,421,252,088	1,139,294,915	-	-	-	3,560,547,003
Additions due to consolidation of new subsidiaries	575,802	-	-	-	-	575,802
Amortization of transaction costs	74,724,013	23,362,398	-	31,687,074	-	129,773,485
Reversal of unrealized loss on cash flow hedges	-	-	(109,913,612)	-	-	(109,913,612)
Accretion of redeemable preferred shares	-	-	-	-	106,839,022	106,839,022
Balance at December 31, 2018	**P 167,401,953,304**	**P 25,102,042,365**	**P -**	**P 5,258,801,592**	**P 1,963,861,825**	**P 199,726,659,086**

	Interest-bearing Loans and Borrowings (see Note 18)	Bonds Payable (see Note 19)	Derivative Liabilities (see Note 21)	ELS (see Note 21)	Redeemable Preferred Shares (see Note 20)	Total
Balance as of January 1, 2017	P 76,595,874,025	P 62,065,580,277	P 327,939,175	P 5,262,906,379	P 2,013,695,292	P 146,265,995,148
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)	(361,328,019)	-	-	(62,689,014,242)
Non-cash activities:						
Foreign currency adjustment	(253,138,621)	806,309,336	70,123,940	-	-	623,294,655
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 109,913,612	P 5,227,114,518	P 2,108,620,383	P 182,784,196,752

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period up to the date of this report, the Group and other businesses have been significantly exposed to the risks brought about by a novel strain of coronavirus ("COVID-19"), which has rapidly spread worldwide and reached a pandemic magnitude as it continues to affect more and more countries and territories. As of May 29, 2020, the number of affected countries and territories has grown to 212, including the Philippines, and Spain and UK where the Group has offshore base operations.

To prevent the further spread of COVID-19 and bring down its transmission, the governments across the world have implemented similar extensive measures that caused disruptions to businesses and economic activities, such as travel bans/restrictions (suspension of public transport, limit on number of passengers, curfew), home isolation and quarantine (stay-at-home orders), physical distancing (1-2 meters apart in all areas outside of home), gathering limitations (no big group meetings) and closing of non-essential businesses (all types of recreational venues and most public places, including malls, bars, dining places and hotels). Nonetheless, to balance economy and citizen's health, the governments formulate plans to gradually ease the lockdown restrictions.

In the Philippines, the country is put into varying degrees of lockdown – a four-phased transition of community quarantine ("CQ") – depending on the severity of infection. In particular, the entire Luzon, including its associated islands, was placed under enhanced CQ ("ECQ") (the strictest phase) from March 17 to May 15 and afterwards under the lower phases depending on the level of risk assessments of the communities. The National Capital Region remains under modified ECQ (the second phase) up to end of May. Spain and UK, two of the countries hardest hit by the pandemic, have imposed strict lockdown from sometime mid-March which started loosening in May.

The Group strictly adheres to the guidelines set by the governments where they operate, and businesses remain suspended or limited accordingly. In general, non-essential works have been suspended and certain flexible or remote work arrangements were subsequently adopted (work-from-home or telecommuting, reduced workdays/hours, reassignment) for highly critical functions and activities as necessary and as allowed by the guidelines. McDonald's restaurants, being in the essential food business, continue operations of take-out and delivery services at limited hours (and limited dining capacity in general-CQ areas in compliance to physical distancing). Emperador Philippines was able to resume local production and distribution in mid-May as restrictions relaxed. Emperador Spain, which is lucky to be situated in a least affected place, did not stop its production and distribution while its head office is under lockdown and travel between provinces remains strictly limited. Emperador UK is able to continue its off-premise distribution to a certain degree as well as its production when and as necessary, because alcohol production is considered a critical industry by the UK government, while the country, and its head office, is under lockdown. Lifestyle malls have reduced mall hours and remain open only for tenants catering to food, pharmaceutical and banking services. Real estate construction works have been suspended (to resume at general-CQ areas). Hotel operations are limited to long-stay guests who have checked in prior to ECQ and local guests, without room service to limit interaction. Entertainment places (cinemas, theatres, bars, gaming) remain closed during the transition periods. The Group is gradually resuming business operations as allowed by the local and national governments concerned where they are located.

Inasmuch as the Group has determined that these events are non-adjusting subsequent events which do not affect the financial position, results of operations and cash flows presented in the Group's consolidated financial statements as of and for the year ended December 31, 2019, the Group anticipates that the foregoing disruptions would impact economic and market conditions that could hurt the Group's results of operations because of the decreases in revenues during the lockdown, but may not affect its financial condition.

While management currently believes that it has adequate liquidity and business plans to continue to operate the business and mitigate the risks associated with COVID-19, the ultimate impact of the pandemic is uncertain and evolving. The severity of the consequences will depend on certain developments, including the duration and spread of the outbreak and impact on the Group's customers, suppliers and employees. Financial consequences, therefore, are uncertain and cannot be predicted as of the date of issuance of the Group's consolidated financial statements. Accordingly, management cannot reliably estimate the quantitative impact of the outbreak on the Group's consolidated financial position and results of operations for future periods.

Management is confident that there will be no significant impairment on its tangible and intangible assets as the market share and popularity of the Group's brands and products would not be significantly affected by the pandemic in the long run. Also, the Group does not foresee any breaches from its existing loan covenants given its measures to address risk of losses and its healthy financial position.

Meanwhile, the Group puts paramount importance to the health and welfare of its employees and customers, counterparties and other stakeholders. The Group has implemented safety and hygienic measures, in consonance with government-required protocols, and activated its business continuity procedures in order to mitigate any negative impact the pandemic may have to the Group's financial condition and performance. To heal as one nation in this pandemic time, the Group has also donated to various efforts in the Philippines' fight against COVID-19.

The Group has determined that these events are non-adjusting subsequent events which do not affect the financial position, results of operations and cash flows presented in the Group's consolidated financial statements as of and for the year ended December 31, 2019.

38. OTHER INFORMATION REQUIRED BY SECURITIES AND EXCHANGE COMMISSION

The Revised Corporation Code took effect on March 8, 2019. The new provisions of the Revised Corporation Code or any amendments thereof have no significant impact to the Group's consolidated financial statements.

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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

Punongbayan & Araullo
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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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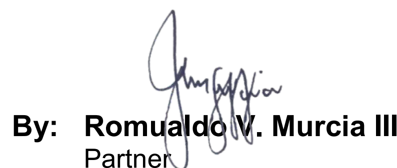
The Board of Directors and the Stockholders
Alliance Global Group, Inc. and Subsidiaries
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Global Group, Inc. and subsidiaries (the Group) for the year ended December 31, 2019, on which we have rendered our report dated May 29, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO



By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8116550, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 29, 2020

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

A. Statement of Management's Responsibility for the Consolidated Financial Statements

B. Independent Auditors' Report on the SEC Supplementary Schedules Filed Separately from the Basic Consolidated Financial Statements

C List of Supplementary Information

Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68

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Reconciliation of Retained Earnings Available for Dividend Declaration

Map Showing the Relationship Between and Among the Company and its Related Entities

Alliance Global Group, Inc. and Subsidiaries
Schedule A - Financial Assets (Marketable Securities)
December 31, 2019

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	11,958,719,639	P	29,308,637
Bank of Singapore		86,390,469		190,277
		12,045,110,108		29,498,914
Financial Assets at Fair Value Through Other Comprehensive Income				
Various unquoted equity instruments		215,583,274		147,001
Various quoted equity instruments		64,874,067		-
Various club shares		136,200,000		33,000,000
		416,657,341		33,147,001
Total Financial Assets	**P**	**12,461,767,449**	**P**	**62,645,915**

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, 2019

			Deductions		Ending Balance	
Name and Designation of Debtor	*Balance at the Beginning of Period*	*Additions*	*Amounts Collected*	*Impairment*	*Current*	*Balance at the End of Period*
Advances to Officers and Employees:						
Travellers - Officers and employees	P 78,751,575	P 9,405,254	P -	P -	P 88,156,829	P 88,156,829
Travellers - Other related parties	54,676,208	10,484,299	68,506	(942,652)	66,034,653	66,034,653
Megaworld - Officers and employees	4,497,691	1,465,408	2,740,662	-	3,222,437	3,222,437
Emperador - Officers and employees	40,762,383		7,244,067	-	33,518,316	33,518,316
GADC - Officers and employees	17,587,785	55,862,536	12,747,692	-	60,702,629	60,702,629
- Other related parties	132,000,000	225,323,788	-	-	357,323,788	357,323,788
	P 328,275,642	**P 302,541,285**	**P 22,800,927**	**(P 942,652)**	**P 608,958,652**	**P 608,958,652**

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, 2019

		Deductions	Ending Balance		
Name and Designation of Debtor	*Balance at Beginning of Period*	*Amounts Collected*	*Current*	*Not current*	*Balance at End of Period*
Due from Related Parties					
New Town Land Partners, Inc.	P 2,894,403,740	P -	P 2,894,403,740	P -	P 2,894,403,740
Venezia Universal, Ltd.	4,818,606,378	1,276,649,546	3,541,956,832	-	3,541,956,832
Greenspring Investment Holdings Properties Ltd.	3,874,699,208	1,029,577,613	2,845,121,595	-	2,845,121,595
First Centro, Inc.	3,200,000	3,200,000	-	-	-
Alliance Global Brands, Inc.	403,555,608	-	403,555,608	-	403,555,608
Alliance Global Group Cayman Islands, Inc.	16,246,550	-	16,246,550	-	16,246,550
McKester Pik-nik International Limited	18,021,507,463	705,139,122	17,316,368,341	-	17,316,368,341
ProGreen AgriCorp, Inc.	-	-	-	-	-
Empire East Land Holdings Inc.	450,000,000	25,000,000	425,000,000	-	425,000,000
Travellers International Hotel Group, Inc.	3,366,550,956.00	391,764,706	2,974,786,250	-	2,974,786,250

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Long-Term Debt
December 31, 2019

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	112,020,972,467	P	35,235,234,123	P	76,785,738,344	a, b, c, d, e, f, g, h, j, n, o
Foreign borrowings:							
AG Cayman	$	700,000,000		-		36,620,635,992	p
Emperador	€	370,000,000		-		22,882,500,021	i
Emperador	€	87,933,064		587,236,692		1,994,562,519	l, m
Emperador	£	60,469,355		5,047,206,021		-	k
				40,869,676,836		138,283,436,876	
Bonds Payable:				-		-	
Issuer:							
Megaworld	P	11,965,873,279		-		11,965,873,279	q
Megaworld	$	250,000,000		-		12,658,010,411	r
				-		24,623,883,690	
			P	**40,869,676,836**	**P**	**162,907,320,566**	

a *Interest-bearing loans include loans obtained by Megaworld pertaining to the following:*

1.) Seven-year loan obtained by Megaworld from a local bank in two tranches in March and June 2015 to fund various real estate projects and retire currently maturing obligations. Quarterly principal repayment on this seven-year loan commenced in June 2016 and interest is paid quarterly.

2.) Five-year foreign-currency denominated loan obtained by Megaworld from a local bank in December 2017 amounting to U.S. $98.87 million payable quarterly with a grace period of one year upon availment. The principal repayment shall commence in March 2019 and a floating interest is paid quarterly. Megaworld entered into a cross-currency swap transaction to hedge the U.S. dollar exposure of the loans.

3.) Five-year loan obtained by Megaworld from a local bank in December 2018. The principal repayment is quarterly after two years from availment. Interest is payable quarterly.

4.) Three-year loan obtained by Megaworld from a local bank in December 2018. The principal repayments shall commence on September 2019 and interest is paid quarterly.

5.) Three-year loan obtained by Megaworld from a local bank in July 2018. The principal is payable upon maturity while interest is payable quarterly and commenced in October 2018.

6.) Five-year loan obtained by Megaworld from a local bank in November 2016. The principal repayments commenced in February 2018 and interest is paid quarterly.

7.) Seven-year loan obtained by Megaworld from a local bank in November 2015. The principal repayments commenced in November 2016 and interest is payable semi-annually.

8.) Five-year loan obtained by Megaworld from a local bank in December 2015. The principal repayments commenced in March 2017 and interest is paid quarterly.

9.) Seven-year loan obtained by Megaworld from a local bank in 2014. The principal repayments commenced in August 2015 while interest is paid semi-annually.

10.) Five-year loan obtained by Megaworld in August 2016 from a local bank with a grace period of two years from availment. The principal repayment commenced in November 2018 and interest is paid quarterly.

11.) Three-year loan obtained by Megaworld in December 2019 from a local bank. The loan is payable quarterly for a term of three years with a grace period of one year upon availment. The principal repayments on this loan shall commence on December 2020.

12.) Five-year loan obtained by Megaworld in September 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan shall commence on December 2020.

b *Interest-bearing loans include loans obtained by EELHI pertaining to the following:*

1.) Seven-year loan obtained by EELHI in 2015 from a local bank released in three tranches from 2015-2016. Proceeds were used to fund development of various real estate projects.

2.) Three-year loan obtained by EELHI from a local bank in February 2018 where the proceeds of the loan were used to fund various real estate projects. The principal is payable upon maturity and interest is payable monthly in arrears.

3.) (o) Loans obtained by EELHI from local banks by assigning trade receivables on a with recourse basis (see Note 6). The loans are secured by certain residential and condominium units for sale with carrying value of P28.5 million and P59.3 million as of December 31, 2019 and 2018, respectively (see Note 8).

4.) Loans obtained by EELHI from local banks by assigning trade receivables on a with recourse basis. The loans are secured by certain residential and condominium units for sale with carrying value of P28.5 million and P59.3 million as of December 31, 2019 and 2018, respectively.

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 2018 to fund the acquisition of STLI. Principal repayment is payable on a monthly basis after a grace period of three years from the date of availment.

2.) Five-year loan obtained by SPI from a local bank in 2017 and 2016, payable on a monthly basis after a grace period of two years from the date of availment. The loan bears floating interest which is subject to repricing every 30-180 days.

3.) Five-year loan obtained by SPI from a local bank in 2015, payable in monthly installments after two years from drawdown.

4.) Three-year loan obtained by SPI from a local bank in 2018. The principal repayment is payable on a monthly basis after a grace period of two years from date of availment.

5.) Outstanding balance of short-term loans availed by SPI from local banks in 2017 and 2018. In 2019, SPI obtained another short-term loans from a local bank payable in six months from date of availment.

6.) Loans obtained by SPI from a local bank in 2015 through assignment of trade receivables. The loans are being paid as the receivables are collected. The outstanding balance pertaining to these loans as of December 31, 2019 and 2018 amounted to P1.3 billion and P0.9 billion, respectively.

e *Interest-bearing loans obtained by GERI include the following:*

1.) Five-year loan availed by GERI in 2017 from a local bank payable quarterly commencing on the beginning of the fifth quarter from the initial drawdown date.

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 in 2015 from a local bank payable quarterly commencing on the 9th quarter from the date of initial drawdown.

4.) Five-year loan obtained by GERI in 2019 from a local bank payable quarterly for a term of five years.

f *Five-year loan obtained by OFPI from a local bank in 2015.*

g *In 2018, SWEC renewed its credit line facility with a local bank amounting to P150.0 million, which shall be used for working capital purposes. In December 2018, SWEC's initial loan drawdown amounted to P50.0 million, payable within 180 days.*

h *Five-year loan obtained by TLC in August and November 2019 from a local bank. The loan is payable in quarterly installments commencing November 2020.*

i *Five-year foreign-currency denominated loan obtained by EIL in 2016 from international financial institutions to refinance its maturing loan.*

j *1.) Five-year loan obtained by EDI in three tranches totaling P2.0 billion in 2016 from a local bank. Principal repayment is in 12 equal quarterly payments starting on the ninth quarter after the initial drawdown. In 2019, total payments on the loan amounted to P666.7million.*

2.) In 2018, EDI obtained additional unsecured, interest-bearing loans at a total amount of P850.0 million from a local bank for working capital purposes. The loans shall be payable in 12 equal quarterly amortizations commencing on the beginning of the ninth quarter from the initial drawdown. The principal repayments are expected to commence on April 10, 2019. In 2019, total payments on the loan amounted to P255.0 million.

k *Foreign-currency denominated loan obtained by WMG from a foreign bank. The loan is secured by way of floating charge against WMG's inventories.*

l *Foreign-currency-denominated loans of DBLC totaling P3.0 billion used in relation to asset acquisition in 2017.*

m *Five-year foreign-currency denominated loan obtained by GES in 2017 from certain financial institution for asset acquisition. The loan has two-year grace period with principal repayment starting on the 24th month after the date of the loan.*

n *Interest-bearing loans obtained by GADC include the following:*

1.) Loans obtained by GADC from local banks in 2014 payable in 21 quarterly principal payments commencing in September 2016.

2.) Loans drawn by GADC from a P1.0 billion local bank credit facility in 2012 and 2013. Principal is payable in 21 quarterly instalments starting December 2014 up to September 2019.

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 for 21 quarters.

4.) Ten-year loan granted to GADC in December 2011 by a local bank for the purchase of land and building from the latter, payable monthly starting on the third year of the loan until December 2021. The acquired land and building served as collateral on the loan.

5.) Short-term loans obtained by GADC from a local bank in 2018 payable in 6 equal monthly installments.

6.) Short-term loan obtained by GADC from a local bank in December 2019 payable in 4 equal monthly installments commencing March 2020.

o *Interest-bearing loans also include loans obtained by Travellers which includes the following:*

1.) Loans drawn by Travellers from approved credit lines with a local bank of up to P10.0 billion and P23.5 billion in 2018 and 2017, respectively. Travellers made drawdowns amounting to P8.5 billion in 2018 and P13.0 billion in 2017 from such credit lines. In 2018, the P13.0 billion short-term loan was converted to a long-term loan on its maturity date and was increased to P15.0 billion. In 2019, the Group made an additional drawdown amounting to P7.5 billion. The loans are outstanding as of December 31, 2019 and 2018.

2.) Seven-year loans obtained by Travellers in 2016 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.) In 2017, Travellers entered into various credit line agreements with a total maximum loanable amount of P11.5 billion from a local bank. As of December 31, 2018, drawdowns totaling to P10.0 billion, half of which pertains to term loans and the other half to omnibus loans. In 2018 and 2017, Travellers settled portions of these loans. The remaining outstanding balance as of December 31, 2018 and 2017 related to these drawdowns amounted to P5.0 billion.

In 2019, the Group obtained another term loan facility with the bank amounting to P5.0 billion. This was utilized through the conversion of the P5.0 billion omnibus loan to a long term loan. Following the conversion, the Group obtained another various short-term loans in 2019 amounting to P3.0 billion, which remained outstanding as of December 31, 2019. Unutilized credit line amounted to P2.0 billion as of December 31, 2019.

4.) In 2018, the Travellers obtained a credit line of P5.0 billion from a local bank. Travellers loaned P4.0 billion long term loan from such facility in 2018, which remained outstanding as of December 31, 2019 and 2018. In 2019, Travellers also obtained an omnibus loan from the same bank amounting to P1.0 billion, thus fully utilizing the credit line. The loan remained outstanding as of December 31, 2019.

5.) In 2018, the Travellers obtained a credit line of P3.5 billion from a local bank. Travellers has fully availed the line facility in 2018 and settled P2.5 billion in the same year. The remaining P1.0 billion was settled early in 2019.

6.) In 2019, Travellers, procured a credit facility with a local bank which consist of an omnibus line amounting to P2.0 billion. Travellers utilized P1.0 billion of the credit line, which remained outstanding as of December 31, 2019.

p *Five-year U.S. dollar-denominated loans obtained by AG Cayman in 2017 from a foreign bank totaling to US$700.0 million with interest payable semi-annually in arrears. The loans are unconditionally and irrevocably guaranteed by AGI.*

q *On March 28, 2017, Megaworld issued seven-year term bonds totaling P12.0 billion inclusive of P4.0 billion oversubscription. The bond carries a coupon rate of 5.3535% per annum and interest is payable semi-annually in arrears every March 28 and September 28. The bonds shall mature on March 28, 2024.*

r *On April 17, 2013, Megaworld issued 10-year term bond that carries a coupon rate of 4.25% per annum and with semi-annual interest payments every April 17 and October 17. The proceeds of the bond issuance are being used by Megaworld for general corporate purposes.*

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.
SWEC - Southwoods Ecocentrum Corp.
TLC - Twin Lakes Corp.
EIL - Emperador International Ltd.
EDI - Emperador Distillers, Inc.
WMG - Whyte and Mackay Group Limited
DBLC - Domecq Bodega Las Copas, S.L.
GES - Grupo Emperador Spain, S.A.U.
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 E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2019

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 F - Guarantees of Securities of Other Issuers
December 31, 2019

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 35,610,150,078	P 35,610,150,078	Guarantee of Principal and Interest

Alliance Global Group, Inc. and Subsidiaries
Schedule G - Capital Stock
December 31, 2019

				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	9,823,327,979	59,100,000	6,096,190,932	68,690,940	3,658,446,107

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

Reconciliation of Retained Earnings Available for Dividend Declaration
Annex 68-D
As of December 31, 2019

Unappropriated Retained Earnings at Beginning of Year	P	19,884,136,657
Retained Earnings Restricted for Treasury Shares*	(	3,194,507,435)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		16,689,629,222
Net income per Audited Financial Statements		2,664,577,629
Non-actual/unrealized income		
Fair value loss on financial assets at fair value through profit or loss		3,080,000
		2,667,657,629
Other Transaction During the Year		
Acquisition of treasury shares*	(	2,662,450,257)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**16,694,836,594**

* In 2017, the Company entered into a two-year share repurchase program of up to P5.0 billion worth of common shares. In 2019, a 12-month share repurchase program for up to P2.5 billion worth of common shares was approved by the Company's Board of Directors.

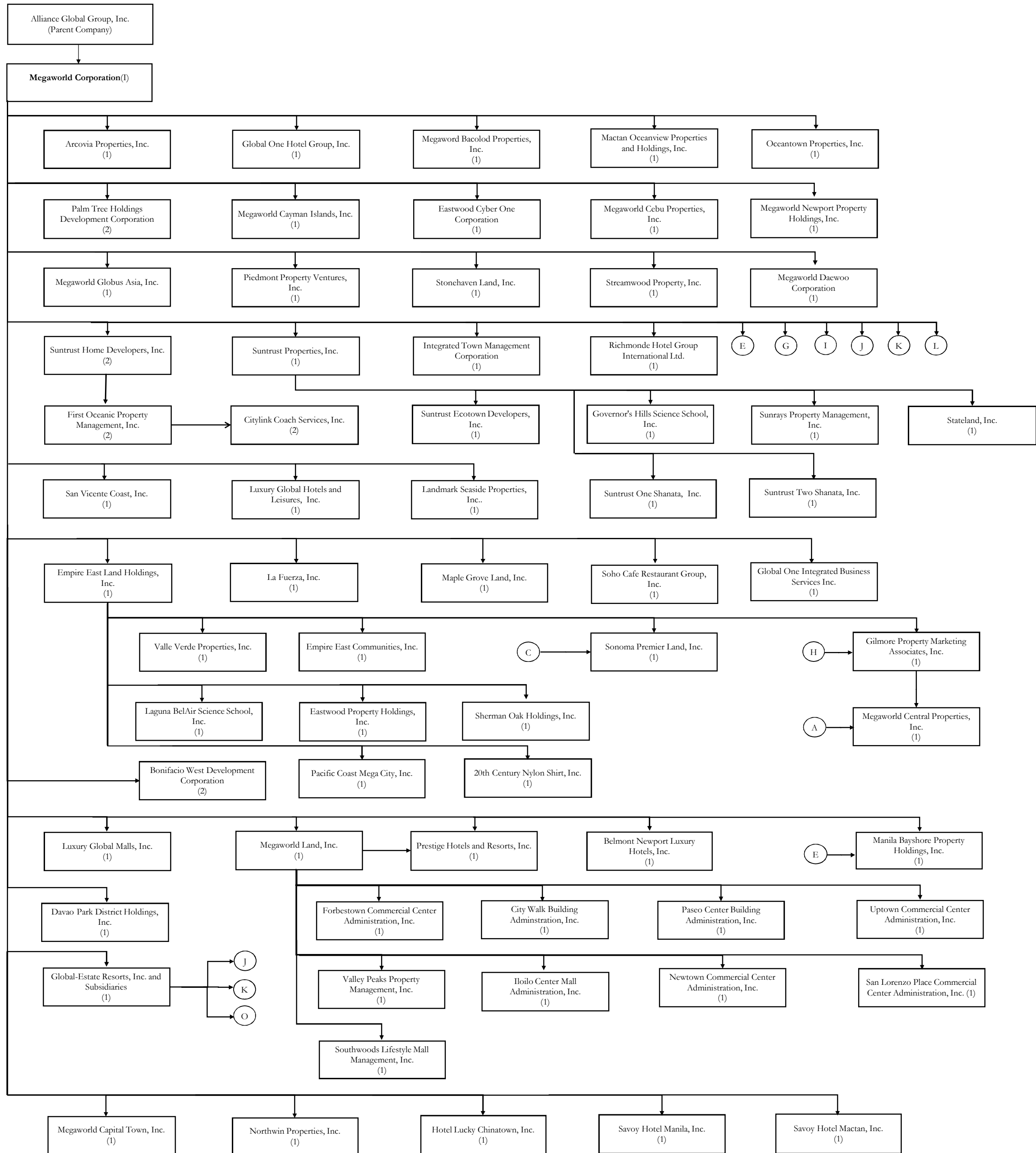
ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Schedule B - Map Showing the Relationship Between Alliance Global Group, Inc.
and its Related Parties
December 31, 2019

Legend

- (1) Subsidiary
- (2) Associate
- (3) Jointly Controlled Entity

- A Megaworld Corporation
- B Adams Properties, Inc.
- C First Centro, Inc.
- D Newtown Land Partners, Inc.
- E Travellers International Hotel Group, Inc.
- F Manila Bayshore Property Holdings, Inc.
- G Westside City Resorts World, Inc.
- H Townsquare Development, Inc.
- I Megaworld Resort Estates, Inc.
- J Twin Lakes Corporation
- K Megaworld Global Estates, Inc.
- L Megaworld Central Properties, Inc.
- M Shiok Success International, Ltd.
- N Dew Dreams International, Ltd.
- O Southwoods Mall, Inc.
- P Sonoma Premier Land, Inc.
- Q Gilmore Property Marketing Associates, Inc.
- R Emperador Inc.
- S Empire East Land Holdings, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Schedule B - Map Showing the Relationship Between Alliance Global Group, Inc.
and its Related Parties
December 31, 2019



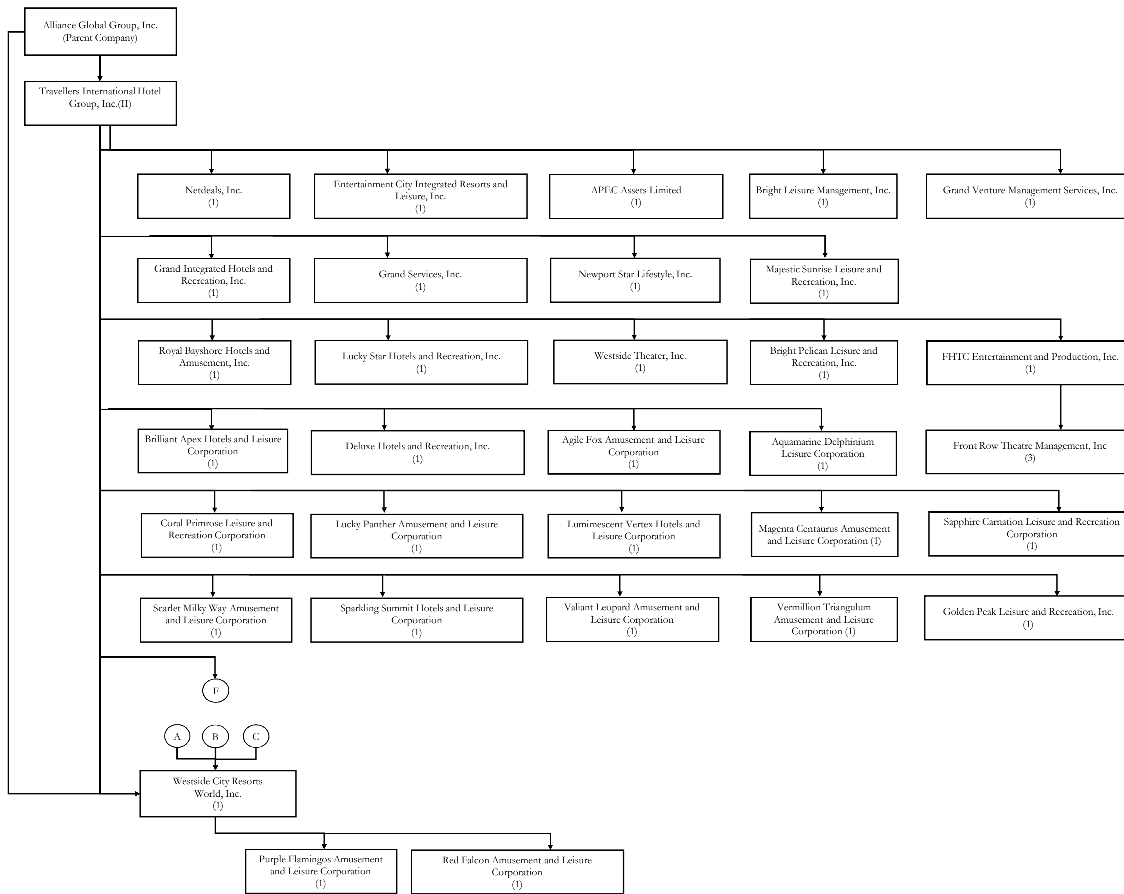
Legend

Relationship with Megaworld Corporation

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A Megaworld Corporation
B Adams Properties, Inc.
C First Centro, Inc.
D Newtown Land Partners, Inc.
E Travellers International Hotel Group, Inc.
F Manila Bayshore Property Holdings, Inc.
G Westside City Resorts World, Inc.
H Townsquare Development, Inc.
I Megaworld Resort Estates, Inc.
J Twin Lakes Corporation
K Megaworld Global Estates, Inc.
L Megaworld Central Properties, Inc.
M Shiok Success International, Ltd.
N Dew Dreams International, Ltd.
O Southwoods Mall, Inc.
P Sonoma Premier Land, Inc.
Q Gilmore Property Marketing Associates, Inc.
R Emperador Inc.

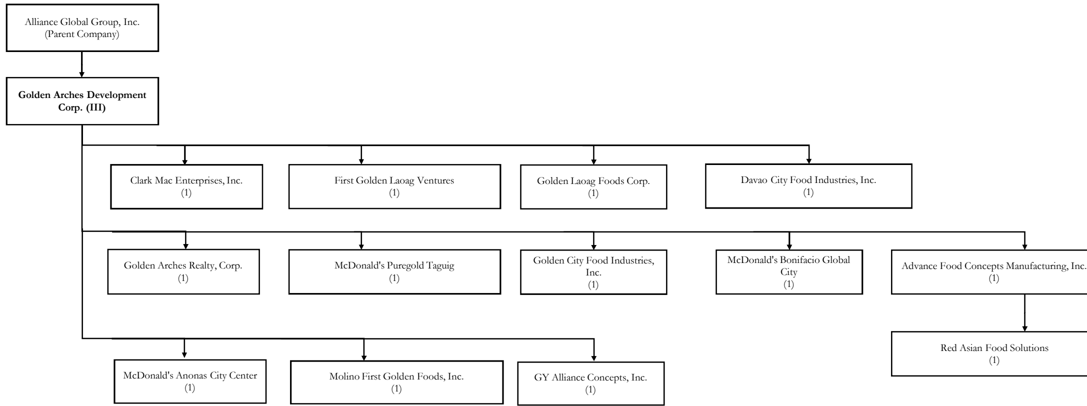
ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Travellers Group
December 31, 2019



Legend
Relationship with Travellers International Hotel Group, Inc.
(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Golden Arches Development Corporation Group
December 31, 2019



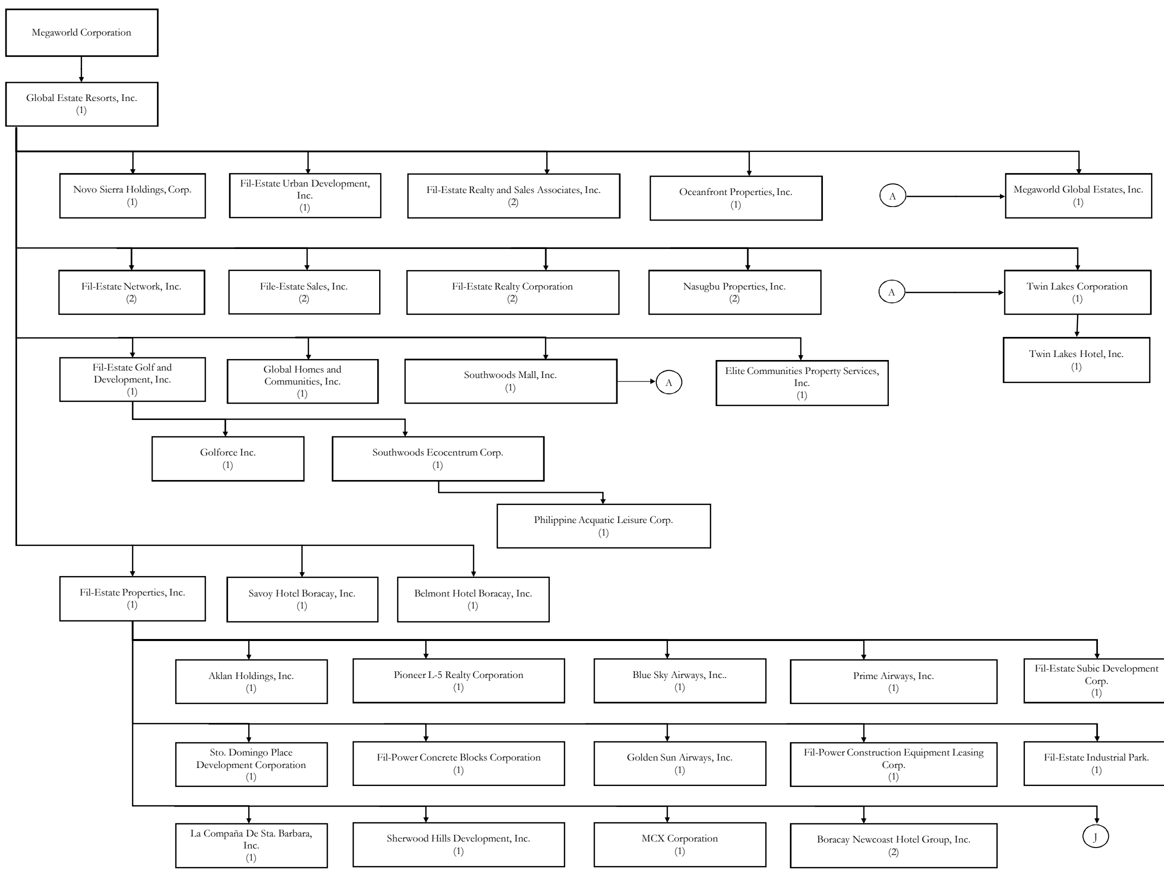
Legend

Relationship with Golden Arches Development Corporation

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between and
Among Megaworld and Global Estate Resorts Inc. Group
December 31, 2019



Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Emperador Group
December 31, 2019

- Alliance Global Group, Inc. (Parent Company)
  - Emperador Inc. (IV)
    - Emperador Distillers, Inc. (1)
      - Anglo Watsons Glass, Inc. (1)
      - The Bar Beverage, Inc. (1)
      - Cocos Vodka Distillers Philippines, Inc. (1)
      - Tradewind Estates, Inc. (1)
        - BoozyLife, Inc. (2)
      - Alcazar De Bana Holdings Company, Inc. (1)
        - ProGreen Agricorp., Inc. (1)
          - South Point Science Park, Inc. (1)
      - Zabana Rum Company, Inc. (1)
    - Emperador International Ltd. (1)
      - Emperador Asia Pte Ltd. (1)
        - Grupo Emperador Spain, S.A.U. (1)
          - Complejo Bodeguero San Patricio, S.L.U. (1)
          - Bodegas Fundador S.L.U. (1)
            - Destilados de la Mancha S.L. (1)
          - Stillman Spirits, S.L. (1)
          - Bodega Las Copas S.L. (3)
            - Alcoholera de la Mancha Vinicola, S.A.U. (1)
            - Viñedos del Rio Tajo, S.L.U. (1)
          - Bodega San Bruno, S.L. (1)
          - Emperador Gestion S.L. (1)
          - Domecq Bodega Las Copas, S.L. (3)
            - Gonzales Byass de Mexico S.A. de C.V. (3)
            - Bodega Domecq S.A. de C.V. (3)
            - Pedro Domecq S.A. de C.V. (3)
      - Emperador Europe SARL (1)
        - Emperador UK Limited (1)
      - Emperador Holdings (GB) Limited (1)
        - Emperador UK Limited (1)
          - Whyte and Mackay Group Limited (1)
            - Whyte and Mackay Global Limited (1)
              - Whyte and Mackay Warehousing Ltd. (1)
              - Whyte and Mackay Limited (1)
              - Whyte and Mackay Americas Ltd, LLC (1)

Legend
Relationship with Emperador Inc.
(1) Subsidiary (100%)
(2) Subsidiary (51%)
(3) Subsidiary (50%)
(4) Jointly Controlled Entity

P&A Grant Thornton
An instinct for growth™

Report of Independent Auditors on Components of Financial Soundness Indicators

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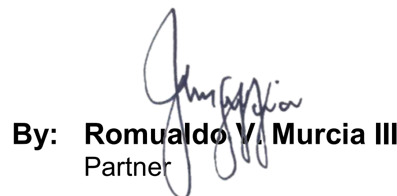
The Board of Directors and the Stockholders
Alliance Global Group, Inc. and Subsidiaries
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Global Group, Inc. and subsidiaries (the Group) for the year ended December 31, 2019 and 2018, on which we have rendered our report dated May 29, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the two years in the period ended December 31, 2019 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO



By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8116550, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 29, 2020

Alliance Global Group, Inc. and Subsidiaries
7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark,
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

Schedule of Financial Soundness Indicators
Annex 68-E
As of December 31, 2019

Ratio	Formula	2019	2018
Current ratio	Current assets / Current liabilities	2.30	2.95
Acid test ratio	Quick assets / Current liabilities (Quick assets include cash and cash equivalents, trade and other receivables and financial assets at fair value through profit or loss)	1.05	1.28
Solvency ratio	EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds payable)	0.25	0.21
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings, bonds payable and equity-linked debt securities)	0.70	0.68
Asset-to-equity ratio	Total assets / Total stockholders' equity	2.17	2.02
Interest rate coverage ratio	EBIT / Total Interest (Non-recurring gain is excluded from EBIT)	6.79	8.44
Return on investment	Net profit / Total stockholders' equity	0.09	0.08
Return on investment of equity owners	Net profit attributable to owners of the Parent Company/ equity attributable to the owners of the Parent Company	0.10	0.09
Return on assets	Net profit/ total assets	0.04	0.04
Net profit margin	Net profit / Total revenues	0.15	0.15

Trucost
ESG Analysis
S&P Global

Alliance Global Group, Inc. ESG Report

Financial Year 2019

Credits
Erik Christianto | Account Director
Rochelle March | Project Manager
Byford Tsang | Senior Analyst
Deepti Panchratna | Analyst
Vandana Gaur | Senior Specialist
Ankita Sinha | Senior Specialist

About Trucost
Trucost is part of S&P Global. A leader in carbon and environmental data and risk analysis, Trucost assesses risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors. Companies and financial institutions use Trucost intelligence to understand their ESG exposure to these factors, inform resilience and identify transformative solutions for a more sustainable global economy. S&P Global's commitment to environmental analysis and product innovation allows us to deliver essential ESG investment-related information to the global marketplace. For more information, visit www.trucost.com.

About S&P Global
S&P Global (NYSE: SPGI) is a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide. For more information, visit www.spglobal.com.

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About Alliance Global Group, Inc.

Alliance Global Group, Inc., (hereafter “AGI”) through its subsidiaries, is engaged in property development, food and beverage manufacture and distribution, quick-service restaurants and integrated tourism development businesses in the Philippines and internationally. The company operates through its subsidiaries, namely, Megaworld Group, Travellers, Emperador, and GADC. AGI, through Megaworld undertakes township development projects that would typically incorporate a residential segment (i.e., building residential condominiums, subdivision lots, and townhouses and tourism estates for sale), an office section (with office towers catering mainly to the offshoring/outsourcing sector) and retail component (mainly malls and commercial spaces) for lease, and also operates and manages home-grown hotels. Through Travellers, AGI owns and operates Resorts World Manila, the country's integrated resort development that offers leisure, entertainment and hospitality through its various international hotel brands. Likewise, through Emperador, AGI produces glass containers, manufactures, bottles, and distributes distilled spirits and other alcoholic beverages under its local brands Emperador Light, Emperador Deluxe, Andy Player Whisky, Smirnoff Mule and The Bar, as well as its international brands like The Dalmore and Jura Scotch whiskies, and Fundador brandy. Further, AGI through GADC owns the master franchise of McDonald's in the Philippines. AGI was incorporated in 1993 and is based in Quezon City, the Philippines.

ESG in the Real Estate Sector

The real estate sector consumes significant amounts of energy primarily related to space heating, air conditioning, water heating, lighting and use of equipment and appliances. In addition, the sector consumes significant amounts of water in their operations through water fixtures, building equipment, appliances and irrigation. Moreover, the sector generates large amounts of waste through its operations that needs to be disposed responsibly.

The real estate sector is subjected to stringent government rules and regulations. It is also exposed to a number of governance-related risks. In order to manage and avoid these risks, companies in the industry can implement a range of governance measures, including employee training, oversight, policies, procedures, and enforcement systems focused on transparency and appropriate disclosures. Effective management of these risks can lead to increased client trust and better brand value in the market, adding to long-term revenue growth. Inadequate management of risks may lead to regulatory fines and penalties, as well as decreased client trust and a loss of its social license to operate.

ESG in the Alcoholic Beverages Sector

Companies in the Alcoholic Beverages industry rely on both purchased electricity and fuel as critical inputs for value creation. Fossil fuel and electrical energy consumption can contribute to environmental impacts, including climate change and pollution. These impacts have the potential to affect the value of companies in this industry as regulations of greenhouse gas (GHG) emissions and new incentives for energy efficiency and renewable energy could lead to increased price volatility for fossil fuels and conventional electricity while making alternative sources cost-competitive. Companies that manage their overall energy use through increased efficiency and use of alternative energy sources can increase profitability by lowering expenses and reducing risk.

Water management relates to a company’s direct water usage, the exposure of its operations to water-scarce regions, and its management of wastewater. Companies in the Alcoholic Beverages industry use a large amount of water in their operations, as water is a key input to their finished products. Given alcoholic beverage companies’ heavy reliance on large volumes of clean water and the fact that water stress is increasing in different regions globally, companies may be exposed to supply disruptions that could significantly impact operations and add to costs. Companies operating in water stressed regions that fail to address local water concerns may face further risk of losing their social license to operate. Improving water management through increased efficiency and recycling, particularly in regions with baseline water stress, can lead to lower operating costs, reduced risk, and higher intangible asset value.

The irresponsible consumption of alcoholic beverages can lead to negative social externalities such as drunk driving, addiction, public health issues, underage drinking, and even death. Every year, irresponsible alcohol consumption contributes to millions of deaths worldwide, a large portion of which includes underage youth and young adults. The harmful use of alcohol is a growing concern, particularly in developing countries that do not

have laws to protect against alcohol's detrimental effects. Alcoholic beverage companies may be forced to internalize the costs of these social externalities through taxes, lawsuits, or reputational harm, which can have a material impact on operations and financial results. Failing to properly manage social externalities may lead to further unfavorable regulation and erode the industry's social license to operate. Through education, engagement, community partnerships, and responsible marketing, particularly to underage individuals, companies can address and mitigate many of the social externalities associated with alcohol misuse. Companies that effectively manage this issue can reduce the likelihood of extraordinary expenses, improve market share, and decrease liabilities.

ESG in the Restaurants Sector

Restaurant operations have high energy intensity compared to other commercial building operations. Commercial kitchen appliances are extremely energy intensive, and dining areas are typically temperature-controlled for customers. Fossil fuel based energy production and consumption contribute to significant environmental impacts, including climate change and air pollution, which have the potential to indirectly, yet materially, impact the results of restaurant operations. Regulations on greenhouse gas (GHG) emissions pricing or regulatory incentives for energy efficiency improvements and renewable energy affect conventional and renewable energy prices. Companies that manage energy consumption at company owned and franchise locations can decrease operational costs through energy efficiency upgrades and limit exposure to GHG emissions regulations through the use of renewable energy resources.

Both food preparation methods and quality of ingredients can impact food safety in the Restaurants industry. Restaurant food safety is especially challenging to manage with a broad supply chain. The global nature of the industry as well as the franchising model make it difficult for restaurant companies to ensure the safety of their food supplies. Failure to monitor the quality of supplied products may increase a company's risk of supply disruptions as well as negative publicity. Food safety issues, such as foodborne illness concerns, in either company-owned or franchise-operated locations can affect the core of a restaurant's reputation. Reputational damage from food safety issues tends to have a long-term impact. Companies that adhere to industry standards for food preparation and safety are likely to be better positioned to protect shareholder value.

ESG in the Gaming and Casino Sector

With many facilities open 24 hours a day, the Casinos & Gaming industry requires a large amount of energy to operate. Casino facilities often have few windows and therefore rely on their buildings' mechanical systems for heating, ventilation, air-conditioning (HVAC), and lighting. Fossil fuel-based energy production and consumption contribute to significant environmental impacts, including climate change and pollution, and have the potential to impact casino companies' results of operations. It is becoming increasingly important for companies that rely on electricity consumption for their operations to manage energy efficiency as well as energy availability, including the risks and opportunities associated with energy sourcing from fossil fuels and/or from renewable and alternative energy sources.

Responsible gambling encompasses industry best practices to mitigate the impacts of problem gambling that may result from violations of self-exclusion lists, irresponsible advertising, gambling by minors, or instances where the company has otherwise enabled gambling problems. Highly-publicized incidents related to pathological and problem gambling may damage companies' reputations and result in regulatory curtailment of their licenses to operate.

By the nature of its business, the Casinos & Gaming industry can be attractive to criminals seeking to launder money or disguise the origin of funds. Risk factors include the large amount of cash transactions, accessibility to multiple facilities, and customer anonymity. Therefore, strict and robust internal controls are necessary for companies to prevent violations of reporting and money laundering regulations. Casino operators that fail to detect and prevent money laundering activities may open themselves to investigations. Violations of anti-money laundering laws and regulations could result in criminal prosecution and/or substantial regulatory penalties.

Introduction

AGI engaged Trucost to review reporting of its environmental, social and governance (ESG) impacts for the financial year of 2019 (FY2019), which comprised of January 2019-December 2019. AGI is interested in measuring its baseline ESG impact that it can use to track progress against ESG-related activities over time. The results from this report are in line with common sustainability reporting frameworks such as Global Reporting Initiative (GRI), Climate Disclosure Project (CDP), Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD), among others, and can satisfy the sustainability reporting requirements for the Philippines Stock Exchange.

Proactively identifying key materiality issues provides companies with the opportunity to increase their value, both in business and financial terms. Focusing on these material ESG issues can allow companies to positively impact their growth in terms of profit and customers, while failure to address these issues can have a negative effect on a company's reputation and profits. Through an ESG report, AGI can communicate the company's commitment to sustainable development and its key achievements, practices, and management approaches to its target audiences and stakeholders.

Scope

AGI assessed and disclosed environmental, social and governance impacts for its business segments, including Megaworld Group, Emperador, Travellers and Golden Arches Development Corporation (GADC). The disclosures are calculated for each segments' owned buildings and operations and aggregated for AGI disclosure[1].

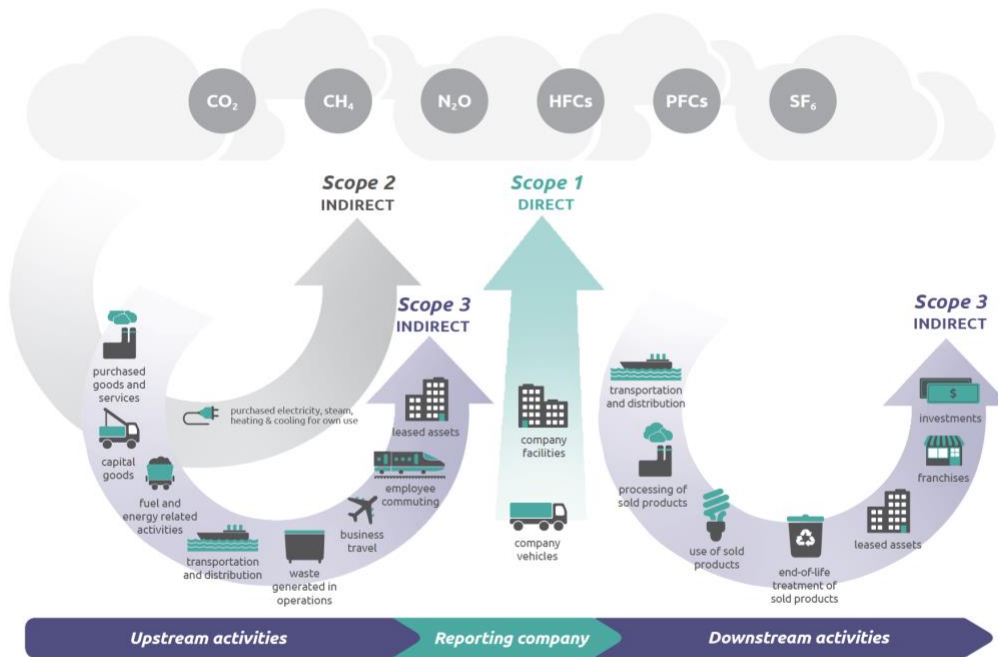
Environmental indicators covered include:

- GHG emissions, scope 1, 2 and select scope 3 (see exhibit 1 below)
- Electricity use
- Waste generation
- Water use
- Environmental standards

[1] In absence of ownership percentage of each business unit, for aggregation, value for each KPI were directly summed assuming AGI has 100% ownership of each business segment.

The figure below summarizes an organization's sources of GHG emissions, across scope 1 (direct emissions), scope 2 (indirect emissions, primarily purchased electricity) and scope 3 (indirect emissions from upstream suppliers and downstream customers).

FIGURE 1: SCOPE OF VALUE CHAIN GHG EMISSIONS FOOTPRINT



Source: WRI (2015) GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Social indicators covered include:
- Workforce diversity
- Employee training and development
- Philanthropy and volunteer hours

Governance indicators covered include:
- Data privacy and security
- Electronic waste
- Stakeholder management
- Business ethics

Board Statement

The board of directors of the Company (the "Board" or the "Directors") are committed to maintaining a high standard of corporate governance and transparency within the Group and adopt sustainability reporting practices based on the Securities Exchange Commission's Sustainability Reporting Guidelines for Publicly-Listed Companies ("Guidelines"). The Board has adopted the Guidelines where appropriate so as to strengthen corporate governance and reporting practice and foster greater corporate disclosure.

In addition, it has embraced the SEC Memorandum Circular, which requires every listed issuer to prepare an annual sustainability report. This report is developed in line with the Guidelines on a 'comply or explain' basis. The policies, targets, risks and opportunities identified within an external independent review are monitored and reported within this ESG report and the Board commits to oversee the appropriate activities are undertaken to achieve the good practice targets set.

The Company recognizes the importance of good governance for continued growth and investors' confidence. In line with the commitment by the Company to maintaining high standards of corporate governance, the Company will continually review its corporate governance processes to strive to fully comply with the Guidelines. The Board confirms that for the financial year ended 31 December 2019 ("FY2019"), the Company has generally adhered to the principles and guidelines set out in the Guidelines, and where there are deviations from the Guidelines, appropriate explanations are provided.

ESG Materiality

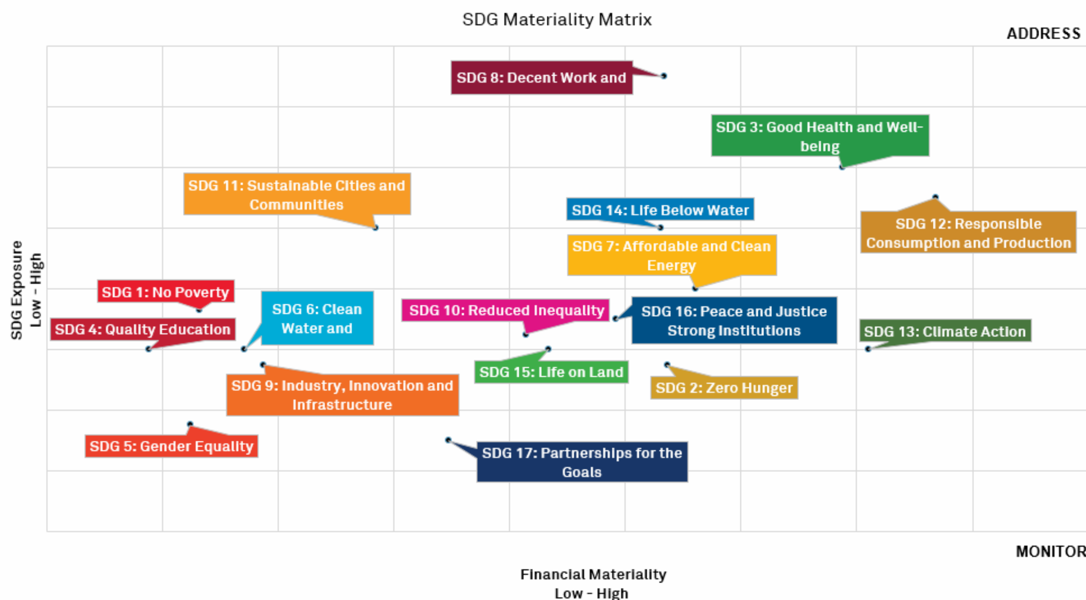
Trucost considered sector-level materiality to identify all issues relevant to companies operating in the associated sectors. These themes were identified using SASB, investor trend review and a wider literature review. Sector-level materiality was identified and refined based on specific practices of the company. Many of these issues are not applicable to AGI due to its specific operations. Exhibit 1 highlights the material ESG issues identified for AGI. Sector level issues that are not relevant to AGI, but were considered, are represented with dark grey shading, while issues that are immaterial for the sector and operations are colored light grey.

SDG Materiality

In 2015, the United Nations developed a blueprint for achieving peace and prosperity for people and the planet by 2030 in the form of 17 global goals and 169 targets for sustainable development. The United Nations Sustainable Development Goals (SDGs) are a call to action for governments, society and the private sector to achieve a more sustainable future. Since their launch in 2015, the SDGs have garnered widespread backing among companies and investors who have made progress towards aligning business strategies and capital allocation with the SDGs.

Exhibit 2 displays the top material SDGs for AGI based on the company's operating sector and geographies and financial materiality[2]. The matrix ranks the SDGs for AGI based on the level of importance of SDG-related issues based on AGI's operating sectors and geographies and the degree of financial materiality of issues underlying each SDG. SDGs in the right-hand upper quadrant of the matrix are considered high in both financial materiality and potential risk exposure related to the SDGs; it is recommended that AGI prioritize activities related to addressing these SDGs in order to mitigate any adverse impacts to or by the company. These include SDG 3 (Good Health and Well-being), SDG 12 (Responsible Consumption and Production), and SDG 8 (Decent Work and Economic Growth). In the right-hand lower quadrant are SDGs that are considered high in financial materiality, but lesser in magnitude in terms of SDG-related issues that may affect or be affected by AGI; it is recommended to monitor these SDG-related issues. These include SDG 7 (Affordable and Clean Energy), SDG 13 (Climate Action), SDG 2 (Zero Hunger), and SDG 16 (Peace, Justice and Strong Institutions).

EXHIBIT 2: SDG MATERIALITY MATRIX



[2] Top financial material issues are provided by the SASB Materiality Matrix (https://materiality.sasb.org/) and mapped by Trucost to associated SDGs.

Environmental Impact

Operational Greenhouse Gas Emissions

Trucost reviewed AGI's environmental data for FY2019. Exhibit 3 below relates the key findings for environmental impacts. These impacts are described in absolute terms, or their total volume, as well as in intensity terms by m^2 of AGI'S floor area (5,441,374 m^2), by employee (53,910 employees) and by revenue (179,989 mPHP).

EXHIBIT 3: COMBINED DIRECT AND INDIRECT OPERATIONAL GREENHOUSE GAS EMISSIONS, FY2019

Scope	Absolute Emissions	Carbon Intensity		
		tCO2e per m^2 of floor area	tCO2e per employee	tCO2e per million PHP revenue
Scope 1	276,198	0.05	5.12	1.53
Scope 2 (Location-based)	265,846	0.05	4.93	1.48
Scope 3	43,167	0.01	0.80	0.24
Total Emissions	585,212	0.11	10.86	3.25

EXHIBIT 4: ABSOLUTE GHG EMISSIONS BY BUSINESS UNITS

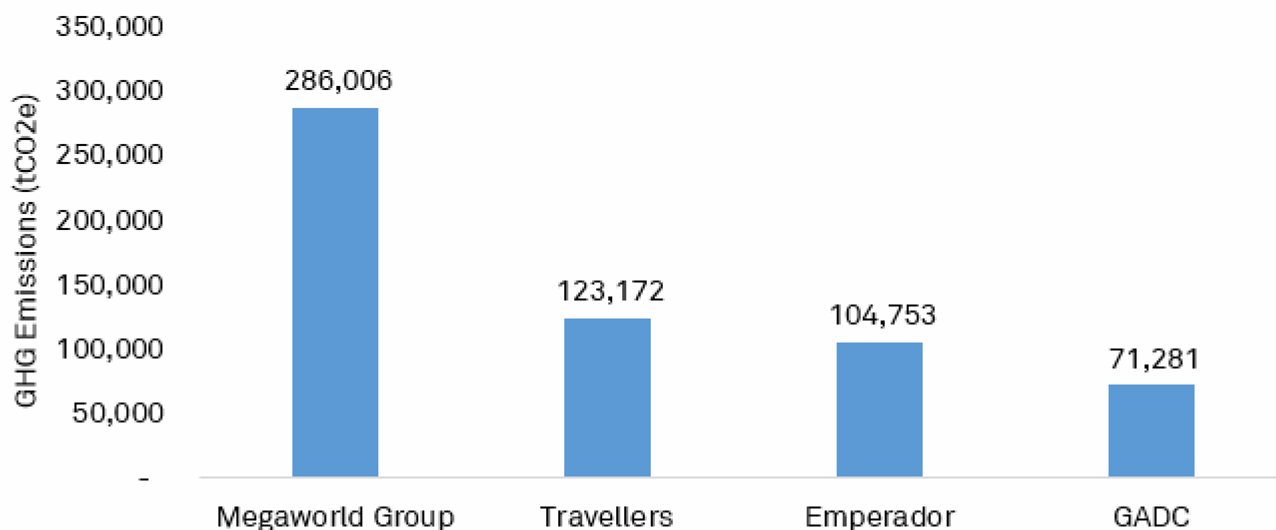


EXHIBIT 5: ABSOLUTE GHG EMISSIONS BY SCOPES

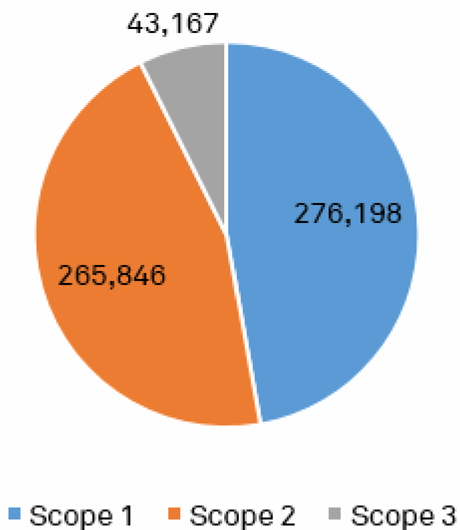
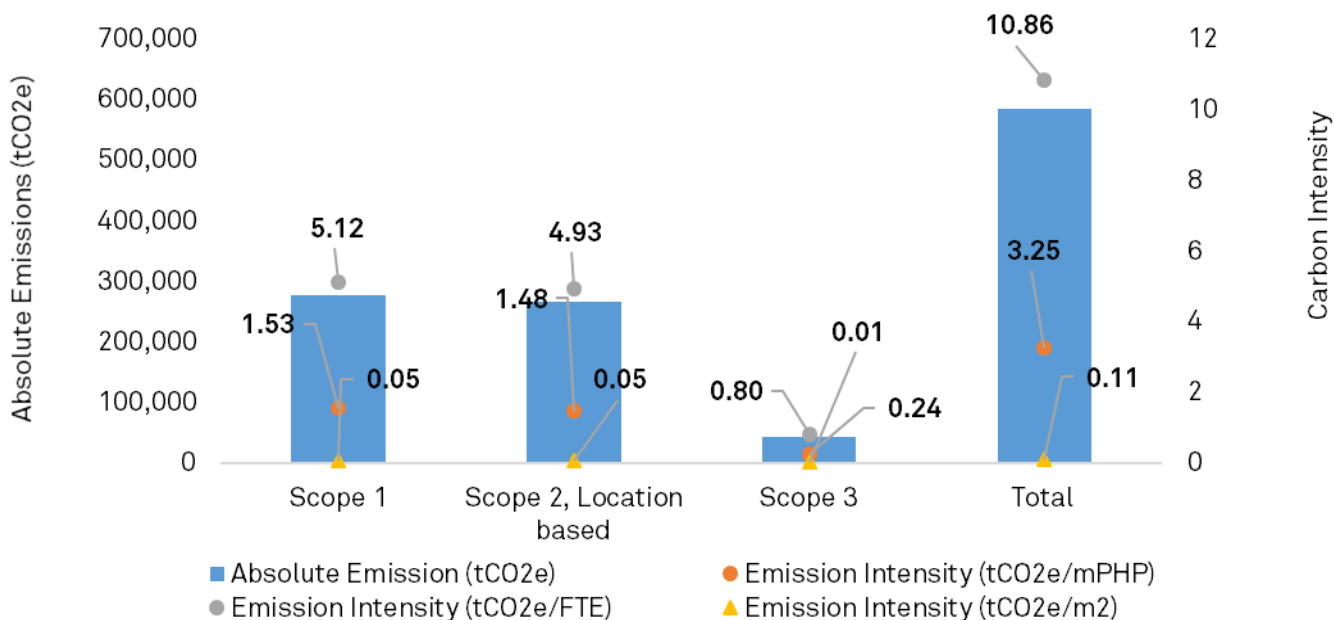


EXHIBIT 6: GHG EMISSIONS ABSOLUTE VALUES AND INTENSITY VALUES, FY2019



Direct (Scope 1) GHG Emissions

Direct emissions are GHG emissions from organizational operations are direct (or scope 1) emissions derived from propane, diesel, natural gas consumption for boiler, gas turbine, diesel generators, owned transportation and refrigeration processes. AGI's scope 1 emissions during FY2019 was 276,198 tCO_2e, and the intensities of GHG emissions normalized by square meter of floor area, employees and revenue were 0.05 tCO_2e/m^2, 5.12 tCO_2e/employee and 1.53 tCO_2e/PHP million, respectively.

Indirect (Scope 2) GHG Emissions

A second component of GHG emissions related to organizational operations are indirect (or scope 2) emissions primarily from the consumption of purchased electricity. AGI's scope 2 emissions (location-based) during FY2019 was 265,846 tCO_2e. 100% of the electricity was purchased from an electric grid. The intensities of GHG emissions normalized by square meter floor area, employees and revenue were 0.05 tCO_2e/m^2, 4.93 tCO_2e/employee and 1.48 tCO_2e/PHP million, respectively.

Indirect (Scope 3) GHG Emissions

A final component of GHG emissions related to organizational operations are indirect (or scope 3). AGI's scope 3 emissions during FY2019 were calculated for category 5, waste generated in operations, and category 6, business travel and totaled 43,167 tCO_2e. The intensities of GHG emissions normalized by square meter floor area, employees and revenue were 0.01 tCO_2e/m^2, 0.80 tCO_2e/employee and 0.24 tCO_2e/PHP million.

Water Use

In FY2019, absolute water use totaled 12,394,121 cubic meters (m^3) with 7,542,575 m^3 from supplied water from local utilities, 4,851,547 cubic meters of water abstracted directly, with 6.72% (or 832,540 m^3) of total water reused. AGI has received permits for water extraction, or has permit applications in progress for all sites. Water use intensity normalized by square meter of floor area, employee and revenue were 2.28 m^3/m^2, 229.90 m^3/employee and 68.86 m^3/PHP million respectively.

EXHIBIT 7: WATER USE BY BUSINESS UNITS, FY2019

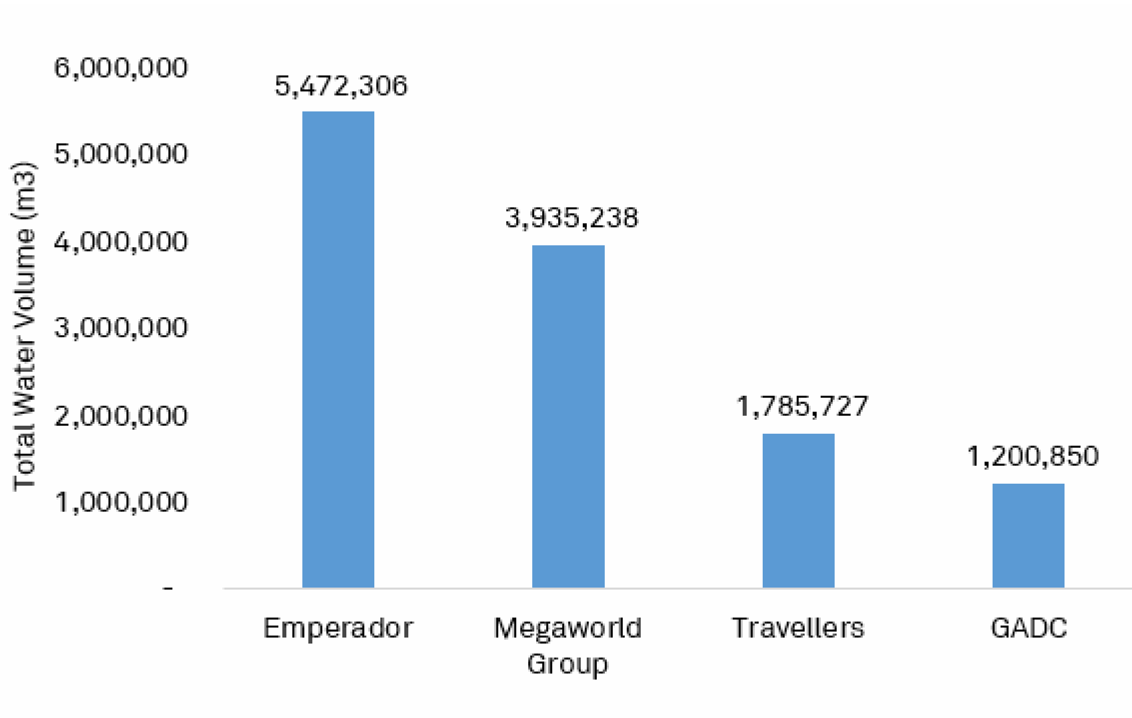
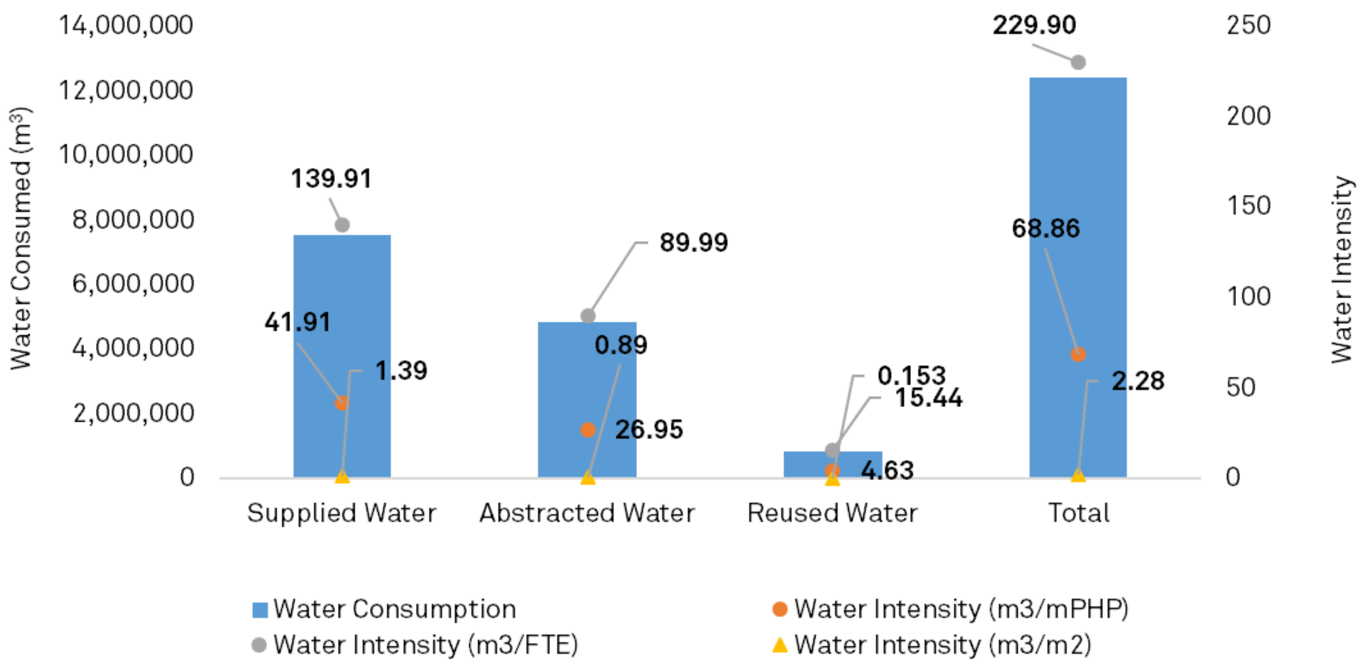


EXHIBIT 8: WATER USE INTENSITY



Waste Generation and Recycling

Absolute non-hazardous waste and hazardous waste generated in FY2019 was 83,840, with 78,074 tonnes of non-hazardous waste and 5,766 tonnes of hazardous waste, with 23% of all waste (or 19,233 tonnes) being recycled. Major types of waste that contributed to the total mass were solid waste, metal, plastic and paper. The intensity of total waste generated normalized by square meter of floor area, employee and revenue were 0.015 tonnes/m2, 1.56 tonnes/employee and 0.47 tonnes/PHP million.

EXHIBIT 9: WASTE BY BUSINESS UNITS, FY2019

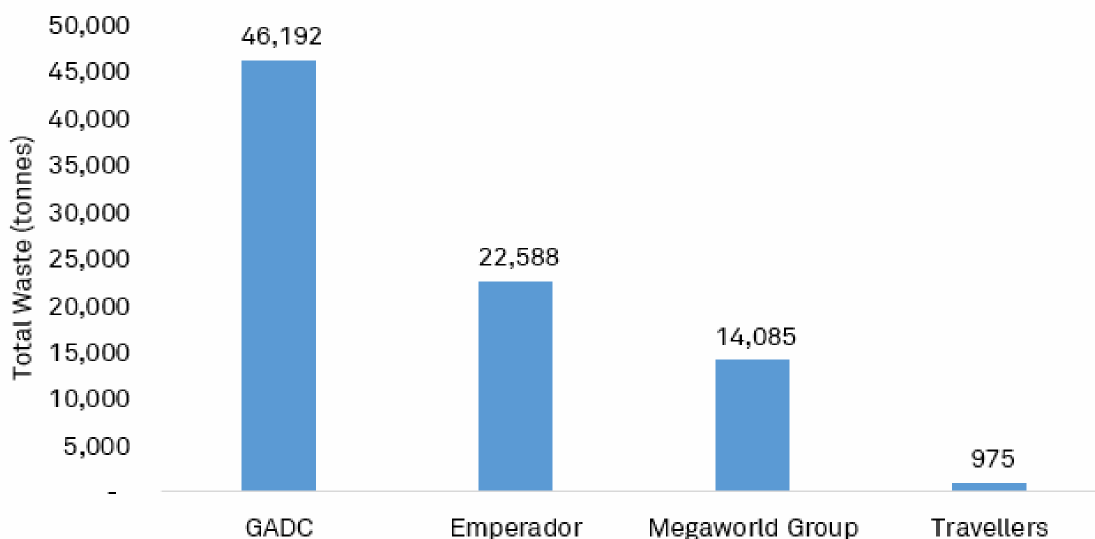
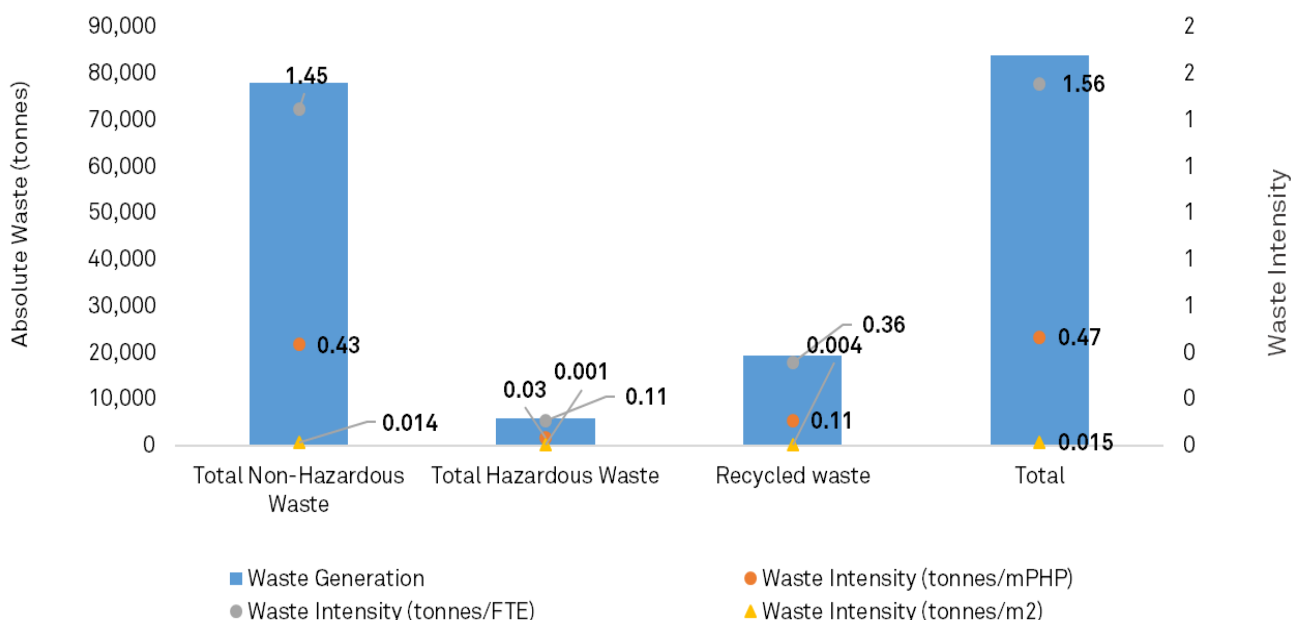


EXHIBIT 10: ABSOLUTE WASTE AND WASTE INTENSITY, FY2019



Social Impact

Workforce Diversity

Overall, the company has 53,910 employees with approximately 48% female and 52% male representation.

EXHIBIT 11: GROUP DIVERSITY AND EMPLOYEE REPRESENTATION, FY2019

Business Unit	Male	Female	Total
Emperador	2,632	825	3,457
GADC	18,903	19,025	37,928
Megaworld Group	3,065	3,504	6,569
Travellers	3,314	2,642	5,956

Employee Training and Development

AGI recognizes that training and education form an important part in the development of employee skills and supporting career development. In 2019, the Company dedicated 687,448 hours on training employees, which entailed a total expenditure of 53,656,826 PHP.

Additionally, performance reviews are scheduled bi-annually to support in career development, promotion and merit enhancement. AGI also provides several government mandated and voluntary benefits to its employees such as leaves, salary loans, saving benefits, several loans options, medical benefits, flexible working hours, among other benefits.

EXIHIBIT 12: EMPLOYEE TRAINING, FY2019

Business Unit	Total number of hours for all employees	Expenditure (PHP)
Emperador	169,393	18,077,311
GADC	55,031	13,078,312
Megaworld Group	42,903	14,630,055
Travellers	420,121	7,871,149

EXIHIBIT 13: EMPLOYEE DEVELOPMENT: PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS, FY2019

Business Unit	Male	Female
Emperador	100%	100%
GADC	100%	100%
Megaworld Group	100%	100%
Travellers	99%	99%

CSR Initiatives

AGI's business units have a number of CSR programs focused on environmental, social and community initiatives.
EXHIBIT 14: CSR INITIATIVES, FY2019

CSR Initiatives	
Amount of donations (PHP)	71,058,890
Volunteer hours	10,086

Emperador Governance

Customer Management

Emperador values its customers as one of its most important stakeholders. Thus, the management of customer complaints and grievances are given a high priority. Customer complaints are handled by both Commercial Services team and the Quality Assurance Department.
Emperador also carries out periodic Customer Satisfaction Survey to know the degree of satisfaction of its clients with respect to issues related to the service, quality and food safety of the products.

In addition, its Customer Satisfaction Policy describes the procedures and actions for addressing customer satisfaction and the collection of important data on the satisfaction of customers. This policy references the following standards:

- ISO9001
- FSSC22000
- BRC and IFS

Data Privacy and Security

Emperador collects client and customer data in accordance to its privacy policy and applicable data privacy regulations. Emperador maintains secondary data for all its companies as part of its disaster recovery measures. During the reporting period, no requests for data were made by regulatory authorities in the past year.

EXHIBIT 15: DATA PRIVACY AND SECURITY, FY2019

Customer Privacy	
Number of substantiated complaints on customer privacy	0
Number of complaints addressed	0
Data Breaches	
Number of data security breaches in financial year	0

Electronic Waste

Computer equipment, such as disk servers, desktop computers and mobile phones at end-of-life, especially storage media, are disposed of provided that the procedure shall include the use of degaussers, erasers and physical destruction devices, among others.

Upon the expiration of identified lawful business purposes or withdrawal of consent, Emperador takes reasonable steps to securely destroy or permanently de-identify/anonymize personal information if it is no longer needed. Data may be pseudomized/anonymized, as deemed appropriate, to prevent unique identification of an individual.

Stakeholder Management

Emperador considers suppliers, communities and customers as its primary stakeholders. The company has a supplier code of conduct and suppliers must have relevant permits to operate with Emperador. The company is committed in resolving issues raised by customers through its Credit and Collections department and its Customer Relations department.

Regarding suppliers, Emperador has a Security Policy for the health, quality and environmental and social considerations of its facilities that produce the company's products. The policy promotes an ambitious adherence to social and environmental priorities for suppliers. In addition, Emperador has a procurement policy regarding the purchase of equipment, services and products for the production of its products that references the following standards:

- ISO9001
- FSSC22000
- BRC and IFS
- PRO-003 for the evaluation procedure for suppliers

Responsible labelling

As an alcoholic beverage company, it becomes imperative for Emperador to ensure that its business undertakes all necessary precautions in marketing to ensure only intended use of its products. One such effort is through responsible labelling.

Emperador ensures that its advertising impression is targeted at consumer segment above the legal drinking age. Digital platforms have age-verified gateway. Similarly, all other marketing campaigns, on trade and off trade presentations and product catalogues strictly adhere to the norms of legal drinking age.

EXHIBIT 16: RESPONSIBLE LABELLING

Responsible Labelling	
Percentage of total advertising impressions made on individuals at or above the legal drinking age	100%
Number of incidents of non-compliance with industry or regulatory labelling and/or marketing codes	0
Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	0

Some of the efforts taken to promote responsible consumption of alcohol are:

- Launch of Club Mix non-alcoholic mixers, to promote mixing for Emperador and The Bar gin products, which lowers the ABV
- Launch of Emperador Double Light and Whyte and Mackay Light – lower ABV variant
- Launch of Pink Responsibly (Drink Responsibly) Campaign at The Bar Pink Gin
- Membership of Drink aware and Scottish Government Alcohol Group
- In Spain:

  i) Collaboration with FEBE in the commitment to society and the problems derived from the consumption of alcoholic beverages

ii) Processing the creativities to AUTOCONTROL, which is an independent advertising self-regulatory organisation (SRO) in Spain for responsible advertising and comprises of advertisers, advertising agencies, media and professional associations

Business Ethics

Emperador ensures that all transactions are executed fairly within the company's codes of conduct. Emperador expects each employee to observe the highest standards of business ethics. An employee cannot engage in any activity that would create conflict or interfere with the performance of his responsibilities. Receiving of gifts from third parties is not allowed.

Emperador values all information received from whistle blowers and/or anonymous sources. It encourages all stakeholders to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable practices and transactions entered by any of its employees and officers.

The company's risk management periodically reviews project progress and compliance to various government agencies. Given that constructions are contracted to suppliers, Emperador vets them carefully and ensures that they have secured environmental compliance licenses.

EXHIBIT 17: GOVERNANCE INDICATORS, FY2019

Total amount of monetary losses as a result of legal proceedings associated with money laundering	**None**
Anti-money laundering policy in place	Yes. The policy is in accordance with RA 9160 Anti-Money Laundering Act – its implementing rules and regulations.
Anti-corruption policy in place?	A group-level policy is currently being drafted but offshore subsidiaries have their policies in place. The Philippine units operate in compliance with the Anti-Graft and Corrupt Practices Act.
Grievance mechanism in place for whistle-blowers	For each subsidiary or affiliate, reports of wrongdoing may be made directly to the Chairman or President for proper disposition to ensure confidentiality of information and protection of the identity of the whistle blower.
Policy or standard practices to identify risk of contamination, and the containment or remediation strategies deployed?	Yes. Emperador has quality control manual and sanitation policy for this purpose.
Ethical procurement policy in place?	Yes. Emperador has a Purchase and Provisioning procedure that takes into consideration food safety and food security in procurement practice.

GADC Governance

Data Privacy and Security

In FY2019, GADC has an estimate of approximately 300,000 customer's data. GADC maintains data security and in the past year there were no reported data breaches or leaked information. GADC provides static information to National Privacy Commission as part of its compliance to Data Privacy Act of 2012. Data was safely disposed of after it is utilized.

EXHIBIT 18: DATA PRIVACY AND SECURITY, FY2019

Data Management Practices	
Number of individual clients for whom data was primarily stored	300,000
Number of companies for which secondary data is stored	None
Data Breaches	
Number of data security breaches in financial year	None

Electronic Waste

GADC discards its electronic waste in a responsible manner. GADC has a standard degaussing process for disposal of non-functional electronics. This takes place outside the organization and handled by accredited Third Party Supplier. The standard degaussing process in disposing the IT asset involves shredding or destroying the entire IT asset until it become non-operational.

EXHIBIT 19: ELECTRONIC WASTE, FY2019

Electronic Waste Management	
Fate of electronic waste not processed at site	The degaussing process takes place outside the organization and handled by accredited Third Party Supplier Standard degaussing process in disposing the IT asset means shredding or destroying the entire IT asset until it become non operational.
Record maintained regarding end fate of waste electronics	GADC do not maintain or keep any records of all electronic waste. If the unit is found to be defective it will be listed for disposal.
Disposal criteria	To confirm due diligence after the degaussing process: 1.) Third Party Supplier will confirm and email the disposal list document 2.) They will send images as part of asset disposal evidences

Food Safety

GADC considers food safety a paramount responsibility being in restaurant business. Thus, has all its stores permitted with sanitary permit issued by Local Government Unit (LGU) Health Department and is compliant to local ordinance related to Food Safety, Food Safety Act, and PNSDW.

GADC also gives importance to nutrient content in its food products. GADC reports that the nutrient content in their food requirement meets 89% and 100% Recommended Energy and Nutrient Intakes (RENI) requirement for adults and children respectively.

EXHIBIT 20: FOOD SAFETY, FY2019

Description	Details
Percentage of restaurants inspected by a food safety oversight body	100% of Stores w/ Sanitary Permit issued by Local Government Unit (LGU) Health Department w/compliance to local ordinance related to Food Safety, Food Safety Act, and PNSDW
Percentage receiving critical violations	None
Number of food recalls required in the year	None
Total amount of food recalled (Kg)	None
Number of confirmed foodborne illness outbreaks resulting in U.S. Centers for Disease Control and Prevention (CDC) investigation	None

EXHIBIT 21: NUTRIENT CONTENT, FY2019

Description	Details
Percentage of meal options consistent with national dietary guidelines	Estimate of 89% based on RENI (Recommended Energy and Nutrient Intakes)
Revenue from meal options consistent with national dietary guidelines	99% of Food Revenue
Percentage of children's meal options consistent with national dietary guidelines for children	Estimate of 100% based on RENI (Recommended Energy and Nutrient Intakes)
Revenue from children's meal options consistent with national dietary guidelines for children	100% of Food Revenue

Business Ethics

GADC has implemented several policies to ensure that it conducts business in a fair manner. GADC has anti-money laundering policies, anti-corruption policies, and mechanisms for raising grievances. GADC also emphasizes on responsible sourcing of raw materials and has environmental management policy for the same.

EXHIBIT 22: GOVERNANCE INDICATORS, FY2019

Total amount of monetary losses as a result of legal proceedings associated with money laundering	**None**
Anti-money laundering policy in place	The Standards of Business Conduct of GADC has provisions in place in contractual agreements regarding compliance with Anti-Money Laundering and relevant laws and regulations of the Philippines.
Anti-corruption policy in place	The Anti-Corruption Policy of GADC is included in the Standards of Business Conduct. GADC acknowledges the FCPA (U.S. Foreign Corrupt Practices Act) and incorporates this in employment contracts. Additionally, contractual agreements with supplier/vendors and external parties also include this

	provision as well as compliance with Philippine laws and rules on anti-corruption and bribery.
Grievance mechanism in place	GADC has grievance mechanisms "myPAL" in place, or a dedicated phone line for employee calls to report on ethics and compliance issues. Additionally, any reports for violations or complaints may be coursed through the following: 1) The immediate supervisor; 2) Restaurant General Manager; 3) Compliance Officer; 4) Any HR representative; 5) Department Head; 6) Any member of the Legal Department; 7) Any member of the ManCom; or 8) Any member of the ExeCom.
Environmental management policy	GADC has Environmental Manual in place to ensure compliance with corresponding environmental laws. GADC practices Responsible Sourcing of Raw Materials for following products:: Soft Seed Oil in replacement of Palm Oil (addresses deforestation) Coffee Beans are Rainforest Alliance (RFA Certified) (addresses economically viable farming and climate change) Fiber Packaging are Forest Stewardship Council (FSC) Certified (addresses healthy land management practices and waste)
Contamination management policy	GADC has a policy of use of only approved equipment and smallwares which assures of no possible contamination of heavy metals and harmful materials. All of the approved equipment and smallwares are either NSF or ANSI approved. Where there is no certification, food contact materials and food handling materials are tested for food grade status via 3rd party laboratories.
Contamination risk policy	No policy as of now

Megaworld Group Governance

Data Privacy and Security

In FY2019, Megaworld Group has collected and stored data for 161,578 clients. Megaworld takes reasonable steps to securely destroy or permanently de-identify or anonymize personal information if it is no longer needed. Disposal is in a manner that the personal data is unreadable (for paper) or irretrievable (for digital records).

EXHIBIT 23: DATA PRIVACY AND SECURITY, FY2019

Data Management Practices	
Number of individual clients for whom data was primarily stored	161,578
Number of companies for which secondary data is stored	3
Data Breaches	
Number of data security breaches in financial year	None

Electronic Waste

Megaworld discards its electronic waste in a responsible manner. Any records or files are copied to a Backup server (an on premise and offsite backup server). Hard drive data are wiped out using hard disk utility to erase the data to prevent data recovery.

There is disposal criteria in place with regard to external processors of electronic waste and the company engages the external processors in signing of the Non-Disclosure Agreement (NDA) sighting Data Privacy Rights in accordance to RA10173 or the PHL Data Privacy Act of 2012 (DPA).

EXHIBIT 24: MEGAWORLD ELECTRONIC WASTE, FY2019

Electronic Waste Management	
Fate of electronic waste not processed at site	Copy of records/files are stored on a backup server Sent for disposal to DENR accredited treaters
Record maintained regarding end fate of waste electronics	Certificate or notice of removal/destruction of data Certificate of treatement from a DENR Accredited Treater
Disposal criteria	Signing of the Non-Disclosure Agreement (NDA) sighting Data Privacy Rights in accordance to RA10173 or the PHL Data Privacy Act of 2012 (DPA) Disposed only through DENR accredited transporter and treaters

Stakeholder Management

Megaworld considers suppliers, communities and customers as its primary stakeholders. The company has a vendor code of conduct and suppliers must have relevant permits to operate with Megaworld. The company has a Client Relations Group manual and policies for developing and maintaining customer satisfaction. The company also has programs and initiatives for the betterment of the communities it operates within.

EXHIBIT 26: MEGAWORLD STAKEHOLDER MANAGEMENT, FY2019

Procurement and Supply Chain Management	
Supply chain procurement policies	Yes
Supplier code of conduct	Yes
Relationship with community	
Policy for development and maintenance of communities	Yes
Customer Satisfaction	
Policy for developing and maintaining customer satisfaction?	Yes
Customer Complaints	
Number of substantiated complaints on product or service health and safety	70
Number of complaints addressed	70
Policy for development and maintaining customer satisfaction?	Tool for customer satisfaction

EXHIBIT 28: STAKEHOLDER MANAGEMENT, FY2019

Procurement and Supply Chain Management	
Supply chain procurement policies	Yes
Customer Satisfaction	
Policy for developing and maintaining customer satisfaction?	No, but are resolved by the Credit and Collections and Customer Relations departments

Business Ethics

Megaworld has implemented several policies to ensure that it conducts business in a fair manner. Megaworld has anti-money laundering policies, anti-corruption policies and mechanisms for raising grievances. Megaworld is compliant with applicable local and national laws related to land development and their green space requirements. Megaworld also does Environmental Impact Assessments for all its projects in compliance with PD 1586 (Philippine Environmental Impact Statement System) and other environmental protection laws.

Megaworld has an Ethics Committee that receives reports of wrongdoing by the company’s directors, senior management and employees and investigates them while at the same ensuring confidentiality of information and protection of the whistleblowers.

EXHIBIT 29: MEGAWORLD GOVERNANCE INDICATORS, FY2019

Total amount of monetary losses as a result of legal proceedings associated with money laundering	**None**
Anti-money laundering policy in place	Compliance to Philippines anti-money laundering law
Anti-corruption policy in place	Company's manual of corporate governance
Grievance mechanism in place	Ethics Committee
Environmental management policy	Compliance with PD 1586 (Philippine Environmental Impact Statement System) and other Environmental protection laws
Contamination management policy	Compliance with Republic Act 6969
Contamination risk policy	Compliance with: 1. Republic Act 8749: Clean Air Act of 1999 2. Republic Act 9003: Ecological & Solid Waste Act of 2000 3. Republic Act 2975: Clean Water Act of 2004

Travellers Governance

Data Privacy and Security

In FY2019, Travellers has collected and stored data for 2,232,412 RWM members, 54,269 hotel guest and 6,000 employees. Data is safely disposed of after it is utilized. Defective data storage devices are physically destroyed and disposed through Disposal Request Form (DRF) submitted and forwarded to Safety, Environment and Pollution Control for Proper Waste Disposal.

EXHIBIT 32: DATA PRIVACY AND SECURITY, FY2019

Data Management Practices	
Number of RWM members for whom data was primarily stored	2,232,412
Data Breaches	
Number of data security breaches in financial year	None

Electronic Waste

Travellers discards its electronic waste in a responsible manner. Outdated and defective electronic equipment, replacements and disposal of equipment parts are witnessed by representatives from PAGCOR, BOC and PEZA before destruction. The replacement of used or defective LED bulbs, lamps and screens and all WEEE are first packed in a polyethylene or PVC drums, which is then picked up by the DENR accredited hazardous waste transporter and brought to the TSD facility for treatment and disposal. During the period from January to March 2019, a total of 1.529 metric tonnes of e-waste was sent for disposal through a DENR accredited service provider.

EXHIBIT 33: ELECTRONIC WASTE, FY2019

Electronic Waste Management	
Fate of electronic waste not processed at site	Sent for disposal to DENR accredited processors
Record maintained regarding end fate of waste electronics	Disposal Request Form (DRF) and company asset registry
Disposal criteria	Disposed only through DENR accredited transporter and processors

Business Ethics

Travellers has implemented several policies to ensure that it conducts business in a fair manner. Travellers has anti-money laundering policies, anti-corruption policies and mechanisms for raising grievances. All projects have an Environmental Impact Assessment/Statement (EIS) and an Environmental Compliance Certificate from the Environmental Management Bureau of the Department of Environment & Natural Resources (EMB-DENR). In addition, Travellers strictly complies with the following laws:

- Republic Act 6969: Control of toxic substances and hazardous and nuclear wastes
- Republic Act 8749: Clean Air Act of 1999
- Republic Act 9003: Ecological & Solid Waste Act of 2000
- Republic Act 9275: Clean Water Act of 2004

EXHIBIT 34: GOVERNANCE INDICATORS, FY2019

Total amount of monetary losses as a result of legal proceedings associated with money laundering	**N/A**
Anti-money laundering policy in place	Company's Money Laundering Prevention Program
Anti-corruption policy in place	Company's Manual on Procurement and Logistics
Grievance mechanism in place	Company's Whistle Blower Program
Environmental management policy	Environmental compliance certificate from EMB-DENR
Contamination management policy	Compliance with Republic Act 6969
Contamination risk policy	Compliance with DENR guidelines

Appendix I – Setting Science-Based GHG Reduction Targets

Targets to reduce GHG emissions are considered science-based if they align with the level of decarbonization needed to keep global temperature increase <2°C compared to preindustrial temperatures, per the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC)[3].

The Science Based Targets Initiative is a joint initiative of CDP, the UN Global Compact, the World Resources Institute, and WWF.[2] The initiative allows companies to choose from several target-setting methods, depending on the requirements of their sector. Researchers developed the Sectoral Decarbonization Approach through a multi-stakeholder process, which allocates the 2°C carbon budget to different sectors and limits any single company's GHG emissions to an amount based on its "fair share."[2]

This method takes account of inherent differences among sectors, such as how fast each sector can grow relative to economic and population growth. Within each sector, companies can derive their science-based emission reduction targets based on their relative contribution to the total sector activity and their carbon intensity relative to the sector's intensity in the base year.

Science-based GHG reduction targets are a natural next step and can assist a company in targeting improvement in the most-needed areas, such as the energy mix of power generation, transport and logistics. In addition, science-based targets will ensure that the company's reduction goals "are in line with the level of decarbonization required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperatures."[2]

As of December 2019, 742 companies have committed to science-based targets. While the Science Based Target Initiative accepts both absolute and intensity targets, there is a preference for setting absolute targets, as they ensure an overall reduction in GHG emissions relative to the remaining carbon budget. However, Trucost recommends that companies set both absolute and intensity targets to provide the most transparency to stakeholders. Using both targets also can help track real reductions in emissions and improvements to efficiency performance, while allowing for flexibility in addressing stakeholder needs.

[3] https://www.ipcc.ch/assessment-report/ar5/

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